

Consolidated Financial Statements and Report of
Independent Certified Public Accountants

Anne Ray Foundation and Subsidiary

December 31, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Anne Ray Foundation

We have audited the accompanying consolidated financial statements of Anne Ray Foundation and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anne Ray Foundation and Subsidiary as of December 31, 2020 and 2019, and the consolidated 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.

Grant Thornton LLP

Chicago, Illinois
September 20, 2021

CONSOLIDATED FINANCIAL STATEMENTS

**Anne Ray Foundation and Subsidiary
Consolidated Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 14,492,974	\$ 26,214,910
Receivables and Prepaid Expenses	965,286	463,975
Investments	4,807,085,648	4,441,083,562
Other Assets	-	940,875
Total Assets	\$ 4,822,543,908	\$ 4,468,703,322
 LIABILITIES AND NET ASSETS		
Accounts Payable and Other Liabilities	\$ 14,201,966	\$ 13,639,711
Grants Payable, Net	90,087,298	91,227,113
Total Liabilities	104,289,264	104,866,824
Net Assets Without Donor Restrictions	4,718,254,644	4,363,836,498
Total Liabilities and Net Assets	\$ 4,822,543,908	\$ 4,468,703,322

The accompanying notes are an integral part of these consolidated financial statements.

**Anne Ray Foundation and Subsidiary
Consolidated Statements of Activities
For the years ended December 31, 2020 and 2019**

	2020	2019
REVENUES		
Investment Return, Net	\$ 498,620,210	\$ 546,727,132
Total Revenues	498,620,210	546,727,132
EXPENSES		
Grants and Grantmaking	138,689,639	163,111,112
Management and General	5,512,425	5,341,186
Total Expenses	144,202,064	168,452,298
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	354,418,146	378,274,834
Net Assets Without Donor Restrictions - Beginning of Year	4,363,836,498	3,985,561,664
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	\$ 4,718,254,644	\$ 4,363,836,498

The accompanying notes are an integral part of these consolidated financial statements.

**Anne Ray Foundation and Subsidiary
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 354,418,146	\$ 378,274,834
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Net Realized (Gains) Losses on Investments	(390,921,250)	(178,425,877)
Net Unrealized (Gains) Losses on Investments	(95,493,379)	(339,024,548)
Changes in Assets and Liabilities:		
Receivables and Prepaid Expenses	(501,311)	417,628
Accounts Payable and Other Liabilities	562,255	4,006,746
Grants Payable	(1,139,815)	28,844,308
Net Cash Provided by (Used in) Operating Activities	(133,075,354)	(105,906,909)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,152,861,063)	(1,202,149,996)
Proceeds from Sales of Investments	2,273,334,112	1,318,896,716
Proceeds from Sales of Other Assets	880,369	-
Net Cash Provided by (Used in) Investing Activities	121,353,418	116,746,720
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received from Lines of Credit	62,500,000	-
Cash Paid on Lines of Credit	(62,500,000)	-
Net Cash Provided by (Used in) Financing Activities	-	-
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,721,936)	10,839,811
Cash and Cash Equivalents - Beginning of Year	26,214,910	15,375,099
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 14,492,974	\$ 26,214,910

The accompanying notes are an integral part of these consolidated financial statements.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Anne Ray Foundation (Anne Ray) is a Minnesota nonprofit corporation dedicated to providing meaningful assistance and support to society, the arts, and the environment. The mission of Anne Ray is to provide meaningful support to some or all named beneficiary organizations to make a measurable and sustainable difference on our identified priority problems. Each beneficiary, in order to receive support and benefit, must be qualified as an organization as described in Section 509(a)(1) or 509(a)(2) of the Internal Revenue Code (IRC).

Consolidation

Anne Ray is the sole member of KARI, LLC, which was formed to hold certain real property used in the conduct of the activities of Anne Ray and Margaret A. Cargill Foundation, a related party (see Note 5). The activities of KARI, LLC are consolidated with those of Anne Ray. All intercompany transactions have been eliminated upon consolidation.

