

**THE SAINT PAUL FOUNDATION,
MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA
FOUNDATIONS**

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

**THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Audit & Finance Committee
The Saint Paul Foundation, Minnesota Community Foundation and Affiliates
dba: Saint Paul & Minnesota Foundations
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying combined financial statements of The Saint Paul Foundation, Minnesota Community Foundation and Affiliates dba: Saint Paul & Minnesota Foundations (the Foundation), which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, the related combined statement of functional expenses for the year ended December 31, 2018, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Committee
The Saint Paul Foundation, Minnesota Community Foundation and Affiliates
dba: Saint Paul & Minnesota Foundations

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Saint Paul Foundation, Minnesota Community Foundation and Affiliates dba: Saint Paul & Minnesota Foundations as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Saint Paul Foundation's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information for the combined statement of functional expense presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 30, 2019

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 4,306,621	\$ 5,964,040
Investments	1,376,448,965	1,327,124,943
Contributions Receivable	16,555,914	13,958,707
Program-Related Loans Receivable	5,318,835	5,314,461
Beneficial Interests in Perpetual Trusts	904,264	1,013,428
Other Assets	2,641,901	3,430,192
Total Assets	\$ 1,406,176,500	\$ 1,356,805,771
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,856,201	\$ 1,980,298
Grants Payable	14,162,199	12,585,386
Income Beneficiaries Payable	13,016,856	14,746,910
Funds Held as Nonprofit Endowments	182,704,979	192,317,556
Total Liabilities	211,740,235	221,630,150
NET ASSETS		
Without Donor Restrictions:		
Without Donor Restrictions	947,079,367	1,016,472,490
Board Designated	10,210,229	9,724,789
Minority Interests	192,039,419	59,947,889
Total Net Assets Without Donor Restrictions	1,149,329,015	1,086,145,168
With Donor Restrictions	45,107,250	49,030,453
Total Net Assets	1,194,436,265	1,135,175,621
Total Liabilities and Net Assets	\$ 1,406,176,500	\$ 1,356,805,771

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT			
Contributions	\$ 58,358,998	\$ 1,522,798	\$ 59,881,796
Investment Income, Net of Investment Expense of \$5,116,940 in 2018 and \$3,937,453 in 2017	14,969,952	363,880	15,333,832
Net Unrealized and Realized Investment Gains (Losses)	(59,086,693)	(1,733,998)	(60,820,691)
Administrative Fees	1,011,908	-	1,011,908
Staff Services	682,563	-	682,563
Change in Value of Split-Interest Agreements	748,583	(1,518,926)	(770,343)
Other	551,505	-	551,505
Net Assets Released from Restrictions	<u>2,556,957</u>	<u>(2,556,957)</u>	<u>-</u>
Total Revenues, Gains (Losses), and Other Support	19,793,773	(3,923,203)	15,870,570
EXPENSES			
Program Services:			
Grants	71,334,013	-	71,334,013
Direct Conduct of Charitable Activity	4,245,942	-	4,245,942
Staff Services for Other Foundations and Nonprofit Organizations	784,333	-	784,333
Direct Fund Expenses	2,086,269	-	2,086,269
Other Program Expenses	3,513,277	-	3,513,277
Support Services:			
Management and General	3,897,895	-	3,897,895
Fundraising	<u>1,479,169</u>	<u>-</u>	<u>1,479,169</u>
Total Expenses	<u>87,340,898</u>	<u>-</u>	<u>87,340,898</u>
DECONSOLIDATION OF SUPPORTING ORGANIZATION	(654,314)	-	(654,314)
RECLASSIFICATION OF NONPROFIT ENDOWMENT FUNDS	<u>(706,244)</u>	<u>-</u>	<u>(706,244)</u>
CHANGE IN NET ASSETS	(68,907,683)	(3,923,203)	(72,830,886)
Minority Interest Activity	<u>132,091,530</u>	<u>-</u>	<u>132,091,530</u>
TOTAL CHANGE IN NET ASSETS	63,183,847	(3,923,203)	59,260,644
Net Assets - Beginning of Year	<u>1,086,145,168</u>	<u>49,030,453</u>	<u>1,135,175,621</u>
NET ASSETS - END OF YEAR	<u>\$ 1,149,329,015</u>	<u>\$ 45,107,250</u>	<u>\$ 1,194,436,265</u>

See accompanying Notes to Combined Financial Statements.

**THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 71,494,676	\$ 3,030,454	\$ 74,525,130
13,021,280	314,585	13,335,865
116,255,067	3,741,234	119,996,301
929,437	-	929,437
695,748	-	695,748
1,648,065	2,306,612	3,954,677
360,309	-	360,309
3,900,972	(3,900,972)	-
<u>208,305,554</u>	<u>5,491,913</u>	<u>213,797,467</u>
77,029,929	-	77,029,929
3,234,335	-	3,234,335
582,262	-	582,262
2,473,632	-	2,473,632
4,350,601	-	4,350,601
3,596,288	-	3,596,288
1,755,004	-	1,755,004
<u>93,022,051</u>	<u>-</u>	<u>93,022,051</u>
-	-	-
<u>(9,749,329)</u>	<u>-</u>	<u>(9,749,329)</u>
105,534,174	5,491,913	111,026,087
5,158,203	-	5,158,203
110,692,377	5,491,913	116,184,290
975,452,791	43,538,540	1,018,991,331
<u>\$ 1,086,145,168</u>	<u>\$ 49,030,453</u>	<u>\$ 1,135,175,621</u>

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2017)

	2018			2017 Total Expenses	
	Program Services	Management and General	Fundraising		Total Expenses
OPERATING EXPENSES					
Grants	\$ 71,334,013	\$ -	\$ -	\$ 71,334,013	\$ 77,029,929
Compensation and Benefits	4,254,666	2,032,185	1,010,007	7,296,858	7,017,544
Professional Fees and					
Contract Services	3,549,659	687,834	53,303	4,290,796	4,001,125
Supplies and Office Expenses	133,758	84,732	23,869	242,359	280,833
Travel, Conferences, and Meetings	298,295	109,765	92,362	500,422	441,223
Occupancy	146,840	247,346	60,352	454,538	521,243
Information Technology	171,873	308,692	65,647	546,212	814,886
Insurance	83,798	79,179	19,238	182,215	173,201
Marketing and Promotion	58,334	151,190	77,262	286,786	802,054
Program Loan Expense	1,090,587	-	-	1,090,587	228,269
Gift Annuity Distributions	93,119	-	-	93,119	98,775
Other	685,447	75,896	47,587	808,930	1,404,575
Depreciation	63,445	121,076	29,542	214,063	208,394
	<u>\$ 81,963,834</u>	<u>\$ 3,897,895</u>	<u>\$ 1,479,169</u>	<u>\$ 87,340,898</u>	<u>\$ 93,022,051</u>
Total Operating Expenses					

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 59,260,644	\$ 116,184,290
Reclassification of Nonprofit Endowment Funds	706,244	9,749,329
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:		
Increase in Net Assets of Minority Interests	(132,091,530)	(5,077,200)
Net Investment Return on Minority Interests	(10,533,056)	7,958,203
Net Unrealized and Realized Investment (Gains) Losses	59,086,693	(116,255,067)
Allowance for Doubtful Accounts	-	495,101
Noncash contributions	(15,915,741)	(11,728,088)
Depreciation Expense	214,064	201,031
Program Loan Discounts and Imputed Interest	901,096	(32,728)
Change in Value of Endowment	1,733,998	(3,669,926)
Adjustment of Actuarial Liability for Split-Interest Agreement Liabilities	(86,946)	3,338,482
Changes in Operating Assets and Liabilities:		
Contributions Receivable	(2,597,207)	(7,108,034)
Other Assets	860,199	(717,831)
Accounts Payable and Accrued Expenses	(124,097)	221,297
Grants Payable	1,576,813	453,424
Net Cash Used by Operating Activities	(37,008,826)	(5,987,717)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(477,637,019)	(284,181,890)
Proceeds from Sales of Investments	383,370,768	273,662,586
Net Partner Contributions (Distributions)	142,624,586	(2,800,000)
Payments Received on Notes and Program Loans	94,530	750,675
Program Loans Advanced	(1,000,000)	-
Purchases of Property and Equipment	(248,693)	(198,707)
Net Cash Provided (Used) by Investing Activities	47,204,172	(12,767,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Value of Beneficial Interest in Perpetual Trusts	109,164	(71,308)
Payments to Beneficiary Under Split-Interest Agreements	(1,643,108)	(1,476,067)
Contributions and Earnings on Nonprofit Endowments	(1,276,538)	34,037,951
Payments on Nonprofit Endowments	(9,042,283)	(13,443,962)
Net Cash Provided (Used) by Financing Activities	(11,852,765)	19,046,614
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,657,419)	291,561
Cash and Cash Equivalents - Beginning of Year	5,964,040	5,672,479
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,306,621	\$ 5,964,040

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Saint Paul Foundation, Minnesota Community Foundation and Affiliates, dba: The Saint Paul & Minnesota Community Foundations and Saint Paul & Minnesota Foundations (the Foundation) are community foundations that are both a consortium of trusts and funds operating under a plan (the Plan) filed with the District Court of Ramsey County, Minnesota, and charitable corporations known as The Saint Paul Foundation and Minnesota Community Foundation, respectively, organized pursuant to the Plan.

