

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**Anne Ray Foundation and Subsidiary**

December 31, 2021 and 2020

# Contents

	<b>Page</b>
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	6
Consolidated Statements of Activities	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Anne Ray Foundation

**Opinion**

We have audited the consolidated financial statements of Anne Ray Foundation and Subsidiary (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2021 and 2020, and the changes in its net assets, results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for one year after the date the financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Grant Thornton LLP*

Chicago, Illinois  
September 19, 2022

## **CONSOLIDATED FINANCIAL STATEMENTS**

**Anne Ray Foundation and Subsidiary  
Consolidated Statements of Financial Position  
December 31, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 19,434,940	\$ 14,492,974
Receivables and Prepaid Expenses	5,870,291	965,286
Investments	5,467,454,114	4,807,085,648
Total Assets	\$ 5,492,759,345	\$ 4,822,543,908
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Other Liabilities	\$ 15,155,396	\$ 14,201,966
Grants Payable, Net	117,701,202	90,087,298
Total Liabilities	132,856,598	104,289,264
Net Assets Without Donor Restrictions	5,359,902,747	4,718,254,644
Total Liabilities and Net Assets	\$ 5,492,759,345	\$ 4,822,543,908

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, 2021 and 2020**

	2021	2020
<b>REVENUES</b>		
Investment Return, Net	\$ 815,930,296	\$ 498,620,210
Total Revenues	815,930,296	498,620,210
<b>EXPENSES</b>		
Grants and Grantmaking	169,188,820	138,689,639
Management and General	5,093,373	5,512,425
Total Expenses	174,282,193	144,202,064
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	641,648,103	354,418,146
Net Assets Without Donor Restrictions - Beginning of Year	4,718,254,644	4,363,836,498
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	\$ 5,359,902,747	\$ 4,718,254,644

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, 2021 and 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets Without Donor Restrictions	\$ 641,648,103	\$ 354,418,146
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided by (Used in) Operating Activities:		
Net Realized (Gains) Losses on Investments	(217,081,018)	(390,921,250)
Net Unrealized (Gains) Losses on Investments	(593,806,473)	(95,493,379)
Changes in Assets and Liabilities:		
Receivables and Prepaid Expenses	(4,905,005)	(501,311)
Accounts Payable and Other Liabilities	953,430	562,255
Grants Payable	27,613,904	(1,139,815)
Net Cash Provided by (Used in) Operating Activities	(145,577,059)	(133,075,354)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(1,062,457,866)	(2,152,861,063)
Proceeds from Sales of Investments	1,212,976,891	2,273,334,112
Proceeds from Sales of Other Assets	-	880,369
Net Cash Provided by (Used in) Investing Activities	150,519,025	121,353,418
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	-	-
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,941,966	(11,721,936)
 Cash and Cash Equivalents - Beginning of Year	14,492,974	26,214,910
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 19,434,940	\$ 14,492,974

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



**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

**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 of its 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 was the sole member of KARI, LLC until it was dissolved in November 2021. 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.

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, at 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 securities; 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 as of the report date. Credit securities are generally valued using prices obtained from third-party pricing vendors which primarily use broker quotes and other observable market data. Private investments are generally valued using unobservable inputs including third-party appraisals that primarily use discounted projected cash flows or market comparables, and recent transaction activity. 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 which 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. Mutual funds, including money market funds, are valued at net asset value (NAV).

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**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 and 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 consisted of assets held for sale and were sold during 2020.

Grants

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, 2021 and 2020, Anne Ray had conditional grants outstanding of \$11,884,762 and \$1,535,000, respectively. Included in Receivables and Prepaid Expenses are certain conditional grants advanced to grantees for future program implementation of \$5,793,762 and \$935,000 as of December 31, 2021 and 2020, respectively.

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**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 its 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 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, 2021 and 2020.

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.

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**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 third-party appraisals that primarily use discounted projected cash flows or market comparables, and recent transaction activity.

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

Reclassifications

Certain balances in the consolidated statement of activities and the notes to the consolidated financial statements for the prior year have been reclassified for comparative purposes to conform with the financial statements presentation in the current year. These reclassifications had no impact on the consolidated statements of financial position and statements of cash flows for the years ended December 31, 2021 and 2020.

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**NOTE 2 – INVESTMENTS**

Investments are stated at fair value and consisted of the following at December 31, 2021 and 2020:

	2021	
	Cost	Fair Value
Cash and Cash Equivalents	\$ 475,120,776	\$ 475,116,877
Equity	1,148,128,584	1,644,012,679
Credit	1,185,378,946	1,322,051,240
Private Credit	184,536,192	291,464,551
Private Equity	332,535,538	763,702,922
Real Assets	647,216,122	971,105,845
	\$ 3,972,916,158	\$ 5,467,454,114

  

	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

As of December 31, 2021, Anne Ray has committed approximately \$947 million in capital to be called over the next 1 to 11 years.