Net Asset Classification

Net assets, revenues, gains and losses, and expenses are classified based on donor-imposed restrictions. Accordingly, the net assets of Anne Ray and changes therein are classified and reported as follows:

- Without Donor Restrictions – Net assets over which the directors have discretionary control.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions.

Anne Ray has no net assets with donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include money market mutual funds.

Investments

Investments, including alternative investments, are stated at fair value based either on quoted market prices or, for certain investments with no readily available quoted market prices, on fair values as determined by management based on review of valuation information provided by Anne Ray's investment managers and other factors. Directly owned positions consist of public equities; credit investments; private investments focused in equity, credit and real asset strategies; and equity, foreign currency and interest rate derivatives. Public equities are generally valued using the official close price as quoted on the primary exchange. Credit investments are generally valued using prices obtained from third-party pricing vendors who primarily use broker quotes and other observable market data. Private investments are generally valued using unobservable inputs including recent transaction activity, third-party appraisals and projected cash flows. Equity, foreign currency and interest rate derivatives consist of exchange-traded futures, options and forward foreign currency contracts. Exchange-traded futures and options are valued based on quoted prices from the exchange. Over-the-counter options are valued using prices obtained from third-party pricing vendors who utilize pricing models and other observable market data. Forward foreign currency contracts are valued based on forward foreign exchange rates applied to the notional amounts stated in the contracts. Cash equivalents include money market funds which are valued at net asset value (NAV).

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments – continued

Alternative investments consist of investments in commingled funds, fund of funds and other private investment entities with no readily available quoted market price. In valuing these investments, management considers the audited financial statements of the investee, the cost of the investments, developments since acquisition, estimates as to the effect of future developments, general economic conditions, and other pertinent factors. Anne Ray uses the “practical expedient” under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820: *Fair Value Measurements and Disclosures*, which allows for the use of Anne Ray’s proportionate share of the NAV as fair value if certain conditions are met. These alternative investments are included among equities, credit, private credit, private equity, and real assets categories as shown in Note 3.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. Anne Ray has elected to measure all investments at fair value. Anne Ray may elect to measure newly acquired financial instruments at fair value in the future.

Investment return, net on the consolidated statements of activities includes net unrealized gains and losses, realized gains or losses, and interest and dividend income, net of investment expenses. Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales are based on the specific identification method. Interest income is recorded on the accrual basis, and dividend income is recorded on the ex-dividend date.

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 amounts reported in the consolidated statements of financial position and consolidated statements of activities.

Other Assets

Other assets consisting of assets held for sale as of December 31, 2019 were sold during 2020.

Grants

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance around contributions received and made by not-for-profit organizations. This guidance is effective for resource providers for annual periods beginning after December 15, 2019, with early application permitted. Anne Ray adopted this guidance effective for the year ended December 31, 2020 and it had no impact on how Anne Ray accounts for its grantmaking activities.

Grant commitments are charged to operations at the time the grants are approved. Grants that are payable and considered long term are recorded at their net present value. A conditional promise to give is recognized in the period in which the recipient meets the terms of the condition. As of December 31, 2020 and 2019, Anne Ray had conditional grants outstanding of \$1,535,000 and \$1,370,000, respectively. Included in Receivables and Prepaid Expenses are certain conditional grants advanced to grantees for future program implementation of \$935,000 and \$0 as of December 31, 2020 and 2019, respectively.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Concentration of Credit Risk

At times during the year, Anne Ray may have cash in excess of federally insured limits of \$250,000 per financial institution.

Income Tax Status

Anne Ray has been recognized by the Internal Revenue Service as exempt from income tax under Section 501(c)(3) of the IRC and, accordingly, is generally not subject to income tax. However, Anne Ray is subject to taxes on unrelated trade or business income.

Anne Ray has adopted guidance regarding the recognition of uncertain tax positions. Anne Ray believes it has appropriate support for unrelated trade or business positions and, as a result, does not have uncertain tax positions that have a material impact on the consolidated financial statements.