Saint Paul Foundation and Minnesota Foundations have opted to combine the consolidated financial statements of both organizations and their respective affiliates due to common board membership and management. The consolidated financial statements of the Minnesota Community Foundation include the accounts of The Marvin Warroad Area Foundation, and for January 1, 2017 to December 31, 2018, GiveMN, Type 1 Supporting Organizations to Minnesota Community Foundation. As noted below, GiveMN is no longer a supporting organization with Minnesota Community Foundation effective January 1, 2018. The accompanying consolidated financial statements include the accounts of The Saint Paul Foundation and certain affiliated foundations, which include The Jones Family Foundation, Red Wing Property Conservation Fund, and The Community Investment Group (CIG). All material inter-organization transactions and balances have been eliminated in preparing the combined financial statements.

In 2017, GiveMN's and Minnesota Community Foundation's respective boards of directors approved terminating GiveMN's supporting organization relationship with Minnesota Community Foundation effective January 1, 2018. On March 5, 2018, the IRS approved GiveMN's status change from a supporting organization to an independent 501(c)(3). As a result of the termination, the deconsolidation is reflected on the combined statement of activities as deconsolidation of supporting organization.

The Saint Paul & Minnesota Community Foundations Holdings, LLC (the LLC) was established in August 2018 under Minnesota Statutes, Chapter 322C, with The Saint Paul Foundation as its sole member. The LLC was established to facilitate the receipt of certain charitable gifts to the Foundation. The LLC is a disregarded entity for tax purposes. As the sole member of the LLC, The Saint Paul Foundation consolidates all results of the LLC within these financial statements.

On December 5, 2018, the board of directors approved a merger of The Saint Paul Foundation and Minnesota Community Foundation, effective January 1, 2020. After the merger date, the combined foundation will continue to operate as the same consortium of trusts and funds under the same board of directors and management.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The accompanying combined financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Asset Classification

The Foundation follows an accounting standard that provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The standard also expands disclosures about an organization's endowment funds (both donor-restricted and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The board of directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to *The Plan for The Saint Paul Foundation* and most contributions are subject to the terms of the Plan. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation.

Under the terms of the Plan, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions consist of irrevocable charitable trusts, restricted contributions receivable, donor-restricted endowment funds, and earnings on donor-restricted endowment funds under UPMIFA. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

Board Designated Net Assets

Portions of the Foundation's net assets without donor restrictions have been designated for certain purposes by the board of directors. The board of directors has established both short-term and long-term operating reserves designed to support operations during periods of market volatility, or when administrative fees collected may fall short of budgeted expectations. Short-term reserves are invested in money market accounts, certificates of deposit, and short-term investments. Long-term operating reserves are invested in the Foundation's multi-asset endowment pool.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATIONS
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment 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, real assets, and absolute return strategies. The majority of assets are invested in equity or equity like securities. Fixed income, real assets, and absolute return strategies are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, 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 the Foundation's spending policy payout rate plus inflation over long periods of time.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's various endowment assets, which includes donor-advised, nonprofit, designated, scholarship, community, field of interest, and unrestricted. The spending policy is to distribute an amount equal to 5.0% of a moving 21-quarter average but not less than 4.25% or greater than 5.5% of current market value. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the organization's objective to maintain the purchasing power of endowment assets and seek to maximize the amount available to meet the charitable needs of communities.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of December 31, 2018 and 2017, there were no donor restricted endowment funds with deficiencies.

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 absolute return funds, collective funds, hedge funds 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 management. 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 SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Donated securities are recorded at their fair value at the date of donation. 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.

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 combined statements of financial position.

Investments held by the Foundation under split-interest agreements totaled \$25,133,048 and \$28,324,708 at December 31, 2018 and 2017, respectively.

Contributions Receivable

Contributions receivable consists of unconditional promises to give and are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

The Foundation is the sole or partial beneficiary of charitable remainder trusts. In cases where the Foundation does not act as trustee, the Foundation has recorded an asset at the present value of the revenue to be received from the trusts using a discount rate between 5.8% and 8.8% based on the year the trust was established.