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**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, 2021 and 2020:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Measured at NAV</u>	<u>Total</u>
<b>Investments:</b>					
<b>Securities:</b>					
Equity	\$ 290,010,722	\$ -	\$ 7,097	\$ -	\$ 290,017,819
Credit	-	454,158,933	-	-	454,158,933
Private Credit	-	-	4,274,355	-	4,274,355
Private Equity	-	-	-	-	-
Real Assets	-	-	76,742,914	-	76,742,914
<b>Total Securities</b>	<b>290,010,722</b>	<b>454,158,933</b>	<b>81,024,366</b>	<b>-</b>	<b>825,194,021</b>
<b>Funds:</b>					
Equity	\$ 6,749,123	\$ -	\$ -	\$ 1,345,605,507	\$ 1,352,354,630
Credit	13,918,588	-	-	845,374,473	859,293,061
Private Credit	-	-	-	287,190,196	287,190,196
Private Equity	-	-	-	763,702,922	763,702,922
Real Assets	-	-	55,910,415	838,452,516	894,362,931
Money Market	359,024,698	-	-	-	359,024,698
<b>Total Funds</b>	<b>379,692,409</b>	<b>-</b>	<b>55,910,415</b>	<b>4,080,325,614</b>	<b>4,515,928,438</b>
<b>Derivatives:</b>					
Futures	\$ 11,123,046 *	\$ -	\$ -	\$ -	\$ 11,123,046
Options	-	(3,496,200)	-	-	(3,496,200)
Forward currency contracts-asset	-	29,268,940	-	-	29,268,940
Forward currency contracts-liability	-	(26,656,310)	-	-	(26,656,310)
<b>Total Derivatives</b>	<b>11,123,046</b>	<b>(883,570)</b>	<b>-</b>	<b>-</b>	<b>10,239,476</b>
<b>Total</b>	<b>\$ 680,826,177</b>	<b>\$ 453,275,363</b>	<b>\$ 136,934,781</b>	<b>\$ 4,080,325,614</b>	<b>5,351,361,935</b>
Cash					27,661,100
Investment-related receivables					95,670,306
Investment-related payables					(7,239,227)
<b>Total Investments</b>					<b>\$ 5,467,454,114</b>

\* 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 \$14,201,324 at December 31, 2021.

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**NOTE 3 – FAIR VALUE MEASUREMENTS – Continued**

<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>331,603,697</u>
Total Funds	<u>360,253,148</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>(47,257,470)</u>	-	-	<u>(47,257,470)</u>
Total Derivatives	<u>4,931,388</u>	<u>(5,178,244)</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
Investment-related receivables					27,258,923
Investment-related payables					<u>(4,684,090)</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.

Cash and investment-related receivables and payables 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, 2021 and 2020**

**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, 2021 and 2020.

2021					
Investments in Securities:					
	Equity	Private Credit	Private Equity	Real Assets	Total
Purchases	\$ -	\$ 4,917,865	\$ -	\$ -	\$ 4,917,865
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Investments in Funds:					
	Real Assets	Total			
Purchases	\$ 8,613,504	\$ 8,613,504			
Transfers In	-	-			
Transfers Out	-	-			
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	-	-			

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, 2021 and 2020**

**NOTE 3 – FAIR VALUE MEASUREMENTS – Continued**

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

	2021			
	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity	\$ 1,345,605,507	\$ -	Daily to Quarterly*	2 to 120 days
Credit	845,374,473	-	Daily to Not Available**	1 to 90 days
Private Credit	287,190,196	169,389,133	Not Available	Not Applicable
Private Equity	763,702,922	377,530,592	Not Available	Not Applicable
Real Assets	838,452,516	356,068,250	Quarterly to Not Available***	45 days to Not Applicable

\* Approximately 16% is subject to rolling lock-ups ranging from 2-5 years.

\*\* Approximately 5% is subject to lock-up restrictions, including lock-up restrictions expiring in the next year and a rolling 1 year lock-up.

\*\*\* Approximately 9% is subject to lock-up restrictions expiring in the next year.

	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.

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, 2021 and 2020**

**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, 2021 and 2020**

**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, 2021 and 2020 are listed in the table below:

	2021	
	Notional Value Long (Short)	Fair Value Asset (Liability)
Equity Contracts		
Futures- Liabilities	\$ 383,232,902	\$ (963,036) *
Foreign Currency Contracts		
Futures- Liabilities	5,612,550	(9,364) *
Forward Currency Contracts-Assets	1,209,737,521	29,268,940
Forward Currency Contracts-Liabilities	(1,054,476,762)	(26,656,310)
Interest Rate Contracts		
Futures- Assets	1,136,327,539	12,095,446 *
Options- Assets	90,000,000	1,265,571
Options- Liabilities	210,000,000	(4,761,771)

\* 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 \$6,032,182, \$2,870 and \$8,166,272, respectively, at December 31, 2021.

	2020	
	Notional Value Long (Short)	Fair Value Asset (Liability)
Equity Contracts		
Futures- Assets	\$ 328,871,967	\$ 2,895,469 *
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)	(47,257,450)
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.

