Consolidated Financial Statements

Gordon E. and Betty I. Moore Foundation
Years Ended December 31, 2017 and 2016
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Gordon E. and Betty I. Moore Foundation

Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

Contents

Ernst & Young LLP
Suite 1600
560 Mission Street
San Francisco, CA 94105-2907

Tel: +1 415 894 8000
Fax: +1 415 894 8099
ey.com

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Gordon E. and Betty I. Moore Foundation, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 at December 31, 2017 and 2016, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

August 17, 2018

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Financial Position

	December 31	
	2017	**2016**
Assets		
Cash and cash equivalents	**$ 104,297,193**	$ 178,411,682
Dividends and interest receivable	**658,802**	184,826
Investments, at fair value	**6,545,912,330**	6,137,130,371
Pending investments	**35,000,000**	10,000,000
Investment redemptions receivable	**128,414,737**	64,439,549
Program related investments	**2,230,000**	2,475,000
Property and equipment, net of accumulated depreciation	**40,509,092**	42,186,543
Prepaid federal excise tax	**1,678,469**	10,550,780
Prepaid expenses and other assets	**1,547,743**	1,546,629
Total assets	**$ 6,860,248,366**	$ 6,446,925,380
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 15,063,800**	$ 14,103,808
Grants payable	**13,500,000**	15,765,577
Deferred federal excise tax	**21,937,134**	15,756,541
Total liabilities	**50,500,934**	45,625,926
Net assets, unrestricted	**6,809,747,432**	6,401,299,454
Total liabilities and net assets	**$ 6,860,248,366**	$ 6,446,925,380

See accompanying notes.

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2017	**2016**
Investment income:		
Dividends	**$ 12,308,201**	$ 11,933,246
Interest	**1,387,815**	429,632
Partnership distributions	**116,319,496**	121,564,772
Realized gains on sale of investments	**321,957,608**	208,720,879
Net change in unrealized gain on investments	**309,029,594**	62,140,648
Total investment income	**761,002,714**	404,789,177
Contribution income	**–**	63
Investment expenses	**18,496,628**	16,802,772
Taxes	**16,045,320**	8,000,749
Net investment income	**726,460,766**	379,985,719
Expenses:		
Grants	**284,725,733**	283,910,387
Supporting expenses	**31,702,165**	32,919,778
Direct charitable expenses	**1,584,890**	2,236,960
Total expenses	**318,012,788**	319,067,125
Change in net assets	**408,447,978**	60,918,594
Unrestricted net assets, beginning of year	**6,401,299,454**	6,340,380,860
Unrestricted net assets, end of year	**$ 6,809,747,432**	$ 6,401,299,454

See accompanying notes.

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2017	**2016**
Operating activities		
Interest, dividends, and partnership distributions received	**$ 129,541,536**	$ 133,957,241
Tax payments	**(992,416)**	(975,008)
Contribution income	**–**	63
Cash paid to investment managers, suppliers, and employees	**(48,481,770)**	(49,361,255)
Grants paid	**(286,991,310)**	(287,861,541)
Net cash used in operating activities	**(206,923,960)**	(204,240,500)
Investing activities		
Repayment of program-related investment	**245,000**	425,000
Purchases of investments	**(710,742,183)**	(488,365,337)
Proceeds from sale of investments	**843,972,238**	656,053,290
Purchases of property and equipment	**(665,584)**	(1,653,856)
Net cash provided by investing activities	**132,809,471**	166,459,097
Net decrease in cash and cash equivalents	**(74,114,489)**	(37,781,403)
Cash and cash equivalents, beginning of year	**178,411,682**	216,193,085
Cash and cash equivalents, end of year	**$ 104,297,193**	$ 178,411,682
Increase in net assets	**$ 408,447,978**	$ 60,918,594
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	**2,343,035**	2,281,992
Deferred federal excise tax	**6,180,593**	1,242,812
Net realized and unrealized gain on investments	**(630,987,202)**	(270,861,527)
Changes in operating assets and liabilities:		
Dividends and interest receivable	**(473,976)**	29,591
Prepaid expenses and other assets	**(1,114)**	(175,433)
Accounts payable and accrued liabilities	**959,992**	491,696
Grants payable	**(2,265,577)**	(3,951,154)
Prepaid federal excise tax	**8,872,311**	5,782,929
Net cash used in operating activities	**$ (206,923,960)**	$ (204,240,500)
Supplemental data for non-cash activities		
Investment redemptions receivable	**$ 128,414,737**	$ 64,439,549

See accompanying notes.

