KPMG

BILL & MELINDA GATES FOUNDATION

Consolidated Financial Statements

December 31, 2018 and 2017

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

To The Trustees
Bill & Melinda Gates Foundation:

We have audited the accompanying consolidated financial statements of the Bill & Melinda Gates Foundation, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bill & Melinda Gates Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Seattle, Washington
May 8, 2019

BILL & MELINDA GATES FOUNDATION

Consolidated Statements of Financial Position

December 31, 2018 and 2017

(In thousands)

Assets		2018	2017
Cash	$	38,011	55,508
Prepaid expenses and other assets		34,241	23,691
Beneficial interest in the net assets of Bill & Melinda Gates Foundation Trust (the Trust) (notes 3 and 4)		46,792,949	50,747,487
Program-related investment assets, net (note 5)		400,644	392,134
Property and equipment, net (note 6)		607,343	633,414
Total assets	$	47,873,188	51,852,234
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	25,539	18,983
Accrued and other liabilities		42,074	33,306
Grants payable, net (note 8)		7,940,439	8,758,888
Program-related investment liabilities (note 5)		62,695	65,219
Total liabilities		8,070,747	8,876,396
Net assets:			
Without donor restrictions		39,796,489	42,975,838
With donor purpose restrictions		5,952	—
Total liabilities and net assets	$	47,873,188	51,852,234

See accompanying notes to consolidated financial statements.

BILL & MELINDA GATES FOUNDATION

Consolidated Statements of Activities

Years ended December 31, 2018 and 2017

(In thousands)

		2018	2017
Change in net assets without donor restrictions:			
Revenues and gains:			
Contributions and other income	$	12,774	21,289
Investment income		6,308	4,687
Net assets released from restriction		15,000	—
Total revenues and gains		34,082	25,976
Expenses (note 8):			
Global programs		3,943,536	5,125,738
U.S. program		441,493	511,798
Other charitable programs		160,761	173,759
Programmatic support		69,011	61,131
Total program expenses		4,614,801	5,872,426
Management and general expenses		227,317	185,291
Total expenses		4,842,118	6,057,717
Change in net assets without donor restrictions, before beneficial interest		(4,808,036)	(6,031,741)
Change in beneficial interest in the Bill & Melinda Gates Foundation Trust (note 4):			
Contributions from the Trust (note 3)		5,583,225	5,410,808
Change in net assets of the Trust		(3,954,538)	10,430,547
Total change in beneficial interest		1,628,687	15,841,355
Change in net assets without donor restrictions		(3,179,349)	9,809,614
Change in net assets with donor purpose restrictions:			
Contributions		20,952	—
Net assets released from restriction		(15,000)	—
Change in net assets with donor purpose restrictions		5,952	—
Change in total net assets		(3,173,397)	9,809,614
Net assets, beginning of year		42,975,838	33,166,224
Net assets, end of year	$	39,802,441	42,975,838

See accompanying notes to consolidated financial statements.

BILL & MELINDA GATES FOUNDATION

Consolidated Statements of Cash Flows

Years ended December 31, 2018 and 2017

(In thousands)

		2018	2017
Cash flows from operating activities:			
Change in total net assets	$	(3,173,397)	9,809,614
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation		29,134	27,290
Impairment/loss on disposal of property and equipment		22,413	333
Program-related investment provisions and guarantees		10,537	75,631
Net realized gains on investments		(33,734)	(1,430)
Change in beneficial interest in the Bill & Melinda Gates Foundation Trust net assets		3,954,538	(10,430,547)
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		(10,550)	(4,821)
Accounts payable		6,556	(31,911)
Accrued and other liabilities		8,768	3,405
Grants payable, net		(818,449)	687,697
Net cash (used in) provided by operating activities		(4,184)	135,261
Cash flows from investing activities:			
Funding of program-related investments		(63,145)	(79,901)
Purchases of property and equipment		(25,476)	(19,988)
Proceeds from sale of program-related investments		75,308	2,628
Net cash used in investing activities		(13,313)	(97,261)
Net (decrease) increase in cash		(17,497)	38,000
Cash, beginning of year		55,508	17,508
Cash, end of year	$	38,011	55,508
Supplemental disclosure of cash flow information:			
Cash paid during the year for excise taxes	$	583	—

See accompanying notes to consolidated financial statements.