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**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, 2021 and 2020 are listed in the tables below:

	2021	
	Realized Gains (Losses)	Unrealized Gains (Losses)
Equity Contracts		
Futures	\$ 63,815,038	\$ (2,033,608)
Options	933,296	-
Foreign Currency Contracts		
Futures	7,496	(9,235)
Forward Currency Contracts	(342,056)	8,175,262
Interest Rate Contracts		
Futures	(20,399,122)	7,098,771
Options	10,350,000	(3,880,239)
Total	<u>\$ 54,364,652</u>	<u>\$ 9,350,951</u>

	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	(12,450)
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>\$ 2,192,173</u>

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**NOTE 4 – DERIVATIVE INSTRUMENTS – Continued**

The average notional values of derivative instruments (based on quarter-end balances) for the years ended December 31, 2021 and 2020, are listed in the table below:

	Average Notional Values	
	2021	2020
Equity Contracts		
Futures- Assets	\$ 342,716,199	\$ 323,655,032
Options- Assets	-	4,070,400
Options- Liabilities	(10,727,800)	(37,757,400)
Foreign Currency Contracts		
Futures- Liabilities	4,626,152	4,880,701
Forward Currency Contracts-Assets	1,203,309,534	902,330,894
Forward Currency Contracts-Liabilities	(1,028,383,251)	(892,337,286)
Interest Rate Contracts		
Futures- Assets	1,224,037,542	1,083,330,604
Options- Assets	300,000,000	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, 2021 and 2020:

	2021		
	Gross Amounts		
	Recognized	Amounts Not Offset	Net Amount
Foreign Currency Contracts			
Forward Currency Contracts-Assets	\$ 29,268,940	(20,325,680)	8,943,260
Forward Currency Contracts-Liabilities	(26,656,310)	20,325,680	(6,330,630)
Equity Contracts			
Interest Rate Options - Assets	1,265,571	-	1,265,571
Interest Rate Options - Liabilities	(4,761,771)	-	(4,761,771)
	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)

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**NOTE 5 – RELATED-PARTY TRANSACTIONS**

During 2021 and 2020, 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 to Anne Ray based on metrics such as relative grantmaking allocations, investment values, people and other relevant measures. Anne Ray incurred 53% of the total cost of these services for each of the years ended December 31, 2021 and 2020. For the years ended December 31, 2021 and 2020, the net amounts reimbursable from Anne Ray to MAC Foundation were \$20,707,791 and \$21,473,926, 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, 2021 and 2020 under this arrangement was \$15,155,396 and \$14,072,118, 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, 2021 and 2020.

	2021		
	Grants and Grantmaking	Management and General	Total Expenses
Grants	\$ 158,884,019	\$ -	\$ 158,884,019
Compensation and Benefits	7,078,151	3,505,129	10,583,280
Occupancy	1,000,598	645,299	1,645,897
Consulting and Professional Services	1,473,142	525,880	1,999,022
Travel and Conferences	29,809	18,794	48,603
Technology and Office Equipment	472,531	225,224	697,755
Other	250,570	173,047	423,617
<b>Total</b>	<b>\$ 169,188,820</b>	<b>\$ 5,093,373</b>	<b>\$ 174,282,193</b>

	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	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
<b>Total</b>	<b>\$ 138,689,639</b>	<b>\$ 5,512,425</b>	<b>\$ 144,202,064</b>

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, 2021 and 2020**

**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, 2021 or 2020.

	2021	2020
Expense (Benefit):		
Current UBI Tax	\$ -	\$ -
Other Taxes	(49,452)	(35,161)
Total	<u>\$ (49,452)</u>	<u>\$ (35,161)</u>
Current UBI Tax Receivable	<u>\$ 76,529</u>	<u>\$ 30,286</u>

**NOTE 8 – GRANTS PAYABLE**

Anne Ray has future grant commitments as follows as of December 31, 2021:

<u>Year Payable</u>	
2022	\$ 87,253,070
2023	27,875,000
2024	2,835,000
Discount on Grants Payable	(261,868)
Total	<u>\$ 117,701,202</u>

Discounts based on short-term interest rates ranging from 0.7% to 1.6% 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:	2021	2020
Cash and Cash Equivalents	\$ 19,434,940	\$ 14,492,974
Receivables	76,529	30,286
Investments	3,354,560,605	3,087,503,081
Total financial assets available within one year	<u>\$ 3,374,072,074</u>	<u>\$ 3,102,026,341</u>

**Anne Ray Foundation and Subsidiary**  
**Notes to Consolidated Financial Statements – Continued**  
**December 31, 2021 and 2020**

**NOTE 10 – LINE OF CREDIT**

Anne Ray has unsecured lines of credit totaling \$125,000,000 and \$125,000,000 as of December 31, 2021 and 2020, respectively. The lines of credit have interest rates of either LIBOR plus 0.75% or the lender's prime rate, elected by Anne Ray at the time of borrowing. There were no borrowings against the lines of credit during the year ended December 31, 2021. 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%.

**NOTE 11 – 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 19, 2022, the date the consolidated financial statements were available to be issued. No material events require recognition or disclosure in the consolidated financial statements.