

**GENERAL MILLS FOUNDATION**

Financial Statements

May 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

**GENERAL MILLS FOUNDATION**

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## Independent Auditors' Report

The Board of Trustees  
General Mills Foundation:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the General Mills Foundation (the Foundation), which comprise the statements of financial position as of May 31, 2020 and 2019, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of May 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

Minneapolis, Minnesota  
September 2, 2020

**GENERAL MILLS FOUNDATION**

Statements of Financial Position

May 31, 2020 and 2019

<b>Assets</b>	<b>Without donor restrictions</b>	
	<b>2020</b>	<b>2019</b>
Due from General Mills, Inc.	\$ —	100,000
Prepaid expenses	78,265	18,835
Purchased interest receivables	430	9,596
Investments, at fair value (note 3):		
Short-term investments	546,527	—
Fixed income investments	—	5,828
Registered investment companies	6,132,059	10,225,412
Common collective trusts	35,003,457	49,269,076
Total investments	41,682,043	59,500,316
Total assets	\$ 41,760,738	59,628,747
<b>Liabilities and Net Assets</b>		
Liabilities:		
Other liabilities	\$ —	641,670
Grants payable (note 4)	1,160,941	2,404,810
Total liabilities	1,160,941	3,046,480
Net assets without donor restrictions	40,599,797	56,582,267
Total liabilities and net assets	\$ 41,760,738	59,628,747

See accompanying notes to financial statements.

**GENERAL MILLS FOUNDATION**

Statements of Activities

Years ended May 31, 2020 and 2019

	<b>Without donor restrictions</b>	
	<b>2020</b>	<b>2019</b>
Revenue and investment income:		
Contributions from General Mills, Inc.	\$ —	100,000
Contributions of operating costs from General Mills, Inc.	478,000	514,791
Interest and dividend income	318,984	407,006
Net realized and unrealized gain on investments	3,245,694	1,856,440
Net revenue and investment income	4,042,678	2,878,237
Expenses:		
Grants approved and paid	18,053,455	15,624,924
Grants approved but unpaid	1,246,131	2,416,598
Operating costs	478,000	514,791
Other	247,562	302,363
Total expenses	20,025,148	18,858,676
Decrease in net assets	(15,982,470)	(15,980,439)
Net assets at beginning of year	56,582,267	72,562,706
Net assets at end of year	\$ 40,599,797	56,582,267

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended May 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Decrease in net assets	\$ (15,982,470)	(15,980,439)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(3,245,694)	(1,856,440)
Changes in assets and liabilities:		
Due from General Mills, Inc.	100,000	—
Prepaid expenses	(59,430)	19,573
Purchased interest receivables	9,166	1,997
Grants payable and other accrued expenses	(1,885,539)	2,678,268
Net cash used in operating activities	(21,063,967)	(15,137,041)
Cash flows from investing activities:		
Purchase of investments	(289,506)	(316,775)
Proceeds from sale of investments	21,900,000	11,500,258
Net (purchases) proceeds from sale of short-term investments	(546,527)	3,953,558
Net cash provided by investing activities	21,063,967	15,137,041
Net change in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	\$ —	—
Supplemental disclosure of cash flow information:		
Cash paid during the period for taxes	\$ 150,000	120,000

See accompanying notes to financial statements.

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### (1) Description of Organization

The General Mills Foundation (the Foundation) focuses on grant-making in the targeted areas of Increasing Food Security, Strengthening Hometown Communities, and Advancing Sustainable Agriculture.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The accompanying financial statements have been prepared under the accrual basis method of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. As of and for the years ended May 31, 2020 and 2019, the Foundation had no net assets with donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified as without donor restrictions.

No restrictions are placed on investments other than a requirement for approval by the board of trustees. The Foundation's portfolio is principally managed by trustees who have discretion over investments. The investments in the accompanying financial statements are stated at fair value.

Revenue is reported as increases in net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets. Gains and losses on investments are reported as increases or decreases in the net assets unless their use is restricted by explicit donor stipulation or by law.

#### (b) Adoption of New Accounting Standards

In fiscal 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01)*. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments in this update are effective for fiscal periods beginning after December 15, 2018, which for the Foundation is fiscal 2020, and should be applied prospectively. The adoption of this guidance resulted in insignificant modifications to disclosures in our financial statements and had no impact to our financial statements.

In fiscal 2019, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional. The updated guidance is effective for reporting periods beginning after June 15, 2019, which for the Foundation is fiscal 2021. The Foundation is in the process of determining the impact to the financial statements from the adoption of this guidance.

#### (c) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of

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Notes to Financial Statements

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revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

### **(d) Risks and Uncertainties**

The Foundation's assets are held in a variety of investments. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. 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 statements of financial position.

