



CONSOLIDATED FINANCIAL STATEMENTS

Gordon E. and Betty I. Moore Foundation  
Years Ended December 31, 2011 and 2010  
With Report of Independent Auditors

Ernst & Young LLP



Gordon E. and Betty I. Moore Foundation

Consolidated Financial Statements

Years Ended December 31, 2011 and 2010

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## Report of Independent Auditors

The Board of Trustees  
Gordon E. and Betty I. Moore Foundation and Subsidiary

We have audited the accompanying consolidated statements of financial position of Gordon E. and Betty I. Moore Foundation and subsidiary (the Foundation) as of December 31, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gordon E. and Betty I. Moore Foundation and subsidiary at December 31, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

July 10, 2012

Gordon E. and Betty I. Moore Foundation  
Consolidated Statements of Financial Position

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 37,427,398	\$ 64,637,392
Dividends and interest receivable	1,580,024	1,718,138
Investments, at fair value	5,170,716,210	5,367,193,179
Investment redemption receivables	109,980,248	102,285,669
Program-related investment	128,644	219,289
Property and equipment, net of accumulated depreciation	45,340,042	48,412,927
Prepaid federal excise tax	1,130,552	–
Prepaid expenses and other assets	369,390	822,169
Total assets	<u>\$ 5,366,672,508</u>	<u>\$ 5,585,288,763</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 9,578,413	\$ 9,728,376
Grants payable	48,376,915	65,964,782
Federal excise tax payable currently	–	1,269,459
Deferred federal excise tax	3,636,760	5,785,514
Total liabilities	<u>61,592,088</u>	<u>82,748,131</u>
Net assets, unrestricted	<u>5,305,080,420</u>	<u>5,502,540,632</u>
Total liabilities and net assets	<u>\$ 5,366,672,508</u>	<u>\$ 5,585,288,763</u>

*See accompanying notes.*

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Activities and Changes in Net Assets

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Investment income:		
Dividends	\$ 13,082,108	\$ 15,363,642
Interest	4,663,735	5,632,763
Partnership distributions	92,905,154	45,631,551
Realized gains on sale of investments	117,979,468	125,145,160
Net unrealized gain/(loss) on investments	(164,985,071)	482,308,113
Total investment income	<u>63,645,394</u>	<u>674,081,229</u>
Investment expenses	16,083,802	16,119,828
Taxes	(3,421,354)	(2,279,181)
Net investment income	<u>50,982,946</u>	<u>660,240,582</u>
Expenses:		
Grants	222,719,483	226,688,561
Supporting expenses	25,723,675	27,030,896
Total expenses	<u>248,443,158</u>	<u>253,719,457</u>
Increase/(decrease) in net assets	(197,460,212)	406,521,125
Unrestricted net assets, beginning of year	<u>5,502,540,632</u>	<u>5,096,019,507</u>
Unrestricted net assets, end of year	<u><u>\$ 5,305,080,420</u></u>	<u><u>\$ 5,502,540,632</u></u>

*See accompanying notes.*

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Interest, dividends and partnership distributions received	\$ 110,879,754	\$ 67,880,585
Tax refunds (payments)	(1,127,411)	874,475
Cash paid to investment managers, suppliers and employees	(38,025,265)	(39,145,353)
Grants paid	(240,307,350)	(247,769,481)
Net cash used in operating activities	<u>(168,580,272)</u>	<u>(218,159,774)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(2,560,557,239)	(661,974,114)
Proceeds from sale of investments	2,702,334,028	834,044,059
Purchases of property and equipment	(406,511)	(1,838)
Net cash provided by investing activities	<u>141,370,278</u>	<u>172,068,107</u>
Net decrease in cash and cash equivalents	(27,209,994)	(46,091,667)
Cash and cash equivalents, beginning of year	64,637,392	110,729,059
Cash and cash equivalents, end of year	<u>\$ 37,427,398</u>	<u>\$ 64,637,392</u>
Increase/(decrease) in net assets	\$ (197,460,212)	\$ 406,521,125
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	3,479,396	3,601,235
Deferred federal excise tax	(2,148,754)	1,450,442
Net realized and unrealized (gain) loss on investments	47,005,601	(607,453,273)
Changes in operating assets and liabilities:		
Dividends and interest receivable	138,114	1,252,629
Program-related investment	90,645	-
Prepaid expenses and other assets	452,779	(272,257)
Accounts payable and accrued liabilities	(149,963)	676,393
Grants payable	(17,587,867)	(21,080,920)
Federal excise tax payable currently	(2,400,011)	(2,855,148)
Net cash used in operating activities	<u>\$ (168,580,272)</u>	<u>\$ (218,159,774)</u>
<b>Supplemental data for non-cash activities</b>		
Investment redemption receivable	<u>\$ 109,980,248</u>	<u>\$ 102,285,669</u>

See accompanying notes.

