



2012 ANNUAL REPORT

BILL & MELINDA
GATES foundation



Letter from the CFO

I'm pleased to share our 2012 Annual Report.

The complete audited financial statements are available for viewing or downloading at our [website](#), where you can also learn more about our grantmaking strategy and the grants we made in 2012.

In recent decades, the global community has achieved amazing success working together, but big challenges remain. Working with partners, we believe it's possible to address these problems and create a world in which all people have the chance to lead healthy, productive lives.

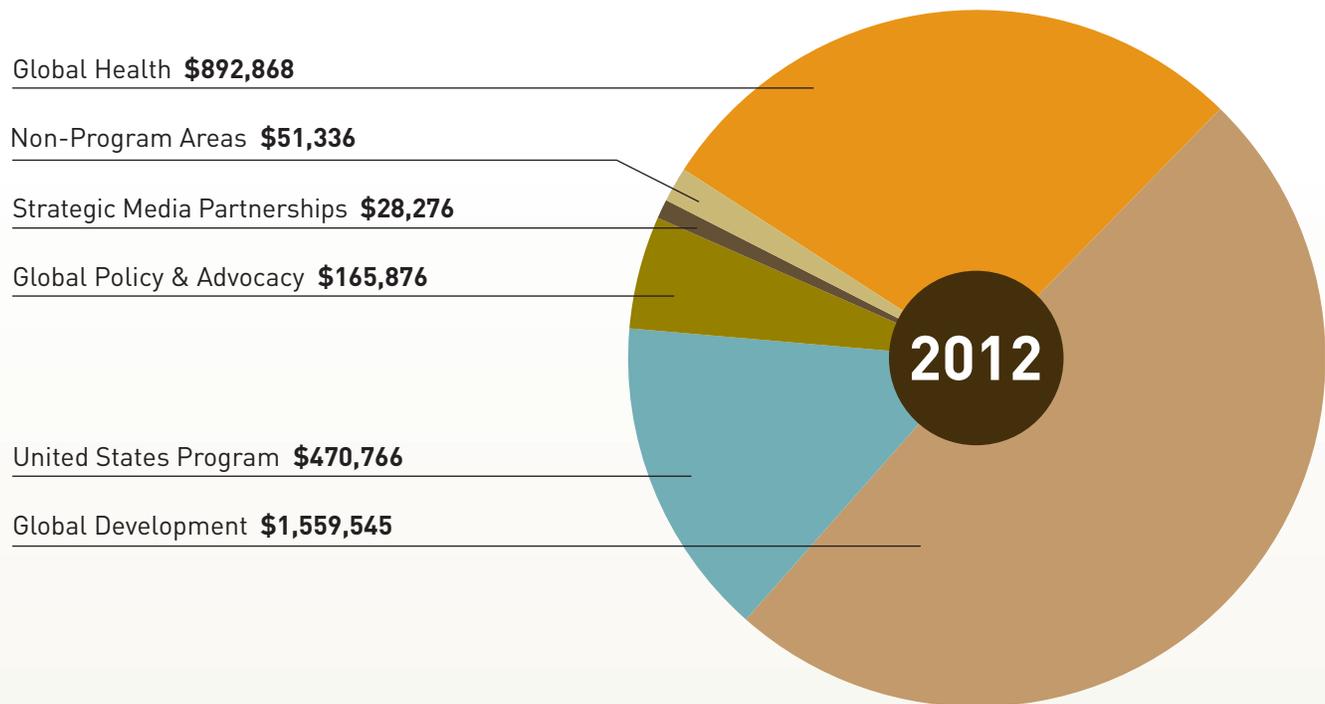
A handwritten signature in black ink, appearing to read 'Richard Henriques', with a long horizontal flourish extending to the right.