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 fosters path-breaking scientific discovery, environmental conservation, patient care improvements and preservation of the special character of the Bay Area. Visit Moore.org or follow @MooreFound.

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. Amounts held could exceed federally insured limits.

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,

2. Summary of Significant Accounting Policies (continued)

such as private debt and equity securities, or real estate or other assets. The December 31 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 are recognized in the period sales or other transactions 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 change in unrealized gains on 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 part of Realized gains on sale of investments.

Pending Investments

Pending investments represent funds committed to investments and funded at year end but closed in January of the following year.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over estimated useful lives of 3 to 31 years. Leasehold improvements for the Foundation’s Palo Alto premises are depreciated using the straight-line method over the remaining lease term of approximately 23 years.

2. Summary of Significant Accounting Policies (continued)

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.

Expense Allocations

Investment expenses include internal expenses, such as compensation and occupancy costs for the Foundation's investment staff as well as amounts paid to third parties.

The Foundation's operating expenses have been allocated between supporting expenses and direct charitable expenses. The allocation is based on estimates made by management of time spent by employees on various activities and allocation of payments made to third parties. The Foundation's direct charitable expenses represent the amount spent on activities conducted by foundation staff or by third parties (other than through grants) that are in direct support of its program areas and the philanthropic sector in general. Supporting expenses represent amounts spent on grantmaking and administrative activities of the Foundation.

Fair Value of Financial Instruments

The carrying amounts of Cash and cash equivalents, Dividends and interest receivable, Investment redemption receivables, and 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. Program-related investments, which consist of loans receivable, are 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.

2. Summary of Significant Accounting Policies (continued)

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

The preparation of consolidated 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.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02 *Leases*, amending the Accounting Standards Codification ("ASC") 842. This update requires lessees to recognize operating and financing lease liabilities and corresponding right-of use assets on the consolidated statements of financial position. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. The Foundation is evaluating the impact of this guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*, amending the ASC 958. This update changes the presentation of certain information in the financial statements and footnote disclosures of not-for-profit ("NFP") entities. The update also changes the way that NFP entities classify net assets. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Foundation is evaluating the impact of this guidance on its financial statements.

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.

The Foundation's investment portfolio consists of the following:

	December 31, 2017		**December 31, 2016**	
Assets	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Public Equities	**$ 1,098,934,167**	**$ 1,960,252,542**	$1,142,421,854	$1,834,803,507
Fixed Income	**685,476,995**	**717,717,011**	700,593,517	729,892,801
Hedge Funds	**1,040,718,174**	**1,904,830,356**	991,091,340	1,813,824,758
Excess Returns	**820,858,361**	**1,147,842,321**	702,159,572	936,840,156
Real Assets	**813,479,659**	**792,759,090**	786,665,316	760,261,241
Registered Investment Companies	**5,128,424**	**8,064,434**	17,502,848	22,849,007
Cash and Cash Equivalents	**14,508,146**	**14,446,576**	38,917,114	38,658,901
Total	**$ 4,479,103,926**	**$ 6,545,912,330**	$4,379,351,561	$6,137,130,371

As of December 31, 2017 and 2016, the Foundation is committed to make additional investments of approximately $1,088 million and $952 million, respectively, in future years.

