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BILL & MELINDA
GATES foundation

ANNUAL REPORT 2003



The Power of Partnerships

A Message from Patty Stonesifer



THIS YEAR, I'VE SEEN that there is no shortage of very capable individuals, research institutions, nonprofit organizations, and government agencies working to solve the world's problems. I've also seen that we can be far more effective and see lasting impact if we work together — and work strategically.

The foundation's efforts stem from Bill and Melinda Gates' belief that every life has equal value; no matter where a person lives, he or she should have the chance to lead a healthy life, receive a quality education, and get important information. They also strongly believe that most of the world's major challenges are solvable.

As William H. Gates Sr. recently told a roomful of government, nonprofit, and business leaders, "AIDS will yield. But the end of AIDS will not come from the commitment of one large foundation or even one large government. AIDS will fall to the relentless, persistent attack of millions of people — rich and poor — who decide the time has come for AIDS to go."

Finding — and distributing — an AIDS vaccine. Preparing all of our nation's children for college. Ending homelessness. These goals might seem impossible. But I don't believe they are — if each of us does our part. At the Bill & Melinda Gates Foundation, we feel that our role is to invest in tools and innovative solutions for the world's toughest problems. That's why we're devoting a significant percentage of our resources to building low-cost, life-saving interventions, especially through vaccine research. That's why we're partnering with school districts and experts in education to design innovative schools that truly engage their students.

But even if the foundation funds crucial breakthroughs, we do not have the resources to reach everyone in need. We count on businesses, governments, nonprofit organizations, and volunteers to expand and sustain our grantees' work.

In 2003, I saw many groups contributing their strengths. I watched them make a difference. And I saw what remains to be done.

■ DEDICATED LIBRARIANS, TRAINERS, AND FOUNDATION STAFF HELPED US reach the goal we set seven years ago: If you can reach a public library in the United States, you can reach the Internet. With the help of many partners, the foundation installed more than 47,000 computers in nearly 11,000 public libraries serving low-income communities in all 50 states. Today, more than 95 percent of U.S. libraries offer public access computers, and more than 14 million Americans regularly use them. Now we need elected officials, library staff, and ordinary citizens to help libraries ensure that the latest learning tools continue to be in reach of everyone.

■ IN SEPTEMBER, BILL GATES, NEW YORK CITY MAYOR MICHAEL BLOOMBERG, and Schools Chancellor Joel Klein visited Morris High School Campus in the Bronx to expand a unique partnership between the foundation, the New York City Department of Education, and seven nonprofit organizations. This partnership will create 67 new public high schools in some of the city's most troubled areas and already serves more than 50,000 of New York's low-income and minority students.

In fall of 2003, 150 new public high schools opened around the country with support from the foundation. These schools give students a rigorous, relevant curriculum and the chance to form meaningful relationships with their teachers. This is an exciting step. But ultimately, our country needs *10,000 great high schools* in order to see *all* American students graduate prepared for college and work. As these new models prove successful, we hope others will develop similar schools in every state.

■ OUR GLOBAL HEALTH GRANTEEES continue to improve health in some of the poorest countries in the world. The Institute for OneWorld Health, a nonprofit pharmaceutical company, has made exciting progress toward an inexpensive new cure for visceral leishmaniasis. This is a deadly parasitic disease also known as "black fever." If OneWorld is successful, we will have an effective way to fight a disease that kills 60,000 people each year. Plans are under way to manufacture the product initially in India, where 75 percent of the world's cases exist.

The Global Alliance for Vaccines and Immunizations has saved an estimated 500,000 lives in 69 countries by funding new vaccines and the health systems to deliver them. This partnership between governments, vaccine manufacturers, research institutes, UNICEF, and the World Health Organization is making sure that effective vaccines for the worst childhood killers will reach those who need them most. But the work is far from done. Our goal is to build a system that works now, and that will still work a generation from now.

■ AT-RISK FAMILIES IN THE PACIFIC NORTHWEST are getting the help they need to leave homelessness once and for all through Sound Families, a unique partnership among the foundation, the City of Seattle, and other local governments from the Puget Sound region.

Sound Families offers homeless families housing paired with social services like job training and abuse counseling. In 2003, Sound Families reached the halfway point in its effort to create 1,500 apartments. As it continues this momentum, we believe this innovative public-private partnership will serve as a model for cities across the country.

These are just a few examples of the powerful changes happening all around. Each one of us is in the business of providing solutions. Our collective action truly does make a difference.

Patty Stonesifer
Co-chair and President

“THE FACT THAT HIGH SCHOOLS CONTINUE TO ALLOW one-third of all students to drop out is a national economic, civic, and social disaster. We can and must lift achievement, graduation rates, and college attendance, particularly for low-income and minority students.”

TOM VANDER ARK, *Executive Director, Education*



EDUCATION

OVERVIEW

As a nation, we have yet to create a high school system that ensures that all of our young people reach their full potential. Today, nearly one-third of eighth graders will not graduate from high school. Of those who do graduate, fewer than half will be prepared for a four-year college. Low-income and minority students are at particular risk. Nearly half of all African-American and Hispanic students won't make it to graduation day.

