Consolidated Financial Statements

Gordon E. and Betty I. Moore Foundation
Years Ended December 31, 2018 and 2017
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, 2018 and 2017

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, 2018 and 2017, 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.

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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, 2018 and 2017, 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

July 31, 2019

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Financial Position

	December 31	
	2018	**2017**
Assets		
Cash and cash equivalents	**$ 145,958,955**	$ 104,297,193
Dividends and interest receivable	**476,550**	658,802
Investments, at fair value	**6,095,925,191**	6,545,912,330
Pending investments	**20,000,000**	35,000,000
Investment redemptions receivable	**147,723,681**	128,414,737
Program related investments	**2,950,000**	2,230,000
Property and equipment, net of accumulated depreciation	**38,348,378**	40,509,092
Prepaid federal excise tax	**11,589,392**	1,678,469
Prepaid expenses and other assets	**1,481,460**	1,547,743
Total assets	**$ 6,464,453,607**	$ 6,860,248,366
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 15,137,297**	$ 15,063,800
Grants payable	**13,500,000**	13,500,000
Deferred federal excise tax	**10,584,842**	21,937,134
Total liabilities	**39,222,139**	50,500,934
Net assets, without donor restrictions	**6,425,231,468**	6,809,747,432
Total liabilities and net assets	**$ 6,464,453,607**	$ 6,860,248,366

See accompanying notes.

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2018	**2017**
Revenues:		
Investment return, net	**$ (54,924,996)**	$ 726,460,766
Expenses:		
Grants	**295,741,989**	284,725,733
Supporting	**30,497,812**	30,431,738
Direct charitable	**3,351,167**	2,855,317
Total expenses	**329,590,968**	318,012,788
Change in net assets without donor restrictions	**(384,515,964)**	408,447,978
Net assets, beginning of year	**6,809,747,432**	6,401,299,454
Net assets, end of year	**$ 6,425,231,468**	$ 6,809,747,432

See accompanying notes.

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Cash Flows

	Year Ended December 31 2018	2017
Operating activities		
Interest, dividends, and partnership distributions received	**$ 163,564,766**	$ 129,541,536
Tax payments	**(10,800,751)**	(992,416)
Cash paid to investment managers, suppliers, and employees	**(47,932,950)**	(48,481,770)
Grants paid	**(295,741,989)**	(286,991,310)
Net cash used in operating activities	**(190,910,924)**	(206,923,960)
Investing activities		
Principal advances to Program related investment loan recipients	**(1,000,000)**	–
Repayment of program-related investment	**280,000**	245,000
Purchases of investments	**(585,228,235)**	(710,742,183)
Proceeds from sale of investments	**818,698,486**	843,972,238
Purchases of property and equipment	**(177,565)**	(665,584)
Net cash provided by investing activities	**232,572,686**	132,809,471
Change in cash and cash equivalents	**41,661,762**	(74,114,489)
Cash and cash equivalents, beginning of year	**104,297,193**	178,411,682
Cash and cash equivalents, end of year	**$ 145,958,955**	$ 104,297,193
Change in net assets	**$ (384,515,964)**	$ 408,447,978
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**2,338,279**	2,343,035
Deferred federal excise tax	**(11,352,292)**	6,180,593
Net realized and unrealized loss (gain) on investments	**212,207,944**	(630,987,202)
Changes in operating assets and liabilities:		
Dividends and interest receivable	**182,252**	(473,976)
Prepaid expenses and other assets	**66,283**	(1,114)
Accounts payable and accrued liabilities	**73,497**	959,992
Grants payable	**–**	(2,265,577)
Prepaid federal excise tax	**(9,910,923)**	8,872,311
Net cash used in operating activities	**$ (190,910,924)**	$ (206,923,960)
Supplemental data for non-cash activities		
Investment redemptions receivable	**$ 147,723,681**	$ 128,414,737

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).

Net Assets Classification

The Foundation's net assets are all classified as Net assets without donor restrictions. The Foundation has no assets with donor restrictions.

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.

2. Summary of Significant Accounting Policies (continued)

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 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 22 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. There are no unconditional promises to give as of December 31, 2018 and 2017.

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 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.