# Gordon E. and Betty I. Moore Foundation

## Notes to Consolidated Financial Statements

December 31, 2011

### **1. The Organization**

The Gordon E. and Betty I. Moore Foundation (the Foundation) is a tax-exempt private foundation established by Gordon and Betty Moore in September 2000. The Foundation seeks to advance environmental conservation and scientific research around the world and improve the quality of life in the San Francisco Bay Area. For more information, visit the Foundation's Web site at [www.moore.org](http://www.moore.org).

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The consolidated financial statements and accompanying notes are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and short term investment funds maintained at commercial banks and are held for operating purposes. The Foundation considers all highly liquid instruments with maturities of three months or less at the time of purchase to be cash equivalents.

#### **Investments**

Investments are carried at fair value. Stocks and bonds that are listed on national securities exchanges, quoted on NASDAQ, or on the over-the-counter market are valued at the last reported sale price, or in the absence of a recorded sale, at the most recent bid price at the reporting date. Futures, forwards, and options that are traded on exchanges are valued at the last reported sale price or, if they are traded over-the-counter, at the most recent bid price.

Commingled funds are valued at amounts reported by the investment manager, which are generally based on the last reported sale price of the securities held by such funds.

Since there is no readily available market for investments in limited partnerships and limited liability companies (LLCs), such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid, such as private debt and equity securities, or real estate or other assets. The December 31

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

valuations of these investments are based upon year-end values provided by the investment managers, based on guidelines established by those investment managers, and consideration of other factors related to the Foundation's interests in these investments. The Foundation obtains and considers the audited financial statements of such investments when evaluating the overall reasonableness of carrying value. The Foundation believes this method provides a reasonable estimate of fair value. However, the recorded value may differ from market value had a readily available market existed for such investments, and those differences could be material.

Investment transactions are recorded on the trade date. Realized gains or losses that result from market fluctuations are recognized in the period such fluctuations occur and are computed using the specific identification method. Dividend and interest income are accrued when earned. Gains from private equity funds, which may be received in cash or securities, are reflected in investment income as partnership distributions.

Assets and liabilities denominated in foreign currencies at year end are translated into U.S. dollars based upon exchange rates as of December 31 with any resulting adjustment included in net unrealized gains and losses in investments. Transactions in foreign currencies during the year are translated into U.S. dollars at the exchange rate prevailing on the transaction date and recorded as realized gains on sale of investments.

#### **Property and Equipment**

Property and equipment is stated at cost and depreciated using the straight-line method over estimated useful lives of 3 to 39 years. Leasehold improvements for the Foundation's Palo Alto premises are depreciated using the straight-line method over the remaining lease term of approximately 29 years.

#### **Grants**

Grants are recognized as expense when the unconditional promise to give is approved. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. The Foundation ordinarily makes grants to organizations that qualify as public charities under the Internal Revenue Code. When distributions are made to non-qualifying organizations, the Foundation assumes the responsibility for ultimate charitable use.



## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, interest and dividends receivable, investment redemption receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items. The carrying value of grants payable approximates fair value since they are carried at their expected payment amounts discounted to present value. The program-related investment is carried at cost, which approximates fair value.

##### **Principles of Consolidation**

The Foundation's consolidated financial statements include the accounts of GBMF International, Ltd., a wholly owned investment holding company. All inter-company accounts and transactions have been eliminated in consolidation.

##### **Taxes**

The Foundation qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, because the Foundation is classified as a private foundation, it is subject to a federal excise tax on net investment income (its principal source of revenue), and investments in some limited partnerships give rise to taxable federal and state unrelated business income. The Foundation provides for deferred federal excise tax at an estimate of the effective rate expected to be paid.

##### **Use of Estimates**

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses and disclosure of commitments. Actual results and outcomes may differ from management's estimates and assumptions, and such differences could be material.

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **New Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-06, *Improving Disclosures about Fair Value Measurements*. Portions of ASU 2010-6 that became effective for 2011 include disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. The adoption of this guidance did not have an impact on the Foundation’s financial position, results of operations, or cash flows.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 clarifies existing fair value guidance and amends Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*. Changes to U.S. GAAP in ASU 2011-04 which impact the Foundation include exempting private entities from disclosing transfers in and out of Level 1 and Level 2, disallowing the use of blockage discounts in measuring fair value, and for Level 3 fair value measurements, requiring additional quantitative disclosure about significant unobservable inputs used to arrive at the measurement and a description of the reporting entity’s valuation process. ASU 2011-04 is effective for interim and annual reporting periods beginning after December 15, 2011. Management does not expect the adoption of ASU 2011-04 to have a material impact on the Foundation’s financial position, results of operations, or cash flows.