Distribution Requirements

Anne Ray is subject to IRC provisions requiring it to annually disburse an amount which is the greater of 85% of net income as defined by tax rules or approximately 3.5% of the fair market value of investment assets as defined by tax rules. This payout requirement may be satisfied by payments for grants, direct conduct of charitable activities and grantmaking expenses. Anne Ray exceeded the distribution requirements for the years ended December 31, 2020 and 2019.

Classification of Expenses

Grants and expenses associated with Anne Ray's grantmaking activities are considered to be program expenses while all other expenses of Anne Ray are considered to be either investment or management and general expenses.

Foreign Currency

Investments and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investments and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Anne Ray's financial instruments are cash and cash equivalents, receivables and prepaid expenses, investments, accounts payable and other liabilities, and grants payable. The recorded values of cash and cash equivalents, receivables and prepaid expenses, and accounts payable and other liabilities approximate their fair values based on their short-term nature. Investments are carried at fair value. The carrying value of grants payable is based on discounted cash flows, which approximate fair value at December 31, 2020 and 2019.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements

Anne Ray measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own judgments about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Anne Ray may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Fair value measurement categorizes the inputs used to measure fair value into the following three categories:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Anne Ray has the ability to access as of the measurement date. The types of investments typically considered Level 1 include public equities, exchange traded futures and mutual funds;
- Level 2: Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active. Investments typically classified as Level 2 include credit securities, options and forward foreign currency contracts;
- Level 3: Inputs that are unobservable. Unobservable inputs reflect Anne Ray's own assumptions about the factors market participants would use in pricing investments and are based on the best information available in the circumstances. Investments typically classified as Level 3 include certain equity, private credit and real asset investments where the valuation was based on unobservable market data, and certain investments in funds which are not valued using NAV as a practical expedient. Level 3 investments were valued using recent transaction prices or discounted projected cash flows.

Investments valued using NAV as a practical expedient have not been categorized within the fair value hierarchy in accordance with ASC Topic 820.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 2 – INVESTMENTS

Investments are stated at fair value and consisted of the following at December 31, 2020 and 2019:

	2020	
	Cost	Fair Value
Cash and Cash Equivalents	\$ 377,089,259	\$ 377,095,329
Equity	1,295,313,017	1,575,393,898
Credit	1,120,135,320	1,253,313,580
Private Credit	202,064,040	267,654,727
Private Equity	278,679,573	507,092,550
Real Assets	632,934,899	826,535,564
	\$ 3,906,216,108	\$ 4,807,085,648

	2019	
	Cost	Fair Value
Cash and Cash Equivalents	\$ 164,731,911	\$ 164,738,005
Equity	1,147,595,860	1,465,713,084
Credit	1,285,789,500	1,405,779,374
Private Credit	179,851,025	222,552,039
Private Equity	240,747,681	366,630,325
Real Assets	616,991,429	815,670,735
	\$ 3,635,707,406	\$ 4,441,083,562

As of December 31, 2020, Anne Ray has committed approximately \$924 million in capital to be called over the next 1 to 12 years.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 3 – FAIR VALUE MEASUREMENTS

