

F. R. BIGELOW FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**F. R. BIGELOW FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6



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, 2018 and 2017, 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, 2018 and 2017, 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 26, 2019

F. R. BIGELOW FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 810,180	\$ 2,230,794
Investments, at Fair Value; Cost of \$144,619,069 in 2018 and \$133,742,816 in 2017	152,203,083	166,516,754
Prepaid Tax Asset	115,095	-
Interest and Dividends Receivable	-	129,614
Total Assets	\$ 153,128,358	\$ 168,877,162
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 188,920	\$ 224,517
Grants Payable	2,147,556	2,820,080
Excise Tax Payable	-	12,300
Deferred Excise Tax Payable	112,416	484,524
Total Liabilities	2,448,892	3,541,421
NET ASSETS WITHOUT DONOR RESTRICTIONS	150,679,466	165,335,741
Total Liabilities and Net Assets	\$ 153,128,358	\$ 168,877,162

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
REVENUE, GAINS AND LOSSES		
Investment Income, Net of Investment Expenses of \$827,777 in 2018 and \$592,018 in 2017	\$ 1,184,963	\$ 1,324,121
Net Unrealized and Realized Gains (Losses)	(8,916,179)	22,403,371
Contribution Revenue	6,547	25,837
Total Revenue, Gains and Losses	(7,724,669)	23,753,329
EXPENSES		
Program:		
Grants	6,699,028	7,378,704
Other Program Expenses	359,787	514,167
Total Program Expenses	7,058,815	7,892,871
Management and General:		
Administrative Expenses	119,015	79,536
Federal Excise Tax	125,884	115,195
Deferred Tax (Benefit) Expense	(372,108)	260,737
Total Expenses	6,931,606	8,348,339
CHANGE IN NET ASSETS	(14,656,275)	15,404,990
Net Assets Without Donor Restrictions - Beginning of Year	165,335,741	149,930,751
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 150,679,466	\$ 165,335,741

See accompanying Notes to Financial Statements.

F. R. BIGELOW FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (14,656,275)	\$ 15,404,990
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Unrealized and Realized (Gains) Losses	8,916,179	(22,403,371)
(Increase) Decrease in:		
Interest and Dividends Receivable	129,614	1,282
Prepaid Tax Asset	(115,095)	24,011
Increase (Decrease) in:		
Accounts Payable	(35,597)	(92,920)
Grants Payable	(672,524)	619,648
Excise Tax Payable	(12,300)	12,300
Deferred Excise Tax Payable	(372,108)	260,737
Net Cash Used by Operating Activities	(6,818,106)	(6,173,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	49,749,487	18,563,712
Purchase of Investments	(44,351,995)	(13,213,969)
Net Cash Provided by Investing Activities	5,397,492	5,349,743
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,420,614)	(823,580)
Cash and Cash Equivalents - Beginning of Year	2,230,794	3,054,374
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 810,180	\$ 2,230,794
SUPPLEMENTAL INFORMATION		
Cash Paid for Taxes	\$ 253,279	\$ 78,884
In-Kind Transfer of Investments to Investment Partnership	\$ 149,074,577	\$ -

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 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

During 2018, the Foundation transferred the majority of its investments to a private investment partnership, which is organized to provide its members a means to obtain unified professional management for their 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.

Limited marketability investments, which principally include private equities, absolute return investments, and real estate, 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.

The Foundation also may invest 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 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 financial position.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 two classes of net assets — with donor restrictions and without donor restrictions, if applicable — are displayed in the financial statements. Net assets without donor restrictions represent assets in which the Foundation has discretionary control. In 2018 and 2017, the Foundation had no net assets with donor restrictions.

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.

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.

**F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and the presentation in these financial statements has been adjusted accordingly. The ASU has been applied retrospectively to all periods presented (except for presentation of the functional expenses and liquidity disclosure) which resulted in no change to the total previously reported net assets.

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.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net assets or the change in net assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 26, 2019, the date the financial statements were available to be issued.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 2018, so the current year's tax is based upon the 1% rate. In 2017, the Foundation did not meet these requirements, so the prior year's tax was based upon the 2% 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. This is reflected on the statement of financial position as the deferred excise tax liability.