#### **3. Investments**

The investment goal of the Foundation is to maintain or grow its spending power in real (inflation adjusted) terms with risk at a level appropriate to the Foundation’s programmatic spending and objectives. The Foundation diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies. The financial assets of the Foundation are managed by a select group of external investment management firms and held in custody by a major commercial bank, except for assets invested with partnerships, LLCs and commingled funds, which have separate arrangements appropriate to their legal structure.

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and bonds. The Foundation maintains its cash and cash equivalents with high quality financial institutions and such amounts may exceed Federal Deposit Insurance Corporation limits. The Foundation’s investments in corporate and government bonds are exposed to issuer credit risk until these bonds are sold or mature.

Gordon E. and Betty I. Moore Foundation

Notes to Consolidated Financial Statements (continued)

**3. Investments (continued)**

The Foundation's investment portfolio consists of the following:

	December 31			
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Public equity investments with managers	\$ 1,188,797,081	\$ 1,550,076,763	\$ 1,221,556,324	\$ 1,735,096,092
Fixed income investments with managers	522,481,540	534,087,927	514,838,942	523,092,398
Hedge and private equity funds	2,386,029,256	2,948,639,640	2,324,520,794	2,878,772,420
Registered investment companies	55,873,062	57,642,725	61,667,994	87,804,920
Cash pending investment	–	–	23,000,000	23,000,000
Cash with investment managers	79,952,980	80,269,155	119,041,763	119,427,349
<b>Total</b>	<b>\$ 4,233,133,919</b>	<b>\$ 5,170,716,210</b>	<b>\$ 4,264,625,817</b>	<b>\$ 5,367,193,179</b>

Cash pending investment represents funds committed to investments with fund closings in January of the following year. As of December 31, 2011 and 2010, the Foundation is committed to make additional investments of approximately \$559 million and \$665 million, respectively, to hedge and private equity funds in future years.

Individual investment holdings that represent greater than 5% of the total fair value of investments consist of the following:

	December 31			
	2011		2010	
	Cost	Fair Value	Cost	Fair Value
State Street U.S. Treasury 1–3 Year Index Commingled Fund	\$ 500,386,866	\$ 512,099,706	\$ 515,987,501	\$ 524,242,154
Adage Capital Partners, L.P.	155,359,542	260,487,016	163,132,160	269,993,536

Some investment managers retained by the Foundation have been authorized to use financial derivative instruments in a manner set forth by the Foundation's written investment policy and specific manager guidelines. Accordingly, the investments of the Foundation include financial instruments involving contractual commitments for future settlements, such as futures and options. Futures and options trading are confined exclusively to recognized futures and options exchanges. Accordingly, the exchange clearinghouse acts as counterparty to the trade, reducing the counterparty credit risk. Investment managers, acting on behalf of the Foundation, both

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **3. Investments (continued)**

purchase and write options. To minimize the risk of loss associated with options trading, the Foundation requires investment managers to employ strategies consistent with prudent investment management.

The Foundation records its financial derivative instruments on a fair value basis with changes in value reflected in the accompanying consolidated statements of activities and changes in net assets. The fair values of such positions represent net unrealized gains and losses, and consequently, net receivables and payables at December 31, 2011 and 2010, and are included within investments in the consolidated statements of financial position. Additionally, the Foundation has investments in commingled funds, limited partnerships and LLCs which invest in a variety of derivative contracts. As a result of active trading and a changing investment environment, the use, type, and amount of derivative instruments held by these investments may vary substantially from period to period.

The net fair value of the Foundation's derivative holdings at December 31, 2011 was \$1.9 million, in which \$2.1 million were in derivative assets and \$0.2 million were in derivative liabilities, which are reflected within the consolidated statements of financial position under *Investments, at fair value*. The primary types of derivative risk exposures are foreign exchange, commodity, equity and other contracts. The total notional amounts related to these derivatives were \$52.0 million, which are not material to the Foundation's overall investments at December 31, 2011.

In the opinion of the Foundation's management, the use of financial derivative instruments in its investment program is appropriate and customary for the investment strategies employed. Using those instruments reduces certain investment risks and may add value to the portfolio. The instruments themselves, however, do involve investment and counterparty risk in amounts greater than what are reflected in the Foundation's consolidated financial statements. Management expects that losses from such investments, if any, would not materially affect the consolidated financial position of the Foundation.

At December 31, 2011 and 2010, approximately 80% and 78%, respectively, of the Foundation's investment assets were invested in limited partnerships, commingled funds and LLCs. Such investments generally have limited liquidity due to the structure, term, and investment strategy of the funds.

