Consolidated Financial Statements

Gordon E. and Betty I. Moore Foundation
Years Ended December 31, 2016 and 2015
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, 2016 and 2015

Contents

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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, 2016 and 2015, 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, 2016 and 2015, 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 18, 2017

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Financial Position

	December 31	
	2016	**2015**
Assets		
Cash and cash equivalents	**$ 178,411,682**	$ 216,193,085
Dividends and interest receivable	**184,826**	214,417
Investments, at fair value	**6,137,130,371**	6,107,428,027
Pending investments	**10,000,000**	–
Investment redemptions receivable	**64,439,549**	968,319
Program related investments	**2,475,000**	2,900,000
Property and equipment, net of accumulated depreciation	**42,186,543**	42,814,679
Prepaid federal excise tax	**10,550,780**	16,333,709
Prepaid expenses and other assets	**1,546,629**	1,371,196
Total assets	**$ 6,446,925,380**	$ 6,388,223,432
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 14,103,808**	$ 13,612,112
Grants payable	**15,765,577**	19,716,731
Deferred federal excise tax	**15,756,541**	14,513,729
Total liabilities	**45,625,926**	47,842,572
Net assets, unrestricted	**6,401,299,454**	6,340,380,860
Total liabilities and net assets	**$ 6,446,925,380**	$ 6,388,223,432

See accompanying notes.

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31	
	2016	2015
Investment income:		
Dividends	**$ 11,933,246**	$ 11,913,737
Interest	**429,632**	171,949
Partnership distributions	**121,564,772**	166,418,988
Realized gains on sale of investments	**208,720,879**	105,948,549
Net change in unrealized gain (loss) on investments	**62,140,648**	(113,640,528)
Total investment income	**404,789,177**	170,812,695
Contribution income	**63**	–
Investment expenses	**16,802,772**	16,869,758
Taxes	**8,000,749**	3,769,064
Net investment income	**379,985,719**	150,173,873
Expenses:		
Grants	**283,910,387**	276,697,190
Supporting expenses	**32,919,778**	31,834,207
Direct charitable expenses	**2,236,960**	1,836,082
Total expenses	**319,067,125**	310,367,479
Change in net assets	**60,918,594**	(160,193,606)
Unrestricted net assets, beginning of year	**6,340,380,860**	6,500,574,466
Unrestricted net assets, end of year	**$ 6,401,299,454**	$ 6,340,380,860

See accompanying notes.

Gordon E. and Betty I. Moore Foundation

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2016	**2015**
Operating activities		
Interest, dividends, and partnership distributions received	**$ 133,957,241**	$ 178,478,145
Tax payments	**(975,008)**	(21,947,931)
Contribution income	**63**	–
Cash paid to investment managers, suppliers, and employees	**(49,361,255)**	(47,000,884)
Grants paid	**(287,861,541)**	(287,880,345)
Net cash used in operating activities	**(204,240,500)**	(178,351,015)
Investing activities		
Repayment of Program related investment	**425,000**	600,000
Purchases of investments	**(488,365,337)**	(483,910,494)
Proceeds from sale of investments	**656,053,290**	683,543,794
Purchases of property and equipment	**(1,653,856)**	(872,869)
Net cash provided by investing activities	**166,459,097**	199,360,431
Net (decrease) increase in cash and cash equivalents	**(37,781,403)**	21,009,416
Cash and cash equivalents, beginning of year	**216,193,085**	195,183,669
Cash and cash equivalents, end of year	**$ 178,411,682**	$ 216,193,085
Increase in net assets	**$ 60,918,594**	$ (160,193,606)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**2,281,992**	2,085,986
Deferred federal excise tax	**1,242,812**	(2,277,961)
Net realized and unrealized (gain) loss on investments	**(270,861,527)**	7,691,978
Changes in operating assets and liabilities:		
Dividends and interest receivable	**29,591**	(26,529)
Prepaid expenses and other assets	**(175,433)**	(1,040,037)
Accounts payable and accrued liabilities	**491,696**	2,493,215
Grants payable	**(3,951,154)**	(11,183,155)
Prepaid federal excise tax	**5,782,929**	(15,900,906)
Net cash used in operating activities	**$ (204,240,500)**	$ (178,351,015)
Supplemental data for non-cash activities		
Investment redemptions receivable	**$ 64,439,549**	$ 968,319

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 the 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 unrealized gains and losses 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, net.