Educating America's children is critical to the future of our society, economy, and democracy. High school dropouts are far more likely to face unemployment and much less likely to vote than those who finish high school. And too often those who do graduate are not prepared for college and work in an economy where virtually all jobs that yield a family wage demand an education beyond high school.

The foundation's Education program is working to help communities create high school systems that prepare all students for college, work, and citizenship. In the fall of 2003, more than 150 new or redesigned high-quality small schools opened their doors in 22 states across the country. These small schools are helping foster the three R's — rigor, relationships, and relevance — that contribute to all students succeeding. Half of the nation's largest urban school districts now are engaged in high school reform, many of which receive support from the foundation.

In 2003, the foundation also continued to forge partnerships with education and civic leaders, school districts, and other foundations to raise awareness of the need for all students to graduate college-ready, and to make real changes in the nation's education landscape.

HIGHLIGHTS

■ **HELPING COMMUNITIES TRANSFORM HIGH SCHOOLS.** In 2003, the foundation continued to invest in cities that are expanding the high school options available to the least advantaged

students. Investments included \$11 million for the transformation of three San Diego large high schools into 18 smaller schools; \$13.6 million to help 10,000 Boston students receive a high-quality, college-preparatory education; and \$7.6 million to fund 12 new small schools in Chicago.

■ **CREATING EFFECTIVE MODELS.** Throughout the year, the foundation worked to replicate proven school models to expand access to great schools, especially in urban areas. The foundation joined the Cassin Educational Initiative Foundation to create 12 new Cristo Rey Jesuit High Schools that will serve low-income and minority youth using a proven formula of rigorous coursework and an innovative work-study program. Additionally, a \$31 million initiative was begun to build a nationwide network of 168 alternative schools for young people who have dropped out, become disengaged, or been failed by traditional schools.

■ **JOINING STATES' COMMITMENT TO COLLEGE READINESS.** At the annual meeting of the National Conference of State Legislatures in San Francisco, Melinda Gates called on legislators to help reform the nation's lowest-performing schools and school systems, and increase the number of students who are college-ready. Throughout the year, other foundation officials participated in meetings with governors and chief school administrators to explore ways to improve our nation's schools.

■ **SUPPORTING STATES' HIGH SCHOOL INITIATIVES.** Texas received a \$35 million grant, and North Carolina was granted \$11 million to launch major public-private initiatives to create new academically rigorous schools aimed at helping underserved students in rural and urban areas. These efforts build on similar statewide partnerships the foundation has in Ohio and Washington.

■ **MAKING THE DREAM OF HIGHER EDUCATION A REALITY.** To afford wider opportunities for college education, the foundation provided 1,736 students with scholarships through: the Washington State Achievers Program (500 graduating high school seniors), the Gates Cambridge Scholars program (236 international graduate students in Cambridge, England), and the Gates Millennium Scholars program (1,000 low-income minority students in college and graduate school).

■ **SPONSORING RESEARCH.** The foundation funded a Manhattan Institute report that found that only 70 percent of students in public high schools graduate, and only 32 percent are prepared for four-year colleges. The percentages for minorities are even worse. Among African-Americans, only 51 percent graduate, and only 20 percent graduate college-ready. Among Hispanics, 52 percent graduate, and 16 percent graduate ready for college.

■ **CONTRIBUTING TO THE NATIONAL DISCUSSION.** In October 2003, Jobs for the Future hosted the "Double the Numbers" Conference to formulate strategies for doubling the current number of minority students who go on to college and obtain a degree. The foundation joined the Carnegie Corporation of New York, the Ford Foundation, and the W.K. Kellogg Foundation to sponsor the conference.

■ **INFLUENCING THE AGENDA.** Throughout the year, the foundation helped bring small-school issues to the forefront of the national agenda. By strengthening our partnerships with education policy organizations and authoring a report, "High Schools for the New Millennium," the foundation encouraged policymakers to increase funding and options for urban students.

A young woman with dark hair, ShaVonne Pearson, is shown from the chest up, speaking into a microphone. She is looking slightly to the left of the camera. The background is blurred, showing what appears to be an American flag.

Grantee Story

Providing a High-Quality Education for Every Student *New York City's Small Schools Initiative*

ShaVonne Pearson used to attend one of the lowest-performing schools in the Bronx, in a district that is the poorest in the United States. She was just a face in the crowd, and no one had any expectations that she would attend college. How could they, when only one in seven students at her school graduated?

But today, innovative educational leaders and committed teachers have high expectations for ShaVonne and her peers at the newly designed Morris High School Campus. They believe that given the right environment, a challenging curriculum, and enough encouragement, underserved students like ShaVonne could not only earn a high school diploma, they could go on to college and fulfill their dreams.

ShaVonne's new school is part of a network of high-performing small schools and alternative schools throughout New York City that serve more than 50,000 low-income and minority students. With support from the Bill & Melinda Gates Foundation, the Carnegie Corporation, and the Open Society Institute, New York City has opened more than 40 new small high schools as part of a citywide effort to boost graduation and college-going rates.