3. Investments (continued)

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

	December 31, 2017		December 31, 2016	
	Cost	**Fair Value**	**Cost**	**Fair Value**
State Street U.S. Treasury 1–3 Year Index Commingled Fund	**$ 685,476,995**	**$ 717,717,011**	$ 700,593,517	$ 729,892,801

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. In addition, the Foundation will on occasion enter directly into derivative instruments as part of its investment management activities. Accordingly, the investments of the Foundation include financial instruments involving contractual commitments for future settlements, such as forwards, 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 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. Forward contracts are entered into with creditworthy counterparties and have appropriate collateral and similar provisions in place to mitigate counterparty credit risk.

The Foundation records its financial derivative instruments at fair value, 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, 2017 and 2016, are included within Investments, at fair value, 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, 2017, was $0.2 million, in which $0.4 million was in derivative assets and $0.2 million was in derivative liabilities, both of which are reflected within the consolidated statements of financial position as part of Investments, at fair value. The primary types of derivative risk exposures are foreign exchange, commodity, equity, and other contracts. The total net notional amounts related to these derivatives was $30 million and $52 million at December 31, 2017 and 2016, respectively.

3. Investments (continued)

The use of financial derivative instruments by the Foundation 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, 2017 and 2016, approximately 79% and 82%, respectively, of the Foundation's investment assets were invested in limited partnerships, LLCs and certain commingled funds. Such investments generally have limited liquidity due to the structure, term, and investment strategy of the funds.

4. Fair Value

ASC 820 *Fair Value Measurement*, 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.

4. Fair Value (continued)

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. The Foundation held no Level 3 investments as of December 31, 2017 and 2016.

Practical Expedient – Investments for which fair value is measured at net asset value per share (or its equivalent). 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 interest, without quoted prices.

The following table presents the investments carried on the consolidated statements of financial position by level within the valuation hierarchy as of December 31, 2017 and 2016, respectively:

Assets	Level 1	Level 2	Practical Expedient	Total
Public Equities	**$ 180,814,289**	**$ –**	**$ 1,779,438,253**	**$ 1,960,252,542**
Fixed Income	–	–	**717,717,011**	**717,717,011**
Hedge Funds	–	–	**1,904,830,356**	**1,904,830,356**
Excess Returns	–	–	**1,147,842,321**	**1,147,842,321**
Real Assets	**120,401**	**168,206**	**792,470,483**	**792,759,090**
Registered Investment Companies	**8,064,434**	–	–	**8,064,434**
Cash and Cash Equivalents	**14,446,576**	–	–	**14,446,576**
Total as of December 31, 2017	**$ 203,446,700**	**$ 168,206**	**$ 6,342,298,424**	**$ 6,545,912,330**

Assets	Level 1	Level 2	Practical Expedient	Total
Public Equities	$ 237,362,981	$ (49,723)*	$ 1,597,490,249	$ 1,834,803,507
Fixed Income	–	–	729,892,801	729,892,801
Hedge Funds	–	–	1,813,824,758	1,813,824,758
Excess Returns	–	–	936,840,156	936,840,156
Real Assets	125,365	(152,695)*	760,288,571	760,261,241
Registered Investment Companies	22,849,007	–	–	22,849,007
Cash and Cash Equivalents	38,658,901	–	–	38,658,901
Total as of December 31, 2016	$ 298,996,254	$ (202,418)	$ 5,838,336,535	$ 6,137,130,371

* Liability positions from over-the-counter Options, Swaps and Forward contracts.

4. Fair Value (continued)

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, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public Equities[(a)]	$1,779,438,253	$ 39,691,889	Daily, Weekly, Monthly, Quarterly, Semi-Annually, Annually, None	2–180 days
Hedge Funds[(b)]	1,904,830,356	43,362,004	Quarterly, Semi-Annually, Annually, Multi-year	30–150 days
Excess Returns[(c)]	1,147,842,321	507,548,362	Biennially, None	90 days
Real Assets[(c)]	792,470,483	497,472,287	Monthly, Semi-Annual, None	0-60 days
Fixed Income[(d)]	717,717,011	-	Daily	2 days
Total	$6,342,298,424	$1,088,074,542		

(a) This category includes non-registered funds that pursue mostly long-only strategies by investing in public equities and that are structured as limited partnerships, LLCs, or commingled investment vehicles. These funds invest primarily in public equity investments in the U.S., developed, and emerging markets. Managers of these funds have the ability to invest in growth and/or value styles and across capitalizations. Four managers in this investment category have made investments in illiquid assets which are currently held in side pockets. These side pockets represent approximately $14 million in value. It is estimated that these assets will be liquidated within ten years.