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 24 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 the grant allocation) 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 May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07 *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 updates existing fair value guidance and amends Accounting Standards Codification 820, *Fair Value Measurement*. Under the amendments of ASU 2015-07, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 was effective for annual reporting periods beginning after December 15, 2016. The adoption of ASU 2015-07 did not have an impact on the Foundation's financial position, results of operations, or cash flows.

In February 2016, the FASB issued ASU 2016-02 Leases, amending the ASC 842. This update requires lessees to recognize operating and financing lease liabilities and corresponding right-of use assets on the statement 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.

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 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, 2016		**December 31, 2015**	
Assets	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Public Equities	**$ 1,142,421,854**	**$ 1,834,803,507**	$1,143,239,028	$1,836,049,860
Fixed Income	**700,593,517**	**729,892,801**	670,291,925	694,069,447
Hedge Funds	**991,091,340**	**1,813,824,758**	1,100,125,443	1,863,541,369
Excess Returns	**702,159,572**	**936,840,156**	677,060,390	949,323,449
Real Assets	**786,665,316**	**760,261,241**	709,472,333	693,053,440
Registered investment company	**17,502,848**	**22,849,007**	86,601,884	46,374,671
Cash and Cash Equivalents	**38,917,114**	**38,658,901**	24,998,862	25,015,791
Total	**$ 4,379,351,561**	**$ 6,137,130,371**	$4,411,789,865	$6,107,428,027

3. Investments (continued)

As of December 31, 2016 and 2015, the Foundation is committed to make additional investments of approximately $952 million and $786 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, 2016		December 31, 2015	
	Cost	**Fair Value**	**Cost**	**Fair Value**
State Street U.S. Treasury 1–3 Year Index Commingled Fund	**$ 700,593,517**	**$ 729,892,801**	$ 670,291,925	$ 694,069,447

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, 2016 and 2015 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, 2016, was ($0.3) million, in which $0.4 million was in derivative assets and $0.7 million was in derivative

3. Investments (continued)

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 notional amounts related to these derivatives was $52 million and $43 million at December 31, 2016 and 2015, respectively.

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, 2016 and 2015, approximately 82%, 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.

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, 2016 and 2015.

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, 2016 and 2015, respectively:

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**

Assets	Level 1	Level 2	Practical Expedient	Total
Public Equities	$ 272,571,012	$ –	$ 1,563,478,848	$ 1,836,049,860
Fixed Income	–	–	694,069,447	694,069,447
Hedge Funds	–	–	1,863,541,369	1,863,541,369
Excess Returns	–	310,416	949,013,033	949,323,449
Real Assets	10,347,477	(498,183)*	683,204,146	693,053,440
Registered Investment Companies	46,374,671	–	–	46,374,671
Cash and Cash Equivalents	25,015,791	–	–	25,015,791
Total as of December 31, 2015	$ 354,308,951	$ (187,767)	$ 5,753,306,843	$ 6,107,428,027

* 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, 2016:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public equities[a]	$1,597,490,249	$ 5,012,961	Daily, Weekly, Monthly, Quarterly, Semi-Annually, Annually, None	2–180 days
Hedge funds[b]	1,813,824,758	2,280,884	Quarterly, Semi-Annually, Annually, Multi-year	30–150 days
Excess Returns[c]	936,840,156	393,369,504	Biennially, None	90 days
Real Assets[c]	760,288,571	551,007,784	Monthly, None	45 days
Total	$5,108,443,734	$ 951,671,133		

[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 $10 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 4% of the value of the investments in this category will only be

4. Fair Value (continued)

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 45% 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.

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, 2016, the recorded amount for the guarantee was $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	
	2016	**2015**
Buildings	**$ 33,803,007**	$ 33,803,007
Leasehold improvements	**26,381,413**	25,984,647
Furniture, fixtures, and equipment	**10,683,760**	9,426,670
	70,868,180	69,214,324
Less accumulated depreciation and amortization	**(28,681,637)**	(26,399,645)
Property and equipment, net	**$ 42,186,543**	$ 42,814,679

8. Short-Term Borrowings

The Foundation maintains a $150 million uncommitted line of credit (the Line) from a major commercial bank. Future borrowings under the Line, if any, will be free of fees, unsecured, and bear interest at rates selected by the Foundation based on Prime, LIBOR, or a Bank Offered Rate, all as defined within the Line's Master Note. The Line expires on October 29, 2017, 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, 2016 and 2015.