Anne Ray values its investments as described in Note 1. The tables that follow set forth information about the level within the fair value hierarchy at which Anne Ray’s investments are measured at December 31, 2020 and 2019:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Measured at NAV</u>	<u>Total</u>
Investments:					
Securities:					
Equity	\$ 215,622,884	\$ -	\$ 441,786	\$ -	\$ 216,064,670
Credit	-	441,882,338	-	-	441,882,338
Private Credit	-	-	9,362,000	-	9,362,000
Private Equity	-	-	3,471,381	-	3,471,381
Real Assets	-	-	67,557,416	-	67,557,416
Total Securities	<u>215,622,884</u>	<u>441,882,338</u>	<u>80,832,583</u>	-	<u>738,337,805</u>
Funds:					
Equity	\$ 10,049,131	\$ -	\$ -	\$ 1,349,910,992	\$ 1,359,960,123
Credit	18,600,320	-	-	792,446,883	811,047,203
Private Credit	-	-	-	258,292,727	258,292,727
Private Equity	-	-	-	503,621,169	503,621,169
Real Assets	-	-	48,145,885	710,832,263	758,978,148
Money Market	<u>331,603,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,603,697</u>
Total Funds	<u>360,253,148</u>	<u>-</u>	<u>48,145,885</u>	<u>3,615,104,034</u>	<u>4,023,503,067</u>
Derivatives:					
Futures	\$ 4,931,388 *	\$ -	\$ -	\$ -	\$ 4,931,388
Options	-	384,039	-	-	384,039
Forward currency contracts-asset	-	41,695,187	-	-	41,695,187
Forward currency contracts-liability	<u>-</u>	<u>(47,257,470)</u>	<u>-</u>	<u>-</u>	<u>(47,257,470)</u>
Total Derivatives	<u>4,931,388</u>	<u>(5,178,244)</u>	<u>-</u>	<u>-</u>	<u>(246,856)</u>
Total	<u>\$ 580,807,420</u>	<u>\$ 436,704,094</u>	<u>\$ 128,978,468</u>	<u>\$ 3,615,104,034</u>	<u>4,761,594,016</u>
Cash					22,916,799
Accrued income					3,825,859
Receivable for pending sales					23,263,064
Collateral due from broker					170,000
Payable for pending purchases					(3,034,158)
Accrued expenses					<u>(1,649,932)</u>
Total Investments					<u>\$ 4,807,085,648</u>

* Futures are valued based on Level 1 inputs. Amount included above represents the variation margin on open futures positions with a cumulative unrealized gain of \$9,145,395 at December 31, 2020.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Measured at NAV</u>	<u>Total</u>
Investments:					
Securities:					
Equity	\$ 392,644,620	\$ -	\$ -	\$ -	\$ 392,644,620
Credit	-	691,919,844	-	-	691,919,844
Private Credit	-	-	4,427,000	-	4,427,000
Private Equity	-	-	3,200,000	-	3,200,000
Real Assets	-	-	67,309,151	-	67,309,151
Total Securities	<u>392,644,620</u>	<u>691,919,844</u>	<u>74,936,151</u>	-	<u>1,159,500,615</u>
Funds:					
Equity	\$ 21,073,501	\$ -	\$ -	\$ 1,052,427,183	\$ 1,073,500,684
Credit	-	-	-	707,412,854	707,412,854
Private Credit	-	26,812,016	-	191,313,023	218,125,039
Private Equity	-	-	-	363,430,325	363,430,325
Real Assets	-	-	39,574,068	708,787,516	748,361,584
Money Market	<u>148,962,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,962,069</u>
Total Funds	<u>170,035,570</u>	<u>26,812,016</u>	<u>39,574,068</u>	<u>3,023,370,901</u>	<u>3,259,792,555</u>
Derivatives:					
Futures	\$ 6,800,546 *	\$ -	\$ -	\$ -	\$ 6,800,546
Options	-	(384,618)	-	-	(384,618)
Forward currency contracts-asset	-	12,358,964	-	-	12,358,964
Forward currency contracts-liability	-	(12,760,436)	-	-	(12,760,436)
Total Derivatives	<u>6,800,546</u>	<u>(786,090)</u>	<u>-</u>	<u>-</u>	<u>6,014,456</u>
Total	<u>\$ 569,480,736</u>	<u>\$ 717,945,770</u>	<u>\$ 114,510,219</u>	<u>\$ 3,023,370,901</u>	<u>4,425,307,626</u>
Cash					21,710,261
Accrued income					6,787,212
Receivable for pending sales					486,989
Payable for pending purchases					(11,869,627)
Accrued expenses					(1,338,899)
Total Investments					<u>\$ 4,441,083,562</u>

* Futures are valued based on Level 1 inputs. Amount included above represents the variation margin on open futures positions with a cumulative unrealized gain of \$2,003,174 at December 31, 2019.

Cash, accrued income and expense and investment payables and receivables are included in the tables above to reconcile to the investment amounts on the consolidated statements of financial position.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

The following tables detail purchases and transfers into and out of Level 3 for the years ended December 31, 2020 and 2019.