(b) This category includes hedge funds that invest using various strategies, such as long/short equity, credit focused, multi-strategy event, arbitrage and other means. Approximately 13% of the value of the investments in this category will only be available from distributions that are 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

4. Fair Value (continued)

liquidation mode. While the timing of such liquidation is uncertain, it is estimated that these assets would be fully liquidated within ten years. In addition, approximately 31% of the value of the investments in this category are subject to multi-year restrictions on withdrawal, with such restrictions ranging from two to five years.

Several managers in this investment category have made investments in illiquid assets which are currently held in side pockets. These side pockets represent 11% of the value of investments in this category. It is estimated that these assets will be liquidated within ten 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 ten years.

(d) This category includes a commingled fund that is invested in treasury securities of various durations. The underlying securities' prices are directly observable and the fund provides near-term liquidity.

5. Investment Redemptions Receivable

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

6. Program-Related Investments

The Foundation has made program-related investments in the form of loans with below market terms to organizations to assist them in achieving charitable purposes. These loans were funded over two years, and expected to be repaid over an additional six to eight years and bear interest at the rate of 1%. These loans are recorded on the consolidated statements of financial position at their principal amount, which approximates their fair value.

In addition, in early 2013, the Foundation entered into a guarantee of a bank loan to a charitable organization, which was further amended and restated during the year. The maximum exposure under the guarantee is $22.5 million and the related loan will mature in 2018. The exposure

6. Program-Related Investments (continued)

under the guarantee was initially recorded at its estimated fair value, and the recorded amount was revised in 2016 based on an updated estimate of the likelihood of payment under the guarantee. At December 31, 2017, the recorded amount for the guarantee remains at $13.5 million, which is included in Grants payable in the consolidated statements of financial position. Changes in the recorded amount have been recorded in Grants expense in the consolidated statements of activities and changes in net assets. If the Foundation is required to make payments under the guarantee, it has certain rights to collect on pledges receivable and other security to the existing bank loan. The Foundation currently believes that it is neither probable nor remote that it will have to make any payments under the guarantee.

7. Property and Equipment

Property and equipment consisted of the following:

	December 31	
	2017	**2016**
Buildings	**$ 33,803,007**	$ 33,803,007
Leasehold improvements	**26,381,413**	26,381,413
Furniture, fixtures, and equipment	**11,349,344**	10,683,760
	71,533,764	70,868,180
Less accumulated depreciation and amortization	**(31,024,672)**	(28,681,637)
Property and equipment, net	**$ 40,509,092**	$ 42,186,543

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 plus 0.40%, or a Bank Offered Rate, all as defined within the Line's Master Note. The Line expires on October 28, 2018, 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, repayments, amounts outstanding on the Line or interest expense incurred for the years ended December 31, 2017 and 2016.

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, 2017 and 2016, the Foundation has recorded tax on investment income at the 2% 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 may give rise to taxable federal and state unrelated business income.

The components of tax expense are as follows:

	Year Ended December 31	
	2017	**2016**
Current federal excise tax	**$ 8,382,066**	$ 6,249,022
Deferred federal excise tax	**6,180,593**	1,242,812
Unrelated business income tax	**1,482,661**	508,915
	$ 16,045,320	$ 8,000,749

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 $319 million and $322 million in 2017 and 2016, respectively.

The Foundation's qualifying distributions are expected to be above the payout requirements in 2017. At December 31, 2017, the Foundation's cumulative qualifying distribution shortfall is approximately $48 million, which will be satisfied through distributions in 2018. Amounts for 2017 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.

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 and federal tax law prohibiting self-dealing.