(1) Organization

The Bill & Melinda Gates Foundation (the Foundation) is a tax-exempt private foundation that works to reduce inequity across the globe. 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.

Strategic Priorities

Global Programs

The Foundation works with grantees and partner organizations to address critical health and development priorities – from infectious disease to agricultural development and financial services – to benefit the world's poorest people. The Foundation invests in advances in research and development as well as innovative approaches to delivering interventions to solve some of the challenges that prevent people in the poorest countries from thriving.

U.S. Program

In the United States, our primary focus is on ensuring that all students – especially black, Latino, and low-income students – have an opportunity to earn a degree or credential that prepares them for a successful career and life. We also seek to increase access to better information and tools needed to tackle barriers to opportunity and to develop economic mobility strategies at the community, state and national levels, particularly in Washington State, where the Gates family has lived for generations and where the Foundation is based. The Foundation is organized as a charitable trust, and operates in Seattle, Washington with regional offices in Washington, D.C.; Beijing, China; London, U.K.; Addis Ababa, Ethiopia; Abuja, Nigeria; Johannesburg, South Africa; New Delhi, India; and Berlin, Germany. The Foundation's Trustees are Bill and Melinda Gates and Warren Buffett.

The Foundation is funded by grants received from the Bill & Melinda Gates Foundation Trust (the Trust) as explained in note 3, *Related Parties*. The primary role of the Trust is to manage the investment assets and fund the Foundation, as necessary, to achieve the Foundation's charitable goals.

IRIS Holdings, LLC (IRIS), a single-member limited liability company, was formed for the purpose of purchasing land for the Foundation's campus and constructing and owning the headquarters. Because the Foundation is the single member of IRIS, its financial statements have been consolidated with the accompanying consolidated financial statements.

Gates Philanthropy Partners (GPP), a 501(c)(3) public charity, was formed for the purpose of providing donors with a cost-effective, efficient vehicle to co-fund with the Foundation in high impact global health, development, and U.S. education programs. As the Foundation is the single member of GPP, its financial statements have been consolidated with the accompanying consolidated financial statements.

Gates Medical Research Institute (Gates MRI), a nonprofit organization co-located in the Boston area and Seattle, was formed for the purpose of combatting diseases that disproportionately impact the poor in low- and middle-income countries by accelerating progress in translational science. As the Foundation is the single member of Gates MRI, its financial statements have been consolidated with the accompanying consolidated financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of its wholly owned subsidiaries IRIS, GPP and Gates MRI. All significant intercompany transactions and balances have been eliminated in consolidation.

The Foundation recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the year ended December 31, 2018, certain of the Foundation’s net assets are classified as restricted. These amounts represent contributions that are limited in use in accordance with donor-imposed stipulations.

(b) Cash

Cash consists of U.S. and foreign currencies.

(c) Program-Related Investments (PRIs)

The Foundation makes PRIs to other organizations to achieve charitable purposes in alignment with the Foundation’s strategies. These investments comprise primarily loans, equity investments and guarantees.

Loan PRIs consist of loans outstanding bearing a below-market interest rate in either a senior or subordinated position. Loans are measured at fair value at inception to determine if a contribution element exists. Loans are recorded on a net basis to reflect a discount on loan receivable (if a contribution element exists) or a reasonable loss reserve. The loss reserve estimate is reviewed on an annual basis and adjusted if collectibility risk has significantly changed based on the Foundation’s understanding of the borrower’s financial health and/or payment history.