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:

	2018			Total
	Level 1	Level 2	Level 3	
U.S. Common Stock and Equity Mutual Funds	\$ 5,765,774	\$ -	\$ -	\$ 5,765,774
Non-U.S. Common Stock, Equity Mutual and Collective Funds	2,737,172	-	-	2,737,172
Fixed Income Mutual Funds	5,164,106	-	-	5,164,106
Investment in Partnership	-	-	137,735,199	137,735,199
Total	<u>\$ 13,667,052</u>	<u>\$ -</u>	<u>\$ 137,735,199</u>	151,402,251
NAV Funds				800,832
Total with NAV Funds and Cash and Cash Equivalents				<u>\$ 152,203,083</u>
	2017			
	Level 1	Level 2	Level 3	Total
U.S. Common Stock and Equity Mutual Funds	\$ 43,653,845	\$ -	\$ -	\$ 43,653,845
Non-U.S. Common Stock, Equity Mutual and Collective Funds	24,973,305	-	-	24,973,305
Fixed Income Mutual Funds	-	-	-	-
Investment in Partnership	-	-	-	-
Total	<u>\$ 68,627,150</u>	<u>\$ -</u>	<u>\$ -</u>	68,627,150
NAV Funds				97,889,604
Total with NAV Funds and Cash and Cash Equivalents				<u>\$ 166,516,754</u>

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 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 for the years ended December 31:

<u>Investment in Partnership</u>	
Balances as of January 1, 2018	\$ -
In-Kind Transfer of Investments	149,074,577
Net Realized and Unrealized Gains	
(Losses) on Investments	(8,795,050)
Reinvestment of Investment Income	1,005,663
Proceeds from Sale of Investments	(3,549,991)
Balances as of December 31, 2018	<u>\$ 137,735,199</u>

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or its Equivalent) as of December 31, 2018 and 2017:

	<u>Net Asset Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Current Eligible)</u>	<u>Redemption Notice Period</u>
	<u>2018</u>	<u>2017</u>			
Fixed Income Collective Fund	\$ -	\$ 22,065,794	\$ -	Daily	0-1 Day
Non-U.S. Equity					
Collective Funds	-	24,450,643	-	Daily	10 Days
Hedge Fund of Funds	800,832	-	-	Quarterly	30 Days
Hedge Fund of Funds	-	12,604,870	-	Quarterly	60 Days
Energy Infrastructure					
Collective Fund	-	8,291,302	-	Monthly	30 Days
Private Real Estate	-	13,753,600	-	Quarterly	45 Days
Private Equity	-	13,804,058	-	N/A	N/A
Natural Resources	-	2,919,337	-	N/A	N/A
Total	<u>\$ 800,832</u>	<u>\$ 97,889,604</u>			

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 NAV of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the Foundation is able to verify its account balances.

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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 NAV 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, 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.

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.

NOTE 4 LIQUIDITY

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

Cash and Cash Equivalents	\$ 810,180
Common Stock and Mutual Funds	<u>13,667,052</u>
Total	<u><u>\$ 14,477,232</u></u>

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 4 LIQUIDITY (CONTINUED)

As described in Note 1, the Foundation is subject to a 5% annual spending rate. The estimated amount of required distribution in 2019 is \$7,778,657. 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 5 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 table below presents the Foundation's expenses by both their nature and function:

	2018			2017
	Program	Management & General	Total	Total
Grants	\$ 6,699,028	\$ -	\$ 6,699,028	\$ 7,378,704
SPMF Staff Costs	352,237	49,429	401,666	491,063
Federal Excise Tax	-	125,884	125,884	115,195
Deferred Tax (Benefit) Expense	-	(372,108)	(372,108)	260,737
Other Direct Expenses	7,550	69,586	77,136	102,640
Grand Total	<u>\$ 7,058,815</u>	<u>\$ (127,209)</u>	<u>\$ 6,931,606</u>	<u>\$ 8,348,339</u>

NOTE 6 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 using rates ranging between 3.5% and 5.5%. Unconditional grants payable at December 31, 2018 and 2017 are due as follows:

	2018	2017
Less Than One Year	\$ 1,573,333	\$ 2,261,833
One Year to Five Years	640,000	610,000
Subtotal	<u>2,213,333</u>	<u>2,871,833</u>
Less: Present Value Discount	(65,777)	(51,753)
Total	<u>\$ 2,147,556</u>	<u>\$ 2,820,080</u>

F. R. BIGELOW FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 GRANTS PAYABLE (CONTINUED)

At December 31, 2018 and 2017, the Foundation approved grants of \$30,000 and \$40,000, 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.