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, 2016 and 2015, the Foundation has recorded tax on investment income at the 1% tax rate, 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 2016	2015
Current federal excise tax	**$ 6,249,022**	$ 4,610,345
Deferred federal excise tax	**1,242,812**	(2,277,961)
Unrelated business income tax	**508,915**	1,436,680
	$ 8,000,749	$ 3,769,064

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 $324 million and $316 million in 2016 and 2015, respectively.

The Foundation's qualifying distributions are expected to be above the payout requirements in 2016. At December 31, 2016, the Foundation's cumulative qualifying distribution shortfall is approximately $35 million, which will be satisfied through distributions in 2017. Amounts for 2016 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

9. Taxes and Payout Requirement (continued)

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 2016 and 2015 were approximately $1.5 million and $1.4 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 a commitment of up to $200 million over a period of ten years in grant funds to support further development and construction of the Thirty Meter Telescope (TMT) project, in addition to $50 million awarded prior to the commitment. Subject to the terms of the commitment, funding 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, 2016, the Foundation has awarded $151.5 million under the commitment, bringing the Foundation's total support for the TMT project to $201.5 million.

12. Commitments (continued)

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

	Unconditional	Conditional
Year ending December 31:		
2017	$ 2,265,577	$ 158,705,619
2018	-	75,327,020
2019	-	29,124,770
2020	-	10,741,729
2021	-	1,169,000
	$ 2,265,577	$ 275,068,138

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

The Foundation also has operating leases for its San Francisco and Palo Alto offices. Rent expense, net of sublease income, for the years ended December 31, 2016 and 2015 was $606,000 and $566,000, respectively.

Future minimum lease payments under operating leases, net of estimated sublease income, at December 31, 2016 are as follows:

Year ending December 31:	
2017	$ 679,000
2018	984,000
2019	1,235,000
2020	708,000

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 18, 2017, which represents the date the consolidated financial statements are available to be issued.

Supplementary Information

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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 24 to 29 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 18, 2017

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed

December 31, 2016

Grantees	Remaining Commitment
Altarum Institute	$ 747,000
Amazon Conservation Association	700,000
Amazon Conservation Team	200,000
American Association for the Advancement of Science	629,002
Annual Reviews	1,200,000
Audubon California	275,000
Bay Area Open Space Council	226,375
Beth Israel Deaconess Medical Center	1,250,000
Bigelow Laboratory for Ocean Sciences	288,324
Brave New Software	650,000
Brigham and Women's Hospital	742,500
California Institute of Technology	12,265,577
California Institute of Technology, Center for Data-Driven Discovery	76,617
California Institute of Technology, Division of Geology and Planetary Sciences	794,950
California Institute of Technology, Division of Physics, Mathematics and Astronomy	1,640,000
Canadian Institute for Advanced Research	73,800
Canadian Parks and Wilderness Society, British Columbia Chapter	356,606
Carnegie Mellon University, School of Computer Science	900,000
Centre for Ocean Life, DTU Aqua, Technical University of Denmark	1,580,044
Centro para el Desarrollo del Indígena Amazónico	295,000
Ceres	2,755,046
Chabot Space & Science Center	700,000
Clark University, Clark Labs	25,000
Coastal First Nations - Great Bear Initiative	250,000
Coastal States Stewardship Foundation	439,469
Colorado State University Foundation	1,445,152
Columbia University, Sponsored Projects Administration	707,311
Commonwealth Scientific and Industrial Research Organization	50,000
Conservation International	150,000
Conservation Law Foundation	150,000
Continuum Analytics	350,000
Coral Reef Alliance	799,583
Cornell University, Laboratory of Atomic and Solid State Physics	1,029,204
Dalhousie University, Department of Biochemistry and Molecular Biology	112,516
ECRI Institute	1,969,310

