

F. R. BIGELOW FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**F. R. BIGELOW FOUNDATION
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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, which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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
June 30, 2021

F. R. BIGELOW FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 519,164	\$ 414,840
Investments	175,431,961	167,825,756
Notes Receivable	600,000	-
Prepaid Tax Asset	32,825	120,884
Total Assets	\$ 176,583,950	\$ 168,361,480
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 189,429	\$ 91,763
Grants Payable	1,689,081	2,277,179
Deferred Excise Tax Payable	426,242	263,524
Total Liabilities	2,304,752	2,632,466
NET ASSETS WITHOUT DONOR RESTRICTIONS	174,279,198	165,729,014
Total Liabilities and Net Assets	\$ 176,583,950	\$ 168,361,480

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
REVENUE, GAINS AND LOSSES		
Investment Income, Net of Investment Expenses of \$810,541 in 2020 and \$943,164 in 2019	\$ 1,731,033	\$ 2,424,529
Net Unrealized and Realized Gains	14,425,429	21,127,172
Contribution Revenue	<u>1,000</u>	<u>-</u>
Total Revenue, Gains and Losses	<u>16,157,462</u>	<u>23,551,701</u>
EXPENSES		
Program:		
Grants	6,872,497	7,725,557
Other Program Expenses	<u>390,805</u>	<u>414,450</u>
Total Program Expenses	7,263,302	8,140,007
Management and General:		
Administrative Expenses	93,199	96,354
Federal Excise Tax	88,059	114,684
Deferred Tax Expense	<u>162,718</u>	<u>151,108</u>
Total Expenses	<u>7,607,278</u>	<u>8,502,153</u>
CHANGE IN NET ASSETS	8,550,184	15,049,548
Net Assets Without Donor Restrictions - Beginning of Year	<u>165,729,014</u>	<u>150,679,466</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 174,279,198</u></u>	<u><u>\$ 165,729,014</u></u>

See accompanying Notes to Financial Statements.

F. R. BIGELOW FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,550,184	\$ 15,049,548
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Unrealized and Realized Gains	(14,425,429)	(21,127,172)
(Increase) Decrease in:		
Prepaid Tax Asset	88,059	(5,789)
Increase (Decrease) in:		
Accounts Payable	97,666	(97,157)
Grants Payable	(588,098)	129,623
Deferred Excise Tax Payable	162,718	151,108
Net Cash Used by Operating Activities	(6,114,900)	(5,899,839)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	14,036,013	23,258,586
Purchase of Investments	(7,216,789)	(17,754,087)
Issuance of Note Receivable	(600,000)	-
Net Cash Provided by Investing Activities	6,219,224	5,504,499
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,324	(395,340)
Cash and Cash Equivalents - Beginning of Year	414,840	810,180
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 519,164	\$ 414,840
SUPPLEMENTAL INFORMATION		
Cash Paid for Taxes	\$ -	\$ 120,473

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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. The Foundation funds programs and helps 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 in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, and short-term investments with maturities of 90 days or less from the date of purchase that have not otherwise been classified as long-term assets due to a designation for long-term purposes. The Foundation's cash investments are placed with high-quality financial institutions and may exceed federal depository insurance limits.

Investments

The Foundation is invested in a private investment partnership, which is organized to provide its members a means to obtain unified professional management for their investments.

The Foundation also may invest in domestic equities, international equities, private equity, fixed income, and hedge funds 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. Hedge funds are invested in multi-strategy fund of funds.

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.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Limited marketability investments, which principally include collective funds, hedge fund of funds, private capital, natural resources, and real assets, are valued at the quoted market price for securities for which market quotations are readily available or an estimate of value (fair value) as determined in good faith by the general partner. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

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 financial position.

Note Receivable

In October 2020, the Foundation entered into a seven-year promissory note receivable with a principal amount of \$600,000 to be used for working capital purposes related to the construction of affordable housing. The note matures on October 27, 2027 and has an annual interest rate of 5.50% through year five, and 7.0% for years six and seven. For the first year, payments are interest-only. The note is secured by a guaranty from a third party. In the event that the note receivable is determined to be uncollectible, the Foundation may record the uncollectible amount as an allowance. No allowance was recorded as of December 31, 2020. Anticipated principal payments on the note receivable as of December 31, 2020 are as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2021	\$ 14,138
2022-2025	380,919
Thereafter	204,943
Total	<u>\$ 600,000</u>

Grants

Grants are recorded as an expense when approved by the Foundation's board of trustees unless conditions imposed on the grantee have not yet been fulfilled. Such conditional grants are recorded when conditions have been substantially met.

Net Asset Classification

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Amounts for each two classes of net assets — with donor restrictions and without donor restrictions, if applicable, are displayed in the financial statements. In 2020 and 2019, the Foundation had no net assets with donor restrictions.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of functional expense. 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. All expenses are based on time records and the best estimates of management.

Investment and Spending Policies

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.

The Foundation has adopted investment policies that seek to maintain the purchasing power of the assets. 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.

Derivative Financial Instruments

The investment partnership's investment strategy incorporates certain financial instruments, which involve, to varying degrees, elements of market risk and credit risk. These financial instruments may include equity, fixed income, and foreign currency futures and contracts. The investment partnership uses derivatives to obtain domestic and international equity and Treasury bond exposure for selected portfolio balances. The investment partnership has not designated any of its derivative financial instruments as hedging instruments.

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, 2020 AND 2019**

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 statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

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 Internal Revenue Service.