	2020				
	Investments in Securities:				
	Equity	Private Credit	Private Equity	Real Assets	Total
Purchases	\$ 65,950	\$ 50,216	\$ -	\$ -	\$ 116,166
Transfers In	346,964	-	-	-	346,964
Transfers Out	-	-	-	-	-
	Investments in Funds:				
	Real Assets	Total			
Purchases	\$ 7,016,183	\$ 7,016,183			
Transfers In	-	-			
Transfers Out	-	-			
	2019				
	Investments in Securities:				
	Private Credit	Private Equity	Real Assets	Total	
Purchases	\$ 133,241	\$ 3,200,000	\$ -	\$ 3,333,241	
Transfers In	-	-	-	-	
Transfers Out	-	-	-	-	
	Investments in Funds:				
	Real Assets	Total			
Purchases	\$ 12,913,310	\$ 12,913,310			
Transfers In	-	-			
Transfers Out	-	-			

During 2020, transfers into Level 3 were due to certain investments being delisted during the period.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

The following tables list investment funds valued using NAV as a practical expedient by major category:

	2020			
	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity	\$ 1,349,910,992	\$ -	Daily to Quarterly*	2 to 120 days
Credit	792,446,883	-	Daily to Not Available**	1 to 90 days
Private Credit	258,292,727	134,997,715	Not Available	Not Applicable
Private Equity	503,621,169	336,249,089	Not Available	Not Applicable
Real Assets	710,832,263	387,189,288	Quarterly to Not Available***	45 days to Not Applicable

* Approximately 13% is subject to rolling lock-ups ranging from 2-5 years.

** Approximately 4% is subject to a rolling 1 year lock-up.

*** Approximately 13% is subject to lock-up restrictions expiring in the next 1-2 years.

	2019			
	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity	\$ 1,052,427,183	\$ -	Daily to Quarterly*	Daily to 120 days
Credit	707,412,854	-	Daily to Not Available**	1 to 90 days
Private Credit	191,313,023	126,703,160	Not Available	Not Applicable
Private Equity	363,430,325	250,215,084	Not Available	Not Applicable
Real Assets	708,787,516	412,873,572	Quarterly to Not Available***	30 days to Not Applicable

* Approximately 12% is subject to rolling lock-ups ranging from 2-3 years.

** Approximately 4% is subject to a rolling 1 year lock-up.

*** Approximately 13% is subject to lock-up restrictions expiring in the next 1-2 years.

For investment funds where redemptions are not available, the timing of expected liquidation is unknown.

Equity funds generally invest globally (U.S. and non-U.S. markets) in large-, mid- or small- capitalization common or preferred stocks or convertible bonds. Equity funds also include funds with equity long/short and market neutral strategies. Funds with these strategies generally invest in diversified portfolios, including equities, fixed income securities and derivatives; these funds may use leverage, sell financial instruments short and/or invest in illiquid investments.

Credit funds generally invest in interest-bearing securities that make periodic payments including bonds, Treasury issues, mortgage and other asset-backed securities, and non-U.S. dollar-denominated debt instruments, all of which may be of varying maturity, currency exposure and credit quality. Credit funds also include funds with macro, relative value, and event driven strategies. Funds with these strategies generally invest in diversified portfolios, including equities, fixed income securities and derivatives; these funds may use leverage, sell financial instruments short and/or invest in illiquid investments.

Private credit funds generally invest in both public and private financial instruments, debt and equity securities, real estate assets, and their related instruments. These funds may also participate in the origination of loans and may use leverage. These investments are generally illiquid.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 3 – FAIR VALUE MEASUREMENTS – Continued

Private equity funds generally make investments, both global and domestic, directly into private companies or conduct buyouts of public companies that may result in a delisting of public equity. Capital can be used to fund new technologies, to expand working capital within an owned company, to make acquisitions or to strengthen a balance sheet, among other things. These investments are generally illiquid and may use leverage.

Real assets funds generally make domestic and global investments in timber, real estate, commodities, infrastructure, agriculture, energy and energy-related investments. They may be public or private investments and may use leverage.

The fair value of Anne Ray's investments is based on available information and does not necessarily represent amounts that might ultimately be realized, which depend on changing circumstances and cannot be reasonably determined until the investments are actually liquidated. The fair value may differ significantly from the values which would have been used had a ready market for the investments existed.