Program-Related Loans Receivable

The Foundation has made loans to nonprofit organizations and to units of government at below-market interest rates. Repayment schedules and interest rates on the loans are varied. If the loan has a fixed maturity date, the loan receivable is recorded at the net present value of the future payments to be received from the borrower using an imputed market interest rate between 3.6% and 5.7% based on the year the loan was made. At December 31, 2018 and 2017, there were no past due program-related loans.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Perpetual Trusts

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation and are not subject to the Plan filed with the District Court. The Foundation has an irrevocable right to a portion of the net income of these trusts. The Foundation's interest in these trusts is recorded at fair value and is classified as net assets with donor restrictions. Distributions received from these trusts are recorded as investment income without restrictions, and the change in fair value is recorded as net unrealized and realized investment gains with restrictions in the combined statements of activities.

Other Assets

For purposes of financial position presentation, other assets consists of several items, including fixed assets, cash surrender value of life insurance, notes receivable, accrued investment income and client accounts receivable.

Grants Payable

Unconditional grants are recorded as expense when approved by the Foundation's board of directors. Grants that are subject to conditions are recorded when the conditions have been substantially met.

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

Income Beneficiaries Payable

A liability is recorded for the amount due to income beneficiaries and split-charitable remainder interest of charitable gift annuities and charitable remainder trusts when the Foundation acts as trustee. The present value of the estimated future payments to be distributed during the beneficiary's expected life and the split-charitable remainder interest at the beneficiary's death is recorded as a liability using a discount rate between 1.2% and 7.5% based on the year the gift was received.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held as Nonprofit Endowments

In accordance with accounting standards, when a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as nonprofit endowment funds.

The Foundation maintains legal ownership of nonprofit endowment funds and, as such, continues to report the funds as assets of the Foundation. However, in accordance with accounting standards, a liability has been established for the fair value of the funds.

Cash Flows

For the purposes of presenting cash flows, cash equivalents include short-term investments with maturities of three months or less, except for cash equivalents, which are included in investments.

Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results may differ from those estimates.

Federal Income Taxes

The Saint Paul Foundation, Minnesota Community Foundation, The Marvin Warroad Area Foundation, The Jones Family Foundation and the Red Wing Conservation Fund have received determination letters from the Internal Revenue Service (IRS) indicating that they have been classified as publicly supported charitable organizations under Internal Revenue Code Section 501(c)(3). As publicly supported charities the Saint Paul Foundation and Minnesota Community Foundation are exempt from federal income taxes and federal excise taxes under Section 509(a)(1) of the Internal Revenue Code, except on unrelated business income, while The Marvin Warroad Area Foundation, The Jones Family Foundation, and the Red Wing Conservation Fund have been similarly exempted under Section 509(a)(3) of the Internal Revenue Code.

The Community Investment Group is a pass-through investment partnership. CIG does not record a provision for any federal, state, or local income taxes because the partners report their share of the partnership's income or loss on their return.

The Saint Paul & Minnesota Community Foundation Holdings, LLC is a disregarded entity for tax purposes.

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

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Foundation follows an accounting standard that 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. In accordance with this standard, the Foundation has categorized its investments, 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 measurement of the instrument.

Financial assets and liabilities recorded on the combined 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 1 includes various mutual funds, collective funds, futures, and equities.

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 2 includes U.S. treasury and other U.S government and agency mortgage-backed securities, collateralized mortgage obligations, municipal bonds, and corporate debt securities.

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. Level 3 includes privately held stock, charitable remainder trusts and beneficial interests in perpetual trusts.

Derivative Financial Instruments

The Foundation'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 options contracts, and foreign currency forward contracts. The Foundation uses derivatives to obtain domestic and international equity and treasury bond exposure for selected portfolio balances. The Foundation will buy and sell equity and treasury futures to adjust the overall portfolio asset allocation. These quarterly futures contracts are marked to market and realize gains and losses on a daily basis. The Foundation has not designated any of its derivative financial instruments as hedging instruments.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

Market risk represents potential loss from the decrease in the value as a result of fluctuation in the market. Credit risk represents potential loss from possible nonperformance by obligors and counterparties on the terms of their contracts. Management does not anticipate that losses, if any, resulting from credit or market risk would materially affect the Foundation's financial position.

The Partnership had 197 and 264 derivative contracts outstanding as of December 31, 2018 and 2017 at a gross contract value of \$32,521,517 and \$34,919,660, respectively, and the net exposure amount is included within the Partnership's investment portfolio. No short positions exist as of either December 31, 2018 or 2017. The profits and losses of a futures contract depends on the daily movements of the market for that contract and are calculated on a daily basis. Changes in fair value are accounted for as net unrealized and realized investment gains (losses) in fair value of investments. Net gains (losses) for these futures were (\$1,251,160) and \$3,914,651 for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of 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 services benefited. All costs are allocated based on time records and the best estimates of management.

