

F. R. BIGELOW FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**F. R. BIGELOW FOUNDATION
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
F. R. Bigelow Foundation
St. Paul, Minnesota

We have audited the accompanying financial statements of F. R. Bigelow Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 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 financial statements are free from 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 auditors' 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.

Board of Trustees
F. R. Bigelow Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of F. R. Bigelow Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 8, 2017

F. R. BIGELOW FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 3,054,374	\$ 3,519,372
Investments, at Fair Value; Cost of \$134,103,370 in 2016 and \$137,715,076 in 2015	149,463,126	146,629,770
Prepaid Tax Asset	24,011	59,842
Interest and Dividends Receivable	130,896	142,287
Total Assets	\$ 152,672,407	\$ 150,351,271
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 317,437	\$ 200,423
Grants Payable	2,200,432	3,186,590
Deferred Excise Tax Payable	223,787	132,010
Total Liabilities	2,741,656	3,519,023
UNRESTRICTED NET ASSETS	149,930,751	146,832,248
Total Liabilities and Net Assets	\$ 152,672,407	\$ 150,351,271

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
REVENUE, GAINS AND LOSSES		
Investment Income, Net of Investment Expenses of \$611,161 in 2016 and \$629,917 in 2015	\$ 1,427,222	\$ 2,014,458
Net Realized Gains (Losses) and Unrealized Appreciation (Depreciation) in Fair Value, Net of Deferred Excise Taxes of \$(91,777) in 2016 and \$(222,288) in 2015	8,409,955	(2,399,459)
Contribution Revenue	20,152	29,280
Total Revenue, Gains and Losses	9,857,329	(355,721)
EXPENSES		
Program:		
Grants	6,111,850	7,892,421
Other Program Expenses	546,981	326,187
Total Program Expenses	6,658,831	8,218,608
Management and General:		
Administrative Expenses	64,164	99,216
Federal Excise Tax	35,831	138,850
Total Expenses	6,758,826	8,456,674
CHANGE IN NET ASSETS	3,098,503	(8,812,395)
Unrestricted Net Assets - Beginning of Year	146,832,248	155,644,643
UNRESTRICTED NET ASSETS - END OF YEAR	\$ 149,930,751	\$ 146,832,248

See accompanying Notes to Financial Statements.

F. R. BIGELOW FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,098,503	\$ (8,812,395)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized (Gains) Losses and Unrealized (Appreciation)		
Depreciation in Fair Value of Investments	(8,409,955)	2,399,459
(Increase) Decrease in:		
Interest and Dividends Receivable	11,391	325,500
Prepaid Tax Asset	35,831	(59,842)
Increase (Decrease) in:		
Accounts Payable	117,014	(61,390)
Grants Payable	(986,158)	861,797
Federal Excise Tax Payable	-	(53,829)
Deferred Federal Excise Taxes	91,777	(222,288)
Net Cash Used by Operating Activities	(6,041,597)	(5,622,988)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	14,144,446	101,962,869
Purchase of Investments	(8,567,847)	(105,830,746)
Net Cash Provided (Used) by Investing Activities	5,576,599	(3,867,877)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(464,998)	(9,490,865)
 Cash and Cash Equivalents - Beginning of Year	3,519,372	13,010,237
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,054,374	\$ 3,519,372
 SUPPLEMENTAL INFORMATION		
Cash Paid for Taxes	\$ -	\$ 252,521

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

F. R. Bigelow Foundation (the Foundation) is a private foundation that promotes the health and well-being of mankind and supports the civic, educational, cultural and other needs of the community. We fund programs and help shape initiatives that strengthen and enhance the quality of life in the Saint Paul area.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Foundation considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Marketable securities are reported at fair value based upon quoted market prices or, when quotes are not available, are valued on the basis of comparable financial instruments. Realized and unrealized investment gains or losses are determined by comparison of specific costs of acquisition to net proceeds received at the time of disposal or changes in the difference between fair value and cost, respectively.