The Foundation follows accounting standards for uncertain tax positions. No liability has been recognized by the Foundation under this standard.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 30, 2021, the date the financial statements were available to be issued. Other than disclosed in Note 2, there were no subsequent events requiring recognition or disclosure in the financial statements.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 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:

	2020			Total
	Level 1	Level 2	Level 3	
U.S. Common Stock and Equity Mutual Funds	\$ 8,737,090	\$ -	\$ -	\$ 8,737,090
Non-U.S. Common Stock, Equity Mutual and Collective Funds	3,432,537	-	-	3,432,537
Fixed Income Mutual Funds	4,697,434	-	-	4,697,434
Investment in Partnership	-	-	155,885,528	155,885,528
Total	<u>\$ 16,867,061</u>	<u>\$ -</u>	<u>\$ 155,885,528</u>	<u>\$ 172,752,589</u>
NAV Funds				2,679,372
Total with NAV Funds				<u>\$ 175,431,961</u>
	2019			
	Level 1	Level 2	Level 3	Total
U.S. Common Stock and Equity Mutual Funds	\$ 7,236,707	\$ -	\$ -	\$ 7,236,707
Non-U.S. Common Stock, Equity Mutual and Collective Funds	3,954,150	-	-	3,954,150
Fixed Income Mutual Funds	5,109,848	-	-	5,109,848
Investment in Partnership	-	-	150,114,446	150,114,446
Total	<u>\$ 16,300,705</u>	<u>\$ -</u>	<u>\$ 150,114,446</u>	166,415,151
NAV Funds				1,410,605
Total with NAV Funds				<u>\$ 167,825,756</u>

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets:

<u>Investment in Partnership</u>	
Balances as of January 1, 2019	\$ 137,735,199
Net Realized and Unrealized Gains on Investments	18,589,857
Reinvestment of Investment Income	2,364,390
Proceeds from Sale of Investments	<u>(8,575,000)</u>
Balances as of December 31, 2019	150,114,446
Net Realized and Unrealized Gains on Investments	12,140,501
Reinvestment of Investment Income	1,740,581
Proceeds from Sale of Investments	<u>(8,110,000)</u>
Balances as of December 31, 2020	<u><u>\$ 155,885,528</u></u>

The following table presents Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or its Equivalent) as of December 31, 2020 and 2019:

	<u>Net Asset Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Current Eligible)</u>	<u>Redemption Notice Period</u>
	<u>2020</u>	<u>2019</u>			
Hedge Fund of Funds	\$ 1,398,215	\$ 789,827	\$ -	Quarterly	30 Days
Private Equity	1,281,157	620,778	2,375,450	N/A	N/A
Total	<u><u>\$ 2,679,372</u></u>	<u><u>\$ 1,410,605</u></u>			

Subsequent to year-end, an additional \$1.25 million of commitments have been made to fund additional investments.

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 NAV per share of the investments.

Private Equity includes investments in venture capital, buyouts, 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.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3 LIQUIDITY

The Foundation's assets available within one year of the financial position date for general expenditure are as follows:

	2020	2019
Cash and Cash Equivalents	\$ 519,164	\$ 414,840
Common Stock and Mutual Funds	16,867,061	16,300,705
Total	<u>\$ 17,386,225</u>	<u>\$ 16,715,545</u>

As described in Note 1, the Foundation is subject to a 5% annual spending rate. The estimated amount of required distribution in 2021 is \$7,687,668. The terms of the Foundation's investment in the private investment partnership allow for partial withdrawal of \$10M or less from the partnership within 10 days after the end of the month in which the partnership receives a request for withdrawal. Cash is requested from the partnership on a monthly basis throughout the year in anticipation of pending grant commitments and other operating expenditures.

NOTE 4 FUNCTIONAL EXPENSES

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between program and the supporting administrative services benefited. All costs are allocated based on time records and the best estimates of management.

The tables below present the Foundation's expenses by both their nature and function as of December 31:

	2020		
	Program	Management and General	Total
Grants	\$ 6,872,497	\$ -	\$ 6,872,497
Staff Costs	390,805	49,219	440,024
Federal Excise Tax	-	88,059	88,059
Deferred Tax Expense	-	162,718	162,718
Other Direct Expenses	-	43,980	43,980
Grand Total	<u>\$ 7,263,302</u>	<u>\$ 343,976</u>	<u>\$ 7,607,278</u>

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 FUNCTIONAL EXPENSES (CONTINUED)

	2019		
	Program	Management and General	Total
Grants	\$ 7,725,557	\$ -	\$ 7,725,557
Staff Costs	414,450	35,073	449,523
Federal Excise Tax	-	114,684	114,684
Deferred Tax Expense	-	151,108	151,108
Other Direct Expenses	-	61,281	61,281
Grand Total	\$ 8,140,007	\$ 362,146	\$ 8,502,153

NOTE 5 GRANTS PAYABLE

Unconditional grants approved but unpaid at year-end are reported as grants payable on the statements of financial position. Grants to be paid in more than one year are discounted using rates ranging between 3.25% and 4.75%. Unconditional grants payable at December 31, 2020 and 2019 are due as follows:

	2020	2019
Less Than One Year	\$ 1,323,333	\$ 1,720,433
One Year to Five Years	400,000	625,000
Subtotal	1,723,333	2,345,433
Less: Present Value Discount	(34,252)	(68,254)
Total	\$ 1,689,081	\$ 2,277,179

At December 31, 2020 and 2019, the Foundation approved grants of \$30,000 and \$0-, 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.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 FEDERAL EXCISE TAXES AND DISTRIBUTION REQUIREMENTS

In 2020, the Foundation is subject to a 1.39% 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). In 2019, the Foundation was subject to a 1-2% excise tax. The excise tax on net investment income prior to 2020 was 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). Deferred federal excise taxes are based on a 1.39% tax rate that arise from unrealized appreciation in the market value of investments. This is reflected on the statement of financial position as the Deferred Excise Tax Payable.

