

## Guide to the Financial Statements and Tax Returns

The Bill & Melinda Gates Foundation (the Foundation) and the Bill & Melinda Gates Foundation Trust (the Trust) are tax-exempt private foundations. The Trust holds and manages the donated investment assets from Bill and Melinda Gates, and Warren Buffett. The proceeds from the investments are transferred to the Foundation. The Foundation then distributes funds in the form of grants, direct charitable expenses, program related investments, and operational expenses. For more information about the two-entity structure please refer to [our website](#).

We prepare annual audited financial statements and tax returns. These public documents provide information about the charitable activities and finances of the entities.

The audited financial statements of each entity are prepared annually in accordance with U.S. generally accepted accounting principles and an audit opinion is issued by our independent auditors.

The Foundation and Trust also complete Internal Revenue Service (IRS) forms 990-PF annually. The form is used by the IRS to calculate a foundation’s annual payout requirement, to monitor key activities and assess excise taxes.

### Payout

To qualify for certain tax exemptions, foundations must make charitable disbursements that are based on the size of their assets. The required amount is shown on Page 8, Part XI, Line 7 of Form 990-PF.

The chart below shows the expenses that count towards a foundation’s annual disbursement requirement and where these numbers are found on the financial statements and tax return:

Expenses	Audited Financial Statements	Tax Return
Grants	Statements of Activities – spread across Global Programs, US Program, and Other Charitable Programs based on function. This can also be found in Note 7.	Page 1, Part 1, Line 25. The amount in column (a) is on an accrual basis of accounting and column (d) is on a cash basis.
Direct Charitable	Statements of Activities – spread across all expense categories based on function. This can also be found in Note 7.	Page 7, Part IX-A
Program and Administrative	Statements of Activities – spread across all expense categories based on function. This can also be found in Note 7.	Page 1, Part 1, Line 24 less the amounts reported on Page 7, Part IX-A
Program Related Investments	Statement of Activities - spread across Global Programs, US	Page 7, Part IX-B

# BILL & MELINDA GATES foundation

	Program, and Other Charitable Programs based on function. This can also be found in Note 5.	
Capital Costs for Charitable-Use Assets	Statements of Cash Flows	Page 8, Part XII, Line 2
Total Charitable Disbursements	Statements of Activities - Expenses	Page 8, Part XII, Line 4

The key differences between the numbers reported on the financial statements and the tax return are:

- Grant expense embedded within Global Programs, US Program, and Other Charitable Programs on the Statements of Activities includes the grants paid during the year as well as the present value of expected future payments promised in the current year. The tax return uses only grants paid during the year in the calculation of total charitable disbursements.
- The tax return excludes contributed services from both income and expenses.
- Unrealized gains and losses are reported as an expense within the Statement of Activities (Global Programs, US Program, and Other Charitable Programs) in the financial statements. Only realized gains and losses are reported in Part I of the tax return. Unrealized gains and losses can be found in Part III of the tax return.

## Contributions

The Foundation primarily receives contributions from the Trust. Contributions to the Trust are made by Bill and Melinda Gates, and Warren Buffett. Unsolicited contributions and bequests are often received from the general public. Contribution income is found on the Statements of Activities in the financial statements. The tax return discloses contributions on Page 1, Part I, Line 1. Schedule B of the tax return discloses the details of all contributions in excess of \$5,000.

## Net Assets

Total net assets of each entity are disclosed in the Statements of Financial Position in the audited financial statements and on Page 2, Part II, Line 30 of the tax return. The net assets of the Foundation include its interest in the assets of the Trust, as well as the liability for future grant payments.

## Taxes

Private foundations are exempt from income tax on most types of income, but are required to pay an excise tax of on net investment income. A foundation may reduce its excise tax rate to 1% if it disburses a sufficient amount above the minimum required disbursement. The calculation to determine whether a foundation qualifies for the reduced tax rate is shown on Page 3, Part V of the tax return.

Tax expense is included within Management and general expenses on the Statements of Activities in the financial statements and Page 1, Part I, Line 18 of the tax return. These amounts include federal excise and income tax, as well as various other taxes related to real estate holdings and investments.