In September 2003, the Bill & Melinda Gates Foundation joined the New York City Department of Education to continue this commitment to New York City schoolchildren by announcing a \$51.2 million grant to support the creation of an additional 67 small high schools citywide. By transforming large failing schools like Morris High School into small learning communities and creating new high schools that offer personalized learning and rigorous coursework, this ambitious effort will provide students the high-quality education they need to succeed in the 21st century. The city is leveraging the foundation's investment to open a total of 200 new small schools throughout the five boroughs, including 60 in the fall of 2004.

The strategy is to create model high schools, then replicate them in high-need areas. New schools may be modeled after existing, successful programs like the Julia Richman Education Complex (JREC) and the New York City Museum School. JREC is one of the most successful high school turnaround stories in the country. In 1992, JREC housed 3,000 students, with only about one in three graduating. JREC now houses four small high schools, each with graduation and college attendance rates of over 80 percent.

At the Museum School, students spend up to three days a week in museums across the city and are taught by professionally trained museum educators and specialists. A part of the nonprofit New Visions for Public Schools network, the school uses museum objects to help bring to life the subjects of study, stimulating students' curiosity and encouraging them to seek answers to their questions.

The citywide program will double the number of high schools with fewer than 600 students and create 80,000 new seats in small schools. Ultimately, this investment will affect 25 to 30 percent of all high school students in New York City, and almost 90 percent of schools in central Brooklyn, the Bronx, and Harlem.

At the grant announcement, ShaVonne Pearson, now a tenth grader, spoke about how the smaller, more personal environment at her new school, the School for Excellence on the Morris High School Campus, has helped her go from being just a face in the crowd to truly knowing her teachers, her principal, and her counselor. New York City's efforts — and those in other cities around the country — will help tens of thousands more students feel the same way.

“THE HEALTH PROBLEMS FACING THE DEVELOPING WORLD, though daunting, can be solved — it just requires the right combination of scientific ingenuity and political will.”

RICHARD D. KLAUSNER, M.D., *Executive Director, Global Health*



GLOBAL HEALTH

OVERVIEW

Millions of people in the developing world die unnecessarily every year from diseases that are preventable and treatable. Children in developing countries are 10 times more likely to die of vaccine-preventable illnesses than children in developed countries. And of the billions spent every year on biomedical research, only about 10 percent is devoted to the diseases that cause 90 percent of the global health burden.

Yet there is hope — the world has the tools and the knowledge to dramatically improve health in poor countries. For example, ensuring that all children in the developing world receive a course of standard vaccines would save 2 to 3 million lives each year. Even more lives could be saved by harnessing the world's R&D engine to develop new health solutions where none currently exist, such as vaccines for HIV and malaria.

The foundation's Global Health program is working to close the health gap between people living in rich and poor countries and to ensure that lifesaving advances in health are created and shared with those who need them most.

In 2003, the program's grantmaking focused on: accelerating the search for discoveries and inventions that are essential to solving global health problems; supporting the development and testing of specific tools and technologies to improve health in developing countries; and helping make sure that new health interventions and technologies are adopted in the developing world.

HIGHLIGHTS

■ **TACKLING GRAND CHALLENGES IN GLOBAL HEALTH.** At the World Economic Forum's annual meeting in January, Bill Gates launched a new initiative to accelerate research on scientific challenges that, if overcome, could lead to important advances against diseases of the developing world. The \$250 million initiative is guided by an international scientific board, which announced the first 14 “Grand Challenges” in October.

■ **PBS INTERVIEW WITH BILL GATES FOCUSES ATTENTION ON GLOBAL HEALTH.** On a special edition of “NOW with Bill Moyers” on PBS, Moyers spoke with Bill Gates about his philanthropy and the need for greater attention to health in the developing world. During the interview, Bill Gates called on wealthy nations to do more to improve global health: “If rich countries did their part, then there would be the money to give vaccines, to create new vaccines, to give oral rehydration therapy. The whole picture of health would change quite dramatically.”

■ **RAISING AWARENESS ABOUT HIV PREVENTION.** The Global HIV Prevention Working Group, an international panel of HIV/AIDS experts co-convened by the foundation and the Henry J. Kaiser Foundation, released “Access to HIV Prevention: Closing the Gap,” the first-ever analysis of the gap between HIV prevention needs and current efforts. The report found that fewer than one in five people at high risk of HIV infection today have access to prevention programs, and annual global spending on prevention falls \$3.8 billion short of what will be needed by 2005.

■ **ACCELERATING MICROBICIDE RESEARCH TO PREVENT HIV INFECTION.** The foundation announced a \$60 million grant to the International Partnership for Microbicides to accelerate the discovery, development, and accessibility of microbicides to prevent HIV transmission. Microbicides are products such as gels or creams that women could use to protect themselves from HIV infection, even if their partners refuse to use condoms.

■ **BRAZILIAN PROGRAM HONORED FOR INNOVATIVE HIV PREVENTION.** The Brazilian National AIDS Program was selected to receive the 2003 Gates Award for Global Health. The program, considered a model for combating HIV/AIDS in developing countries, combines free access to antiretroviral treatment with aggressive HIV prevention campaigns.

■ **FORMING NEW PARTNERSHIPS TO ERADICATE POLIO.** Despite major progress over the past decade, polio is still endemic in several countries in the developing world. The International Partnership for Polio is working with the World Bank to help finance polio eradication, and is supported by a \$25 million foundation grant and major contributions from Rotary International and the UN Foundation.

