

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

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of The Saint Paul Foundation, Minnesota Community Foundation and Affiliates dba: Saint Paul & Minnesota Foundation (the Foundation), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended 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 Foundation

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 Foundation as of December 31, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 27, 2020

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 2,765,013	\$ 4,306,621
Investments	1,554,767,057	1,376,448,965
Contributions Receivable	11,189,543	16,555,914
Program-Related Loans Receivable	6,765,134	5,318,835
Beneficial Interests in Perpetual Trusts	989,597	904,264
Other Assets	2,513,817	2,641,901
Total Assets	\$ 1,578,990,161	\$ 1,406,176,500
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,661,153	\$ 1,856,201
Grants Payable	12,568,243	14,162,199
Income Beneficiaries Payable	11,926,890	13,016,856
Funds Held as Nonprofit Endowments	204,868,805	182,704,979
Total Liabilities	231,025,091	211,740,235
NET ASSETS		
Without Donor Restrictions:		
Without Donor Restrictions	1,078,549,722	947,079,367
Board-Designated	10,938,184	10,210,229
Non-Controlling Interests	210,044,389	192,039,419
Total Net Assets Without Donor Restrictions	1,299,532,295	1,149,329,015
With Donor Restrictions	48,432,775	45,107,250
Total Net Assets	1,347,965,070	1,194,436,265
Total Liabilities and Net Assets	\$ 1,578,990,161	\$ 1,406,176,500

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT			
Contributions	\$ 57,067,408	\$ 380,000	\$ 57,447,408
Investment Income, Net of Investment Expense of \$4,999,383 in 2019 and \$5,116,940 in 2018	18,401,429	440,014	18,841,443
Net Unrealized and Realized Investment Gains (Losses)	137,348,951	3,423,378	140,772,329
Administrative Fees	1,135,109	-	1,135,109
Staff Services	731,002	-	731,002
Change in Value of Split-Interest Agreements	2,344,152	2,058,626	4,402,778
Other	142,521	-	142,521
Net Assets Released from Restrictions	2,976,493	(2,976,493)	-
Total Revenues, Gains (Losses), and Other Support	<u>220,147,065</u>	<u>3,325,525</u>	<u>223,472,590</u>
EXPENSES			
Program Services	80,837,140	-	80,837,140
Support Services:			
Management and General	4,998,439	-	4,998,439
Fundraising	2,564,945	-	2,564,945
Total Expenses	<u>88,400,524</u>	<u>-</u>	<u>88,400,524</u>
DECONSOLIDATION OF SUPPORTING ORGANIZATION	-	-	-
RECLASSIFICATION OF NONPROFIT ENDOWMENT FUNDS	<u>451,769</u>	<u>-</u>	<u>451,769</u>
CHANGE IN NET ASSETS	132,198,310	3,325,525	135,523,835
Non-Controlling Interest Activity	<u>18,004,970</u>	<u>-</u>	<u>18,004,970</u>
TOTAL CHANGE IN NET ASSETS	150,203,280	3,325,525	153,528,805
Net Assets - Beginning of Year	<u>1,149,329,015</u>	<u>45,107,250</u>	<u>1,194,436,265</u>
NET ASSETS - END OF YEAR	<u>\$ 1,299,532,295</u>	<u>\$ 48,432,775</u>	<u>\$ 1,347,965,070</u>