Richard Henriques
Chief Financial Officer
Bill & Melinda Gates Foundation

On the cover: Betula Shemisa is one of more than 34,000 community health workers in Ethiopia who have helped the country reduce childhood deaths and make other health improvements during the last decade. (Dalocho, Ethiopia, 2012)

2012 Funding Areas

For the Year ended December 31, 2012
Amounts in thousands of U.S. dollars



PROGRAM AREAS	2012
Global Development	1,559,545
Global Health	892,868
United States Program	470,766
Global Policy & Advocacy	165,876
Strategic Media Partnerships	28,276
NON-PROGRAM AREAS	
Family Interest	46,011
Employee Matching Gifts & Sponsorships	5,325
Total Grants Paid	3,168,667

Consolidated Statements of Financial Position

As of December 31, 2012 and 2011
Amounts in thousands of U.S. dollars

	2012	2011
ASSETS		
Cash	4,998	10,810
Beneficial interest in the net assets of Bill & Melinda Gates Foundation Trust	36,371,337 ⁽¹⁾	33,778,997 ⁽¹⁾
Prepaid expenses and other assets	10,776	3,963
Program-related investments, net	75,861	129,658
Property and equipment, net	713,805 ⁽²⁾	716,695 ⁽²⁾
Total Assets	\$ 37,176,777	\$ 34,640,123
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	59,420	52,502
Accrued and other liabilities	55,151	46,835
Grants payable, net	5,111,593 ⁽³⁾	5,705,046 ⁽³⁾
Total Liabilities	5,226,164	5,804,383
Net Assets		
Unrestricted	31,950,613	28,835,740
Total Liabilities and Net Assets	\$ 37,176,777	\$ 34,640,123

(1) The Bill & Melinda Gates Foundation has a two-entity structure. One entity, the Bill & Melinda Gates Foundation ("foundation"), distributes money to grantees. The other, the Bill & Melinda Gates Foundation Trust ("trust"), manages the endowment assets. The foundation and the trust are separate legal entities with independently audited financial statements. However, the legal documents that govern the trust obligate it to fund the foundation in whatever dollar amounts are necessary to accomplish the foundation's charitable purposes. Because the foundation has the legal right to call upon the assets of the trust, the foundation's financial statements reflect an interest in the net assets of the trust in accordance with generally accepted accounting principles (GAAP).

(2) Property and equipment for the foundation includes land and capitalized expenditures related to the foundation's campus headquarters and Visitor Center located in downtown Seattle and completed in May 2011 and February 2012, respectively. IRIS Holdings, LLC (IRIS) is the legal entity that owns the land and campus buildings. Since the foundation is the sole owner of IRIS, the financial statements of the two entities are presented here on a consolidated basis.

(3) Grants payable reflects the total amount of grants approved for payment in future periods (\$5.4 billion in 2012 and \$6.1 billion in 2011), discounted to the present value as of December 31, 2012 and 2011, as required by GAAP.

General Note: More information about the financial positions of the trust and the foundation are available in their respective audited financial statements provided on the foundation's website.

Consolidated Statements of Activities

For the Years ended December 31, 2012 and 2011
Amounts in thousands of U.S. dollars

	2012	2011
CHANGE IN NET ASSETS		
Revenues and gains		
Contributions and other income	2,753	2,783
Investment income	990	622
Total revenues and gains	3,743	3,405
Expenses and losses		
Grants	2,673,358 ⁽²⁾	4,373,582 ⁽²⁾
Direct charitable expenses	229,934 ⁽³⁾	165,542 ⁽³⁾
Program and administrative expenses	450,928	424,043
Federal excise and other taxes	40	119
Total expenses and losses	3,354,260	4,963,286
Change in net assets before beneficial interest	(3,350,517)	(4,959,881)
Change in beneficial interest in the Bill & Melinda Gates Foundation Trust:		
Contributions from the Trust	3,873,050 ⁽¹⁾	3,961,860 ⁽¹⁾
Changes in net assets of the Trust	2,592,340 ⁽⁴⁾	(2,941,212) ⁽⁴⁾
Changes in net assets	3,114,873	(3,939,233)
Unrestricted net assets, beginning of year	28,835,740	32,774,973
Unrestricted net assets, end of year	\$ 31,950,613	\$ 28,835,740

