



BILL & MELINDA  
GATES *foundation*

# BUILDING BETTER LIVES TOGETHER

2011 Annual Report



# LETTER FROM THE CEO

One of my key goals as CEO of the Bill & Melinda Gates Foundation is improving how we work together. By that, I mean how we work as a team within the foundation and how we work with our larger team of partners to build better lives for the people we serve.

In the year since I wrote my last annual letter, I’ve made some important changes at the foundation—changes that will help all of us maximize the impact of our work together.



Jeff Raikes reviewing the records of frontline health workers in Ghazibad District. (Uttar Pradesh, India)

“In the year since I wrote my last annual letter, I’ve made some important changes at the foundation.”



# STRONG LEADERSHIP

One of the most exciting developments has been the arrival of two new leaders for our global programs. Trevor Mundel, former global head of development for Novartis Pharma AG, joined late last year as president of Global Health. Chris Elias, former president and chief executive officer of PATH, a Seattle-based international nonprofit organization focused on global health, arrived early this year to lead our Global Development Program. They are two of the most innovative thinkers I've come across in the course of my career in philanthropy. Alongside the experienced leadership of Allan Golston, our head of the United States Program, their combined wealth of knowledge and passion for our mission make me more optimistic than ever about the foundation's potential to make a big difference in the world.



United States Program President Allan Golston observing a Ridgeway Middle School math class. (Memphis, TN)



Global Health President Trevor Mundel and Global Development President Chris Elias learning about community health programs from frontline health workers in Mathurapur Rai Tola village. (Bihar, India)

**“Chris and Trevor are two of the most innovative thinkers I’ve come across in the course of my career in philanthropy.”**



# IMPROVING OUR GLOBAL PROGRAMS

The arrival of Chris and Trevor gave us an opportunity to pause and consider how we organize our international health and development work. This led to the second change I want to share with you, a change that will strengthen the ties between our global programs so we can work together more effectively to improve the lives of the world’s poorest people.

We have grown a lot over the past decade. Our staff has increased by a factor of 10. We’re now balancing more than two dozen initiatives in health, development, and U.S. education. The growth is important; it lets us accomplish more together with our partners. But in listening to feedback from our partners, we recognized that we were getting siloed. We weren’t thinking about the connection between all our different initiatives, and that was harming our work.

## INTEGRATED APPROACH

Through better coordination of our work in health and development, our new Global Programs structure provides more holistic support to the people we serve.



### SANITATION

Improved sanitation increases productivity; reduces healthcare costs; and prevents illness, disability, and early death.



### AGRICULTURAL DEVELOPMENT

Helping poor farm families to grow and sell more food reduces hunger and poverty.



### VACCINES

Vaccines work to save and improve lives and protect children for a lifetime.



### FAMILY PLANNING

Family planning can significantly improve the health and welfare of women and their families.



### MALARIA

Access to drugs and tools to prevent and treat malaria has saved and improved the lives of millions of families around the world.



### NUTRITION

Proper nutrition during pregnancy and in early childhood improves children’s health and the quality of their lives for years to come.





# A LESSON FROM ETHIOPIA

The benefits of linking health and development efforts became clear to me during a trip to Ethiopia in 2010. I visited a rural health post in the Ethiopian Highlands that is providing basic care for 500 families. Each health extension worker at the post is trained not only in immunization and maternal and child health, but also in nutrition, malaria control, sanitation, water supply safety, food hygiene, even rodent control. In all, they were trained in 16 very different areas of community health. The fact is, the people they serve have lots of challenges. The mother who's worried about malaria also wants to feed her children nutritious food. The Ethiopian healthcare workers know that building better lives for their neighbors means that they don't just need to get one piece of the puzzle right. They must get all the pieces right.

At the foundation, our culture, structure, and ways of working often created barriers to understanding and harnessing the depth and breadth of our capabilities.

“Our work is guided by our values of optimism, collaboration, rigor, and innovation.”