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
Environmental Defense Fund	$ 322,668
ETH Zurich, Technology Transfer Office	232,517
Field Museum	250,000
Fundacion para la Conservacion y el Desarrollo Sostenible	260,000
Greater Washington Educational Telecommunications Association	666,667
Green Fire Productions	375,000
Harvard University, Department of Physics	2,372,493
Harvard University, Office of Sponsored Programs	311,452
Harvard University, Wyss Institute for Biologically Inspired Engineering	351,173
Hospice and Palliative Nurses Foundation	753,000
Howard Hughes Medical Institute, Janelia Farm Research Campus	6,913,000
Human Diagnosis Project	500,000
Icahn School of Medicine at Mount Sinai	906,193
Iepé - Instituto de Pesquisa e Formação Indigena	600,000
ImpactAssets	250,000
Institute for Complex Adaptive Matter	414,000
Instituto de Desenvolvimento Sustentável Mamirauá	848,000
Instituto de Pesquisa Ambiental da Amazônia	400,000
Instituto de Pesquisas Ecológicas	800,000
Instituto del Bien Comun	200,000
Instituto do Homem e Meio Ambiente da Amazonia	740,275
Instituto Socioambiental	1,000,000
Iowa State University, Department of Physics & Astronomy	625,000
Johns Hopkins School of Medicine	160,917
Johns Hopkins University, Department of Physics and Astronomy	1,100,972
Julia Computing	200,000
Lawrence Berkeley National Laboratory	400,000
Life Sciences Research Foundation	925,000
Manylabs	199,875
March of Dimes	500,000
Marine Fish Conservation Network	550,000
Massachusetts General Hospital	168,750
Massachusetts Institute of Technology, Department of Physics	2,476,320
Massachusetts Institute of Technology, Office of Sponsored Programs	398,082
Max Planck Society, Institute for Marine Microbiology	447,962
Max Planck Society, Institute for Medical Research	221,381

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
Monmouth University, Urban Coast Institute	$ 487,038
Monterey Bay Aquarium Research Institute	743,385
MRAG Americas, Inc.	400,000
National Academy of Sciences	166,963
National Academy of Sciences, National Academy of Medicine	134,596
National Center for Research in Advanced Information and Digital Technologies	396,000
National Socio-Environmental Synthesis Center	190,415
National Wildlife Federation	1,431,388
New Venture Fund	40,337,650
New York University, Office of Sponsored Programs	6,000,000
North Carolina State University, Department of Computer Science	900,000
NumFOCUS	110,000
Ocean Conservancy	1,495,000
Ohio State University, Department of Astronomy	1,448,357
Ohio State University, Office of Sponsored Programs	60,204
Pacific Salmon Foundation	244,309
Pennsylvania State University, Office of Sponsored Programs	450,000
Pew Charitable Trusts	7,500,000
Princeton University, Department of Applied & Computational Mathematics	900,000
Princeton University, Department of Astrophysical Sciences	500,000
Princeton University, Department of Chemistry	935,555
Princeton University, Department of Electrical Engineering	1,520,000
Princeton University, Department of Physics	3,299,218
Research Foundation of State University of New York	400,683
Resources Legacy Fund	375,000
Rice University, Department of Physics and Astronomy	400,000
Rutgers University Foundation	1,050,000
Rutgers University, Center for Emergent Materials, Department of Physics and Astronomy	1,100,000
Rutgers University, Department of Physics and Astronomy	1,059,674
Rutgers University, Office of Research and Sponsored Programs	267,670
San Diego State University Research Foundation	613,346
Save Mount Diablo	350,000
Smithsonian Institution, Astrophysical Observatory	1,132,000
Smithsonian Tropical Research Institute	437,052