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 58,358,998	\$ 1,522,798	\$ 59,881,796
14,969,952	363,880	15,333,832
(59,086,693)	(1,733,998)	(60,820,691)
1,011,908	-	1,011,908
682,563	-	682,563
748,583	(1,518,926)	(770,343)
551,505	-	551,505
2,556,957	(2,556,957)	-
<u>19,793,773</u>	<u>(3,923,203)</u>	<u>15,870,570</u>
81,963,834	-	81,963,834
3,897,895	-	3,897,895
1,479,169	-	1,479,169
<u>87,340,898</u>	<u>-</u>	<u>87,340,898</u>
(654,314)	-	(654,314)
<u>(706,244)</u>	<u>-</u>	<u>(706,244)</u>
(68,907,683)	(3,923,203)	(72,830,886)
<u>132,091,530</u>	<u>-</u>	<u>132,091,530</u>
63,183,847	(3,923,203)	59,260,644
<u>1,086,145,168</u>	<u>49,030,453</u>	<u>1,135,175,621</u>
<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 FOUNDATION
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
OPERATING EXPENSES				
Grants	\$ 73,517,994	\$ -	\$ -	\$ 73,517,994
Compensation and Benefits	2,732,398	2,878,178	1,986,120	7,596,696
Professional Fees and Contract Services	2,719,287	1,260,267	80,507	4,060,061
Supplies and Office Expenses	160,770	88,424	36,249	285,443
Travel, Conferences, and Meetings	335,459	126,025	133,213	594,697
Occupancy	176,657	169,925	103,184	449,766
Information Technology	117,936	130,533	60,541	309,010
Insurance	61,540	61,281	37,100	159,921
Marketing and Promotion	238,796	148,608	50,246	437,650
Program Loan Expense	313,829	-	-	313,829
Gift Annuity Distributions	95,789	-	-	95,789
Other	250,177	19,936	7,547	277,660
Depreciation	116,508	115,262	70,238	302,008
	<u>\$ 80,837,140</u>	<u>\$ 4,998,439</u>	<u>\$ 2,564,945</u>	<u>\$ 88,400,524</u>
Total Operating Expenses	<u>\$ 80,837,140</u>	<u>\$ 4,998,439</u>	<u>\$ 2,564,945</u>	<u>\$ 88,400,524</u>

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

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

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 153,528,805	\$ 59,260,644
Reclassification of Nonprofit Endowment Funds	(451,769)	706,244
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Increase in Net Assets of Non-Controlling Interests	(18,004,970)	(132,091,530)
Net Investment Return on Non-Controlling Interests	29,279,970	(10,533,056)
Net Unrealized and Realized Investment (Gains) Losses	(140,772,329)	60,820,691
Depreciation Expense	302,008	214,064
Program Loan Discounts and Imputed Interest	83,701	901,096
Adjustment of Actuarial Liability for Split-Interest Agreement Liabilities	545,148	(86,946)
Changes in Operating Assets and Liabilities:		
Contributions Receivable	5,366,371	(2,597,207)
Other Assets	180,774	860,199
Accounts Payable and Accrued Expenses	(195,048)	(124,097)
Grants Payable	(1,593,956)	1,576,813
Net Cash Provided (Used) by Operating Activities	28,268,705	(21,093,085)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(552,524,203)	(493,552,760)
Proceeds from Sales of Investments	514,798,780	383,370,768
Net Partner Contributions (Distributions)	(11,275,000)	142,624,586
Payments Received on Notes and Program Loans	-	94,530
Program Loans Advanced	(1,530,000)	(1,000,000)
Purchases of Property and Equipment	(175,038)	(248,693)
Net Cash Provided (Used) by Investing Activities	(50,705,461)	31,288,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Value of Beneficial Interest in Perpetual Trusts	(85,333)	109,164
Payments to Beneficiary Under Split-Interest Agreements	(1,635,114)	(1,643,108)
Contributions and Earnings on Nonprofit Endowments	31,602,208	(1,276,538)
Payments on Nonprofit Endowments	(8,986,613)	(9,042,283)
Net Cash Provided (Used) by Financing Activities	20,895,148	(11,852,765)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,541,608)	(1,657,419)
Cash and Cash Equivalents - Beginning of Year	4,306,621	5,964,040
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,765,013	\$ 4,306,621

See accompanying Notes to Combined Financial Statements.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Saint Paul Foundation, Minnesota Community Foundation and Affiliates, dba: Saint Paul & Minnesota Foundation (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.