Jeff Raikes visiting a rural health post in Ethiopia. (Wonago Woreda, Ethiopia)

Historically, our focus on solving specific problems has often prevented us from stepping back and looking at the interrelationships among these issues to develop more holistic solutions. That's why our new Global Programs structure encourages a more integrated approach to our work. Program teams focused on areas ranging from agricultural development to vaccines are now working together more closely on the discovery and delivery of health and development innovations that will meet the many needs of the people we serve.

I won't get into all the details of the organizational changes in this letter. [You can learn more here](#). What's important to remember is that while a lot has changed in this new structure, what is not changing is our commitment to our work and the vision of Bill and Melinda. Guided by our values of optimism, collaboration, rigor, and innovation, we will continue to focus on the same core strategies, using our new structure and operating model to increase our contribution to our partners and beneficiaries.



# NEW BLOG SERIES

At foundations and other philanthropies, it's very easy to think that great ideas sit inside your offices; we try hard to take a different view. If we are truly to achieve the impact we all desire, we need to invite feedback. We need to engage grantees and partners. They will be among the first to know if we have lost our way or found a promising path forward.

But we need to go beyond partners to the critics and dissenters of our approaches. In philanthropy we don't have competitors but we do have critics. Competition and critics are good. They help us make the right choices. They test our conviction. And so in this sense, they could be seen as part of the team we must engage and who will drive us forward to greater impact.



To that end, I'm announcing the launch of a new blog series in the foundation blog, *Impatient Optimists*, to give our partners and the public greater insight into our work. It's an opportunity for me to discuss some of the most pressing issues facing the foundation, share what I'm learning from our successes and our failures, and provide my thoughts on how the foundation and the philanthropic community as a whole can elevate the quality of our work together. In [my first blog post](#), I discuss the "innovation pile-up," the challenge facing the foundation and our global health partners as we prepare to roll out dozens of new vaccines and other lifesaving innovations in developing world health

systems that may not be ready to adopt them. I invite you to share your feedback and your thoughts on topics you would like me to address in future blog posts.



Working together, we have an opportunity to challenge one another, learn from one another, and create a better world, a world where all people—no matter where they live—have the opportunity to live healthy, productive lives.