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 for 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 has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented (except for presentation of the statement of functional expenses) which resulted in no change to the total previously reported net assets.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in these combined financial statements through May 30, 2019, the date the combined financial statements were available to be issued.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for grants and general expenditures within one year of the statements of financial position date are comprised of the following at December 31:

	2018	2017
Cash and Cash Equivalents	\$ 4,306,621	\$ 5,964,040
Other Cash Equivalents Included in Investments	102,509,863	106,005,799
Other Liquid Investments	650,715,519	650,533,087
Contributions Receivable	11,985,250	8,863,716
Other Accounts Receivable	363,640	524,041
Total	<u>\$ 765,574,272</u>	<u>\$ 765,926,643</u>

The Foundations' core operations are funded primarily through asset-based administrative fees on the charitable funds under management, calculated as a percentage of market value. The board of directors has established both short-term and long-term operating reserves designed to support operations during periods of market volatility, when administrative fees collected may fall short of budgeted expectations. Short-term reserves of \$6,640,421 and \$5,750,984 at December 31, 2018 and 2017, respectively, are included in the amounts above and are invested in money market accounts, certificates of deposit, and short-term investments. Long-term operating reserves of \$3,569,808 and \$3,973,805 at December 31, 2018 and 2017, respectively, are invested in the Foundation's multi-asset endowment pool.

The assets above include donor funds subject to donor restrictions and recommendations as of December 31, 2018 and 2017. Donor funds are generally either permanent (endowed) or nonpermanent. Nonpermanent funds may be granted out at any time, subject to terms of the fund agreement and approval by the board of directors. As described in Note 1, the Foundation's endowed assets are subject to a board approved spending policy of 5%. A spendable amount of \$37,048,523 and \$35,582,604 at December 31, 2018 and 2017, respectively, will be made available for grant-making from these endowments within the next 12 months.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to become available as its awarded grants, general expenditures, liabilities and other obligations become due. The Foundation invests cash in excess of daily requirements in money markets, sweep accounts, certificates of deposit, and short-term investments.

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NOTE 3 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.

Assets measured at fair value on a recurring basis:

	2018			Total
	Level 1	Level 2	Level 3	
Fixed Income Mutual and Collective Funds	\$ 75,949,668	\$ 50,074,437	\$ -	\$ 126,024,105
U.S. Common Stock, Equity Mutual, and Collective Funds	373,070,460	-	47,713,255	420,783,715
Non-U.S. Common Stock, Equity Mutual, and Collective Funds	79,612,913	-	-	79,612,913
Balanced Mutual Funds	28,906,491	-	-	28,906,491
Real Assets	43,101,550	-	-	43,101,550
Total	<u>\$ 600,641,082</u>	<u>\$ 50,074,437</u>	<u>\$ 47,713,255</u>	<u>698,428,774</u>
Cash Equivalents				102,509,863
NAV Funds				574,259,328
Total				<u>\$ 1,375,197,965</u>
Charitable Remainder Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,540,664</u>	<u>\$ 4,540,664</u>
Beneficial Interests in Perpetual Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,264</u>	<u>\$ 904,264</u>
	2017			
	Level 1	Level 2	Level 3	Total
Fixed Income Mutual and Collective Funds	\$ 75,838,417	\$ 49,890,274	\$ -	\$ 125,728,691
U.S. Common Stock, Equity Mutual, and Collective Funds	343,216,477	-	48,250,531	391,467,008
Non-U.S. Common Stock, Equity Mutual, and Collective Funds	101,515,278	-	-	101,515,278
Balanced Mutual Funds	31,753,931	-	-	31,753,931
Real Assets	48,318,710	-	-	48,318,710
Total	<u>\$ 600,642,813</u>	<u>\$ 49,890,274</u>	<u>\$ 48,250,531</u>	<u>698,783,618</u>
Cash Equivalents				106,005,799
NAV Funds				521,649,526
Total				<u>\$ 1,326,438,943</u>
Charitable Remainder Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,094,991</u>	<u>\$ 5,094,991</u>
Beneficial Interests in Perpetual Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,428</u>	<u>\$ 1,013,428</u>

The Foundation has \$1,251,000 and \$686,000 in privately held stock and property held for sale that is reported at cost as of December 31, 2018 and 2017, respectively, and, therefore, not included in the fair value tables above.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Roll-Forward Tables for the Years Ended December 31, 2018 and 2017:

	Equity Mutual and Collective Funds (Private Stock)	Charitable Remainder Trusts	Beneficial Interests in Perpetual Trusts	Total
Balances as of January 1, 2017	\$ 60,607,085	\$ 5,007,538	\$ 942,238	\$ 66,556,861
Net Unrealized and Realized Investment Gains	6,643,530	-	-	6,643,530
Sales	(19,000,084)	-	-	(19,000,084)
Change in Value of Split-Interest Agreements	-	87,453	71,190	158,643
Balances as of December 31, 2017	48,250,531	5,094,991	1,013,428	54,358,950
Net Unrealized and Realized Investment Gains (Loss)	(537,276)	-	-	(537,276)
Sales	-	-	-	-
Change in Value of Split-Interest Agreements	-	(554,327)	(109,164)	(663,491)
Balances as of December 31, 2018	<u>\$ 47,713,255</u>	<u>\$ 4,540,664</u>	<u>\$ 904,264</u>	<u>\$ 53,158,183</u>

Investments in Entities that Calculate Net Asset Value Per Share (or its Equivalent) as of December 31, 2018 and 2017:

	2018 Net Asset Value	2017 Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Collective Funds	\$ 176,427,390	\$ 210,925,351	\$ -	Daily-Monthly	5-30 Days
Fixed Income Collective Funds	28,455,783	28,237,891	-	Daily	5-30 Days
Multi-Strategy Hedge Funds of Funds	23,189,601	26,880,860	-	Semi-annually	95 Days
Multi-Strategy Hedge Funds of Funds	34,705,831	51,436,625	-	Quarterly	65 Days
Multi-Strategy Hedge Funds of Funds	24,381,731	-	-	Daily-Monthly	5-30 Days
Private Capital	166,916,323	111,071,867	106,747,477	N/A	N/A
Private Natural Resources	61,574,548	47,892,865	18,673,300	N/A	N/A
Private Natural Resources	7,813,560	-	-	Daily-Monthly	5-30 Days
Private Real Estate	33,989,071	18,968,515	-	Quarterly	45 Days
Private Real Estate	16,805,490	26,235,552	20,675,076	N/A	N/A
Total	<u>\$ 574,259,328</u>	<u>\$ 521,649,526</u>			

Equity Collective Funds includes investments in funds that are invested in domestic and international common stocks. The unobservable inputs used to determine the fair value of the equity collective funds are 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.

Fixed Income Collective Funds includes investments in funds that are invested in U.S. treasury, U.S. agency, residential mortgage backed securities, commercial mortgage backed securities, collateralized debt securities, and corporate bonds. The unobservable inputs used to determine the fair value of the fixed income collective funds are 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.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Multi-Strategy Hedge Fund of Funds are invested primarily in a diversified portfolio of directly originated loan investments, 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.

Private Capital 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 fund of private capital funds and direct investments has been estimated based on the capital account balances reported by underlying partnerships subject to the private capital funds' management review and judgment.

Private Natural Resources include 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.

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

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Unconditional contributions receivable outstanding as of December 31, 2018 and 2017 are due as follows:

	Less than One Year	One Year to Five Years	More than Five Years	2018 Total
Unconditional Promises to Give	\$ 11,985,250	\$ 30,000	\$ -	\$ 12,015,250
Charitable Remainder Trusts	-	1,405,282	3,135,382	4,540,664
Total	<u>\$ 11,985,250</u>	<u>\$ 1,435,282</u>	<u>\$ 3,135,382</u>	<u>\$ 16,555,914</u>

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NOTE 4 CONTRIBUTIONS RECEIVABLE (CONTINUED)

	Less than One Year	One Year to Five Years	More than Five Years	2017 Total
Unconditional Promises to Give	\$ 8,863,716	\$ -	\$ -	\$ 8,863,716
Charitable Remainder Trusts	-	186,410	4,908,581	5,094,991
Total	<u>\$ 8,863,716</u>	<u>\$ 186,410</u>	<u>\$ 4,908,581</u>	<u>\$ 13,958,707</u>

NOTE 5 GRANTS PAYABLE

Grants payable in more than one year are stated at fair value. Fair value is determined as the present value of estimated cash flows using a discount rate ranging from 1.2% to 9.5%. The discount amount was \$679,579 and \$407,033 as of December 31, 2018 and 2017, respectively. Unconditional grants payable as of December 31 are generally due as follows:

	2018	2017
Less than One Year	\$ 9,181,377	\$ 7,531,247
One Year to Five Years	4,980,822	5,054,139
Total	<u>\$ 14,162,199</u>	<u>\$ 12,585,386</u>

At December 31, 2018 and 2017, the Foundation has unpaid approved grants of \$894,627 and \$809,330, respectively, which are subject to conditions and have not been reflected in the accompanying combined financial statements.