The Saint Paul Foundation and Minnesota Community Foundation 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 Minnesota Community Foundation include the accounts of The Marvin Warrod Area Foundation, and for January 1, 2018, GiveMN, which are 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 combined 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). Inter-organization transactions and balances have been eliminated in preparing the combined financial statements.

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 Internal Revenue Service (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 combined 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, re-named Saint Paul & Minnesota Foundation, continues 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 FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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).

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.

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.

Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Foundation has no contributions for which conditions have not yet been met as of December 31, 2019.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
DBA: SAINT PAUL & MINNESOTA FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Non-Controlling Interests

The combined financial statements include entities in which the Foundation has less than 100% ownership but otherwise controls in accordance with applicable accounting guidance. Non-controlling interests on the combined statements of activities represents the portion of interest and dividends, net unrealized and realized gains and losses and partnership expenses not attributable to the Foundation. Non-controlling interests on the combined statements of financial position represent the portion of net assets without donor restrictions not attributable to the Foundation.

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

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

Endowment Investment and Spending Policies (continued)

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, 2019 and 2018, there were no donor-restricted endowment funds with deficiencies.

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

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.

Investments with limited marketability, which principally include 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.

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 \$25,494,639 and \$25,133,048 at December 31, 2019 and 2018, respectively.

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)

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 3.0% and 5.7% based on the year the loan was made. At December 31, 2019 and 2018, there were no past due program-related loans.

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. 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 (losses) with restrictions in the combined statements of activities.

Other Assets

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

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Payable (continued)

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.

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.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Administrative fee and staff services revenue are recognized over time when the related services have been provided and earned. Any payments received in advance for these services are deferred to the applicable period in which the related services are performed.

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 IRS indicating that they have been classified as publicly supported charitable organizations under Internal Revenue Code (IRC) Section 501(c)(3). As publicly supported charities the Saint Paul Foundation and Minnesota

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes (continued)

Community Foundation are exempt from federal income taxes and federal excise taxes under Section 509(a)(1) of the IRC, 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 IRC.

CIG is a pass-through investment partnership which 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.

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.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

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.

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 155 and 197 derivative contracts outstanding as of December 31, 2019 and 2018 at a gross contract value of \$34,101,193 and \$32,521,517, respectively, and the net exposure amount is included within the Partnership's investment portfolio. No short positions exist as of either December 31, 2019 or 2018. 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 \$3,178,473 and (\$1,251,160) for the years ended December 31, 2019 and 2018, 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. Grants, program loan expenses and gift annuity distributions are directly allocated to program expenses. All other costs are allocated based on department and the best estimates of management.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Foundation adopted the standard on January 1, 2019 using the full retrospective method of transition. The ASU converged and replaced existing revenue-recognition guidance, including industry-specific guidance, and requires revenue to be recognized in an amount that reflects the consideration to which the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU did not result in changes to previously reported revenue.

In June 2018, FASB issued 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 combined financial statements reflect the application of ASU 2018-08 guidance using the prospective approach. The adoption of this ASU did not impact the Foundation's reported revenue in total.

Reclassification

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

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NOTE 2 LIQUIDITY AND AVAILABILITY

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

	2019	2018
Cash and Cash Equivalents	\$ 2,765,013	\$ 4,306,621
Other Cash Equivalents Included in Investments	95,905,800	102,509,863
Other Liquid Investments	761,741,975	650,715,519
Contributions Receivable	5,877,743	11,985,250
Other Accounts Receivable	348,312	363,640
Total	\$ 866,638,843	\$ 769,880,893

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 \$7,020,364 and \$6,640,421 at December 31, 2019 and 2018, 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 \$3,917,820 and \$3,569,808 at December 31, 2019 and 2018, 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, 2019 and 2018. 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 \$37,520,740 and \$37,048,523 at December 31, 2019 and 2018, 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.