Equity PRIs include both direct investments and investments in equity funds. Equity investments are recorded using fair value, cost or equity methods of accounting depending on the Foundation’s ownership significance and control. To arrive at the recorded values the under fair value method, the Foundation utilizes readily determinable fair values, practical expedients or industry benchmarks to estimate fair value. The practical expedient used by the Foundation to value certain PRI equity funds is the Net Asset Value (NAV). In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards.

Under the cost method, the Foundation recognizes the cost of its investment as an asset and evaluates annually for impairment. Under the equity method, the Foundation obtains regular valuations as well as audited financial statements to determine the adjustment required to either revalue or record its share of gains and losses on its investments. The Foundation records unrealized gains or losses throughout the life of the investment and realized gains or losses upon liquidation or sale, which are included within the appropriate programmatic functional allocation expense on the consolidated statements of activities.

Guarantees are recorded as a liability at the larger of the smallest amount within the Foundation's probable loss range or the fair value of the guarantee to the recipient. The fair value to the recipient is equivalent to what it would likely have had to pay if it entered into the transaction in the open market. Guarantees are measured at inception and amortized over the life of the arrangement using a systematic and rational method.

(d) Fair Value

The Foundation applies fair value accounting for all financial assets and liabilities that are recognized at fair value in the consolidated financial statements. In determining the fair value of PRIs, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date

Level 2 Inputs: Valuations based on observable inputs (other than Level 1 prices) such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly

Level 3 Inputs: Valuations based on inputs that are unobservable and significant to the overall fair value measurement and involve management judgment

(e) Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, as follows:

Computer hardware and software	3 years
Vehicles	5 years
Furniture and fixtures	7 years
Building components	3–30 years
Building	40 years
Leasehold improvements	Over the life of the lease or the estimated useful life of the asset, whichever is shorter

The Foundation annually reviews the property and equipment records for impairment of value and records any adjustments necessary to reflect material impacts in value.

(f) Grant Expense

Grant expense is recognized in the period the grant is countersigned, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Grants payable that are expected to be paid in future years are recorded at the present value of expected future payments. At December 31, 2018, grants payable were discounted using the year-end risk-free rate for each year grants were made, which ranged from 0.4% to 4.7%.

(g) Self-Insurance

The Foundation uses a combination of insurance and self-insurance mechanisms to provide for potential liabilities. Liabilities associated with the risks that are retained by the Foundation are not discounted and are estimated, in part, by considering historical claims experience and evaluations of outside experts, demographic factors, severity factors, and other actuarial assumptions. The estimated accrual for these liabilities could be affected if future occurrences and claims differ from these assumptions and historical trends. For the years ended December 31, 2018 and 2017, the self-insurance liability, which is specific to employee healthcare benefits, was $2,865 and $2,451, respectively, and is included in accrued and other liabilities in the consolidated statements of financial position.

(h) Contributed Services

Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2018 and 2017, contributed services totaled $2,434 and $3,457, respectively, and are included in contributions and other income in the consolidated statements of activities.

(i) Contributions and Bequests from Unrelated Parties

The Foundation accepts contributions and bequests from unrelated parties. From time to time, the Foundation is notified that it has been named as the beneficiary in the estate of certain individuals under revocable agreements. Such amounts are recorded as contributions upon the passing of the donor and as the amounts become irrevocable.

(j) Presentation of Expenses on the Consolidated Statements of Activities

The costs of providing support to the various programs and other activities have been allocated between global programs, U.S. program, other charitable programs, and programmatic support. Other administrative costs related to operational support and activities have been allocated to management and general expenses.

(k) Tax-Exempt Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise taxes.

(l) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of PRI guarantees, discounting the allowance for loan PRIs, and the valuation of equity PRI investments.

(m) Reclassifications

Certain reclassifications have been made to prior year amounts to ensure the 2017 statements conform to the presentation of the 2018 financial information.

(n) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset and expense reporting. The Foundation adopted the new guidance effective January 1, 2018 and applied the changes retrospectively. Implementation of this guidance resulted in a change in presentation of net assets, expenses, and additional disclosures surrounding the Foundation's liquidity and availability of financial assets.