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 Plan are made by the Foundation semi-monthly and vest immediately. Total expenses related to such plan for 2017 and 2016 were approximately $1.6 million and $1.5 million, and are included in Investment, Direct charitable and Supporting expenses on the consolidated statements of activities and changes in net assets.

12. Commitments

In November 2007, the Foundation approved an additional commitment of $200 million to a total of $250 million over a period of ten years to support development and construction of the Thirty Meter Telescope (TMT) project. Funding under this commitment will be allocated equally between the California Institute of Technology and the University of California, who are working in partnership on the TMT project. As of December 31, 2017, $201.5 million in grants had been awarded under this commitment.

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

	Conditional
Year ending December 31:	
2018	$ 116,963,798
2019	60,672,989
2020	15,789,648
2021	1,169,000
	$ 194,595,435

Conditional promises to give will be recognized as grant expense in the period in which the recipient meets the terms of the condition.

12. Commitments (continued)

The Foundation also has operating leases for its San Francisco and Palo Alto offices. Rent expense, net of sublease income, for the years ended December 31, 2017 and 2016, was $724,000 and $606,000, respectively.

Future minimum lease payments under operating leases, net of estimated sublease income, at December 31, 2017, are as follows:

Year ending December 31:	
2018	$ 934,000
2019	907,000
2020	638,000

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 on that basis expects the risk of loss to be remote.

14. Subsequent Events

The Foundation has evaluated subsequent events through August 17, 2018, which represents the date the consolidated financial statements are available to be issued.

Supplementary Information

Building a better
working world

Ernst & Young LLP
Suite 1600
560 Mission Street
San Francisco, CA 94105-2907

Tel: +1 415 894 8000
Fax: +1 415 894 8099
ey.com

Report of Independent Auditors on Supplementary Information

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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 22 to 27 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ernst + Young LLP

August 17, 2018

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed

December 31, 2017

Grantees	Remaining Commitment
Agencia Estatal Del Consejo Superior de Investigaciones Científicas, Institut de Biologia Evolutiva	$ 182,618
Altarum Institute	747,000
Amazon Conservation Association	200,000
American Association for the Advancement of Science	1,117,002
American Physical Society	687,222
Annual Reviews	400,000
Associação de Defesa Etnoambiental Kanindé	325,000
Audubon Alaska	457,593
Bay Area Open Space Council	100,000
Baylor College of Medicine	2,388,549
Biology Center of the CAS, Institute of Parasitology	178,875
Boston Medical Center	329,524
Brigham and Women's Hospital	1,011,088
California Academy of Sciences	795,851
California Council on Science and Technology	160,000
California Institute of Technology	5,000,000
California Institute of Technology, Division of Biology and Biological Engineering	450,000
California Institute of Technology, Division of Physics, Mathematics and Astronomy	880,000
Cape Cod Commercial Fishermen's Alliance	350,000
Carnegie Mellon University, School of Computer Science	600,000
Center for Health Care Strategies	752,647
Centre for Ocean Life, DTU Aqua, Technical University of Denmark	1,007,055
Centro para el Desarrollo del Indígena Amazónico	55,000
Clark University, Clark Labs	25,000
Climate Bonds Initiative	350,516
Coastal States Stewardship Foundation	2,363,500
Colorado State University Foundation	963,152
Columbia University, Sponsored Projects Administration	356,931
Community Initiatives	600,000
Conservation Law Foundation	674,225
Conservation Strategy Fund	50,000
Conservation X Labs	1,051,719
Coral Reef Alliance	476,400