NOTE 6 FUNDS HELD AS NONPROFIT ENDOWMENTS

The following table summarized activity in such funds during the years ended December 31:

	2018	2017
Funds Held as Nonprofit Endowments at January 1	\$ 192,317,556	\$ 161,974,238
Amounts Raised from Nonprofits	8,932,047	9,845,047
Investment Income	2,864,251	2,522,274
Net Unrealized and Realized Investment Gains (Losses)	(12,177,526)	22,554,780
Amounts Disbursed to Nonprofits	(9,042,283)	(13,443,962)
Administrative Fee	(895,310)	(884,150)
Reclassification of Nonprofit Endowment Funds	706,244	9,749,329
Funds Held as Nonprofit Endowments at December 31	<u>\$ 182,704,979</u>	<u>\$ 192,317,556</u>

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NOTE 7 ENDOWMENT BY NET ASSET CLASS

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Donor Restricted Endowment Funds	\$ -	\$ 26,255,766	\$ 26,255,766
Other Endowment Funds:			
Undesignated	186,122,710	-	186,122,710
Field of Interest	131,445,556	-	131,445,556
Donor-Advised	116,386,530	-	116,386,530
Designated	82,853,965	-	82,853,965
Subtotal Other Endowment Funds	516,808,761	-	516,808,761
Board-Designated Endowment Funds	3,572,162	-	3,572,162
Total Endowment Funds	520,380,923	26,255,766	546,636,689
Nonendowed Funds	628,948,092	18,851,484	647,799,576
Total Net Assets	<u>\$ 1,149,329,015</u>	<u>\$ 45,107,250</u>	<u>\$ 1,194,436,265</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Donor Restricted Endowment Funds	\$ -	\$ 28,823,675	\$ 28,823,675
Other Endowment Funds:			
Undesignated	202,865,555	-	202,865,555
Field of Interest	137,040,744	-	137,040,744
Donor Advised	126,084,216	-	126,084,216
Designated	89,383,043	-	89,383,043
Subtotal Other Endowment Funds	555,373,558	-	555,373,558
Board-Designated Endowment Funds	3,973,804	-	3,973,804
Total Endowment Funds	559,347,362	28,823,675	588,171,037
Nonendowed Funds	526,797,806	20,206,778	547,004,584
Total Net Assets	<u>\$ 1,086,145,168</u>	<u>\$ 49,030,453</u>	<u>\$ 1,135,175,621</u>

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NOTE 8 CHANGES IN ENDOWMENT NET ASSETS

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 559,347,362	\$ 28,823,675	\$ 588,171,037
Investment Income, Net of Investment Expense	7,427,614	363,880	7,791,494
Net Realized and Unrealized Investment Losses	(35,221,993)	(1,624,832)	(36,846,825)
Contributions	13,476,598	-	13,476,598
Amounts Appropriated for Expenditure	<u>(24,648,658)</u>	<u>(1,306,957)</u>	<u>(25,955,615)</u>
Change in Endowment Net Assets	<u>(38,966,439)</u>	<u>(2,567,909)</u>	<u>(41,534,348)</u>
Endowment Net Assets - End of Year	<u>\$ 520,380,923</u>	<u>\$ 26,255,766</u>	<u>\$ 546,636,689</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 479,655,151	\$ 26,200,791	\$ 505,855,942
Investment Income, Net of Investment Expense	6,099,890	314,585	6,414,475
Net Realized and Unrealized Investment Gains	63,650,847	3,670,273	67,321,120
Contributions	31,880,171	-	31,880,171
Amounts Appropriated for Expenditure	<u>(21,938,697)</u>	<u>(1,361,974)</u>	<u>(23,300,671)</u>
Change in Endowment Net Assets	<u>79,692,211</u>	<u>2,622,884</u>	<u>82,315,095</u>
Endowment Net Assets - End of Year	<u>\$ 559,347,362</u>	<u>\$ 28,823,675</u>	<u>\$ 588,171,037</u>

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NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Purpose or Time Restricted:		
Split-Interest Agreements	\$ 16,301,922	\$ 17,940,850
Time Restricted Contributions Receivable	1,645,298	1,252,500
Endowment	<u>5,343,743</u>	<u>7,911,652</u>
Total Purpose or Time Restricted	23,290,963	27,105,002
Perpetual in Nature:		
Endowment	20,912,023	20,912,023
Beneficial Interest in Perpetual Trusts	<u>904,264</u>	<u>1,013,428</u>
Total Perpetually Restricted Net Assets	<u>21,816,287</u>	<u>21,925,451</u>
Total Net Assets With Donor Restrictions	<u>\$ 45,107,250</u>	<u>\$ 49,030,453</u>

Net assets released from restriction for the years ended December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Purpose or Time Restricted	\$ 1,250,000	\$ 2,538,998
Endowment	<u>1,306,957</u>	<u>1,361,974</u>
Total Purpose or Time Restricted Releases	<u>\$ 2,556,957</u>	<u>\$ 3,900,972</u>

NOTE 10 RETIREMENT PLAN

The Foundation maintains a defined contribution plan for employees meeting the eligibility requirements in which contributions are based upon a specified percentage of salaries. Retirement plan expense was \$487,677 and \$500,898 for the years ended December 31, 2018 and 2017, respectively. A portion of the contributions vest with employees over a five-year period.