Sincerely,

**Jeff Raikes**  
Chief Executive Officer  
Bill & Melinda Gates Foundation

October 2012

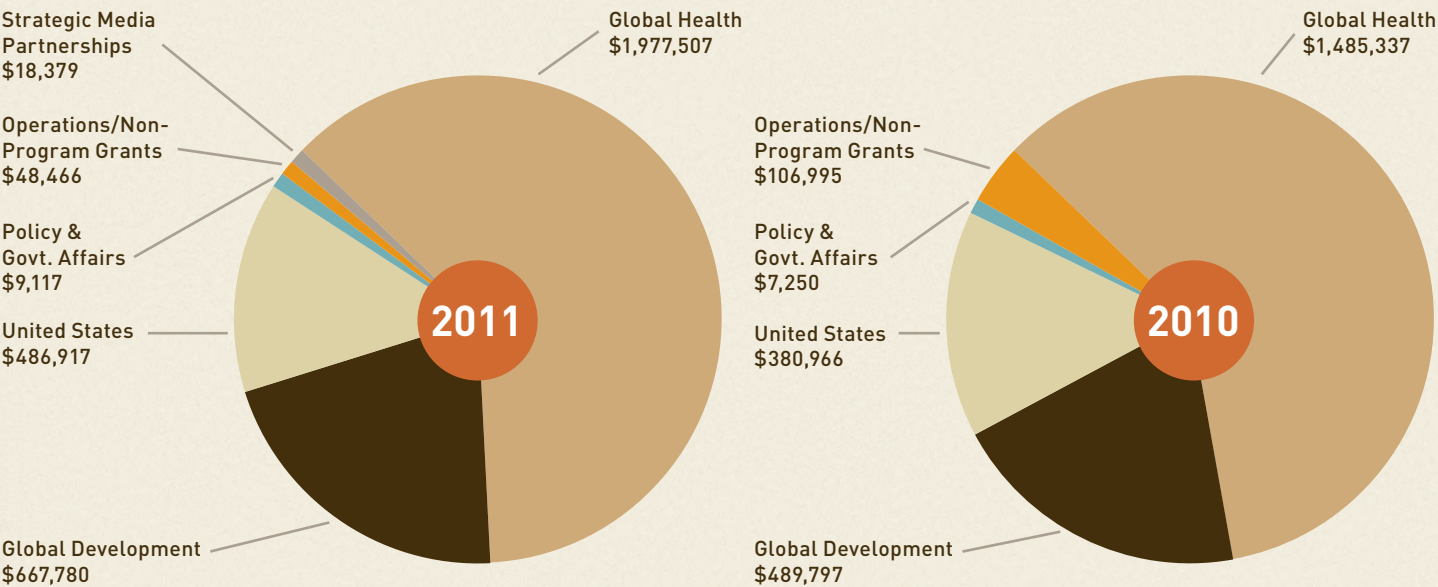


# FINANCIALS

Since 1994, the Bill & Melinda Gates Foundation has distributed approximately \$23 billion in grants to help all people lead healthy, productive lives. The foundation supports grantees in all 50 states and the District of Columbia. Internationally, we support work in more than 100 countries.

## 2011 / 2010 FUNDING AREAS COMPARISON

For the years ended December 31, 2011 and 2010. Amounts in thousands of U.S. dollars.



	2011	2010
PROGRAM AREAS		
Global Development	667,780	489,797
Global Health	1,977,507	1,485,337
United States	486,917	380,966
Strategic Media Partnerships*	18,379	-
Policy & Government Affairs	9,117	7,250
NON-PROGRAM AREAS		
Family Interest	40,324	97,774
Employee Matching Gifts & Sponsorships	4,437	4,119
Charitable Sector Support	3,705	5,102
TOTAL GRANTS PAID	3,208,166	2,470,345

\* Prior to 2011, Strategic Media Partnership grants existed inside program areas (e.g., Global Health Program, Global Development Program, United States Program). These grants were consolidated into one portfolio beginning in 2011.



# Consolidated Statements of Financial Position

As of December 31, 2011 and 2010. Amounts in thousands of U.S. dollars.

	2011	2010
ASSETS		
Cash	10,810	5,183
Beneficial interest in the net assets of Bill & Melinda Gates Foundation Trust	33,778,997 <sup>(1)</sup>	36,720,209 <sup>(1)</sup>
Prepaid expenses and other assets	3,963	3,841
Program-related investments, net	129,658	37,828
Property and equipment, net	716,695 <sup>(2)</sup>	663,090 <sup>(2)</sup>
Total Assets	\$34,640,123	\$37,430,151
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	52,502	58,003
Accrued and other liabilities	46,835	43,915
Grants payable, net	5,705,046 <sup>(3)</sup>	4,553,260 <sup>(3)</sup>
Total Liabilities	5,804,383	4,655,178
Net Assets		
Unrestricted	28,835,740	32,774,973
Total Liabilities and Net Assets	\$34,640,123	\$37,430,151

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

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

(3) Grants payable reflects the total amount of grants approved for payment in future periods (\$6.1 billion in 2011 and \$4.7 billion in 2010), discounted to the present value as of December 31, 2011 and 2010, as required by GAAP.

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



# Consolidated Statements of Activities

For the Years ended December 31, 2011 and 2010. Amounts in thousands of U.S. dollars.