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. For tax-exempt entities, TCJA requires the Foundation to categorize certain fringe benefit expenses as a source of unrelated business income subject to tax, pay an excise tax on compensation above certain thresholds, and record income or losses for tax determination purposes from unrelated business activities on an activity-by-activity basis, among other provisions. Regulations necessary to implement certain aspects of TCJA are expected to be promulgated by the Internal Revenue Service (IRS) in 2019. As of and for the year ended December 31, 2018, the Foundation has made reasonable estimates of the provision for income taxes, the compensation excise tax, and the effects, if any, on existing deferred tax balances based on accounting guidance included in Accounting Standards Codification 740, Income Taxes. The Foundation will continue to refine its calculations in future periods as additional regulations and guidance are issued by the IRS.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

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 adoption of ASU 2016-14 by the foundation resulted in a change in presentation of net assets, investment return, and additional disclosures surrounding the Foundation's functional expense classifications and liquidity.

In June 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* amending the ASC 958. This update requires organization to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of released of a promisor's obligation to transfer assets. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2019. The Foundation is evaluating the impact of this guidance on its consolidated 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.

3. Investments (continued)

The Foundation's investment portfolio consists of the following:

	December 31, 2018		December 31, 2017	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Assets				
Public Equities	**$ 1,153,967,457**	**$ 1,675,473,700**	$1,098,934,167	$1,960,252,542
Fixed Income	**636,499,078**	**678,898,072**	685,476,995	717,717,011
Hedge Funds	**1,066,481,156**	**1,604,339,465**	1,040,718,174	1,904,830,356
Excess Returns	**963,150,456**	**1,382,690,462**	820,858,361	1,147,842,321
Real Assets	**769,499,126**	**747,421,213**	813,479,659	792,759,090
Registered Investment Companies	**–**	**–**	5,128,424	8,064,434
Cash and Cash Equivalents	**7,134,097**	**7,102,279**	14,508,146	14,446,576
Total	**$ 4,596,731,370**	**$ 6,095,925,191**	$4,479,103,926	$6,545,912,330

As of December 31, 2018 and 2017, the Foundation is committed to make additional investments of approximately $999 million and $1,088 million, respectively, in future years.

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

	December 31, 2018		December 31, 2017	
	Cost	**Fair Value**	**Cost**	**Fair Value**
State Street U.S. Treasury 1–3 Year Index Commingled Fund	**$ 636,499,078**	**$ 678,898,072**	$ 685,476,995	$ 717,717,011

At December 31, 2018 and 2017, approximately 80% and 79%, 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. The Foundation held no Level 2 investments as of December 31, 2018.

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, 2018 and 2017.

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.

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, 2018 and 2017, respectively:

	Level 1	**Level 2**	**Practical Expedient**	**Total**
Assets				
Public Equities	**$ 185,979,549**	**$ –**	**$ 1,489,494,151**	**$ 1,675,473,700**
Fixed Income	**–**	**–**	**678,898,072**	**678,898,072**
Hedge Funds	**–**	**–**	**1,604,339,465**	**1,604,339,465**
Excess Returns	**–**	**–**	**1,382,690,462**	**1,382,690,462**
Real Assets	**–**	**–**	**747,421,213**	**747,421,213**
Cash and Cash Equivalents	**7,102,279**	**–**	**–**	**7,102,279**
Total as of December 31, 2018	**$ 193,081,828**	**$ –**	**$ 5,902,843,363**	**$ 6,095,925,191**

	Level 1	**Level 2**	**Practical Expedient**	**Total**
Assets				
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

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, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public Equities[a]	**$ 1,489,494,151**	$ 20,249,973	Daily, Weekly, Monthly, Quarterly, Semi-Annually, Annually, None	2–180 days
Hedge Funds[b]	**1,604,339,465**	34,413,758	Monthly, Quarterly, Semi-Annually, Annually, Multi-year	45–150 days
Excess Returns[c]	**1,382,690,462**	422,217,887	Biennially, None	90 days
Real Assets[c]	**747,421,213**	522,490,900	None	None
Fixed Income[d]	**678,898,072**	–	Daily	2 days
Total	$**5,902,843,363**	$ 999,372,518		

[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. Two managers in this investment category have made investments in illiquid assets, which are currently held in side pockets. These side pockets represent approximately $13 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 7.3% 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 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 37%