■ **ACCELERATING DENGUE VACCINE RESEARCH.** Dengue, a debilitating disease, is spreading rapidly in Latin America and Asia. The International Vaccine Institute’s Pediatric Dengue Vaccine Initiative is leading the search for a dengue vaccine with support from a \$55 million foundation grant.

■ **BILL AND MELINDA GATES VISIT AFRICA.** Bill and Melinda Gates traveled to southern Africa in September to draw attention to the impact of malaria and HIV/AIDS, and to learn from local leaders and health experts. In Mozambique, they announced grants totaling \$168 million to accelerate malaria research; in South Africa, they co-hosted a forum on youth and HIV prevention with Nelson Mandela and his wife, Graça Machel; and in Botswana, they visited the national HIV/AIDS prevention and treatment program, which is supported by a major foundation grant.

■ **EXPANDING HIV PREVENTION IN INDIA.** The foundation doubled its commitment to Avahan, the India AIDS Initiative, to \$200 million. Avahan — whose name means “call to action” in Sanskrit — announced its first round of grants, totaling \$67.5 million, to expand access to HIV prevention for sex workers, truck drivers, and other vulnerable groups.



Grantee Story

Solving the Malaria Vaccine Puzzle *Malaria Vaccine Initiative*

A 10-year-old girl, her family's oldest child, lies comatose in the malaria ward of a Gambian hospital. She is suffering from cerebral malaria, which occurs when blood vessels in the brain are blocked by malaria-infected blood cells. Her parents, sitting at her bedside, have seen other children in the town fall ill and die from malaria. Even with the best treatment the hospital can provide, her chances of survival are no better than 50 percent.

For centuries, the Chinese have referred to malaria as the "Mother of all Fevers." In adults, the parasite causes relapsing illness debilitating enough to cost some African nations up to 5 percent of their GNP. But when the worst type of malaria strikes infants, 30 percent may die. Of the more than 1 million people that malaria kills annually, the vast majority are under 5 years old.

Early global public health dreams of eradicating malaria have evolved into more realistic goals of rolling back its devastation. Effective weapons in this fight include insecticide-treated bednets, mosquito control, prompt and effective malaria treatment for children, and presumptive treatment for pregnant women. But the silver bullet, if there is one, may ultimately be a vaccine. That is the mission of the Malaria Vaccine Initiative (MVI) at the Program for Appropriate Technology in Health (PATH).

Created in 1999 with a \$50 million grant from the Bill & Melinda Gates Foundation, MVI is specifically designed to forge partnerships among the diverse players in vaccine development. MVI identifies promising vaccines and propels them through the development phase and into clinical trials. In 2003, the foundation announced an additional \$100 million in funding for MVI to further expand the malaria vaccine development pipeline, accelerate the movement of promising vaccine candidates into clinical trials, and address financial and policy barriers to vaccine development.

MVI's first goal is to find a vaccine that can prevent or reduce deaths in children. Trials are underway in Mozambique on the most advanced malaria vaccine candidate, the RTS,S/AS02 vaccine, in coordination with GlaxoSmithKline Biologicals, Mozambique's Ministry of Health, the Centro de Investigação em Saúde de Manhiça (CISM), and the Hospital Clinic of the University of Barcelona.

The RTS,S/AS02 vaccine is a perfect example of MVI's crucial role in vaccine production. Two decades ago, drug companies recognized it as a promising malaria vaccine, but corporate priorities changed and RTS,S/AS02 research was placed on the back burner. Now MVI is delivering the capital and energy needed to drive RTS,S/AS02 research forward.

MVI also is investigating other possible malaria vaccines. By advancing several candidates simultaneously, the time frame to worldwide malaria control could be shortened.

In the time you've taken to read this story, four children have died of malaria. An effective vaccine could change this. By linking researchers and pharmaceutical companies with clinical institutions in malaria endemic countries, MVI hopes to give a future to thousands of children now at risk.

“PEOPLE USE LIBRARY COMPUTERS TO CHANGE THEIR LIVES. We need to make sure that these tools are still available to everyone a month from now, a year from now, a generation from now.”

SYLVIA M. MATHEWS, *Chief Operating Officer and Executive Director,*
Global Libraries, Pacific Northwest, Special Projects



LIBRARIES

OVERVIEW

If you want to find a job, start a business, get a degree, or even do homework, it's hard to do without the Internet. Yet there is still a significant divide between those who have access to this technology and those who don't. In particular, traditionally disadvantaged groups, including those with lower income and education levels, continue to be less likely than others to have the access and skills to effectively use computers and the Internet. This is where public libraries have made a tremendous difference.

At the end of 2003, the foundation reached our initial goal of ensuring that if you can get to a library, you can get to the Internet.

Together with librarians across the country and other partners, the foundation completed installing computers with Internet access in the public libraries of every community where 10 percent or more of the population falls below the poverty line.

Today, nearly every library in the United States offers free Internet access. People are using library computers to earn a degree, find a job, research medical information, or stay in touch with family. What's also encouraging is how libraries are helping bridge the digital divide; minority groups, people with lower incomes, and people with less education are many times more likely to rely on public library computers for Internet access.