### **(e) Investments**

The Bank of New York Mellon is the trustee (the Trustee) and custodian of the Foundation's investments. Investment managers each manage a portion of the investments and make investment decisions for the assets for which they are responsible within specific guidelines established by the Foundation's trustees.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income and administrative expenses are recorded on the accrual basis. Realized gains and losses on disposition of investments are recorded on the basis of average cost. Deposits to and withdrawals from each investment are made at fair value determined as of the end of the business day preceding the transaction.

### **(f) Contributions**

The Foundation receives contributions from General Mills, Inc. based on its operating results. The Foundation did not receive cash contributions from General Mills, Inc. for the fiscal year ended May 31, 2020. The Foundation received a cash contribution of \$100,000 from General Mills, Inc. for the fiscal year ended May 31, 2019. Contributions are typically approved prior to the Foundation's year-end but are paid subsequent to its year-end and, therefore, are recorded as a receivable.

### **(g) Federal Income Tax Status**

The Foundation is classified as a tax-exempt organization under Section 501(c)(3) and is a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to a 1% federal excise tax on net investment income and unrelated business income tax associated with certain investments.

Under the Tax Reform Act of 1969, the Foundation is required to make certain minimum distributions in accordance with a specified formula. At May 31, 2020, the Foundation was in compliance with those requirements.

The Foundation has investments that potentially generate unrelated business income. The Foundation has recorded tax on this income, when applicable, pursuant to Section 511 of the Internal Revenue Code, as other expenses in the accompanying statements of activities.

GAAP requires Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation management has analyzed the tax positions taken by the Foundation, and has concluded that as of

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### Notes to Financial Statements

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May 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation management believes it is no longer subject to tax examinations for years prior to 2016.

#### **(h) Grant Appropriations**

Grants are recorded as expense when approved by the Foundation, except when the grants are conditional as defined by the requirements of ASC 720-25, *Contributions Made*. As of May 31, 2020 and 2019, the Foundation had no conditional grants. Cancellation of grants occurs principally when the grantees do not meet the grant terms. There were no cancellations during the years ended May 31, 2020 and 2019.

#### **(i) Subsequent Events**

Subsequent events have been evaluated through September 2, 2020, the date the financial statements were available to be issued.

### **(3) Investments**

Transactions and assets of each of the investments are accounted for utilizing the following accounting policies:

- Short-term investments largely consist of a collective trust fund valued at net asset value (NAV) daily by the fund with the ability to redeem daily at that price. For these funds, NAV is considered to be the readily determinable fair value and is supported by the unit prices of actual purchase and sale transactions. Issuances and redemptions are made on each business day and are typically purchased and redeemed at a constant NAV of \$1.00 per unit. In the event that a significant disparity develops between the constant NAV and the fair value-based NAV of the fund, the Trustee may determine that continued issuance or redemption at a constant \$1.00 net asset value would create inequitable results for the fund's unit holders. In these circumstances, the Trustee, in its sole discretion and acting on behalf of the fund's unit holders, may direct that units be issued or redeemed at the fair value-based NAV until such time as the disparity between the fair value-based and the constant NAV per unit is deemed to be immaterial. The short-term collective trust is designed to provide safety of principal, daily liquidity, and a competitive yield by investing in high quality money market instruments. They have a daily redemption frequency and a daily redemption notice period. There are no unfunded commitments to such funds at May 31, 2020 and 2019.
- Fixed income investments are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service/vendor. These prices are based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, such as benchmark yields, expected prepayment speeds and volumes, and issuer ratings.
- Investments in registered investment companies traded on national exchanges are valued by the trustee at the closing price on the valuation date. If not traded on national exchanges, they are valued based on the net asset value, which is considered to be the readily determinable fair value provided by the investment manager.

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- Common Collective Trusts (CCTs) are valued at net asset values (NAV) by the funds with the ability to trade daily. For these CCTs, NAV is considered to be readily determinable fair value. These CCTs have a redemption frequency ranging from daily to weekly and a redemption notice period ranging from daily to less than 7 days. There are no unfunded commitments to such funds at May 31, 2020 and 2019.

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statements of activities. The investments' fair value, cost, and net unrealized gain were as follows at May 31, 2020:

	<u>Fair value</u>	<u>Cost</u>	<u>Net unrealized gain (loss)</u>
Investments:			
Short-term investments	\$ 546,527	546,527	—
Fixed income investments	—	5,828	(5,828)
Registered investment companies	6,132,059	6,166,229	(34,170)
Common collective trusts	<u>35,003,457</u>	<u>16,371,500</u>	<u>18,631,957</u>
Total	\$ <u>41,682,043</u>	<u>23,090,084</u>	<u>18,591,959</u>

Following is a summary of changes in relationships between carrying values and cost of investment assets for fiscal year 2020:

	<u>Fair value</u>	<u>Cost</u>	<u>Net gain (loss)</u>
End of year	\$ 41,682,043	23,090,084	18,591,959
Beginning of year	59,500,316	35,302,714	<u>24,197,602</u>
Unrealized net loss for the year			(5,605,643)
Realized net gain for the year			<u>8,851,337</u>
Net realized and unrealized gain on investments for the year			\$ <u><u>3,245,694</u></u>