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### 4. Fair Value

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value disclosure framework which prioritizes and ranks the level of observable inputs used in measuring investments at fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1* – Inputs based on quoted prices for identical assets or liabilities in an active market that the Foundation can access. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market usually provides the most reliable evidence of fair value and is generally used without adjustment if available.
- Level 2* – Inputs that are observable either directly or indirectly but are not Level 1 inputs. Level 2 inputs include quoted prices for similar instruments, broker quotes, or observable inputs that directly impact value such as interest rates, prepayment speeds and credit risk. Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, and fair value is determined through the use of models or other valuation methodologies. For investments in funds where there is an ability to redeem such investments at the net asset value per share (or its equivalent) at the measurement date or in the near term, the fair value of the investment is generally categorized as Level 2.
- Level 3* – Pricing inputs that are unobservable. Level 3 inputs are generally used in situations where there is little, if any, market activity for the investment. These inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited partnership interests, where there is an inability to redeem such investments at the net asset value per share (or its equivalent) at the measurement date or in the near term.

Gordon E. and Betty I. Moore Foundation

Notes to Consolidated Financial Statements (continued)

**4. Fair Value (continued)**

The following table presents the investments carried on the consolidated statements of financial position by level within the valuation hierarchy as of December 31, 2011 and 2010, respectively:

<b>December 31, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Public equity investments with managers	\$ 368,326,077	\$ 484,336,523	\$ 697,414,163	\$ 1,550,076,763
Fixed income investments with managers	71,404	534,016,523	–	534,087,927
Hedge and private equity funds	–	1,161,352,359	1,787,287,281	2,948,639,640
Registered investment companies	57,642,725	–	–	57,642,725
Cash with investment managers	80,268,942	213	–	80,269,155
Total as of December 31, 2011	<u>\$ 506,309,148</u>	<u>\$ 2,179,705,618</u>	<u>\$ 2,484,701,444</u>	<u>\$ 5,170,716,210</u>
<b>December 31, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Public equity investments with managers	\$ 418,303,240	\$ 545,468,647	\$ 771,324,205	\$ 1,735,096,092
Fixed income investments with managers	100,168	522,992,230	–	523,092,398
Hedge and private equity funds	–	1,157,358,350	1,721,414,070	2,878,772,420
Registered investment company	87,804,920	–	–	87,804,920
Cash pending investment	23,000,000	–	–	23,000,000
Cash with investment managers	119,427,154	195	–	119,427,349
Total as of December 31, 2010	<u>\$ 648,635,482</u>	<u>\$ 2,225,819,422</u>	<u>\$ 2,492,738,275</u>	<u>\$ 5,367,193,179</u>

The following table includes a rollforward of the amounts for the years ended December 31, 2011 and 2010 for investments classified within Level 3:

Balance at December 31, 2009	\$ 1,959,523,432
Purchases (sales), net	73,330,442
Net realized and unrealized gain (loss) on investments	367,722,905
Transfers in and/or out of Level 3	92,161,496
Balance at December 31, 2010	<u>2,492,738,275</u>
Purchase of portfolio investments	366,827,251
Proceeds from sale or distribution of investments	(354,265,109)
Net realized gain (loss) on investments	100,116,411
Net change in unrealized gain (loss) on investments	8,989,412
Transfers out of Level 3	(129,704,796)
Balance at December 31, 2011	<u>\$ 2,484,701,444</u>

Gordon E. and Betty I. Moore Foundation

Notes to Consolidated Financial Statements (continued)

**4. Fair Value (continued)**

	<u>2011</u>	<u>2010</u>
Net unrealized gain included in earnings for Level 3 investments held at December 31, 2011 and 2010	<b>\$ 8,989,412</b>	\$ 308,032,830

Transfers out of Level 3 in 2011 were due to changes in redemption provisions and determined at the beginning of the period. Net realized and unrealized gain (loss) are included in the consolidated statements of activities and changes in net assets.

The Foundation invests in alternative investments, which are structured as partnerships, limited liability companies, and offshore investment funds. The following table summarizes the investment strategy types of the alternative investments as of December 31, 2011:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Public equity investments with managers (a)	\$ 697,414,163	\$ –	Quarterly, Annually	30-90 days
Hedge funds (b)	1,564,128,483	2,167,708	Quarterly, Semi-Annually, Annually, Multi-year, None	30-180 days
Private equity funds and Real Assets (c)	1,384,511,157	556,522,658	Quarterly for Real Assets, None for Real Assets and Private equity	90 days – N/A
Total	<u>\$ 3,646,053,803</u>	<u>\$ 558,690,366</u>		

(a) This category includes public equity funds that are structured as limited partnership or limited liability companies. These funds invest primarily in public equity investments in the U.S., developed, and emerging markets. Management of the public equity funds has the ability to invest in growth and/or value styles and across capitalizations. Four managers in this investment category maintain an ability to make private investments. There are no significant restrictions on the Foundation's ability to redeem or liquidate these investments.