In June 2018, the FASB issued ASU No. 2018-08*, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. For resource providers, the ASU is effective for annual periods beginning after December 15, 2019, with early adoption permissible. The Foundation is currently evaluating the impact of the new standard on the financial statements.

(3) Related Parties

The Foundation engages in charitable activities that are funded by a related party, the Trust. The Trust holds and manages investment assets, and makes grants to the Foundation as necessary, to carry out the Foundation's charitable goals. Neither entity controls the other; however, they have two of three trustees in common. In 2018 and 2017, the Trust made grants to the Foundation totaling $5,583,225 and $5,410,808, respectively.

(4) Beneficial Interest in Net Assets of Bill & Melinda Gates Foundation Trust

The legal documents that formed the Trust obligate it to fund the Foundation in whatever dollar amounts are necessary to accomplish the Foundation's charitable purposes. This means that the Foundation has the legal right to demand any amount, up to the full net assets of the Trust, to achieve the Foundation's charitable goals. Because of the Foundation's legal right to call upon the assets of the Trust, the consolidated financial statements for the Foundation reflect a $46,792,949 and $50,747,487 beneficial interest in the net assets of the Trust as of December 31, 2018 and 2017, respectively. That interest is adjusted annually to reflect the changes in the net assets of the Trust and amounts transferred to the Foundation during the reporting period.

The total changes in beneficial interest in the net assets of the Trust for the years ended December 31, 2018 and 2017 are summarized as follows:

		2018	2017
Beginning balance	$	50,747,487	40,316,940
Change in the net assets of the Trust before contributions to the Foundation		1,628,687	15,841,355
Trust contributions to the Foundation		(5,583,225)	(5,410,808)
Ending balance	$	46,792,949	50,747,487

(5) Liquidity

The Foundation’s financial assets available to meet cash needs for general expenditures within one year of the dates of the statements of financial position include:

		2018	2017
Cash	$	38,011	55,508
Beneficial interest in the net assets of the Trust		46,792,949	50,747,487
Other financial assets, net		61,499	21,996
Available financial assets	$	46,892,459	50,824,991

The Foundation structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations come due. Although the Foundation does not intend to liquidate assets other than for amounts needed for general expenditures budgeted during the year, these amounts could be made available if necessary. The Foundation’s available financial assets exclude certain assets that the Foundation would not be able to liquidate within one year of the dates of the statements of financial position. As described in note 4, due to the Foundation’s legal right to call upon the net assets of the Trust, the beneficial interest in the net assets of the Trust has been included above as an available financial asset. All net assets of the Trust are considered available to meet cash needs for general expenditures within one year of the dates of the statements of financial position.

(6) Program-Related Investments

PRIs are strategic investments, beyond grants, made by the Foundation for the specific objective of furthering the Foundation's charitable purpose. The production of income is not the primary driver of a PRI. In each of the years ending 2018 and 2017, the Foundation entered into nine new PRI investments and its PRI portfolio includes loans to support the growth of key partners or institutions, equity investments to promote innovation and scale, and guarantees to address structural challenges within markets.

(a) Loan PRIs

The Foundation's loan portfolio includes both loans and convertible loans invested in not-for-profit and private sector entities. The majority of these loans are in support of its global strategies focusing on developing countries. They enable partner organizations to invest in increasing agricultural productivity, increase access to financial systems, and develop medical technology. The Foundation has also made loans in support of its U.S. strategies, providing low-cost capital support for charter school facilities. Interest payments are due on the outstanding loan amounts at interest rates generally ranging between 0% and 6%. Repayment of the outstanding loan amounts is scheduled through 2034.