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
Sociedad Peruana de Derecho Ambiental	$ 280,000
Sonoma County Regional Parks Foundation	100,000
Sonoma Land Trust	500,000
Stanford University, Department of Applied Physics	12,966,765
Stanford University, Department of Computer Science	900,000
Stanford University, Department of Earth System Science	1,550,000
Stanford University, Department of Physics	2,625,081
Stanford University, Woods Institute for the Environment	950,000
Stockholm Environment Institute	400,000
Surfrider Foundation	249,747
T. Buck Suzuki Environmental Foundation	112,050
Techsoup Global	75,000
The Dartmouth Institute for Health Policy and Clinical Practice	168,383
The Frankfurt Zoological Society	400,000
The Nature Conservancy	4,379,672
The Sense of Silence Foundation	102,000
The Wildlands Conservancy	196,000
Third Sector New England	878,717
Tides Canada Foundation	3,100,000
Two Blades Foundation	775,807
United Nations Educational, Scientific and Cultural Organization, Intergovernmental Oceanographic Commission	89,270
United Tribes of Bristol Bay	520,000
Université de Sherbrooke, Département de physique	415,000
Université Pierre et Marie Curie, Research and Technology Transfer Department	752,155
University of British Columbia, Faculty of Science	852,693
University of California	10,000,000
University of California, Berkeley Department of Astronomy	900,000
University of California, Berkeley Department of Earth and Planetary Science	500,000
University of California, Berkeley Department of Electrical Engineering & Computer Sciences	900,000
University of California, Berkeley Department of Geography	900,000
University of California, Berkeley Department of Physics	3,158,775
University of California, Berkeley Institute for Data Science	1,145,020

Grantees	Remaining Commitment
University of California, Berkeley Simons Institute for the Theory of Computing	$ 456,590
University of California, Berkeley Sponsored Projects Office	6,000,000
University of California, Davis Department of Population Health and Reproduction	900,000
University of California, Davis Health System	24,552,266
University of California, Irvine Department of Chemistry	450,000
University of California, Los Angeles Department of Electrical Engineering	450,000
University of California, San Diego Department of Physics	1,080,000
University of California, San Diego Division of Physical Sciences	100,000
University of California, San Diego Scripps Institution of Oceanography	667,775
University of California, Santa Barbara Department of Physics	1,600,000
University of California, Santa Barbara Kavli Institute for Theoretical Physics	1,312,250
University of California, Santa Barbara National Center for Ecological Analysis and Synthesis	1,061,600
University of California, Santa Cruz Department of Earth and Planetary Sciences	553,637
University of Chicago, Department of Human Genetics	900,000
University of Colorado at Boulder, Department of Physics	1,080,000
University of Delaware, School of Marine Science and Policy	501,792
University of Exeter, College of Life and Environmental Sciences	619,437
University of Florida, Department of Wildlife Ecology and Conservation	900,000
University of Georgia Research Foundation	1,063,504
University of Hawai‘i, Office of Research Services	932,363
University of Hawaii Foundation	800,288
University of Illinois at Urbana-Champaign, Department of Physics	929,527
University of Illinois at Urbana-Champaign, Department of Physics and Institute for Condensed Matter Theory	509,000
University of Illinois at Urbana-Champaign, National Center for Supercomputing Applications	900,000
University of Kansas Center for Research	450,000
University of Leeds	400,000
University of Maryland, Department of Physics	380,000
University of Montana, Office of Research and Sponsored Programs	531,586
University of Pennsylvania, Department of Systems Pharmacology and Translational Therapeutics	900,000

Gordon E. and Betty I. Moore Foundation

Schedule of Conditional Grants Committed (continued)

Grantees	Remaining Commitment
University of Southern California, Office of Research	$ 431,650
University of Tennessee, Department of Materials Science and Engineering	600,000
University of Texas at Austin, Sponsored Projects Office	450,000
University of Texas Southwestern Medical Center, Green Center for Systems Biology	900,000
University of Washington, Department of Computer Science & Engineering	900,000
University of Washington, Department of Earth and Space Sciences	500,000
University of Washington, Human Centered Design and Engineering Department	187,500
University of Washington, Office of Sponsored Programs	6,457,472
University of Wisconsin-Madison, The Nelson Institute	840,836
Washington University in St. Louis, Office of Sponsored Research Services	390,937
West Virginia Medical Institute	177,800
Westcoast Aquatic Management Association	300,000
WGBH Educational Foundation	350,000
Wild Salmon Center	947,600
Wildlife Conservation Society	1,140,000
Women's Environmental Network	25,000
Woods Hole Oceanographic Institution	1,408,095
Woods Hole Research Center	600,000
World Business Council for Sustainable Development	3,084,210
World Wildlife Fund	9,956,486
World Wildlife Fund Canada	2,377,286
Yale University, Department of Applied Physics	520,000
Yale University, School of Forestry & Environmental Studies	199,930
Grand total	$ 275,068,138

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