The Foundation invests in domestic equities, international equities, private equity, fixed income, hedge funds, and real asset strategies. Domestic equities consist of common stock and mutual funds. International equities consist of common stock, mutual funds and collective funds. Fixed income consists of U.S. Treasury, U.S. Agency, residential mortgage backed securities, commercial mortgage backed securities, asset backed securities, collateralized debt securities and corporate bonds. Private equity investments consist of venture capital, buy-outs, and special situations. Real assets are comprised of private real estate, private natural resources and energy infrastructure. Hedge funds are invested in a low volatility multi-strategy fund of funds.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of activities.

Grants

Grants are recorded as an expense when approved by the Foundation's Board of Trustees, except when the grants are conditional. Conditional grants are expensed when all conditions are met.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classification

The Foundation classifies net assets and revenues, expenses, gains, and other support based on the existence or absence of donor-imposed restrictions. Amounts for each of three classes of net assets – permanently restricted, temporarily restricted, and unrestricted, if applicable – are displayed in the financial statements. Unrestricted net assets represent assets in which the Foundation has discretionary control. In 2016 and 2015, the Foundation had no permanently or temporarily restricted net assets.

Classification of Expenses

Grants and expenses associated with the Foundation's direct charitable activities are considered to be program expenses, while all other expenses of the Foundation are considered to be management and general expenses.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for assets that seek to maintain the purchasing power of the assets. The Foundation's spending and investment policies work together to achieve this objective. Actual returns in any given year may vary from this amount.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic equities, international equities, private capital, fixed income, hedge funds and real assets. The majority of assets are invested in equity or equity like securities. Fixed income, hedge funds and real estate are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, number of investments, time, etc. is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than 5% plus inflation.

The Foundation is subject to the distribution requirements of the Internal Revenue Code. Accordingly, within one year after the end of each fiscal year, the Foundation must distribute 5% of the average market value of its assets as defined.

Fair Value Measurements

The standard on fair value measurements defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Foundation accounts for certain assets and liabilities under various accounting literature. The Foundation also accounts for certain assets at fair value under applicable industry guidance.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

In accordance with the standard on fair value measurements, the Foundation has categorized its financial instruments based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include private collateralized mortgage obligations, municipal bonds, and corporate debt securities.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

The Foundation early adopted the standard on disclosures for investments in certain entities that calculate net asset value (NAV) per share or its equivalent which removes those investments that calculate NAV per share from the fair value disclosure.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the amounts reported on the financial statements. Actual results could differ from those estimates.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status

The Foundation has tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. It has been classified as an organization that is a private foundation under the Internal Revenue Code. The Foundation files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 8, 2017, the date the financial statements were available to be issued.

NOTE 2 FEDERAL EXCISE TAXES AND DISTRIBUTION REQUIREMENTS

The Foundation is subject to a 2% excise tax on its taxable investment income, which principally includes income from investments plus net realized capital gains (net capital losses for a year, however, are not deductible and cannot be carried back or forward). The excise tax on net investment income is reduced from 2% to 1% for any taxable year in which the Foundation's qualifying distributions meet certain requirements prescribed by Internal Revenue Code Section 4940(e). The Foundation did meet these requirements in 2016, so the current year's tax is based upon the 1% rate. In 2015, the Foundation also met these requirements, so the prior year's tax was based upon the 1% rate. Deferred federal excise taxes, based on a 1.5% tax rate supported by historical trends, arise from unrealized appreciation in the market value of investments.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Foundation values all other assets and liabilities refer to Note 1 – Summary of Significant Accounting Policies.

All investments are measured at fair value on a recurring basis. Investments classified by major type along with the input level used to measured fair value are as follows:

	2016			Total
	Level 1	Level 2	Level 3	
U.S. Common Stock and Equity Mutual Funds	\$ 40,204,076	\$ -	\$ -	\$ 40,204,076
Non-U.S. Common Stock, Equity Mutual and Collective Funds	34,025,276	-	-	34,025,276
Total	<u>\$ 74,229,352</u>	<u>\$ -</u>	<u>\$ -</u>	74,229,352
NAV Funds				75,233,774
Total with NAV Funds				<u>\$ 149,463,126</u>
	2015			Total
	Level 1	Level 2	Level 3	
U.S. Common Stock and Equity Mutual Funds	\$ 37,481,611	\$ -	\$ -	\$ 37,481,611
Non-U.S. Common Stock, Equity Mutual and Collective Funds	37,383,105	-	-	37,383,105
Total	<u>\$ 74,864,716</u>	<u>\$ -</u>	<u>\$ -</u>	74,864,716
NAV Funds				71,765,054
Total with NAV Funds				<u>\$ 146,629,770</u>