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **4. Fair Value (continued)**

- (b) This category includes hedge funds that invest using different strategies, such as long/short equity, credit focused, multi-strategy event, arbitrage and other means. The nature of investments for approximately 5% of the value of the investments in this category provides distributions that are only received through the liquidation of the underlying assets of the fund, either by the design of the fund or because the fund itself is in a liquidation mode; while the timing of such liquidation is uncertain, it is estimated that the underlying assets of the fund would be fully liquidated over 3 to 8 years. In addition, approximately 16% of the value of the investments in this category are subject to multiyear restrictions on withdrawal, with such restrictions ranging from 2 to 5 years.
- (c) This category includes private funds that invest in U.S. oil and gas assets, global commercial real estate, and funds that invest globally across industries in public and private companies. Substantially all of the value of the investments in this category can never be redeemed with the funds. Instead, due to the nature of these investments, distributions are received through the liquidation of the underlying assets of the funds. It is estimated that the underlying assets will be liquidated over the next 3 to 10 years.

#### **5. Investment Redemption Receivables**

Investment redemption receivables represent deemed withdrawals from investment managers for which the cash has not yet been received.

#### **6. Program-Related Investment**

In July 2008, the Foundation made an interest free Canadian Dollar (“CAD”) 720,689 program related investment to Middle Bay Sustainable Aquaculture Institute as bridge financing for the construction phase of their close containment aquaculture trial, of which CAD 131,210 remains outstanding.



## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### 7. Property and Equipment

Property and equipment consisted of the following:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Buildings	<b>\$ 33,803,007</b>	\$ 33,803,007
Leasehold improvements	<b>22,613,381</b>	22,535,047
Furniture, fixtures and equipment	<b>7,651,985</b>	7,323,807
	<b>64,068,373</b>	63,661,861
Less accumulated depreciation and amortization	<b>18,728,331</b>	15,248,934
Property and equipment, net	<b>\$ 45,340,042</b>	\$ 48,412,927

#### 8. Short Term Borrowings

The Foundation maintains a \$150 million uncommitted line of credit (the Line) from a major commercial bank. Future borrowings under the Line, if any, will be free of fees, unsecured, and bear interest at rates selected by the Foundation based on Prime, LIBOR, or a Bank Offered Rate, all as defined. The Line expires on July 31, 2012, but is renewable annually. The Line also contains covenants over financial reporting, liquidity, and other standard and customary corporate governance matters. There were no borrowings or amounts outstanding on the Line or interest expense incurred for the years ended December 31, 2011 and 2010, respectively.

#### 9. Taxes and Payout Requirement

Because the Foundation is classified as a private foundation, it is subject to a federal excise tax of 1% or 2% on net investment income (its principal source of revenue). For the years ended December 31, 2011 and 2010, the Foundation's investment income will be taxed at the 2% tax rate and 1% tax rate, respectively, based on the distribution requirements of Section 4940(e) of the Internal Revenue Code. The Foundation also provides for deferred federal excise tax on unrealized gains on investments at a rate of 2%, which is an estimate of the effective rate expected to be paid. In addition, the Foundation's investments in some limited partnerships give rise to taxable federal and state unrelated business income.

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### 9. Taxes and Payout Requirement (continued)

The components of tax expense are as follows:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Current federal excise tax	\$ (681,654)	\$ (1,063,864)
Deferred federal excise tax	(2,148,754)	1,450,442
Unrelated business income tax	(590,946)	(2,665,759)
	<u>\$ (3,421,354)</u>	<u>\$ (2,279,181)</u>

The Internal Revenue Code requires private foundations to annually disburse approximately five percent of the market value of investment assets, less the federal excise tax. This payout requirement may be satisfied by payments for grants, program-related investments, direct conduct of charitable activities and certain administrative expenses. The Foundation had qualifying distributions of \$266 million and \$275 million in fiscal 2011 and 2010, respectively.

The Foundation is expected to meet the payout requirements after application of historical excess distributions carryforward of approximately \$6 million in 2011, and exceeded its payout requirement by \$1 million in 2010. At December 31, 2011, the Foundation's remaining excess distribution carryforwards totaled approximately \$35 million. 2011 amounts are estimated pending finalization of the Foundation's annual tax return on Form 990-PF, with the differences, if any, not expected to be material.

The Foundation believes it has appropriate support for the excise tax and unrelated business income tax positions taken, as well as foreign investment tax positions, and, as such, does not have any uncertain tax positions that result in a material impact on the Foundation's consolidated statements of financial position or consolidated statements of activities and changes in net assets.

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **10. Related Parties**

Certain trustees of the Foundation are also trustees, directors or officers of other Section 501(c)(3) organizations to which the Foundation has awarded grants and may award grants in the future. In these circumstances, the Foundation awards grants pursuant to the Foundation's conflict of interest policy.

