



September 12, 2024

Honorable Sara R. Grewing  
Ramsey County District Court  
15 West Kellogg Boulevard, 1550  
St. Paul, MN 55102

RE: Charles K. Blandin Foundation 2023 Independent Auditor Verified Self-Reporting  
Court File No. C5-58-302795

Honorable Judge Grewing:

Pursuant to the Court's April 2015 Findings of Fact, Conclusions of Law and Order Discharging Special Master and Approving Independent Auditor Verified Self-Reporting Process ("April 2015 Order"), the C.K. Blandin Foundation is to annually provide the Court with an Annual Report regarding its compliance with the April 2015 Order's grant distribution requirements. This report is e-filed with the Court. We also post the Report on the Blandin Foundation web page.

This letter provides an overview to the Charles K. Blandin Foundation Annual Report and the Blandin Foundation's compliance with the Ramsey County District Court's requirements regarding self-reporting for calendar year 2023.

### **Background**

In its April 2015 Order, the Ramsey County District Court approved the discharge of the special master and the substitution of verified self-reporting by the Foundation to start with the calendar year 2013. As was the case with the previous special master reports, the purpose of the Foundation's Annual Report is to confirm compliance by the Foundation with the requirements of the 2003 Stipulated Order of the Court and the April 2015 Order requiring that at least 60% of all Foundation grants be made to the Grand Rapids area (as defined by the order) over a rolling 6-year period (the 60% distribution requirement starts with the rolling 6-year period beginning on January 1, 2015, all prior 6-year rolling periods have a 55% distribution requirement).

Compliance with this grant-making formula is the Court-ordered criteria by which the Foundation meets its "perpetual and primary responsibility to distribute its funds to meet the reasonable needs of the Grand Rapids area," as required by our founder Charles K. Blandin. The 2003 Stipulated Order and April 2015 Order also require reporting any significant changes to the Foundation's grant-making and charitable distribution practices.

The Court's April 2015 Order requires that the Foundation's calculations be verified by the Foundation's independent auditors and Foundation management will present these calculations in the supplemental information of the annual audit or the management discussion and analysis section in a format consistent with the reporting format established by the special master prior to his discharge.

The Foundation's Annual Report shall be provided to the Court on or about September 30 of each year and said report shall be included in the Court's public files. In addition, the Foundation's Annual Report shall be prominently posted on the Foundation's website when it is filed with the Court.

### Conclusion

The information required by the April 2015 Order is set forth in the Foundation's 2023 audited annual financial statements in the supplemental information and the management discussion and analysis section on Pages 20 through 30. These financial statements have a clean auditor's opinion as identified in the Independent Auditor's Report of RSM US LLP dated September 6, 2024.

As confirmed on Page 20 of the 2022 Report during the 2018-2023 6-year rolling period, 66% of all Foundation grants were distributed to the Grand Rapids area and 34% to rural Minnesota.

The Foundation has complied with all required reporting under the April 2015 Order and the 2023 Annual Report has been reviewed and confirmed by the Foundation Board of Trustees as well as the Trustees of the Residuary Trust and the Foundation's legal counsel. There were no significant changes to the grant-making and charitable distribution practices of the Foundation in 2023.

Reference in the management discussion and analysis section to "unaudited" is standard language and refers only to management comments on the data. The underlying data and other historical financial information were audited by the independent auditor as required in the April 2015 Order or taken from the Foundation's 990-PF, which was prepared by RSM US LLP.

Any questions raised by any member of the Grand Rapids community regarding the Foundation's Annual Report for 2023 can be directed to the Foundation's President/CEO Tuleah Palmer via email - [tspalmer@blandinfoundation.org](mailto:tspalmer@blandinfoundation.org); phone - 218-326-0523; or by mail – 100 North Pokegama Avenue, Grand Rapids, MN 55744. Ms. Palmer will respond to such questions within 10 business days, pursuant to the Foundation Policy adopted as a result of the April 2015 Order. The 2023 Report has been posted on the Foundation's web site at [www.blandinfoundation.org](http://www.blandinfoundation.org).

Please contact our legal counsel if you should have any questions. Thank you.