Despite this progress, libraries are challenged to sustain public access computing without more consistent funding. In the United States, the foundation is building broader partnerships with state agencies, library associations, tribal communities, businesses, and nonprofits to advance a three-part agenda: keeping libraries open, increasing trained staff, and maintaining Internet connectivity. Internationally, the foundation continues to support efforts to bring public access computers to libraries serving low-income communities.

HIGHLIGHTS

- **CELEBRATING MAJOR GAINS IN DIGITAL ACCESS.** At the end of 2003, the foundation reached a major milestone of the U.S. Library Program. Together with libraries, library supporters, Microsoft, and Gateway, the foundation completed its initial \$250 million commitment to install more than 47,000 computers and train librarians in nearly 11,000 libraries across all 50 states and the District of Columbia. Today, more than 95 percent of U.S. public libraries offer free access to computers and the Internet, often providing the only access for residents of the nation's poorest areas.
- **BILL GATES SPOTLIGHTS SOUTH DAKOTA LIBRARIES.** Bill Gates joined NBC News anchor Tom Brokaw in rural South Dakota to draw national attention to the role that libraries play in closing the digital divide. During the interview, Gates commented, "The Internet is like books, where everybody should have an equal chance to access."
- **WEBJUNCTION.ORG LAUNCHED TO SUPPORT LIBRARIANS.** In May 2003, the Online Computer Library Center with support from the foundation launched a new resource for librarians, WebJunction.org. This new portal is designed to serve the ongoing needs of public libraries in managing hardware and software, implementing advanced applications, training staff and patrons, and delivering digital library services.
- **ONGOING EVALUATION SHOWS IMPACT.** The Public Access Computing Project at the University of Washington continued its study to assess the effectiveness of the U.S. Library Program and the challenges in sustaining computing services in libraries. Interviews with children showed that use of library computers for homework and Internet access is especially important for minority students and those from low-income families. For rural and small-town libraries often in small spaces with limited budgets, the Internet provides patrons with an expansive window to all kinds of information that is not on site.
- **STAYING CONNECTED GRANTS ENCOURAGE PARTNERSHIP.** The foundation continued to help libraries stay connected by offering state library agencies new challenge grants for hardware upgrades, particularly in areas with persistent poverty, broadband connectivity, technical support, and technology training programs. In 2003, the foundation awarded \$5.8 million to 18 states, which the states leveraged to raise an additional \$2.3 million for a total of more than \$8 million for sustaining public access computing.
- **EXPANDING ACCESS TO TECHNOLOGY FOR NATIVE AMERICANS.** The foundation provided more than \$2 million over 18 months to support ongoing public access computing efforts in the Navajo Nation. Today, all 110 chapter houses in the Navajo Nation offer free access to computers and the Internet.
- **OPENING THE WORLD FOR CHILEANS.** The *BiblioRedes: Abre tu Mundo* project, whose name means "Open Your World," completed installing 1,754 public access computers and high-speed Internet in 368 public libraries throughout Chile, and established 17 computer training labs and four laptop training labs for the public. Chilean library staff gave basic computer instruction to over 75,000 people. As a result of the project, overall use of the libraries has increased 53 percent for adults and 28 percent for children. Patty Stonesifer and Sylvia Mathews visited Chile in May to see firsthand the positive impact of the project.
- **SMART CAPE RECOGNIZED WITH ACCESS TO LEARNING AWARD.** The Smart Cape Access Project of Cape Town, South Africa, was recognized with the 2003 Gates Access to Learning Award for its innovative efforts to connect residents, particularly in low-income neighborhoods, with no-cost public access to computers and the Internet.



Grantee Story

Library Computers Connect Rural Communities

Demopolis Public Library, Alabama

In the mid-1990s, Demopolis, Alabama, was at risk of being left behind in the new digital age. For many residents in the small town — 30 percent of whom live below the poverty level — there was little chance they could access a computer or the Internet at home or at work. Today, every Demopolis resident can connect to the world of digital information for free at their public library.

The public library in Demopolis and in towns across Alabama were some of the first to receive grants from the Gates Library Foundation in 1997. The Demopolis library received eight new computers, as well as training and technical support.

The benefits to the community were immediate. Residents used the library computers to look for jobs, research health issues, and do homework. The computers also brought a marked increase in library attendance.

"The door count tripled," according to library director Lindsay Gardner, who says that the library was the first in the community to provide public access computing.

The trend in Demopolis mirrors what has been happening across the nation. Since public access computers were installed, libraries have seen an increase in visitors and an increase in circulation. Libraries also report that those who need free access the most — including minorities and individuals with lower incomes — are using the library computers. For many of Demopolis' residents, over 50 percent of whom are African-American, this was their first real exposure to a computer.

Today, the library has been able to leverage the foundation's initial investment to upgrade those original eight computers with new computers, thanks to private donations from within the community.

In addition, the city has purchased computers for the library's staff, local businesses have contributed to the library's remodel, and Friends of the Library has helped in a variety of ways, including supplying needed software.

City leaders tend to view the library's public access computers as something primarily for the kids to use after school. But Gardner does her best to impress upon them that the computers are being used by all kinds of people within the community. "My computer classes are filled with seniors," notes Gardner, who teaches a number of basic to advanced courses. "People traveling through use them to check their e-mail, adults use them to find jobs, some even use them to work on the church bulletin."