#### **11. Retirement Plan**

The Foundation sponsors a defined contribution plan (the Plan) under Internal Revenue Code Section 401(k). The Plan covers all employees who meet eligibility requirements. Contributions to the 401(k) Plan are made by the Foundation semimonthly and vest immediately. Total expenses related to such plan for 2011 and 2010 were approximately \$1.1 million each year.

#### **12. Commitments**

In November 2007, the Foundation approved a commitment of up to \$200 million over a period of 10 years to support further development and construction of the Thirty Meter Telescope (TMT) project. Funding under this commitment will be allocated equally between the California Institute of Technology ("Caltech") and the University of California, who are working in partnership on the TMT project. The fundraising requirement of Caltech and the University of California has been extended due to the slowing of the NSF proposal schedule. The continuation of this commitment beyond 2013 is conditioned on the California Institute of Technology and the University of California each securing a minimum of \$50 million in matching funds. As of December 31, 2011, \$110 million in grants had been awarded under this commitment.

Gordon E. and Betty I. Moore Foundation

Notes to Consolidated Financial Statements (continued)

**12. Commitments (continued)**

The Foundation is also committed to make payments on multi-year grants. Future payments on such awarded but unpaid grants are as follows:

	<u>Unconditional</u>	<u>Conditional</u>
Year ending December 31:		
2012	\$ 13,839,596	\$ 92,052,602
2013	10,483,572	51,489,069
2014	11,139,273	23,224,541
2015	9,393,699	5,528,888
2016 and thereafter	4,119,604	1,186,563
	<u>48,975,744</u>	<u>\$ 173,481,663</u>
Less: Discount to present value	598,829	
	<u>\$ 48,376,915</u>	

Unconditional promises to give are discounted to a net present value using risk-free interest rates ranging from 0.26% to 0.89% and were recognized as grant expense in the period in which they were approved. Conditional promises to give will be recognized as grant expense in the period in which the recipient meets the terms of the condition.

The Foundation also has operating leases for its San Francisco and Palo Alto offices, other facilities, and certain furniture and equipment. Rent expense for the years ended December 31, 2011 and 2010, were \$500,000 and \$1,514,000, respectively.

Future minimum lease payments under operating leases at December 31, 2011 are as follows:

Year ending December 31:	
2012	\$ 263,000
2013	269,000
2014	275,000
2015	281,000
2016 and thereafter	24,000
	<u>\$ 1,112,000</u>

## Gordon E. and Betty I. Moore Foundation

### Notes to Consolidated Financial Statements (continued)

#### **13. Indemnifications**

The Foundation often enters into contracts with consultants whereby the Foundation agrees to indemnify such consultants from liabilities incurred in the course of performing their contracted work, excluding any liabilities incurred by the consultant's own negligence or willful misconduct. The Foundation's maximum exposure under these agreements is unknown; however, the Foundation has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

#### **14. Subsequent Events**

The Foundation has evaluated subsequent events through July 10, 2012, which represents the date the consolidated financial statements are available to be issued.

## Other Financial Information

## Report of Independent Auditors on Other Financial Information

The Board of Trustees  
Gordon E. and Betty I. Moore Foundation and Subsidiary

Our report on the audit of basic consolidated financial statements of Gordon E. and Betty I. Moore Foundation and subsidiary as of December 31, 2011 and 2010, and for the years then ended appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying other financial information on pages 21 to 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Ernst + Young LLP*

July 10, 2012

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed

December 31, 2011

<u>Grantees</u>	<u>Remaining Commitment</u>
Amazon Conservation Team	\$ 196,885
American Association of Colleges of Nursing	251,000
Associação de Defesa Etnoambiental Kanindé	352,142
Battelle Memorial Institute	260,347
Bulkley Valley Centre for Natural Resources Research and Management	178,394
California Academy of Sciences	286,524
California Council on Science and Technology	500,000
California Institute of Technology, Division of Geology and Planetary Sciences	510,895
California Institute of Technology, Division of Geology and Planetary Sciences	1,000,000
Canadian Parks and Wilderness Society, British Columbia Chapter	162,267
Catholic Healthcare West	2,100,000
Catholic Healthcare West, St. Mary's Medical Center	63,389
Center for International Environmental Law	900,000
Center for Quality Systems Improvement	109,000
Center for Quality Systems Improvement	207,000
Centro de Conservacion, Investigacion y Manejo de Areas Naturales	435,000
Chabot Space & Science Center	250,000
Chemical Heritage Foundation	274,000
Children's Discovery Museum of San Jose	248,760
Clark University, Clark Labs	796,228
Coastal First Nations - Great Bear Initiative	254,628
Coastal First Nations - Great Bear Initiative	728,269
Coastal States Stewardship Foundation	184,225
Cold Spring Harbor Laboratory, Office of Sponsored Programs	1,333,332
Community Initiatives	186,586
Conservation Fund	94,933
Conservation International	6,000,000
Conservation International	20,881,350
Conservation Strategy Fund	668,849
Consultative Group on Biological Diversity	65,000
David Suzuki Foundation	147,258
Duke University, Department of Biology	1,333,332
Earth Economics	223,705
Ecoagriculture Partners	100,000
Ecotrust	470,711
Ecotrust Canada	216,796
Environmental Defense Fund	700,000
Environmental Defense Fund	889,226



Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

December 31, 2011

<u>Grantees</u>	<u>Remaining Commitment</u>
Environmental Defense Fund	\$ 1,419,735
Environmental Defense Fund	3,499,681
Equipe de Conservação da Amazônia	1,566,755
Exploratorium	694,261
Exploratorium	980,100
Exploratorium	3,200,000
Fondo Mexicano Para La Conservacion De La Naturaleza	618,315
Forest Ethics	200,431
Forever Costa Rica Association	50,000
Fundação Amazônica da Defesa da Biosfera	652,334
Fundação Bioma	41,402
Fundacao Vitoria Amazonica	789,978
FundAmazonia	152,750
Fundo Brasileiro para a Biodiversidade	201,413
Gaia Amazonas Foundation	125,360
Green Fire Productions	38,500
Gulf of Maine Research Institute	480,500
H. John Heinz III Center for Science Economics and the Environment	249,657
Harvard University, Department of Earth and Planetary Sciences	231,552
Indiana University, Department of Biology	1,333,332
Instituto de Conservação e Desenvolvimento Sustentável do Amazonas	106,851
Instituto de Pesquisa Ambiental da Amazônia	239,439
Instituto do Homem e Meio Ambiente da Amazonia	1,259,305
Instituto Floresta Tropical	93,585
Instituto Internacional de Educação do Brasil	398,541
International Conservation Caucus Foundation	125,000
International Union for Conservation of Nature	669,627
Island Institute	124,070
Iwokrama International Centre for Rain Forest Conservation and Development	284,643
Johns Hopkins University, Department of Physics and Astronomy	400,000
Johns Hopkins University, Department of Physics and Astronomy	581,755
Kaiser Foundation Hospitals	315,000
Life Sciences Research Foundation	171,000
Life Sciences Research Foundation	570,000
Marin General Hospital Foundation	250,000
Marine Affairs Research and Education	350,000
Marine Biological Laboratory	180,247
Massachusetts Institute of Technology, Department of Physics	600,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

December 31, 2011

<u>Grantees</u>	<u>Remaining Commitment</u>
Meridian Institute	\$ 104,689
Michigan State University, MSU-DOE Plant Research Laboratory	1,333,332
Middle Bay Sustainable Aquaculture Institute	29,025
Mills-Peninsula Hospital Foundation	250,000
Ministerio del Ambiente	729,936
Monterey Bay Aquarium Research Institute	2,170,000
Mosaic Event Management	193,092
MRAG Americas, Inc.	2,466,994
Nanwakolas Council	506,398
National Audubon Society, Alaska State Office	187,553
National Fish and Wildlife Foundation	90,000
Natural Resources Defense Council	161,055
Northern Arizona University, School of Forestry	245,590
Northwest Institute for Bioregional Research Society	380,131
Oregon Health & Science University	849,089
Pacific Environment	789,062
Pacific Salmon Foundation	316,914
Palo Alto Medical Foundation	200,000
Parkland Health and Hospital System	652,000
Patrimonio Natural Fondo para la Biodiversidad y Areas Protegidas	1,332,514
Pepperwood Foundation	250,000
Pew Charitable Trusts	1,000,000
Princeton University, Princeton Institute for the Science and Technology of Materials	1,465,146
Resources Legacy Fund	65,225
Resources Legacy Fund	5,000,000
Rutgers University, Institute of Marine and Coastal Sciences	730,000
Salk Institute for Biological Studies, Development Office	1,333,332
San Diego Zoo	197,890
San Francisco General Hospital Foundation	754,763
Secretaria de Estado do Meio Ambiente e Desenvolvimento Sustentável	112,950
Skeena Wild Conservation Trust	497,432
Sociedad Peruana de Derecho Ambiental	621,858
Solano Land Trust	1,900,000
Sonoma Land Trust	232,000
Stanford University, Department of Biology	1,333,332
Stanford University, Department of Civil and Environmental Engineering	132,916
Stanford University, Geballe Laboratory for Advanced Materials	535,000
Stanford University, School of Medicine	1,114,636