Sincerely,

DocuSigned by:  
  
2D8399565D214FF...  
Tuleah Palmer  
President/CEO

cc: Minnesota Charities Division  
Marie Ruzek and Stacey Ackerman, C.K. Blandin Residuary Trust  
James Hoolihan, C.K. Blandin Residuary Trust  
Alice Moren, Board Chair, Blandin Foundation  
Neal T. Buethe, Shehla Tauscher, and Andrew Howard, Taft Stettinius & Hollister LLP

# **Charles K. Blandin Foundation**

Financial Report  
December 31, 2023

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RSM US LLP

## Independent Auditor's Report

Board of Trustees  
Charles K. Blandin Foundation

### Opinion

We have audited the financial statements of Charles K. Blandin Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets 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 in accordance with auditing standards generally accepted in the United States of America (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 Foundation 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

#### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The information in Management's Discussion and Analysis marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for the portion marked "unaudited," the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Des Moines, Iowa  
September 6, 2024

**Charles K. Blandin Foundation****Statements of Financial Position  
December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 596,309	\$ 619,653
Investments at fair value	50,201,064	46,807,133
Accounts and investment income receivable	41,046	31,712
Beneficial interest in Charles K. Blandin Residuary Trust	437,771,482	418,119,018
Mission-related investments	3,798,310	4,133,292
Other assets	301,668	110,961
Property, furniture and equipment, net	4,044,217	3,994,986
	<u>4,044,217</u>	<u>3,994,986</u>
<b>Total assets</b>	<b>\$ 496,754,096</b>	<b>\$ 473,816,755</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 516,122	\$ 405,517
Grants and scholarships payable	8,985,358	9,806,170
<b>Total liabilities</b>	<b>9,501,480</b>	<b>10,211,687</b>
Net assets:		
Without donor restrictions:		
Unrestricted	40,291,134	37,096,050
Board designated	9,190,000	8,390,000
<b>Total net assets without donor restrictions</b>	<b>49,481,134</b>	<b>45,486,050</b>
With donor restrictions:		
Beneficial interest in Charles K. Blandin Residuary Trust	437,771,482	418,119,018
<b>Total net assets</b>	<b>487,252,616</b>	<b>463,605,068</b>
<b>Total liabilities and net assets</b>	<b>\$ 496,754,096</b>	<b>\$ 473,816,755</b>

See notes to financial statements.

**Charles K. Blandin Foundation****Statement of Activities  
Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Gains, revenues, losses and contributions:</b>			
Investment income, distributions from Charles K. Blandin Residuary Trust	\$ -	\$ 19,100,000	\$ 19,100,000
Investment income	1,227,386	-	1,227,386
Net realized and unrealized investment gain	4,955,389	-	4,955,389
Increase in beneficial interest of Charles K. Blandin Residuary Trust	-	19,652,464	19,652,464
Other income	193,527	-	193,527
Net assets released from restrictions	19,100,000	(19,100,000)	-
<b>Total gains, revenues and contributions</b>	<b>25,476,302</b>	<b>19,652,464</b>	<b>45,128,766</b>
<b>Expenses:</b>			
<b>Charitable activities:</b>			
Grants	12,721,623	-	12,721,623
Scholarships	1,345,475	-	1,345,475
Programs	3,058,843	-	3,058,843
<b>Total charitable activities</b>	<b>17,125,941</b>	<b>-</b>	<b>17,125,941</b>
Administrative	4,355,277	-	4,355,277
<b>Total expenses</b>	<b>21,481,218</b>	<b>-</b>	<b>21,481,218</b>
<b>Change in net assets</b>	<b>3,995,084</b>	<b>19,652,464</b>	<b>23,647,548</b>
Net assets, beginning	45,486,050	418,119,018	463,605,068
Net assets, ending	\$ 49,481,134	\$ 437,771,482	\$ 487,252,616

See notes to financial statements.



**Charles K. Blandin Foundation****Statement of Activities  
Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Gains, revenues, losses and contributions:</b>			
Investment income, distributions from Charles K. Blandin Residuary Trust	\$ -	\$ 21,607,006	\$ 21,607,006
Investment income	1,181,531	-	1,181,531
Net realized and unrealized investment loss	(6,956,157)	-	(6,956,157)
Decrease in beneficial interest of Charles K. Blandin Residuary Trust	-	(67,283,131)	(67,283,131)
Other income, net	1,379,150	-	1,379,150
Net assets released from restrictions	21,607,006	(21,607,006)	-
<b>Total gains (losses), revenues and contributions</b>	<b>17,211,530</b>	<b>(67,283,131)</b>	<b>(50,071,601)</b>
<b>Expenses:</b>			
<b>Charitable activities:</b>			
Grants	15,889,991	-	15,889,991
Scholarships	1,013,047	-	1,013,047
Programs	2,973,047	-	2,973,047
<b>Total charitable activities</b>	<b>19,876,085</b>	<b>-</b>	<b>19,876,085</b>
Administrative	3,170,303	-	3,170,303
<b>Total expenses</b>	<b>23,046,388</b>	<b>-</b>	<b>23,046,388</b>
<b>Change in net assets</b>	<b>(5,834,858)</b>	<b>(67,283,131)</b>	<b>(73,117,989)</b>
Net assets, beginning	51,320,908	485,402,149	536,723,057
Net assets, ending	\$ 45,486,050	\$ 418,119,018	\$ 463,605,068

See notes to financial statements.