In fact, every day Gardner sees another example of how the library's public access computers have changed the lives of the people of Demopolis.

Recently, a family came in and asked if they could use a library computer to watch their son get married in North Carolina. With a Webcam set up at the wedding, the family could share in an experience they would have otherwise missed without access to the Internet. "They just sat over there whooping and hollering for over an hour," remembers Gardner, "watching their son get married on the computer."

“FROM THE FOUNDATION’S BEGINNING, we’ve placed a high priority on giving back to a community that has been home to my family for four generations. We are striving to make a tangible difference in the lives of disadvantaged families so that they might have the opportunity to create a better future for their children and for generations to come.”

WILLIAM H. GATES SR., *Co-chair*



PACIFIC NORTHWEST

OVERVIEW

The Pacific Northwest is a region of internationally renowned opportunity, and at the same time, of stunning poverty. Washington and Oregon continue to lag behind national employment trends, both states report a higher incidence of hunger than the national average, and tens of thousands of parents struggle to provide basic essentials for their children.

The Bill & Melinda Gates Foundation is committed to supporting organizations that make a positive difference in the lives of children and families in the Pacific Northwest.

In 2003, the foundation continued to focus its local grantmaking to invest in programs for at-risk youth, expand transitional housing with supportive services for families struggling with homelessness, and enhance technology-training opportunities for low-income and disadvantaged communities. This year the foundation granted almost \$24 million to 76 organizations working to serve families in need.

HIGHLIGHTS

- **EXPANDING AFFORDABLE CHILDCARE OPTIONS.** In 2003, the foundation awarded 11 grants totaling \$1.5 million to construct or renovate Head Start or childcare centers serving 1,182 at-risk children in Washington and Oregon. The grants targeted low-income communities with limited access to affordable childcare, including the cities of Tacoma, Moses Lake, Silverdale, Port Townsend, Spokane, Seattle, Eugene, Woodburn, and Cornelius.
- **AFTER-SCHOOL PROGRAMS FOR AT-RISK YOUTH.** In Kent, Seattle, Portland, Lopez Island, Snohomish County, Kitsap County, and Pierce County, the foundation made eight grants totaling \$2.8 million for after-school programs serving at-risk youth. These after-school programs are providing young people with a safe, supportive environment that fosters creative exploration and academic success.

- **STRENGTHENING NONPROFITS' CAPACITIES.** Eleven nonprofits successfully fulfilled capital campaign challenges or matching grants, leveraging resources from the foundation to broaden their funding bases for long-term sustainability. The foundation also awarded 19 new capital campaign challenge/matching grants totaling \$7.6 million.
- **PROGRAMS TO EMPOWER SINGLE MOTHERS.** Children thrive when single mothers get the support they need. In 2003, the foundation gave 20 grants to organizations helping single mothers through domestic violence services, employment programs, emergency shelter, and transitional housing.
- **PROMOTING DIGITAL EQUITY.** In 2003, 103 new community access to technology (CAT) locations opened, at which 40,500 additional people were served. These CAT sites are helping rural communities, persons with disabilities, immigrants, homeless persons, and youth use computers to improve their employability, earn a high school graduate equivalency degree, and learn English skills. An evaluation of CAT grantees showed encouraging signs: 78 percent of grantees met or exceeded their initial program delivery goals; most participants in projects were working on academic- or employment-related goals.
- **CREATING SOLUTIONS FOR FAMILIES STRUGGLING WITH HOMELESSNESS.** More than 740 housing units paired with supportive services now have been funded through the foundation's Sound Families Initiative. More than halfway toward our goal of funding 1,500 new units in Pierce, King, and Snohomish counties, the program's mid-course evaluation indicated positive trends. While living in Sound Families-funded housing units, 55 percent of families increased their income levels. Sixty-six percent of families successfully moved from transitional to permanent housing.
- **PROMOTING GIRLS' POTENTIAL.** Melinda French Gates delivered the keynote address at Powerful Voices' third-annual luncheon. A Pacific Northwest grantee, Powerful Voices aims to instill leadership skills, foster development of critical-thinking skills, and promote girls' potential through programs in Seattle public middle schools and juvenile detention centers. Gates reminded the audience of 600 people how important it is to support a young woman in finding her voice. "How does a girl become strong? How does she enact change? How does she grow into a strong woman? It begins with a step that sounds simple, but isn't. She finds her voice," Gates said.



Grantee Story

A Community for Wahkiakum County's Next Generation *St. James Family Center*

Tucked along Washington's southwestern border, Wahkiakum County has been for decades home to families whose prosperity relied upon local logging, dairy, and fishing industries. As these industries have declined, reliable work has become harder to find, leaving many families in a struggle to keep pace. And with a population of less than 4,000 spread throughout the rural county and small towns, access to support services such as childcare and parenting assistance has traditionally been limited.

In the mid-1980s, the St. James Episcopal Church sought to provide its school district in Cathlamet with a high-quality preschool. What began as a modest attempt to meet a specific need for young children has evolved into the St. James Family Center — an organization that provides more than 25 percent of Wahkiakum County families a range of support.