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees		Remaining Commitment
Cornell University, Laboratory of Atomic and Solid State Physics	$	520,976
Dalhousie University, Department of Biochemistry and Molecular Biology		112,516
Draper Richards Kaplan Foundation		300,000
ECRI Institute		984,655
Environmental Defense Fund		650,000
Field Museum		150,000
Friends of the Earth		300,000
Fundacao Vitoria Amazonica		300,000
Fundacion para la Conservacion y el Desarrollo Sostenible		100,000
Fundo Brasileiro para a Biodiversidade		200,000
Gaia Amazonas Foundation		500,000
Gettysburg College, Office of Financial Services		679,614
Greater Washington Educational Telecommunications Association		333,333
Greenpeace Fund		106,500
Gulf of Maine Research Institute		329,000
Harvard University, Department of Physics		1,369,609
Health Affairs		400,000
Hospice and Palliative Nurses Foundation		353,000
Howard Hughes Medical Institute, Janelia Farm Research Campus		3,415,000
Icahn School of Medicine at Mount Sinai		1,491,193
Iepé - Instituto de Pesquisa e Formação Indigena		200,000
Institute for Complex Adaptive Matter		207,000
Instituto de Conservação e Desenvolvimento Sustentável do Amazonas		200,000
Instituto de Desenvolvimento Sustentável Mamirauá		300,000
Instituto de Pesquisa Ambiental da Amazônia		327,000
Instituto de Pesquisas Ecológicas		3,169,000
Instituto del Bien Comun		300,000
Instituto do Homem e Meio Ambiente da Amazonia		390,000
Instituto Internacional de Educação do Brasil		300,000
Instituto Socioambiental		650,000
Iowa State University, Department of Physics & Astronomy		310,000
J. Craig Venter Institute		445,379
Johns Hopkins University, Department of Physics and Astronomy		704,352
Life Sciences Research Foundation		310,000
Lown Institute		174,996
Maine Coast Fishermen's Association		325,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
Marine Affairs Research and Education	$ 272,644
Marine Biological Association	175,785
Massachusetts Institute of Technology, Department of Physics	1,549,724
Massachusetts Institute of Technology, Kavli Institute for Astrophysics and Space Research	3,016,375
Max Planck Society, Institute for Medical Research	221,381
Mayo Clinic	337,500
Montana State University, Office of Sponsored Programs	225,795
Monterey Bay Aquarium Research Institute	309,030
National Academy of Sciences	258,494
National Quality Forum	378,000
National Socio-Environmental Synthesis Center	190,415
Natural Resources Defense Council	230,000
New Venture Fund	25,180,741
New York University, Office of Sponsored Programs	4,000,000
North Carolina State University, Department of Computer Science	600,000
NumFOCUS	58,000
Ocean Conservancy	7,638,000
Ohio State University, Department of Astronomy	724,178
Oregon State University, College of Pharmacy	554,530
Pacific Environment	881,506
Pacific Salmon Foundation	244,309
Peninsula Open Space Trust	366,000
Pennsylvania State University, Office of Sponsored Programs	548,943
Perimeter Institute for Theoretical Physics	100,000
Pew Charitable Trusts	4,500,000
Planet Labs	250,000
Princeton University, Department of Applied & Computational Mathematics	600,000
Princeton University, Department of Chemistry	395,000
Princeton University, Department of Electrical Engineering	760,000
Princeton University, Department of Physics	1,244,425
Rainforest Alliance	400,000
RAND Corporation	760,229
Rice University, Department of Physics and Astronomy	200,000
Rockefeller Philanthropy Advisors	500,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
Rutgers University, Center for Emergent Materials, Department of Physics and Astronomy	$ 550,000
Rutgers University, Department of Physics and Astronomy	992,156
San Diego State University Research Foundation	183,267
Save Mount Diablo	350,000
ScienceCounts	200,000
Smithsonian Institution, Astrophysical Observatory	452,000
Smithsonian Tropical Research Institute	437,052
Sociedad Peruana de Derecho Ambiental	500,000
Society to Improve Diagnosis in Medicine	1,434,222
Sonoma County Regional Parks Foundation	50,000
Stanford University, Department of Applied Physics	7,457,666
Stanford University, Department of Bioengineering	352,723
Stanford University, Department of Computer Science	600,000
Stanford University, Department of Earth System Science	780,000
Stanford University, Department of Materials Science and Engineering	450,000
Stanford University, Department of Physics	3,235,210
Stanford University, Natural Capital Project	390,000
Stanford University, Research Management Group	450,102
Stanford University, School of Earth, Energy & Environmental Sciences	538,375
Stanford University, Woods Institute for the Environment	444,564
Stockholm Environment Institute	400,000
Techsoup Global	75,000
Texas A&M University, Department of Chemistry	450,000
The Frankfurt Zoological Society	100,000
The Nature Conservancy	425,500
The Wildlands Conservancy	40,000
Tides Canada Foundation	1,884,704
Tufts University, The Fletcher School of Law and Diplomacy	1,300,000
Université de Sherbrooke, Département de physique	205,000
Université Pierre et Marie Curie, Research and Technology Transfer Department	278,360
University of British Columbia, Faculty of Science	852,693
University of California	5,000,000
University of California, Berkeley Department of Electrical Engineering & Computer Sciences	600,000