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.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis:

	2019			Total
	Level 1	Level 2	Level 3	
Fixed Income Mutual and Collective Funds	\$ 79,111,283	\$ 83,168,193	\$ -	\$ 162,279,476
U.S. Common Stock, Equity Mutual, and Collective Funds	385,178,453	-	52,568,343	437,746,796
Non-U.S. Common Stock, Equity Mutual, and Collective Funds	169,186,907	-	-	169,186,907
Balanced Mutual Funds	34,096,790	-	-	34,096,790
Real Assets	11,000,349	-	-	11,000,349
Total	<u>\$ 678,573,782</u>	<u>\$ 83,168,193</u>	<u>\$ 52,568,343</u>	<u>814,310,318</u>
Cash Equivalents				95,905,800
NAV Funds				643,864,939
Total				<u>\$ 1,554,081,057</u>
Charitable Remainder Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,261,800</u>	<u>\$ 5,261,800</u>
Beneficial Interests in Perpetual Trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 989,597</u>	<u>\$ 989,597</u>

	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>

The Foundation has \$686,000 and \$1,251,000 in privately held stock and property held for sale that is reported at cost as of December 31, 2019 and 2018, respectively, and, therefore, not included in the fair value tables above.

Level 3 Roll-Forward Tables for the Years Ended December 31, 2019 and 2018:

	Equity Mutual and Collective Funds (Private Stock)	Charitable Remainder Trusts	Beneficial Interests in Perpetual Trusts	Total
Balances as of January 1, 2018	\$ 48,250,531	\$ 5,094,991	\$ 1,013,428	\$ 54,358,950
Net Unrealized and Realized Investment Gains (Losses)	(537,276)	-	-	(537,276)
Change in Value of Split-Interest Agreements	-	(554,327)	(109,164)	(663,491)
Balances as of December 31, 2018	47,713,255	4,540,664	904,264	53,158,183
Net Unrealized and Realized Investment Gains (Losses)	8,660,241	-	-	8,660,241
Purchases	3,867,925	-	-	3,867,925
Sales	(7,673,078)	-	-	(7,673,078)
Change in Value of Split-Interest Agreements	-	721,136	85,333	806,469
Balances as of December 31, 2019	<u>\$ 52,568,343</u>	<u>\$ 5,261,800</u>	<u>\$ 989,597</u>	<u>\$ 58,819,740</u>

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Entities that Calculate Net Asset Value Per Share (or its Equivalent) as of December 31, 2019 and 2018:

	2019	2018	Unfunded	Redemption	Redemption	
	<u>Net Asset Value</u>	<u>Net Asset Value</u>	<u>Commitments</u>	<u>Frequency (If</u>	<u>Currently Eligible)</u>	<u>Notice Period</u>
Equity Collective Funds	\$ 200,617,088	\$ 176,427,390	\$ -	Daily-Monthly	5-30 Days	
Fixed Income Collective Funds	52,507,208	28,455,783	-	Daily	5-30 Days	
Multi-Strategy Hedge Funds of Funds	24,861,757	23,189,601	-	Semi-annually	95 Days	
Multi-Strategy Hedge Funds of Funds	36,876,216	34,705,831	-	Quarterly	65 Days	
Multi-Strategy Hedge Funds of Funds	25,297,263	24,381,731	-	Weekly	5-30 Days	
Private Capital	188,441,898	166,916,323	102,290,221	N/A	N/A	
Private Natural Resources	50,556,409	61,574,548	12,370,486	N/A	N/A	
Private Natural Resources	7,030,367	7,813,560	-	Daily-Monthly	5-30 Days	
Private Real Estate	34,528,152	33,989,071	-	Quarterly	45 Days	
Private Real Estate	23,148,581	16,805,490	26,458,932	N/A	N/A	
Total	<u>\$ 643,864,939</u>	<u>\$ 574,259,328</u>				

Subsequent to year-end, an additional \$20 million of commitments have been made to fund additional investments at net asset value.

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.

