

**F. R. BIGELOW FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, 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 19, 2020

**F. R. BIGELOW FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 414,840	\$ 810,180
Investments	167,825,756	152,203,083
Prepaid Tax Asset	120,884	115,095
Total Assets	<b>\$ 168,361,480</b>	<b>\$ 153,128,358</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 91,763	\$ 188,920
Grants Payable	2,277,179	2,147,556
Deferred Excise Tax Payable	263,524	112,416
Total Liabilities	2,632,466	2,448,892
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>165,729,014</b>	<b>150,679,466</b>
Total Liabilities and Net Assets	<b>\$ 168,361,480</b>	<b>\$ 153,128,358</b>

*See accompanying Notes to Financial Statements.*

**F. R. BIGELOW FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>REVENUE, GAINS AND LOSSES</b>		
Investment Income, Net of Investment Expenses of \$943,164 in 2019 and \$827,777 in 2018	\$ 2,424,529	\$ 1,184,963
Net Unrealized and Realized Gains (Losses)	21,127,172	(8,916,179)
Contribution Revenue	-	6,547
<b>Total Revenue, Gains and Losses</b>	<b>23,551,701</b>	<b>(7,724,669)</b>
<b>EXPENSES</b>		
Program:		
Grants	7,725,557	6,699,028
Other Program Expenses	414,450	359,787
<b>Total Program Expenses</b>	<b>8,140,007</b>	<b>7,058,815</b>
Management and General:		
Administrative Expenses	96,354	119,015
Federal Excise Tax	114,684	125,884
Deferred Tax (Benefit) Expense	151,108	(372,108)
<b>Total Expenses</b>	<b>8,502,153</b>	<b>6,931,606</b>
<b>CHANGE IN NET ASSETS</b>	15,049,548	(14,656,275)
Net Assets Without Donor Restrictions - Beginning of Year	150,679,466	165,335,741
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS -     END OF YEAR</b>	<b>\$ 165,729,014</b>	<b>\$ 150,679,466</b>

See accompanying Notes to Financial Statements.

**F. R. BIGELOW FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 15,049,548	\$ (14,656,275)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Unrealized and Realized (Gains) Losses	(21,127,172)	8,916,179
(Increase) Decrease in:		
Interest and Dividends Receivable	-	129,614
Prepaid Tax Asset	(5,789)	(115,095)
Increase (Decrease) in:		
Accounts Payable	(97,157)	(35,597)
Grants Payable	129,623	(672,524)
Excise Tax Payable	-	(12,300)
Deferred Excise Tax Payable	151,108	(372,108)
Net Cash Used by Operating Activities	(5,899,839)	(6,818,106)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	23,258,586	49,749,487
Purchase of Investments	(17,754,087)	(44,351,995)
Net Cash Provided by Investing Activities	5,504,499	5,397,492
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(395,340)	(1,420,614)
 Cash and Cash Equivalents - Beginning of Year	810,180	2,230,794
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 414,840	\$ 810,180
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid for Taxes	\$ 120,473	\$ 253,279
 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, 2019 AND 2018**

**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**

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.

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, 2019 AND 2018**

**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.

**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 2019 and 2018, 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. 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.

**F. R. BIGELOW FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment and Spending Policies (Continued)**

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.

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.

**F. R. BIGELOW FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (Continued)**

*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.

**Change in Accounting Principle**

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's financial statements reflect the application of ASU 2018-08 guidance to contributions made using the prospective approach. The adoption of this ASU did not impact the Foundation's reported grants payable or expense in total.

**F. R. BIGELOW FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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:

	2019			Total
	Level 1	Level 2	Level 3	
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 and Cash and Cash Equivalents				<u>\$ 167,825,756</u>
	2018			
	Level 1	Level 2	Level 3	Total
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>

**F. R. BIGELOW FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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, 2018	\$ -
In-Kind Transfer of Investments	149,074,577
Net Realized and Unrealized Losses on Investments	(8,795,050)
Reinvestment of Investment Income	1,005,663
Proceeds from Sale of Investments	<u>(3,549,991)</u>
Balances as of December 31, 2018	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	<u><u>\$ 150,114,446</u></u>

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or its Equivalent) as of December 31, 2019 and 2018:

	<u>Net Asset Value</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Current Eligible)</u>	<u>Redemption Notice Period</u>
	<u>2019</u>	<u>2018</u>			
Hedge Fund of Funds	\$ 789,827	\$ 800,832	\$ -	Quarterly	30 Days
Private Equity	620,778	-	1,497,500	N/A	N/A
Total	<u><u>\$ 1,410,605</u></u>	<u><u>\$ 800,832</u></u>			

Subsequent to year-end, an additional \$2.1 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**  
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**NOTE 3 LIQUIDITY**

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

	2019	2018
Cash and Cash Equivalents	\$ 414,840	\$ 810,180
Common Stock and Mutual Funds	16,300,705	13,667,052
Total	\$ 16,715,545	\$ 14,477,232

As described in Note 1, the Foundation is subject to a 5% annual spending rate. The estimated amount of required distribution in 2020 is \$7,864,028. 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 table below presents the Foundation's expenses by both their nature and function as of December 31:

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

**F. R. BIGELOW FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 4 FUNCTIONAL EXPENSES (CONTINUED)**

	2018		
	Program	Management and General	Total
Grants	\$ 6,699,028	\$ -	\$ 6,699,028
SPMF Staff Costs	352,237	49,429	401,666
Federal Excise Tax	-	125,884	125,884
Deferred Tax (Benefit) Expense	-	(372,108)	(372,108)
Other Direct Expenses	7,550	69,586	77,136
Grand Total	\$ 7,058,815	\$ (127,209)	\$ 6,931,606

**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 4.5% and 5.5%. Unconditional grants payable at December 31, 2019 and 2018 are due as follows:

	2019	2018
Less Than One Year	\$ 1,720,433	\$ 1,573,333
One Year to Five Years	625,000	640,000
Subtotal	2,345,433	2,213,333
Less: Present Value Discount	(68,254)	(65,777)
Total	\$ 2,277,179	\$ 2,147,556

At December 31, 2019 and 2018, the Foundation approved grants of \$-0- and \$30,000, 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.

**F. R. BIGELOW FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 FEDERAL EXCISE TAXES AND DISTRIBUTION REQUIREMENTS**

In 2019 and 2018, the Foundation was subject to a 1-2% 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 2019 and 2018, so the current year's tax is based upon the 1% rate. Starting in 2020, the Foundation is subject to a 1.39% excise tax from the signing of The Taxpayer Certainty and Disaster Tax Relief Act of 2019. Deferred federal excise taxes, based on a 1.39% tax rate that arise from unrealized appreciation in the market value of investments. This is reflected on the statements of financial position as the Deferred Excise Tax Payable.

**NOTE 7 SUBSEQUENT EVENTS**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 19, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared a global pandemic of the novel Coronavirus (COVID-19). Both domestic and international equity markets have experienced significant volatility since December 31, 2019. As of June 19, 2020, the amount of likelihood of any loss relating to these events is not determined. These losses are not included in the financial statements as of and for the year ended December 31, 2019.