In 2003, the Bill & Melinda Gates Foundation made a grant of \$100,000 over three years to help the St. James Family Center enhance their ability to assist families and children across Wahkiakum County.

Today, families can access early childhood learning programs, licensed childcare, comprehensive family support services, teen and youth recreation programs with a substance abuse prevention focus, and domestic violence shelter and advocacy services all through the Family Center. St. James is the only organization of its kind in the county.

For Rosie and Craig, Wahkiakum County parents, St. James Family Center has been a pivotal partner in their challenge to provide for their two children. Although Rosie and Craig are college educated, work has been difficult to find. Both have two part-time jobs, limiting their ability to be with their kids during the day as they rotate shifts. One of their children is autistic, creating a heightened need for high-quality childcare.

"Nearly every day I am grateful for the childcare flexibility and special needs assistance the Family Center provides for our autistic child. It's allowed my husband and me to take jobs we would otherwise have had to pass up knowing that our children will have seamless care while we work," says Rosie. "St. James has shown us that this community cares about children."

Carol Carver directs the St. James Family Center and has long understood the important role community members play in raising children. "We know that parents and extended family will always be the primary caregivers for children," Carver says. "But we also know that all segments of society must support families as they rear their children. Our job is to simply give structure and guidance to that support."

With more than 240 local volunteers, the St. James Family Center has proven that there is no shortage of energy and commitment to serve the county's most vulnerable children. As a result, families located in disparate parts of this rural county now have a central home base — a place where an entire community is providing for Wahkiakum County's next generation.

Financials Introduction

The foundation's condensed statements of financial position, activities, and grants paid for the years ended December 31, 2003 and 2002 are presented in this section.

To present a clearer picture of the endowment balance available for charitable purposes, the foundation has provided condensed financial statement information that departs from generally accepted accounting principles (GAAP) in two ways. First, the accompanying condensed financial statements include only summarized statements of financial position and statements of activities, and do not include statements of cash flows or the footnote disclosures. Second, the foundation has combined investments loaned under secured lending transactions, liabilities under investment loan agreements, investment sale receivables, and investment purchases payable and included the net result within investments.

The foundation's financial statements undergo an annual audit, which is conducted by KPMG. They audited our financial statements for the years ended December 31, 2003 and 2002, which are presented in conformity with GAAP, and expressed an unqualified opinion on these financial statements. A copy of KPMG's audit report dated March 18, 2004 may be viewed at <http://www.gatesfoundation.org/NR/Downloads/financialreports/2003FinancialStmts.pdf>.

Additional information about the foundation can be found in our 2002 annual return, called the Form 990-PF-Return of Private Foundation, which is available at <http://www.gatesfoundation.org/AboutUs/Annual-FinancialReports/>.

Allan C. Golston, C.P.A.
Chief Financial and Administrative Officer

Condensed Statements of Financial Position for the Years Ended December 31, 2003 and 2002

Amounts in thousands

2003

2002

ASSETS

Cash and cash equivalents	\$ 41,387	\$91,044
Investments	26,431,305	23,667,914
Interest and dividends receivable	300,881	288,239
Federal excise tax refunds receivable	12,945	7,074
Program related investment receivable	1,440	-
Property and equipment, net	22,560	27,782
TOTAL ASSETS ¹	<u>\$26,810,518</u>	<u>\$24,082,053</u>

LIABILITIES & NET ASSETS

Liabilities:

Accounts payable	\$ 4,726	\$4,651
Accrued and other liabilities	15,583	7,791
Deferred excise taxes	26,034	12,109
Grants payable, net	1,672,868	1,495,255
Total Liabilities ¹	<u>\$ 1,719,211</u>	<u>\$ 1,519,806</u>

Net Assets:

Unrestricted net assets	25,091,307	22,562,247
TOTAL LIABILITIES AND NET ASSETS ¹	<u>\$26,810,518</u>	<u>\$24,082,053</u>

Investments reflected at market value; all other assets shown at cost.

¹For purposes of this presentation, the foundation has departed from the presentation required under accounting principles generally accepted in the United States of America by netting amounts loaned and payable under secured lending agreements and by netting investment sales receivable and investment purchases payable. Had these amounts not been netted, total assets for 2003 and 2002 would be \$33,678,517 and \$31,489,521, respectively; total liabilities for 2003 and 2002 would be \$8,587,210 and \$8,927,274, respectively; and total liabilities and net assets for 2003 and 2002 would be \$33,678,517 and \$31,489,521, respectively.