NOTE 4 – DERIVATIVE INSTRUMENTS

Anne Ray utilizes futures to gain market exposure to various equity indices, currencies and interest rates at a reasonable cost. Anne Ray utilizes interest rate options to hedge inflation risk and sells equity options to collect premiums within certain strategies. Anne Ray utilizes forward currency contracts to facilitate purchases and sales of non-dollar securities and to hedge foreign currency exposure.

Anne Ray accounts for derivative financial instruments in accordance with ASC 815, *Derivatives and Hedging*. Anne Ray records all derivative instruments at fair value and these derivatives do not have hedge designation.

Upon entering into a futures contract, Anne Ray is required to deposit cash with the broker in an amount equal to the margin requirement for the contract. The fluctuations in fair value during the contract term are recognized as unrealized gains or losses and are settled daily with cash through a margin account held at the broker (referred to as variation margin). When a contract is closed, Anne Ray recognizes a realized gain or loss.

Upon entering into a forward foreign currency contract, Anne Ray agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate. The fluctuations in fair value are recognized as unrealized gains or losses until the contract is settled, at which time a realized gain or loss is recognized.

Upon entering into a purchased option contract, Anne Ray has the right, but not the obligation, to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. Upon entering into a written option contract, Anne Ray is obligated, in return for a premium, to buy or sell within a limited time, a financial instrument at a contracted price that may also be settled in cash based on differentials between specified indices or prices. Fluctuations in fair value are recognized as unrealized gains or losses until the contract option is exercised or the contract is closed, at which time Anne Ray recognizes a realized gain or loss.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

Derivative instruments have market risks, including the risk that equity markets, interest rate markets and currency markets may change, resulting in a loss in the value of the investment. Credit risk associated with these instruments includes the risk of failure of the counterparty to pay based on the contractual terms of the agreement.

The fair value of the derivative instruments included in the investments line item on the consolidated statements of financial position as of December 31, 2020 and 2019 are listed in the table below:

	2020	
	Notional Value	Fair Value
Equity Contracts		
Futures-Assets	\$ 328,871,967	2,895,918 *
Foreign Currency Contracts		
Futures-Liabilities	4,543,720	(382,842) *
Forward Currency Contracts-Assets	765,462,646	41,695,187
Forward Currency Contracts-Liabilities	(799,132,334)	(47,257,470)
Interest Rate Contracts		
Futures-Assets	936,001,570	2,418,312 *
Options-Assets	150,000,000	630,075
Options-Liabilities	150,000,000	(246,036)

* Amount included above represents the variation margin on open futures positions. Open futures contracts consist of long equity, foreign currency and interest rate futures with cumulative unrealized gains of \$8,065,789, \$12,105 and \$1,067,501, respectively, at December 31, 2020.

	2019	
	Notional Value	Fair Value
Equity Contracts		
Futures-Assets	\$ 277,717,357	\$ 353,870 *
Options-Assets	20,352,000	168,640
Options-Liabilities	(112,357,500)	(553,258)
Foreign Currency Contracts		
Futures-Assets	1,541,700	- *
Forward Currency Contracts-Assets	659,392,662	12,358,964
Forward Currency Contracts-Liabilities	(647,404,750)	(12,760,436)
Interest Rate Contracts		
Futures-Assets	1,351,601,539	6,446,676 *

* Amount included above represents the variation margin on open futures positions. Open futures contracts consist of long equity and foreign currency futures with cumulative unrealized gains of \$5,525,509 and \$24,556, respectively, and long interest rate futures with a cumulative unrealized loss of \$3,546,891, at December 31, 2019.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

Net gains and losses from derivative instruments included in the consolidated statements of activities for the years ended December 31, 2020 and 2019 are listed in the tables below:

	2020	
	Realized Gains (Losses)	Unrealized Gains (Losses)
Equity Contracts		
Futures	\$ 44,035,798	\$ 2,540,280
Options	(7,769,892)	(168,248)
Foreign Currency Contracts		
Futures	147,882	(12,451)
Forward Currency Contracts	1,749,271	(5,165,839)
Interest Rate Contracts		
Futures	62,033,917	4,614,391
Options	-	384,039
Total	<u>\$ 100,196,976</u>	<u>\$ 2,192,172</u>
	2019	
	Realized Gains (Losses)	Unrealized Gains (Losses)
Equity Contracts		
Futures	\$ 43,088,906	\$ 9,978,751
Options	13,646,745	(665,563)
Foreign Currency Contracts		
Futures	109,784	75,420
Forward Currency Contracts	9,403,518	(6,199,280)
Interest Rate Contracts		
Futures	(4,489,106)	(3,546,891)
Total	<u>\$ 61,759,847</u>	<u>\$ (357,563)</u>

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 4 – DERIVATIVE INSTRUMENTS – Continued

The average notional values of derivative instruments (based on quarter-end balances) for the years ended December 31, 2020 and 2019, are listed in the table below:

	Average Notional Values	
	2020	2019
Equity Contracts		
Futures-Assets	\$ 323,655,032	\$ 225,649,336
Options-Assets	4,070,400	4,070,400
Options-Liabilities	(37,757,400)	(89,499,000)
Foreign Currency Contracts		
Futures-Liabilities	4,880,701	2,530,434
Forward Currency Contracts-Assets	902,330,894	766,344,079
Forward Currency Contracts-Liabilities	(892,337,286)	(695,258,630)
Interest Rate Contracts		
Futures-Assets	1,083,330,604	270,320,308
Options-Assets	30,000,000	-
Options-Liabilities	30,000,000	-

Anne Ray holds over-the-counter derivative instruments that are subject to an enforceable master netting arrangement. Anne Ray presents these derivative instruments on a gross basis in Note 3 even though they may qualify for net presentation if they were executed with the same counterparty under the same master netting agreement.

The following table provides disclosure regarding the potential effect of offsetting of recognized assets and liabilities as of December 31, 2020 and 2019:

	2020		
	Gross Amounts		
	Recognized	Amounts Not Offset	Net Amount
Foreign Currency Contracts			
Forward Currency Contracts-Assets	\$ 41,695,187	(37,813,968)	3,881,219
Forward Currency Contracts-Liabilities	(47,257,470)	37,813,968	(9,443,502)
Equity Contracts			
Interest Rate Options - Assets	\$ 630,075	(82,890)	547,185
Interest Rate Options - Liabilities	(246,036)	82,890	(163,146)
	2019		
	Gross Amounts		
	Recognized	Amounts Not Offset	Net Amount
Foreign Currency Contracts			
Forward Currency Contracts-Assets	\$ 12,358,964	(11,033,452)	1,325,512
Forward Currency Contracts-Liabilities	(12,760,436)	11,033,452	(1,726,984)

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 5 – RELATED-PARTY TRANSACTIONS

During 2020 and 2019, Anne Ray was a party to a shared services agreement with a related party, Margaret A. Cargill Foundation (MAC Foundation), for certain services such as grantmaking, investment management and execution, financial, and general and administrative. Costs were allocated based on certain metrics such as relative grantmaking allocations, investment values, people and other relevant measures. Anne Ray paid 53% of the total cost of these services for each of the years ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, the net amounts reimbursable from Anne Ray to MAC Foundation were \$21,473,926 and \$20,535,111, respectively. The costs of these services are included in grantmaking expense, management and general expense, and investment expense; investment expense is netted against investment return in the consolidated statements of activities. The net amount due at December 31, 2020 and 2019 under this arrangement was \$14,072,118 and \$13,226,895, respectively. The related-party liability is included in accounts payable and other liabilities in the accompanying consolidated statements of financial position.

NOTE 6 – EXPENSES

The tables below present expenses by both their nature and their function for the years ended December 31, 2020 and 2019.