The loans are summarized in the table below for the years ended December 31, 2018 and 2017 as follows:

		2018	2017
Loan receivable, gross beginning of year	$	109,802	76,777
Additional loans		5,225	47,121
Principal repayments		(2,475)	(7,596)
Loan to equity conversions		—	(6,500)
Gross subtotal, loans		112,552	109,802
Interest receivable		1,385	998
Loans and interest receivable, subtotal		113,937	110,800
Less discount and uncollectible allowance		(15,272)	(17,568)
Loan receivable, net end of year	$	98,665	93,232

(b) Equity PRIs

The Foundation's equity portfolio includes direct equity investments as well as investments in equity funds. The majority of these equity investments are in support of its global strategies focusing on developing countries which include investing in novel vaccine and therapeutic platforms, developing improved diagnostics, and strengthening agriculture and health delivery systems. The Foundation has also made equity investments in support of U.S. education. The total change in equity investments for the years ended December 31, 2018 and 2017 is summarized as follows:

		2018	**2017**
Equity investment amount, gross beginning of year	$	342,107	296,049
Additional investments		62,013	57,213
Loan to equity conversions		—	6,880
Return of capital		(32,141)	(18,035)
Realized loss		(11,050)	—
Equity investment amount, gross end of year		360,929	342,107
Cumulative valuation adjustments:			
Unrealized loss		(58,950)	(43,205)
Equity investment amount, net end of year	$	301,979	298,902
Realized gain on investments	$	44,784	1,430

The Foundation has recorded certain of its equity investments at fair value, totaling $69,917 and $73,686 at December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Foundation has PRIs which have been valued using NAV as a practical expedient with total fair values of $57,592 and $68,041, respectively. The majority of equity PRIs at fair value include unobservable inputs considered to be Level 3 per the fair value hierarchy.

(c) Guarantee PRIs

The Foundation's guarantee portfolio includes procurement backstop and volume guarantees. The majority of these guarantees are in support of its global strategies, enabling accessibility and affordability of vaccines and health commodities in developing countries. Guarantee agreements and the associated commitments extend through 2023.

The Foundation's guarantee investments are summarized in the tables below for the years ended December 31, 2018 and 2017:

	Total gross exposure December 31, 2017	New commitments in 2018	Commitments satisfied in 2018	Total gross exposure December 31, 2018	Sub-guarantee amounts	Net exposure December 31, 2018	Value of guarantee liability
Guarantee investments:							
Procurement backstop	$ 15,000	—	—	15,000	—	15,000	1,800
Volume	618,028	—	(51,778)	566,250	(51,000)	515,250	60,895
Total guarantees	$ 633,028	—	(51,778)	581,250	(51,000)	530,250	62,695

	Total gross exposure December 31, 2016	New commitments in 2017	Commitments satisfied in 2017	Total gross exposure December 31, 2017	Sub-guarantee amounts	Net exposure December 31, 2017	Value of guarantee liability
Guarantee investments:							
Procurement backstop	$ —	15,000	—	15,000	—	15,000	1,800
Volume	107,256	566,250	(55,478)	618,028	(85,868)	532,160	63,419
Total guarantees	$ 107,256	581,250	(55,478)	633,028	(85,868)	547,160	65,219

(7) Property and Equipment

At December 31, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land	$ 93,945	93,945
Construction-in-progress and other	4,720	56,375
Campus buildings	596,477	571,841
Computer hardware and software	86,545	66,534
Furniture, fixtures and other	21,940	20,880
Leasehold improvements	38,392	32,439
	842,019	842,014
Less accumulated depreciation and amortization	(234,676)	(208,600)
Property and equipment, net	$ 607,343	633,414

(8) Analysis of Expenses

The Foundation's functional expenses, displayed by natural expense classification, for the years ended December 31, 2018 and 2017 are summarized in the tables below. The tables list all expenses on an accrual basis; cash basis expenses totaled $5,643,450 in 2018 and $5,319,847 in 2017.