4. Fair Value (continued)

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 13% 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 are expected to be repaid over an additional three to five 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 August 2018, the Foundation renewed its guarantee of a bank loan to a charitable organization. The maximum exposure under the guarantee is $22.5 million and the related loan will mature in 2028. The exposure is recorded based on the likelihood of payment under the guarantee. At December 31, 2018, the recorded amount for the guarantee remains at $13.5 million, which is included in grants payable in the consolidated statements of financial position. If the

6. Program-Related Investments (continued)

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	
	2018	**2017**
Buildings	**$ 33,803,007**	$ 33,803,007
Leasehold improvements	**26,381,413**	26,381,413
Furniture, fixtures, and equipment	**11,526,909**	11,349,344
	71,711,329	71,533,764
Less accumulated depreciation and amortization	**(33,362,951)**	(31,024,672)
Property and equipment, net	**$ 38,348,378**	$ 40,509,092

8. Credit Facilities

The Foundation maintains a $150 million uncommitted line of credit (the "Line") carrying an interest rate of either Prime, LIBOR plus 0.40%, or a Bank Offered Rate, as defined within the Line's Master Note. There were no outstanding principal balances at December 31, 2018 and 2017.

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, 2018 and 2017, the Foundation has recorded tax on investment income at the 1% and 2% 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.

9. Taxes and Payout Requirement (continued)

The components of tax expense on investment income are as follows:

	Year Ended December 31	
	2018	**2017**
Current federal excise tax	**$ 99,742**	$ 8,382,066
Deferred federal excise tax	**(11,352,292)**	6,180,593
Unrelated business income tax	**790,086**	1,482,661
	$ (10,462,464)	$ 16,045,320

The Internal Revenue Code (IRC) 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 $328 million and $319 million in 2018 and 2017, respectively.

The Foundation's qualifying distributions are expected to be above the payout requirements in 2018. At December 31, 2018, the Foundation's cumulative qualifying distribution shortfall is approximately $40 million, which will be satisfied through distributions in 2019. Amounts for 2018 are estimated pending finalization of the Foundation's annual tax return on Form 990-PF, with the differences, if any, is 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 IRC 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 2018 and 2017 were approximately $1.7 million and $1.6 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 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, 2018, $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:	
2019	$ 123,125,552
2020	50,956,208
2021	8,370,260
2022 and thereafter	4,259,227
	$ 186,711,247

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. Rent expense, net of sublease income, for the years ended December 31, 2018 and 2017, was $987,000 and $724,000, respectively.

12. Commitments (continued)

Future minimum lease payments under operating leases, net of estimated sublease income, at December 31, 2018, are as follows:

Year ending December 31:	
2019	$ 799,000
2020	1,030,000
2021	892,000

13. Analysis of Expenses

The Foundation's expenses are allocated between grantmaking, direct charitable, and operational support activities. Grantmaking expenses pertain to the general grantmaking activities of the Foundation, such as administrating, monitoring and evaluating of grants. Direct charitable expenses pertain to charitable activities for the benefit of others initiated and conducted in whole or in part by the Foundation. Operational support expenses include administrative costs related to managing the Foundation. The Foundation's functional expenses, displayed by natural expense classification, for the year ended December 31, 2018, were as follows:

	Grantmaking	Direct Charitable Activities	Operational Support	Total Expenses
Grants awarded	$ 295,741,989	$ –	$ –	$ 295,741,989
Salary, benefits, and payroll taxes	10,826,065	–	10,036,905	20,862,970
Legal fees	96,683	–	153,551	250,234
Accounting fees	–	–	378,485	378,485
Other professional fees	905,894	3,260,001	440,466	4,606,361
Depreciation	–	–	2,330,069	2,330,069
Occupancy	720,250	–	632,567	1,352,817
Travel, conferences, and meetings	1,623,944	91,166	871,695	2,586,805
Printing and publications	24,950	–	76,604	101,554
Other expenses	322,985	–	1,056,699	1,379,684
	$ 310,262,760	$ 3,351,167	$ 15,977,041	$ 329,590,968

14. Liquidity

The Foundation's financial assets available within one year of December 31, 2018, to meet general expenditures include:

Cash and cash equivalents	$ 145,958,955
Cash from Investments	7,102,279
Dividends and interest receivable	476,550
Investment redemptions receivable	147,723,681
Public equities	1,644,060,050
Fixed income	678,898,072
Hedge funds	601,136,207
	$ 3,225,355,794

The Foundation endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. In addition to the available financial assets listed above, the Foundation has a line of credit agreement of $150 million, which can be drawn upon in the event of immediate liquidity needs.