**Charles K. Blandin Foundation****Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 23,647,548	\$ (73,117,988)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	224,984	246,461
Change in value of Charles K. Blandin Residuary Trust	(19,652,464)	67,283,131
Net realized and unrealized investment (gains) losses	(4,955,389)	6,956,157
Gain on sale of property, furniture and equipment	-	(23,233)
(Increase) decrease in assets:		
Accounts and investment income receivable	(9,334)	73,034
Other assets	(190,707)	26,967
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	110,605	(47,167)
Grants and scholarships payable	(820,812)	189,856
<b>Net cash (used in) provided by operating activities</b>	<b>(1,645,569)</b>	<b>1,587,218</b>
Cash flows from investment activities:		
Purchase of property, furniture and equipment	(274,216)	(269,427)
Loss from sale of property, furniture and equipment	-	23,233
Proceeds from sale of investments	53,947,607	76,801,805
Purchase of investments	(52,386,148)	(79,132,299)
Decrease in mission-related investments	334,982	702,067
<b>Net cash provided by (used in) investing activities</b>	<b>1,622,225</b>	<b>(1,874,621)</b>
Cash and cash equivalents:		
Beginning	619,653	907,056
Ending	\$ 596,309	\$ 619,653
Supplemental information:		
Grants paid	\$ 13,717,026	\$ 15,939,777
Scholarships paid	\$ 1,221,534	\$ 1,071,182
Interest paid	\$ 10,182	\$ 975

See notes to financial statements.

## Charles K. Blandin Foundation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Organizational purpose:** The Charles K. Blandin Foundation (the Foundation), incorporated under the laws of Minnesota, awards grants, operates programs and brings research, people and organizations together to address opportunities that strengthen the Grand Rapids area and rural communities throughout Minnesota. The Foundation has agreed to distribute a minimum of 60% of its grants paid to the Grand Rapids area over a six-year rolling period.

The Foundation's vision is rural Minnesota places that welcome diversity, address injustice and embrace change to create a sustainable and equitable future. The Foundation's mission is to connect, fund and advocate for ideas and people to inspire resourcefulness and move rural places forward. The Foundation's values are that we love rural, lead with compassion, show courage through change and plant seeds for the future.

**Cash, cash equivalents and concentration of risk:** The Foundation considers all short-term, highly liquid money market investments to be cash equivalents, except for funds held for investment purposes. At times, cash investments at financial institutions may be more than the Federal Deposit Insurance Corporation insurance limit. The Foundation has not incurred any losses because of this concentration.

**Investments:** Investments in debt and equity securities with readily determinable fair values are carried at quoted market value. The Foundation has elected to report the fair value of alternative investments using the practical expedient. The practical expedient allows for the use of net asset value, either as reported by the partnership general partner or as adjusted by the Foundation based on various factors, including contributions and withdrawals. The net changes in market prices and the realized gains and losses on investments sold are reflected in the statements of activities as net realized and unrealized gains or losses on investments.

The Foundation invests in a variety of investment vehicles. 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 statements.

**Investment income:** Interest and dividend income is recorded when earned. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Interest, dividends, partnership distributions and other revenues earned but not yet received by the Foundation on its investments at the end of the year are reported as investment income receivable.

**Beneficial interest in Charles K. Blandin Residuary Trust:** The Foundation is the sole beneficiary of the Charles K. Blandin Residuary Trust (the Trust), the assets of which are not in the possession of the Foundation. Substantially all of the Foundation's noninvestment income is received from the irrevocable Trust.

The Foundation's beneficial interest in the Trust is valued at the current market value of the net assets held by the Trust and is shown as with donor restriction. The net assets with donor restriction have a permanent restriction as these assets are currently unavailable for distribution. Market value fluctuations in the Trust are reflected on the statements of activities as a change in beneficial interest in perpetual trust in the net assets with donor restriction column.