	2011	2010
CHANGE IN NET ASSETS		
Revenues and gains		
Contributions and other income	2,783	2,353
Investment income	622	928
Total revenues and gains	3,405	3,281
Expenses and losses		
Grants	4,373,582 <sup>(2)</sup>	2,180,636 <sup>(2)</sup>
Direct charitable expenses	165,542 <sup>(3)</sup>	100,051 <sup>(3)</sup>
Program and administrative expenses	424,043	361,686
Federal excise and other taxes	119	21
Total expenses and losses	4,963,286	2,642,394
Change in net assets before beneficial interest	(4,959,881)	(2,639,113)
Change in beneficial interest in the Bill & Melinda Gates Foundation Trust:		
Contributions from the Trust to the Foundation	3,961,860 <sup>(1)</sup>	3,161,730 <sup>(1)</sup>
Changes in net assets of the Trust	(2,941,212) <sup>(4)</sup>	3,280,412 <sup>(4)</sup>
Changes in net assets	(3,939,233)	3,803,029
Unrestricted net assets, beginning of year	32,774,973	28,971,944
Unrestricted net assets, end of year	28,835,740	32,774,973

(1) The Bill & Melinda Gates Foundation has a two-entity structure. One entity, the Bill & Melinda Gates Foundation ("foundation"), distributes money to grantees. The other, the Bill & Melinda Gates Foundation Trust ("trust"), manages the endowment assets. The trust makes contributions to the foundation to fund the foundation's grantmaking activities and its operating costs. The foundation and the trust are separate legal entities with independently audited financial statements. The foundation received \$3.962 billion in contributions from the trust in 2011, which were used to fund the foundation's operations comprised of grants to third parties, program-related investments and other direct charitable expenses, operating costs, and capital expenditures.

(2) Grant expense include cash payments made during 2011 of \$3.2 billion (see Grants Paid Summary for detail), as well as an adjustment to record expenses related to grants approved for payment in future years. The future grants payable portion is then discounted to the present value as of December 31, 2011, as required by GAAP. Presented in the accompanying grants paid summary is grant expense on a cash basis, consistent with the reporting basis required in the annual 990-PF tax return.

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

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

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



# Grants Paid by Strategy Summary

For the year ended December 31, 2011. Amounts in thousands of U.S. dollars.

GLOBAL DEVELOPMENT		667,780
Agricultural Development		371,135
Financial Services for the Poor		76,077
Special Initiatives		68,028
Water, Sanitation & Hygiene		63,476
Policy & Advocacy*		50,097
Global Libraries		38,967
GLOBAL HEALTH		1,977,507
Delivery		671,499
Polio	357,702	
Vaccines	313,797	
Infectious Diseases		595,732
Malaria	199,701	
Tuberculosis	120,327	
Neglected and Other Infectious Diseases	94,331	
Enteric and Diarrheal Diseases	92,491	
Pneumonia	88,882	
Family Health		247,604
Maternal, Newborn and Child Health	131,595	
Family Planning	62,348	
Nutrition	53,661	
HIV/AIDS		232,703
Policy and Advocacy*		135,213
Discovery Cross-cutting		81,004
Special Initiatives		13,752
UNITED STATES PROGRAM		486,917
United States Education		416,257
College Ready	278,496	
Postsecondary Success	90,522	
Scholarships	39,850	
U.S. Special Initiatives	7,389	
Pacific Northwest Community		37,097
Policy and Advocacy*		21,559
Libraries		12,004
STRATEGIC MEDIA PARTNERSHIPS		18,379
POLICY AND GOVERNMENT AFFAIRS		9,117
OPERATIONS/NON-PROGRAM GRANTS		48,466
Family Interest		40,324
Employee Matching Gifts & Sponsorships		4,437
Charitable Sector Support		3,705
TOTAL GRANTS, MATCHING GIFTS AND SPONSORSHIPS		\$3,208,166

\* Amount does not include advocacy and policy spending specific to individual strategies.



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

For additional information on the Bill & Melinda Gates Foundation, please visit our website: [www.gatesfoundation.org](http://www.gatesfoundation.org).

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