15. 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.

16. Subsequent Events

The Foundation has evaluated subsequent events through July 31, 2019, which represents the date the consolidated financial statements are available to be issued.

Supplementary Information

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 26 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

July 31, 2019

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed

December 31, 2018

Grantees	Remaining Commitment
Altarum Institute	$ 373,500
American Academy of Hospice and Palliative Medicine	391,603
American Association for the Advancement of Science	300,000
American Board of Medical Specialties Research and Education Foundation	50,000
American Physical Society	345,085
Arizona State University, School of Electrical, Computer and Energy Engineering	450,000
Associated Universities, Inc., Green Bank Observatory	130,351
Baylor College of Medicine	1,213,857
Boston Medical Center	164,456
California Council on Science and Technology	5,050,000
California Institute of Technology, Division of Biology and Biological Engineering	225,000
Canadian Environmental Grantmakers' Network	450,000
Cape Cod Commercial Fishermen's Alliance	153,987
Centre for Ocean Life, DTU Aqua, Technical University of Denmark	412,649
Ceres	2,145,559
China Dialogue Trust	259,044
ClimateWorks	1,000,000
Coastal First Nations – Great Bear Initiative	1,367,585
Coastal States Stewardship Foundation	2,394,420
Colorado State University Foundation	481,152
Community Initiatives	557,524
Conservation International	268,050
Conservation Law Foundation	674,225
Conservation X Labs	2,089,913
Dartmouth College, The Dartmouth Institute for Health Policy & Clinical Practice at Geisel School of Medicine	651,375
Derecho Ambiente y Recursos Naturales	570,524
Duke University, Nicholas School of the Environment and Earth Sciences	1,684,984
Earth Innovation Institute	300,000
Ecotrust Canada	189,041
ECRI Institute	1,000,109
Environmental Defense Fund	500,000
Fondo de Promoción de las Áreas Naturales Protegidas del Perú	113,000
Friends of the Earth	150,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees		Remaining Commitment
Fundação Getúlio Vargas	$	1,677,186
George Washington University, School of Nursing		1,146,286
Gettysburg College, Office of Financial Services		337,930
Global Conservation		800,000
Global Fishing Watch		200,000
Global Greengrants Fund		220,200
Gulf of Maine Research Institute		150,310
Harvard University, Belfer Center for Science and International Affairs		200,063
Harvard University, Department of Chemistry and Chemical Biology		170,000
Harvard University, Department of Physics		1,897,459
Harvard University, John A. Paulson School of Engineering		450,000
Howard Hughes Medical Institute, Janelia Farm Research Campus		2,307,000
Icahn School of Medicine at Mount Sinai		840,000
ICFO – The Institute of Photonic Sciences		725,125
Instituto Centro de Vida		470,256
Instituto Conexoes Sustentaveis		120,096
Instituto de Desenvolvimento Sustentável Mamirauá		268,374
Instituto de Pesquisas Ecológicas		1,069,000
Instituto Socioambiental		1,443,698
International Rivers		200,300
Inuit Circumpolar Council Alaska		115,125
J. Craig Venter Institute		445,379
Johns Hopkins University, Armstrong Institute		1,145,063
Johns Hopkins University, Department of Physics and Astronomy		307,881
Johns Hopkins University, Department of Surgery		387,041
Kaiser Foundation Hospitals, Kaiser Foundation Research Institute		477,459
Kawerak		936,198
Las Cumbres Observatory		2,384,049
Luminary Labs, LLC		300,000
Maine Coast Fishermen’s Association		175,000
Manta Consulting		100,000
Massachusetts Institute of Technology, Department of Physics		2,143,762
Massachusetts Institute of Technology, Kavli Institute for Astrophysics and Space Research		896,375
Mayo Clinic		168,750
Monmouth University, Urban Coast Institute		274,881