## Charles K. Blandin Foundation

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Fair value measurements:** At December 31, 2023 and 2022, the fair value of investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. The following methods and assumptions were used to estimate fair value:

**Investments in equity and debt securities:** Fair value is determined based on reference to quoted market prices on publicly traded exchanges.

**Beneficial interest in Charles K. Blandin Residuary Trust:** The Foundation is the sole beneficiary of the Trust. The fair value of the Trust is equal to net assets of the Trust. The net assets of the Trust are determined as the fair value of the investments of the Trust, less any obligations of the Trust. The Trust holds investments in equity and debt securities and investments, such as private equity, venture capital and real estate, that are valued using the practical expedient. The Foundation determines the fair value of investments held by the Trust in the same manner that investments it holds directly are valued. Obligations of the Trust are short-term in nature and are recorded as the amount due, with no discounts applied. The Trust is classified as a Level 3 asset as the Foundation has an interest in the Trust and does not own the underlying assets.

**Mission-related investments:** The purpose of the Foundation's mission-related investment (MRI) activities is to increase the Foundation's charitable impact by utilizing a broader range of its financial assets in furtherance of mission, while maintaining prudent, long-term stewardship of assets that preserve its capacity to generate impact into the future. For the sake of making a clear distinction on the source of funds, the Foundation uses the following definition in its MRI policies: investments made from the annual 5% mandatory charitable distribution of the Foundation for which there is an expectation of partial or full repayment are known as program-related investments for financial reporting purposes.

**Charitable investments:** Program-related investments consist of debt positions in 501(c)(3) organizations that conduct activities that fulfill the charitable purposes of the Foundation. Program-related investments are initially recorded on the statements of financial position at cost after approved and when a request for payment has been paid. Uncollected interest earned on program-related investments with a debt position is recorded as earned and included in the investment account. These investments are recoverable over periods ranging up to 10 years. If a program-related investment is subsequently determined to be uncollectible or the value is permanently impaired, then the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve. During the years ended December 31, 2023 and 2022, there were no new program-related investments and no distributions to existing program-related investments.

**Directed investments:** Mission-related investments funded from the net assets without donor restrictions of the Foundation are referred to as directed investments. Directed investments are initially recorded on the statements of financial position at cost after approved and when a capital call has been paid. During the years ended December 31, 2023 and 2022, there was \$80,000 and \$90,000, respectively, of capital invested through capital calls.

**Charles K. Blandin Foundation****Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Property, furniture and equipment:** Property, furniture and equipment are recorded at cost and depreciated over their estimated useful lives, as shown below, using the straight-line method of depreciation. The Foundation capitalizes all assets with a cost more than \$5,000, provided those assets have a useful life extending beyond one year.

	<u>Years</u>
Building and improvements	10-30
Furniture, equipment and vehicles	5-10

**Net assets:** Net assets are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

**Without donor restrictions:** Represents assets over which the Foundation's Board of Trustees (Trustees) has discretionary control. The Trustees adopted a policy whereby a portion of undesignated net assets are designated in an amount equivalent to next year's budgeted operating expenses.

**With donor restrictions:** Represents resources subject to donor-imposed restrictions that will be satisfied by actions of the Foundation or the passage of time. The Foundation's net assets with donor restrictions consist entirely of assets of the Trust which are permanently restricted and included in with donor restrictions. The Foundation is the sole beneficiary of Trust distributions and Trust assets are restricted at the donor's request. The Trust is required by Internal Revenue Service regulations to distribute annually, 5% of the average monthly ending market values of its previous year net assets or, according to the Trust documents, distribute 100% of Trust income, whichever is greater. For the years ended December 31, 2023 and 2022, the Trust calculated the required 5% distribution to the Foundation based on the current year net asset values of the Trust. If the earnings on the assets of the Trust are not greater than or equal to the Trust's required 5% distribution, a portion of the corpus of the Trust will be paid out to cover the remaining distribution requirement. Distributions from the Trust totaled \$19,100,000 and \$21,607,006 during the years ended December 31, 2023 and 2022, respectively.

**Grants and scholarships payable:** Grant and scholarship commitments are charged to operations at the time the grants are approved by the Trustees. Grant cancellations, if any, are recognized at the time of Trustee action. Long-term grants and scholarships payable (payable in over one year) are discounted to the present value of future commitments using the prime rate of interest at year-end.