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NOTE 11 OPERATING LEASE

The Foundation has an operating lease for office space and equipment with lease terms that expire through 2025. Annual rental on the office space includes the base rent plus a proportionate share of the actual operating costs of the building as specified in the lease agreement. Total rentals paid during fiscal years 2018 and 2017 were \$438,827 and \$457,575, respectively.

Future minimum lease payments as of December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 422,588
2020	423,296
2021	418,532
2022	418,532
2023	410,744
Thereafter	582,009
Total	<u>\$ 2,675,701</u>

NOTE 12 COMMUNITY INVESTMENT GROUP AND MINORITY INTEREST

The Community Investment Group (CIG) is an investment partnership formed by The Saint Paul Foundation and Minnesota Community Foundation in 1992. The purpose of CIG is to create a larger pool of assets in order to enhance investment return and reduce costs and risk. Under the governing agreements, the Foundations are voting foundations. The CIG investment committee may recommend other nonprofit corporations join the Partnership, subject to the approval of the voting foundations. Other charitable foundations admitted to CIG are considered participating foundations.

The two voting foundations may appoint two persons each to the partnership's investment committee. A majority of the investment committee may recommend that one or more additional persons be appointed to the investment committee who shall become members if approved in writing by the Foundation. Such additional members are subject to removal by the Foundation.

The Saint Paul Foundation and Minnesota Community Foundation hold control of the partnership through ability to approve and remove additional members of the investment committee, and through economic interest (76% of the investment in the partnership as of December 31, 2018.) As a result of this controlling interest, consolidation is required under accounting standards.

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NOTE 12 COMMUNITY INVESTMENT GROUP AND MINORITY INTEREST (CONTINUED)

The following schedules shows statements of changes in partner balances for the years ended December 31:

	The Saint Paul Foundation	Minnesota Community Foundation	F.R. Bigelow Foundation	Mardag Foundation	The Jones Family Foundation	Total
Balance - January 1, 2017	\$ 377,205,367	\$ 187,670,260	\$ -	\$ 54,789,686	\$ 11,712,564	\$ 631,377,877
Interest and Dividends	6,858,659	3,412,957	-	897,120	192,710	11,361,446
Net Unrealized and Realized						
Gains	50,795,815	25,751,035	-	7,247,377	1,517,850	85,312,077
Contributions to Partnership	9,685,106	21,568,936	-	-	-	31,254,042
Withdrawals from Partnership	(8,827,700)	(23,708,306)	-	(2,800,000)	(575,000)	(35,911,006)
Partnership Expenses	(1,306,100)	(646,857)	-	(186,294)	(40,017)	(2,179,268)
Balance - December 31, 2017	434,411,147	214,048,025	-	59,947,889	12,808,107	721,215,168
Interest and Dividends	7,708,357	3,883,911	1,317,276	1,002,876	209,910	14,122,330
Net Unrealized and Realized						
Losses	(26,181,310)	(13,705,047)	(8,795,050)	(3,514,753)	(727,695)	(52,923,855)
Contributions to Partnership	12,724,236	8,899,375	149,074,577	-	-	170,698,188
Withdrawals from Partnership	(28,978,137)	(10,301,505)	(3,549,991)	(2,900,000)	(890,000)	(46,619,633)
Partnership Expenses	(1,619,308)	(820,036)	(311,613)	(231,792)	(48,504)	(3,031,253)
Balance - December 31, 2018	<u>\$ 398,064,985</u>	<u>\$ 202,004,723</u>	<u>\$ 137,735,199</u>	<u>\$ 54,304,220</u>	<u>\$ 11,351,818</u>	<u>\$ 803,460,945</u>

NOTE 13 RECLASSIFICATION OF NONPROFIT ENDOWMENT FUNDS

During 2018, net assets totaling \$706,244 were reclassified from without donor restrictions – Designated Funds to Funds Held as Nonprofit Endowments based on new information on the donor’s intentions. During 2017, net assets totaling \$9,749,329 were reclassified from without donor restrictions – Donor Advised to Funds Held as Nonprofit Endowments based on new information on the donor’s intentions.