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.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2019 and 2018 are due as follows:

	Less than One Year	One Year to Five Years	More than Five Years	2019 Total
Unconditional Promises to Give	\$ 5,877,743	\$ 50,000	\$ -	\$ 5,927,743
Charitable Remainder Trusts	-	1,707,987	3,553,813	5,261,800
Total	<u>\$ 5,877,743</u>	<u>\$ 1,757,987</u>	<u>\$ 3,553,813</u>	<u>\$ 11,189,543</u>
	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 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 3.25% to 9.50%. The discount amount was \$573,462 and \$679,579 as of December 31, 2019 and 2018, respectively. Unconditional grants payable as of December 31 are generally due as follows:

	<u>2019</u>	<u>2018</u>
Less than One Year	\$ 7,923,528	\$ 9,181,377
One Year to Five Years	4,644,715	4,980,822
Total	<u>\$ 12,568,243</u>	<u>\$ 14,162,199</u>

At December 31, 2019 and 2018, the Foundation has unpaid approved grants of \$820,000 and \$894,627, 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:

	<u>2019</u>	<u>2018</u>
Funds Held as Nonprofit Endowments at January 1	\$ 182,704,979	\$ 192,317,556
Amounts Raised from Nonprofits	3,103,164	8,932,047
Investment Income	3,362,691	2,864,251
Net Unrealized and Realized Investment Gains (Losses)	26,098,649	(12,177,526)
Amounts Disbursed to Nonprofits	(8,986,613)	(9,042,283)
Administrative Fee	(962,296)	(895,310)
Reclassification of Nonprofit Endowment Funds	(451,769)	706,244
Funds Held as Nonprofit Endowments at December 31	<u>\$ 204,868,805</u>	<u>\$ 182,704,979</u>

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NOTE 7 ENDOWMENT BY NET ASSET CLASS

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ 28,760,588	\$ 28,760,588
Other Endowment Funds:			
Undesignated	207,785,873	-	207,785,873
Field of Interest	143,795,874	-	143,795,874
Donor Advised	142,436,375	-	142,436,375
Designated	85,506,607	-	85,506,607
Subtotal Other Endowment Funds	<u>579,524,729</u>	<u>-</u>	<u>579,524,729</u>
Board-Designated Endowment Funds	<u>3,934,410</u>	<u>-</u>	<u>3,934,410</u>
Total Endowment Funds	583,459,139	28,760,588	612,219,727
Nonendowed Funds	<u>716,073,156</u>	<u>19,672,187</u>	<u>735,745,343</u>
Total Net Assets	<u>\$ 1,299,532,295</u>	<u>\$ 48,432,775</u>	<u>\$ 1,347,965,070</u>
	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	<u>516,808,761</u>	<u>-</u>	<u>516,808,761</u>
Board-Designated Endowment Funds	<u>3,572,162</u>	<u>-</u>	<u>3,572,162</u>
Total Endowment Funds	520,380,923	26,255,766	546,636,689
Nonendowed Funds	<u>628,948,092</u>	<u>18,851,484</u>	<u>647,799,576</u>
Total Net Assets	<u>\$ 1,149,329,015</u>	<u>\$ 45,107,250</u>	<u>\$ 1,194,436,265</u>

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NOTE 8 CHANGES IN ENDOWMENT NET ASSETS

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 520,380,923	\$ 26,255,766	\$ 546,636,689
Investment Income, Net of Investment Expense	8,971,013	440,014	9,411,027
Net Realized and Unrealized Investment Gains	68,983,657	3,423,378	72,407,035
Contributions	7,737,578	-	7,737,578
Amounts Appropriated for Expenditure	<u>(22,614,032)</u>	<u>(1,358,570)</u>	<u>(23,972,602)</u>
Change in Endowment Net Assets	<u>63,078,216</u>	<u>2,504,822</u>	<u>65,583,038</u>
Endowment Net Assets - End of Year	<u>\$ 583,459,139</u>	<u>\$ 28,760,588</u>	<u>\$ 612,219,727</u>
	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)	(1,733,998)	(36,955,991)
Contributions	13,476,598	-	13,476,598
Amounts Appropriated for Expenditure	<u>(24,648,658)</u>	<u>(1,197,791)</u>	<u>(25,846,449)</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>