⁽¹⁾ The Bill & Melinda Gates Foundation has a two-entity structure. One entity, the Bill & Melinda Gates Foundation ("foundation"), distributes money to grantees. The other, the Bill & Melinda Gates Foundation Trust ("trust"), manages the endowment assets. The trust makes contributions to the foundation to fund the foundation's grantmaking activities and its operating costs. The foundation and the trust are separate legal entities with independently audited financial statements. The foundation received \$3.873 billion in contributions from the trust in 2012, which were used to fund the foundation's operations comprised of grants to third parties, program-related investments and other direct charitable expenses, operating costs, and capital expenditures.

⁽²⁾ Grant expense includes cash payments made during 2012 of \$3.2 billion (see Grants Paid Summary for detail), as well as an adjustment to record expenses related to grants approved for payment in future years. The future grants payable portion is then discounted to the present value as of December 31, 2012, as required by GAAP. Presented in the accompanying grants paid summary is grant expense on a cash basis, consistent with the reporting basis required in the annual 990-PF tax return.

⁽³⁾ Direct charitable expense includes payments made to third parties for charitable purposes. Examples of direct charitable expenses include payment for consulting services provided for grantees' benefit and travel costs to bring grantees and other participants together. Direct charitable expenses, working in tandem with grants, are an effective means of achieving charitable goals and are disclosed separately in the audited financial statements to distinguish these from operational costs of running the foundation.

⁽⁴⁾ The legal documents that govern the trust obligate it to fund the foundation in whatever dollar amounts are necessary to accomplish the foundation's charitable purposes. Because the foundation has the legal right to call upon the assets of the trust, the foundation's financial statements reflect an interest in the net assets of the trust in accordance with GAAP.

General Note: More information about the financial positions of the trust and the foundation are available in their respective audited financial statements provided on the foundation's website.

Grants Paid by Strategy Summary

For the Year ended December 31, 2012

Amounts in thousands of U.S. dollars

GLOBAL DEVELOPMENT	1,559,545
Agricultural Development	375,338
Polio	365,775
Vaccine Delivery	304,911
Family Health	200,439
Water, Sanitation & Hygiene	83,393
Family Planning	60,692
Financial Services for the Poor	60,254
Special Initiatives	55,691
Global Libraries	37,403
Integrated Delivery	15,649
GLOBAL HEALTH	892,868
HIV/AIDS	219,154
Malaria	170,864
Tuberculosis	114,723
Pneumonia	104,530
Enteric and Diarrheal Diseases	98,533
Neglected Infectious Diseases	81,145
Discovery Cross-Cutting	77,384
Special Initiatives	13,538
Integrated Development	10,948
Life Sciences Partnerships	2,049
UNITED STATES PROGRAM	470,766
U.S. Education	399,504
Pacific Northwest Community	33,110
Advocacy <i>(Amount does not include advocacy and policy spending specific to individual strategies)</i>	21,292
Administration	13,590
Special Initiatives	3,270
GLOBAL POLICY & ADVOCACY	165,876
GPA Core	124,165
Tobacco	27,945
Charitable Sector Support	7,408
Advocacy <i>(Amount does not include advocacy and policy spending specific to individual strategies)</i>	6,358
STRATEGIC MEDIA PARTNERSHIPS	28,276
OPERATIONS / NON-PROGRAM GRANTS	51,336
Family Interest	46,011
Employee Matching Gifts & Sponsorships	5,325
Total Grants, Matching Gifts & Sponsorships	3,168,667



Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people—especially those with the fewest resources—have access to the opportunities they need to succeed in school and life. Based in Seattle, Washington, the foundation is led by CEO Jeff Raikes and Co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett.

For additional information on the Bill & Melinda Gates Foundation, please visit our website: www.gatesfoundation.org

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