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees		Remaining Commitment
Monterey Bay Aquarium Research Institute	$	809,700
Multiplier		685,425
National Academy of Sciences		33,392
National Audubon Society		887,962
National Committee for Quality Assurance		417,777
National Quality Forum		378,000
National Socio-Environmental Synthesis Center		190,415
National Wildlife Federation		3,830,871
Natural Resources Defense Council		380,000
Nature Canada		150,000
New Venture Fund		26,778,373
New York University, Office of Sponsored Programs		2,000,000
Ocean Conservancy		5,849,000
Oceana		500,000
Oceana Canada		750,000
Operação Amazônia Nativa		154,834
Oregon State University, College of Pharmacy		554,530
Pacific Environment		476,577
Peninsula Open Space Trust		1,250,000
Pennsylvania State University, Office of Sponsored Programs		168,752
Perimeter Institute for Theoretical Physics		30,000
Point Blue Conservation Science		224,930
Pontificia Universidad Católica del Perú		82,880
Princeton University, Department of Chemistry		605,656
Princeton University, Department of Molecular Biology		442,078
Principles for Responsible Investment		313,875
RAND Corporation		760,229
Rare		1,000,000
Resources Legacy Fund		1,381,000
Rice University, Office of Sponsored Projects and Research Compliance		312,000
Rockefeller Philanthropy Advisors		250,000
Seas at Risk		741,709
Smithsonian Tropical Research Institute		214,208
Sociedad Peruana de Derecho Ambiental		715,137
Society to Improve Diagnosis in Medicine		1,396,248
Stand		400,890

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees		Remaining Commitment
Stanford University, Department of Applied Physics	$	3,358,729
Stanford University, Department of Computer Science		300,000
Stanford University, Department of Materials Science and Engineering		225,000
Stanford University, Department of Physics		8,831,216
Stanford University, Office of Sponsored Research		956,651
Stazione Zoologica Anton Dohrn, Grant and Innovation Office		138,959
Stockholm Environment Institute		1,000,000
Sustainable Development Solutions Network Association		250,000
Systemiq Ltd		350,414
T. Buck Suzuki Environmental Foundation		550,000
Texas A&M University, Department of Chemistry		225,000
The Nature Conservancy		9,762,160
The Ocean Foundation		200,000
The Sense of Silence Foundation		283,000
Tides Canada Foundation		1,633,289
Tufts University, The Fletcher School of Law and Diplomacy		400,000
Universidad de Ingeniería y Tecnología		957,736
University of Arizona, College of Optical Sciences		433,333
University of Arizona, Department of Physics		580,000
University of California, Berkeley Department of Astronomy		300,000
University of California, Berkeley Department of Physics		2,657,146
University of California, Berkeley Sponsored Projects Office		2,000,000
University of California, Davis Department of Population Health and Reproduction		300,000
University of California, Davis Health System		5,552,266
University of California, Davis Office of Research Sponsored Programs		1,069,375
University of California, Natural Reserve System		594,496
University of California, San Diego Scripps Institution of Oceanography		620,443
University of California, San Francisco Office of Sponsored Research		374,375
University of California, Santa Barbara Kavli Institute for Theoretical Physics		775,306
University of California, Santa Cruz Department of Astronomy and Astrophysics		533,000
University of Cambridge, Research Operations Office		803,261
University of Colorado at Boulder, Department of Mechanical Engineering		225,000
University of Colorado at Boulder, Department of Physics		890,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees		**Remaining Commitment**
University of Delaware, Department of Communication Sciences and Disorders	$	164,315
University of Exeter, College of Life and Environmental Sciences		222,535
University of Florida Center for Latin American Studies		826,750
University of Illinois at Urbana-Champaign, Department of Physics		213,253
University of Lincoln, School of Life Sciences		214,442
University of North Carolina at Wilmington, Department of Physics and Physical Oceanography		800,000
University of Southern California, Department of Biological Sciences		323,653
University of Texas at Austin, Department of Chemistry		450,000
University of Utah, Office of Sponsored Projects		413,688
University of Washington, Office of Sponsored Programs		287,226
University of Wisconsin-Madison, Department of Electrical and Computer Engineering		225,000
University of Wisconsin-Madison, Department of Physics		450,000
West Coast Environmental Law		1,050,000
Whitehead Institute for Biomedical Research		258,333
Wildlife Conservation Society		3,225,995
Windward Fund		620,000
Woods Hole Oceanographic Institution		541,552
World Business Council for Sustainable Development		5,044,925
World Resources Institute		239,000
World Wildlife Fund		17,174,053
World Wildlife Fund Canada		562,685
ZappyLab, Inc.		100,000
Grand total	$	186,711,247

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