Grantees	Remaining Commitment
University of California, Berkeley Department of Geography	$ 600,000
University of California, Berkeley Department of Physics	1,170,723
University of California, Berkeley Institute for Data Science	322,510
University of California, Berkeley Sponsored Projects Office	6,000,000
University of California, Davis Department of Population Health and Reproduction	600,000
University of California, Davis Health System	17,552,266
University of California, Irvine Department of Chemistry	225,000
University of California, Los Angeles Department of Electrical Engineering	225,000
University of California, Natural Reserve System	1,139,986
University of California, San Diego Department of Physics	720,000
University of California, San Francisco Department of Medicine	74,922
University of California, Santa Barbara Kavli Institute for Theoretical Physics	296,000
University of California, Santa Cruz Department of Astronomy and Astrophysics	400,000
University of Cambridge, Research Operations Office	151,837
University of Chicago, Department of Human Genetics	600,000
University of Colorado at Boulder, Department of Mechanical Engineering	450,000
University of Colorado at Boulder, Department of Physics	720,000
University of Delaware, Department of Communication Sciences and Disorders	328,377
University of Delaware, School of Marine Science and Policy	354,226
University of Exeter, College of Life and Environmental Sciences	419,437
University of Florida, Department of Wildlife Ecology and Conservation	600,000
University of Georgia Research Foundation	361,337
University of Gothenburg, Department of Biological and Environmental Sciences	240,064
University of Hawai‘i, Office of Research Services	572,530
University of Illinois at Urbana-Champaign, Department of Physics	213,253
University of Illinois at Urbana-Champaign, Department of Physics and Institute for Condensed Matter Theory	199,000
University of Illinois at Urbana-Champaign, National Center for Supercomputing Applications	600,000
University of Kansas Center for Research	225,000
University of California, Berkeley Department of Astronomy	600,000
University of Kent, Research Services	162,147

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
University of Leeds	$ 150,000
University of Lincoln, School of Life Sciences	214,442
University of Montana, Office of Research and Sponsored Programs	531,586
University of North Carolina at Wilmington, Department of Physics and Physical Oceanography	1,600,000
University of Pennsylvania, Department of Systems Pharmacology and Translational Therapeutics	600,000
University of Tennessee, Department of Materials Science and Engineering	300,000
University of Texas at Austin, Sponsored Projects Office	225,000
University of Texas Southwestern Medical Center, Green Center for Systems Biology	600,000
University of Utah, Division of Epidemiology	606,518
University of Washington, Department of Computer Science & Engineering	600,000
University of Washington, Department of Physics	450,000
University of Washington, Office of Sponsored Programs	3,907,887
University of Wisconsin-Madison, Department of Electrical and Computer Engineering	450,000
Washington University in St. Louis, Office of Sponsored Research Services	223,442
Wildlife Conservation Society	5,850,000
Windward Fund	250,000
Woods Hole Oceanographic Institution	2,567,427
Woods Hole Research Center	200,000
World Resources Institute	906,626
World Wildlife Fund	1,342,418
World Wildlife Fund Canada	1,377,286
Yale University, Department of Applied Physics	220,000
ZappyLab, Inc.	175,000
Grand total	$ 194,595,435

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