	2020		
	Grants and Grantmaking	Management and General	Total Expenses
Grants	\$ 128,636,919	\$ -	\$ 128,636,919
Compensation and Benefits	7,306,086	3,872,000	11,178,086
Occupancy and Depreciation	1,083,477	739,314	1,822,791
Consulting and Professional Services	1,027,086	422,560	1,449,646
Travel and Conferences	140,209	65,183	205,392
Technology and Office Equipment	265,424	160,918	426,342
Other	230,438	252,450	482,888
Total Expenses	<u>\$ 138,689,639</u>	<u>\$ 5,512,425</u>	<u>\$ 144,202,064</u>

	2019		
	Grants and Grantmaking	Management and General	Total Expenses
Grants	\$ 152,579,800	\$ -	\$ 152,579,800
Compensation and Benefits	6,870,569	3,496,263	10,366,832
Occupancy and Depreciation	1,169,188	692,774	1,861,962
Consulting and Professional Services	1,199,982	554,571	1,754,553
Travel and Conferences	715,737	166,794	882,531
Technology and Office Equipment	350,622	217,350	567,972
Other	225,214	213,434	438,648
Total Expenses	<u>\$ 163,111,112</u>	<u>\$ 5,341,186</u>	<u>\$ 168,452,298</u>

Costs are allocated to grantmaking and management and general based on certain metrics such as people and square footage.

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 7 – INCOME TAX

Anne Ray is subject to federal and state income tax on unrelated business income (UBI) activities of certain investments, generally taxed at regular corporate income tax rates. Anne Ray estimates the activities will not produce income for the years ended December 31, 2020 or 2019.

	2020	2019
Expense (Benefit):		
Current UBI Tax	\$ (35,161)	\$ (88,289)
Other Taxes	-	100
Total	<u>\$ (35,161)</u>	<u>\$ (88,189)</u>
Current UBI Tax Receivable	<u>\$ 30,286</u>	<u>\$ 458,649</u>

NOTE 8 – GRANTS PAYABLE

Anne Ray has future grant commitments as follows as of December 31, 2020:

Year Payable

2021	\$ 57,848,877
2022	30,404,070
2023	1,985,000
Discount on Grants Payable	(150,649)
Total	<u>\$ 90,087,298</u>

Discounts based on short-term interest rates ranging from 0.1% to 2.5% were used to estimate the net present value of grants payable.

NOTE 9 – LIQUIDITY

Anne Ray structures its financial assets to be available and liquid as its grants, general expenditures, liabilities, and other obligations become due. To achieve this, Anne Ray uses a rolling 12-month cash flow forecast and monitors its liquidity on a monthly basis. Consistent with its investment policy, Anne Ray holds at least 30% of its investment portfolio in assets that can be sold within one month and it invests excess cash in short-term investments such as money market funds. Anne Ray also has additional liquidity available through its line of credit (discussed further in Note 10).

Financial assets available within one year:	2020	2019
Cash and Cash Equivalents	\$ 14,492,974	\$ 26,214,910
Receivables	30,286	458,649
Investments	3,087,503,081	2,972,355,742
Total financial assets available within one year	<u>\$ 3,102,026,341</u>	<u>\$ 2,999,029,301</u>

Anne Ray Foundation and Subsidiary
Notes to Consolidated Financial Statements – Continued
December 31, 2020 and 2019

NOTE 10 – LINE OF CREDIT

Anne Ray has unsecured lines of credit totaling \$125,000,000 and \$62,500,000 as of December 31, 2020 and 2019, respectively. The lines of credit have interest rates of either LIBOR plus 0.75-1.00% or the lender's prime rate, elected by Anne Ray at the time of borrowing. During the year ended December 31, 2020, Anne Ray borrowed \$62,500,000 and repaid it in its entirety, incurring interest at an average annual borrowing rate of 1.26%. There were no borrowings against the lines of credit during the year ended December 31, 2019.

NOTE 11 – COVID-19

The global outbreak of COVID-19 has disrupted economic markets and the prolonged economic impact is uncertain. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual issuers, on reporting periods subsequent to December 31, 2020 are not known. The operational and financial performance of the issuers of securities in which Anne Ray invests depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn adversely affect the value and liquidity of the Anne Ray's investments.

NOTE 12 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Anne Ray has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through September 20, 2021, the date the consolidated financial statements were available to be issued. No material events require recognition or disclosure in the consolidated financial statements.