Condensed Statements of Activities for the Years Ended December 31, 2003 and 2002

<i>Amounts in thousands</i>	2003	2002
CHANGES IN NET ASSETS		
Revenues and gains:		
Contributions	\$ 81,915	\$ 82,479
Investment income, net	<u>3,928,204</u>	<u>1,965,411</u>
	4,010,119	2,047,890
Expenses:		
Grants	\$ 1,359,635	\$ 977,977
Direct charitable expenses	32,836	29,198
Program and administrative expenses	54,534	45,958
Federal excise tax	<u>34,054</u>	<u>44,101</u>
	1,481,059	1,097,234
Increase in net assets	2,529,060	950,656
Unrestricted net assets, beginning of year	<u>22,562,247</u>	<u>21,611,591</u>
Unrestricted net assets, end of year	<u><u>\$25,091,307</u></u>	<u><u>\$22,562,247</u></u>

Summary of Grants Paid by Program Area for the Years Ended December 31, 2003 and 2002

<i>Amounts in thousands</i>	2003	2002
PROGRAM AREA		
Global Health	\$ 576,624	\$ 507,040
Education	531,107	413,580
Library	16,197	44,966
Pacific Northwest	<u>44,447</u>	<u>121,828</u>
Special Projects	<u>13,554</u>	<u>70,141</u>
Employee Matching Gifts/Sponsorships	<u>862</u>	<u>738</u>
	\$1,182,791	\$1,158,293

Selected Grants

The following is a list of the five largest or representative grants within each program area. For a regularly updated, searchable database of grants, see our Grants Index at <http://www.gatesfoundation.org/Grants/>.

EDUCATION

- COMMUNITIES FOUNDATION OF TEXAS \$35,000,400
To create 75 to 80 new and redesigned small schools serving high minority areas along the Texas-Mexico border and the state's large inner city schools in San Antonio, Dallas-Ft. Worth, and Houston.
- NEW VISIONS FOR PUBLIC SCHOOLS, INC \$29,221,688
To support the planning and creation of 30 new high schools in high-need areas of New York City; develop systemic capacity needed for these schools; and provide policy research and documentation of the initiative.
- NEWSCHOOLS VENTURE FUND (*New Schools Fund*) \$22,262,000
To create five networks of charter schools in California, New York City, and other high-need regions; together these networks will create 100 new schools over 10 years.
- COALITION OF ESSENTIAL SCHOOLS (*CES*) \$18,743,505
To support the launch of 10 new CES high schools, the improvement of five current CES high schools, the creation of a network of 20 CES mentor high schools, and the establishment of a Web-based resource for CES schools.
- MMAC (*Metropolitan Milwaukee Association of Commerce*) \$17,250,000
COMMUNITY SUPPORT FOUNDATION, INC.
To support the development of 40 new small schools throughout the Milwaukee area and the redesign of seven existing large high schools.

GLOBAL HEALTH

- PATH (*Program for Appropriate Technology in Health*) \$100,000,000
To support the continuation and expansion of the Malaria Vaccine Initiative's work to accelerate the development of promising malaria vaccines and ensure their availability in the developing world.
- AERAS GLOBAL TB VACCINE FOUNDATION \$82,906,199
To develop and license an improved vaccine against tuberculosis for use in high-burden countries.

INTERNATIONAL PARTNERSHIP FOR MICROBICIDES	\$60,127,319
To accelerate the development and availability of a safe and effective microbicide, a product that can be used by women in developing countries to prevent HIV infection.	
JOHNS HOPKINS UNIVERSITY	\$40,000,000
To strengthen leadership on reproductive health issues in developing countries by expanding the Bill & Melinda Gates Institute for Population and Reproductive Health at Johns Hopkins.	
MEDICINES FOR MALARIA VENTURE	\$40,000,000
To promote the discovery and development of anti-malarial drugs at prices that are affordable to the populations worst hit by the disease.	

LIBRARIES

NAVAJO NATION	\$2,700,357
To support network development and Internet connectivity for Navajo chapters.	
COUNCIL ON LIBRARY AND INFORMATION RESOURCES	\$1,198,206
To administer a 2004 program that honors libraries and organizations outside the U.S. that offer free and innovative public access to information technology.	
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION	\$907,520
To support hardware upgrades, improved Internet connectivity, and technology training programs to sustain public access computing in Texas public libraries.	
TENNESSEE STATE LIBRARY & ARCHIVES	\$582,800
To support hardware upgrades, improved Internet connectivity, and technology training programs to sustain public access computing in Tennessee public libraries.	
FLORIDA DEPARTMENT OF STATE	\$534,000
To support public access computing sustainability efforts in public libraries.	

PACIFIC NORTHWEST

FARESTART	\$1,250,000
To support the capital campaign for a new facility for homeless job-training and placement programs in the food service industry.	
BOYS & GIRLS CLUBS OF AMERICA	\$1,213,829
To support technology centers for underserved youth throughout Washington.	
DE PAUL TREATMENT CENTERS, INC.	\$500,000
To help construct a youth residential drug and alcohol treatment facility.	
HOUSING AUTHORITY OF SNOHOMISH COUNTY	\$425,000
To support construction of the Autumn Leaves House and the First Steps II apartments, and provide services for families in crisis to help them transition to a more stable condition.	
Diocese of Spokane Catholic Charities	\$400,000
To support the capital campaign for St. Anne's Children and Family Center.	

Leadership

FOUNDERS

Bill Gates
Trustee and Co-founder

Melinda French Gates
Co-founder

CHAIRS

William H. Gates Sr.
Co-chair

Patty Stonesifer
Co-chair and President

EXECUTIVE TEAM

Allan C. Golston, C.P.A.
Chief Financial and Administrative Officer

Richard D. Klausner, M.D.
Executive Director, Global Health

Sylvia M. Mathews
*Chief Operating Officer and Executive Director,
Global Libraries, Pacific Northwest, Special Projects*

Tom Vander Ark
Executive Director, Education