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May 31, 2020 and 2019

The investments' fair value, cost, and net unrealized gain were as follows at May 31, 2019:

	<u>Fair value</u>	<u>Cost</u>	<u>Net unrealized gain</u>
Investments:			
Fixed income investments	\$ 5,828	5,828	—
Registered investment companies	10,225,412	9,751,144	474,268
Common collective trusts	49,269,076	25,545,742	23,723,334
Total	<u>\$ 59,500,316</u>	<u>35,302,714</u>	<u>24,197,602</u>

Following is a summary of changes in relationships between carrying values and cost of investment assets for fiscal year 2019:

	<u>Fair value</u>	<u>Cost</u>	<u>Net gain</u>
End of year	\$ 59,500,316	35,302,714	24,197,602
Beginning of year	72,780,917	43,705,986	<u>29,074,931</u>
Unrealized net loss for the year			(4,877,329)
Realized net gain for the year			<u>6,733,769</u>
Net realized and unrealized gain on investments for the year			<u>\$ 1,856,440</u>

The Foundation's estimates of fair value for financial assets are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets, and requires that observable inputs be used in valuations when available.

The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest-level input that is significant to the measurement in its entirety. The three levels of the hierarchy under FASB ASC 820, *Fair Value Measurement*, are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 – Unobservable inputs reflecting management's assumptions about the inputs used in pricing the asset or liability

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Of the amounts reported at net asset value, \$41,862,043 and \$59,494,488 of those investments at May 31, 2020 and 2019, respectively, were redeemable with the trust or fund at net asset value with a daily to quarterly frequency and a redemption notice period ranging from daily to 30 days.

The following tables summarize the Foundation's investments that were accounted for at fair value within the fair value hierarchy of ASC 820 as of May 31, 2020 and 2019:

		<b>2020</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Short-term investments	\$	546,527	—	546,527	—
Registered investment companies		6,132,059	6,132,059	—	—
Common collective trusts		35,003,457	—	35,003,457	—
Total	\$	<u>41,682,043</u>	<u>6,132,059</u>	<u>35,549,984</u>	<u>—</u>

		<b>2019</b>			
		<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fixed income investments	\$	5,828	—	5,828	—
Registered investment companies		10,225,412	10,225,412	—	—
Common collective trusts		49,269,076	—	49,269,076	—
Total	\$	<u>59,500,316</u>	<u>10,225,412</u>	<u>49,274,904</u>	<u>—</u>

The Foundation's objective is to utilize several types of investments in order to meet a desired benchmark. The investment managers generally utilize an investment strategy similar to the overall objective of the Foundation, which is to gain exposure to fixed income securities, private and partnership/joint venture investment markets, and the overall equity markets.

There were no Level 3 investment activity during the years ended May 31, 2020 and 2019.

The Foundation recognizes transfers into and out of a respective level on the first day of the reporting period. There were no transfers between levels during the years ended May 31, 2020 and 2019.

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**(4) Grants Payable**

The Foundation has approved a total of \$1,165,000 and \$2,490,000 in grants for future payment to various organizations at May 31, 2020 and 2019, respectively.

	<b>2020</b>	<b>2019</b>
Grants payable before unamortized discount	\$ 1,165,000	2,490,000
Less unamortized discount (at 0.263% and 1.904% at May 31, 2020 and 2019, respectively)	(4,059)	(85,190)
Total grants payable	\$ 1,160,941	2,404,810
Amounts owed in:		
Less than one year	\$ 800,000	975,000
One to five years	365,000	1,515,000
Total	\$ 1,165,000	2,490,000

**(5) Related Party**

Substantially all the facilities, personnel, and operating costs of the Foundation are provided by General Mills, Inc. to the Foundation and are shown as additional contributions and expenses on the accompanying statements of activities.

**(6) Functional Expense**

The following table allocates operating and nonoperating expenses as reported in the statement of activities by their functional classification.

	<b>2020</b>	<b>2019</b>
Program:		
Increasing Food Security	\$ 9,497,927	10,573,850
Strengthening Hometown Communities	9,801,659	7,139,009
Advancing Sustainable Agriculture	—	328,663
Total program	19,299,586	18,041,522
Management and general:		
Operating costs	478,000	514,791
Other	247,562	302,363
Total management and general	725,562	817,154
Total expenses	\$ 20,025,148	18,858,676

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Notes to Financial Statements

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**(7) Liquidity and Availability**

As of May 31, 2020, the General Mills Foundation has the following financial assets available within one year of the balance sheet date for general expenditures:

	<u>2020</u>
Purchased interest receivables	\$ 430
Investments, at fair value:	
Short-term investments	546,527
Registered investment companies	6,132,059
Common/collective trust	<u>35,003,457</u>
Total investments	<u>41,682,043</u>
Total assets	<u>\$ 41,682,473</u>

As part of the General Mills Foundation's liquidity management, the financial assets are liquidated as needed to raise cash as general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements is invested in short term investments.