	Program expenses					Total
December 31, 2018	**Global programs**	**U.S. program**	**Other charitable programs**	**Programmatic support**	**Management and general**	**Total expense by natural classification**
Grants	$ 3,262,279	363,948	140,396	—	—	3,766,623
Direct charitable contracts	361,150	36,734	3,076	—	—	400,960
Total	3,623,429	400,682	143,472	—	—	4,167,583
Compensation and benefits	238,128	36,040	12,421	38,496	69,620	394,705
Other support and administrative	81,979	4,771	4,868	30,515	157,697	279,830
Total	$ 3,943,536	441,493	160,761	69,011	227,317	4,842,118

	Program expenses					Total
December 31, 2017	**Global programs**	**U.S. program**	**Other charitable programs**	**Programmatic support**	**Management and general**	**Total expense by natural classification**
Grants	$ 4,533,212	441,346	153,473	—	—	5,128,031
Direct charitable contracts	306,517	32,053	2,749	—	—	341,319
Total	4,839,729	473,399	156,222	—	—	5,469,350
Compensation and benefits	210,413	34,250	12,929	38,991	61,180	357,763
Other support and administrative	75,596	4,149	4,608	22,140	124,111	230,604
Total	$ 5,125,738	511,798	173,759	61,131	185,291	6,057,717

Grants and direct charitable contracts are charitable costs expended for the benefit of others. Other support and administrative expenses relate to activities that support the grant-making process as well as administrative operational costs. Certain employee benefit expenses are allocated across functional groups based on headcount.

(9) Grants Payable

At December 31, 2018 and 2017, grants payable totaled $8,351,689 (discounted to $7,940,439) and $9,188,553 (discounted to $8,758,888), respectively. Grants payable activity consisted of the following:

		2018	2017
Grants payable balance, beginning of year	$	9,188,553	8,505,203
Current year activity:			
New and supplemental grants		3,952,638	5,166,039
Payments		(4,622,783)	(4,392,923)
Grant amendments and contingencies		(166,719)	(89,766)
Grants payable balance, end of year	$	8,351,689	9,188,553

As of December 31, 2018, based on the specific grant agreements, grants payable are expected to be paid in the following years:

2019	$	3,431,822
2020		2,055,735
2021		900,707
2022		359,077
2023		183,900
Thereafter		1,420,448
		8,351,689
Less discount to reflect grant payable at present value		(411,250)
Grants payable, net	$	7,940,439

(10) Retirement Plan

In 2018 and 2017, the Foundation offered three Retirement Plans for the benefit of its employees: a 403(b) plan, 401(a) plan, and a 457(b) plan. The 457(b) plan allows for additional executive deferrals subject to annual limitations.

The 403(b) retirement plan covers employees meeting certain qualifications. Under the terms of the plan, employees are allowed to contribute up to 100% of pretax annual compensation, as defined in the plan, and subject to annual limitations imposed by the Internal Revenue Code.

The 401(a) retirement plan covers employees meeting certain qualifications. Under the terms of the plan, the Foundation contributes 15% of employee-eligible plan compensation subject to annual limitations. Employees are immediately vested in employer contributions. Employer contributions to the 401(a) retirement plan relating to the years ended December 31, 2018 and 2017 totaled $36,318 and $32,855, respectively.

(Continued)

(11) Federal Excise Taxes

The Foundation is subject to federal excise taxes imposed on private foundations at 2%, or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The Foundation provided for excise taxes at the 1% excise tax rate for the years ended December 31, 2018 and 2017. The current portion of excise tax expense was $383 and $9 for the years ended December 31, 2018 and 2017, respectively.

(12) Commitments and Contingencies

(a) Lease Commitments

The Foundation is obligated under various operating leases for equipment and office facilities, which expire on various dates through 2029. Future minimum lease payments related to these leases as of December 31, 2018 are as follows:

2019	$	4,810
2020		6,714
2021		8,155
2022		7,948
2023		7,647
Thereafter		43,930
Total lease commitments	$	79,204

Rent expense totaled $7,397 for the year ended December 31, 2018 and $6,341 for the year ended December 31, 2017.

(b) Legal Matters

In the ordinary course of business, the Foundation is subject to certain legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Foundation.

(13) Subsequent Events

The Foundation evaluated subsequent events from December 31, 2018 through May 8, 2019, the date on which the consolidated financial statements were available to be issued, and determined that no additional disclosures are required.