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

December 31, 2011

<u>Grantees</u>	<u>Remaining Commitment</u>
Stanford University, Woods Institute for the Environment	\$ 25,000
Stanford University, Woods Institute for the Environment	164,763
Stanford University, Woods Institute for the Environment	399,582
Stanford University, Woods Institute for the Environment	636,177
Sustainable Fisheries Partnership	716,683
Sustainable Northwest	179,806
Sutter Health Systems	944,905
Sweetspring Salmon	150,000
Sweetspring Salmon	205,456
T. Buck Suzuki Environmental Foundation	218,368
The Nature Conservancy	121,710
The Nature Conservancy - Alaska	79,690
The Nature Conservancy - Alaska	1,029,050
Third Sector New England	175,036
Third Sector New England	551,937
Third Sector New England	1,075,571
Tides Canada Foundation	197,612
Tides Canada Foundation	201,500
Tides Canada Foundation	286,017
Tides Canada Foundation	435,375
Tides Canada Foundation	459,563
Tides Canada Foundation	1,456,513
Tides Canada Initiatives	210,588
Trout Unlimited	527,458
Udall Foundation, U.S. Institute for Environmental Conflict Resolution	453,940
United Nations Development Programme	444,959
United Nations Educational, Scientific and Cultural Organization, Intergovernmental Oceanographic Commission	283,840
University of Arizona, Sponsored Projects Services	361,901
University of California, Berkeley Department of Earth and Planetary Science	1,045,000
University of California, Berkeley Department of Environmental Science, Policy, and Management	361,220
University of California, Berkeley Department of Plant and Microbial Biology	1,333,332
University of California, Berkeley Lawrence Hall of Science	699,996
University of California, Davis Department of Plant Biology	1,333,332
University of California, Davis Department of Plant Pathology	184,362
University of California, Davis Department of Plant Sciences	1,333,332
University of California, Davis Health System	27,954,504
University of California, Davis Medical Center	143,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

December 31, 2011

<u>Grantees</u>	<u>Remaining Commitment</u>
University of California, Davis Medical Center	\$ 350,000
University of California, Davis Medical Center	357,000
University of California, Irvine, Department of Physical Sciences	800,000
University of California, Riverside Botany and Plant Sciences Department	1,333,332
University of California, San Diego California Institute for Telecommunications and Information Technology	350,000
University of California, San Diego California Institute for Telecommunications and Information Technology	1,509,285
University of California, San Diego Division of Biological Sciences	1,333,332
University of California, San Diego Scripps Institution of Oceanography	548,926
University of California, San Francisco Center for the Health Professions	75,475
University of California, San Francisco Center for the Health Professions	952,762
University of California, San Francisco Department of Family and Community Medicine	429,000
University of California, San Francisco Medical Center	100,000
University of California, Santa Barbara Department of Ecology, Evolution and Marine Biology	44,213
University of California, Santa Barbara Kavli Institute for Theoretical Physics	500,000
University of California, Santa Cruz Department of Ocean Sciences, Institute of Marine Science	976,836
University of Chicago, Computational Institute	896,507
University of Georgia Research Foundation	264,363
University of Georgia Research Foundation	410,999
University of Hawaii Foundation	110,455
University of Hawaii Foundation	437,029
University of Maryland, Department of Geography	699,151
University of Massachusetts Boston, John W. McCormack Graduate School of Policy Studies	258,716
University of Michigan, Department of Geological Sciences	883,275
University of Minnesota, Institute on the Environment	800,000
University of Minnesota, School of Nursing	175,000
University of North Carolina at Chapel Hill, Department of Biology	1,333,332
University of Pennsylvania, School of Nursing	360,000
University of Southern California, Department of Earth Sciences	68,613
University of Victoria, POLIS Project on Ecological Governance	337,416
University of Washington, Department of Biology	1,333,332
University of Washington, Department of Earth and Space Sciences	850,000
Vanderbilt University Medical Center	58,738
Vanderbilt University Medical Center	176,100
Virginia Tech, Department of Forestry and Environmental Conservation	191,863

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

December 31, 2011

<u>Grantees</u>	<u>Remaining Commitment</u>
Watershed Watch	\$ 145,125
Westcoast Aquatic Management Association	1,103,705
Wild Salmon Center	1,167,028
Wild Salmon Center	1,294,000
Wild Salmon Center	1,449,387
Wildlife Conservation Society	258,044
Wildlife Conservation Society	1,000,000
Wildlife Conservation Society	1,045,495
Woods Hole Oceanographic Institution	434,541
Woods Hole Oceanographic Institution	1,470,431
Woods Hole Research Center	25,000
Woods Hole Research Center	683,150
World Wildlife Fund	295,000
World Wildlife Fund Canada	166,464
World Wildlife Fund Canada	189,161
	<u>\$ 173,481,663</u>

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