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of December 31, 2016 and 2015:

	Net Asset Value		Unfunded Commitments	Redemption Frequency (If Current Eligible)	Redemption Notice Period
	2016	2015			
Fixed Income Collective Fund	\$ 20,944,085	\$ 22,567,051	\$ -	Daily	0-1 Day
Non-U.S. Equity					
Collective Funds	8,777,140	8,627,240	-	Daily	10 Days
Hedge Fund of Funds	12,283,120	12,074,978	-	Quarterly	60 Days
Energy Infrastructure					
Collective Fund	8,585,392	7,500,000	-	Quarterly	30 Days
Private Real Estate	13,346,842	12,978,048	-	Quarterly	45 Days
Private Equity	10,112,078	7,508,862	18,742,350	N/A	N/A
Natural Resources	1,185,117	508,875	5,982,500	N/A	N/A
Total	<u>\$ 75,233,774</u>	<u>\$ 71,765,054</u>			

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fixed Income Collective Fund includes investment in funds that are invested in U.S. Treasury, U.S. Agency, residential mortgage backed securities, commercial mortgage-backed securities, collateralized debt securities, corporate bonds and international bonds. The unobservable inputs used to determine the fair value of the fixed income collective funds is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The fund provides full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Non-U.S. Equity Collective Funds include investments in funds that are invested in international common stocks. The fair value of the non-U.S. equity collective funds is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Hedge Fund of Funds is invested primarily in a diversified portfolio of distressed corporate and mortgage bonds, long/short credit, long/short equity, global macro, convertible arbitrage, event driven and other strategies. The unobservable inputs used to determine the fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Energy Infrastructure Collective Fund includes investments in public traded securities that own energy infrastructure assets such as pipelines and storage facilities. The fair value of the energy infrastructure collective fund is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The fund provides full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

Private Real Estate includes investments in multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental United States. The unobservable inputs used to determine the fair value of private real estate has been estimated using external and internal appraisals of property investments.

Private Equity includes investments in venture capital, buy-outs, distressed securities, mezzanine and special situations funds and direct investments in securities of companies. The unobservable inputs used to determine the fair value of the private capital and direct investments has been estimated based on the capital account balances reported by underlying partnerships subject to the private capital management review and judgment.

Natural Resources includes investments in oil, gas and other natural resource-related funds. The unobservable inputs used to determine the fair value of the fund of natural resources funds has been estimated based on the capital account balances reported by underlying partnerships subject to the natural resources fund of funds management review and judgment.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 GRANTS PAYABLE

Unconditional grants approved but unpaid at year-end are reported as grants payable on the statement of financial position. Grants to be paid in more than one year are discounted between 1.8% and 2.0%. Unconditional grants payable at December 31, 2016 and 2015 are due as follows:

	2016	2015
Less Than One Year	\$ 1,602,281	\$ 2,202,833
One Year to Five Years	625,000	1,035,000
Subtotal	<u>2,227,281</u>	<u>3,237,833</u>
Less: Present Value Discount	<u>(26,849)</u>	<u>(51,243)</u>
Total	<u>\$ 2,200,432</u>	<u>\$ 3,186,590</u>

At December 31, 2016 and 2015, the Foundation approved grants of \$140,000 and \$150,000, respectively, which are subject to conditions and, therefore, are not reflected in the financial statements.

During the year, grants have been approved and disbursed to organizations in which some of the board of trustees may be involved through board or other advisory relationships. It is in the Foundation's policy to have each trustee disclose the conflict of interests. These trustees are prohibited from voting on grants to these organizations in those instances.