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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>2019</u>	<u>2018</u>
Purpose or Time Restricted:		
Split-Interest Agreements	\$ 18,075,090	\$ 16,301,922
Time Restricted Contributions Receivable	607,500	1,645,298
Endowment	<u>7,848,565</u>	<u>5,343,743</u>
Total Purpose or Time Restricted	26,531,155	23,290,963
Perpetual in Nature:		
Endowment	20,912,023	20,912,023
Beneficial Interest in Perpetual Trusts	<u>989,597</u>	<u>904,264</u>
Total Perpetually Restricted Net Assets	<u>21,901,620</u>	<u>21,816,287</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 48,432,775</u></u>	<u><u>\$ 45,107,250</u></u>

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

	<u>2019</u>	<u>2018</u>
Purpose or Time Restricted	\$ 1,617,920	\$ 1,250,000
Endowment	<u>1,358,573</u>	<u>1,306,957</u>
Total Purpose or Time Restricted Releases	<u><u>\$ 2,976,493</u></u>	<u><u>\$ 2,556,957</u></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 \$493,662 and \$487,677 for the years ended December 31, 2019 and 2018, respectively. A portion of the contributions vest with employees over a five-year period.

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 2019 and 2018 were \$437,575 and \$438,827, respectively.

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NOE 11 OPERATING LEASE (CONTINUED)

Future minimum lease payments as of December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 423,296
2021	420,914
2022	418,532
2023	410,744
2024	410,036
Thereafter	307,209
Total	<u>\$ 2,390,731</u>

NOTE 12 COMMUNITY INVESTMENT GROUP AND NON-CONTROLLING 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 (77% and 76% of the investment in the partnership as of December 31, 2019 and 2018, respectively) As a result of this controlling interest, consolidation is required under accounting standards.

THE SAINT PAUL FOUNDATION, MINNESOTA COMMUNITY FOUNDATION AND AFFILIATES
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NOTE 12 COMMUNITY INVESTMENT GROUP AND NON-CONTROLLING 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, 2018	\$ 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	398,064,985	202,004,723	137,735,199	54,304,220	11,351,818	803,460,945
Interest and Dividends	9,342,391	4,991,561	2,963,755	1,176,268	243,140	18,717,115
Net Unrealized and Realized Gains	55,524,336	29,526,215	18,589,857	7,392,610	1,533,293	112,566,311
Contributions to Partnership	7,164,032	24,508,197	-	-	-	31,672,229
Withdrawals from Partnership	(14,770,565)	(12,385,710)	(8,575,000)	(2,700,000)	(650,000)	(39,081,275)
Partnership Expenses	(1,697,371)	(897,887)	(603,442)	(239,078)	(49,364)	(3,487,142)
Balance - December 31, 2019	<u>\$ 453,627,808</u>	<u>\$ 247,747,099</u>	<u>\$ 150,110,369</u>	<u>\$ 59,934,020</u>	<u>\$ 12,428,887</u>	<u>\$ 923,848,183</u>

NOTE 13 LOAN GUARANTY

In December 2019, the Foundation issued loan guaranties for the preservation of Naturally Occurring Affordable Housing. The Foundation's guaranties total \$3.4 million. The guaranties are not callable until the completion of the project. The completion of the project will be 10 years after the properties are acquired, with property acquisition planned from 2019 to 2022.

NOTE 14 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions for potential recognition or disclosure in these combined financial statements through May 27, 2020, the date the combined 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 May 27, 2020, the amount and likelihood of any loss relating to these events is not determined. These losses are not included in the combined financial statements as of and for the year ended December 31, 2019.