**Use of estimates:** The preparation of 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 financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

**Functional allocation of expense:** Salaries and related expenses are allocated based on estimates of time spent on various programs or administrative functions. Other expenses, not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

**Reclassifications:** Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation, with no impact on the change in net assets.

**Board compensation:** In accordance with the provision of Charles K. Blandin's Will, Foundation Trustees are compensated. For the years ended December 31, 2023 and 2022, there were 14 and 12 board members, respectively, and they were compensated \$341,500 and \$299,100, respectively.

**Charles K. Blandin Foundation****Notes to Financial Statements****Note 1. Summary of Significant Accounting Policies (Continued)**

**Income taxes:** The Foundation has received an exemption from federal income taxes from the Internal Revenue Service under the provisions of section 501(c)(3). The Foundation follows the accounting guidance for the recognition of uncertain tax positions. The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. The Foundation has evaluated its material tax positions and determined there are no income tax effects with respect to its financial statements. The Foundation's tax filings are subject to review and examination by federal and state authorities. The Foundation is not aware of any activities that would jeopardize its tax-exempt status, nor any additional items that are subject to tax on unrelated business income or other taxes.

**Subsequent events:** In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 6, 2024, the date the financial statements were available to be issued.

**Note 2. Investments**

Cost, market value and net appreciation (depreciation) of investments is as follows:

	2023			2022		
	Cost	Fair Value	Unrealized (Depreciation) Appreciation	Cost	Fair Value	Unrealized Appreciation
Domestic large cap equities	\$ 5,228,481	\$ 8,621,114	\$ 3,392,633	\$ 7,467,376	\$ 9,478,543	\$ 2,011,167
Domestic small cap equities	32,016	21,319	(10,697)	32,016	-	(32,016)
International equities	164,226	337,929	173,703	273,172	390,506	117,334
Fixed income	6,524,759	6,590,063	65,304	6,073,851	5,964,710	(109,141)
Alternative investments	6,063,232	6,902,945	839,713	6,194,498	7,010,033	815,535
Equity mutual funds	26,120,523	27,093,524	973,001	20,136,867	18,560,537	(1,576,330)
Cash equivalents	634,170	634,170	-	5,402,804	5,402,804	-
	<u>\$ 44,767,407</u>	<u>\$ 50,201,064</u>	<u>\$ 5,433,657</u>	<u>\$ 45,580,584</u>	<u>\$ 46,807,133</u>	<u>\$ 1,226,549</u>

As of December 31, 2023 and 2022, the Foundation has future capital call requirements for investments of approximately \$2,303,000 and \$3,268,000, respectively.

**Note 3. Fair Value Measurements**

The Foundation follows the accounting guidance for fair value, which applies to reported balances that are required or permitted to be measured at fair value. The guidance defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

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). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**Charles K. Blandin Foundation****Notes to Financial Statements****Note 3. Fair Value Measurements (Continued)**

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

**Level 1:** Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

**Level 2:** Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

**Level 3:** Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The beneficial interest in Blandin Residuary Trust is a Level 3 asset due to lack of observed markets for the Trust interest.

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Domestic large cap equities	\$ 8,621,114	\$ -	\$ -	\$ 8,621,114
Domestic small cap equities	-	-	21,319	21,319
International equities	337,929	-	-	337,929
Fixed income	6,590,063	-	-	6,590,063
Equity mutual funds	22,559,444	4,534,080	-	27,093,524
Beneficial interest in Charles K. Blandin Residuary Trust	-	-	437,771,482	437,771,482
Total	<u>\$ 38,108,550</u>	<u>\$ 4,534,080</u>	<u>\$ 437,792,801</u>	480,435,431

Investments valued at net asset value:

Alternative investments	6,902,945
	<u>\$ 487,338,376</u>

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the year ended December 31, 2023:

	Beneficial Interest
Beginning balance, December 31, 2022	\$ 418,119,018
Increase in value of beneficial interest, net of distributions	19,652,464
Ending balance, December 31, 2023	<u>\$ 437,771,482</u>

**Charles K. Blandin Foundation****Notes to Financial Statements****Note 3. Fair Value Measurements (Continued)**

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Domestic large cap equities	\$ 9,478,543	\$ -	\$ -	\$ 9,478,543
International equities	390,506	-	-	390,506
Fixed income	5,964,710	-	-	5,964,710
Equity mutual funds	18,560,537	-	-	18,560,537
Beneficial interest in Charles K. Blandin Residual Trust	-	-	418,119,018	418,119,018
<b>Total</b>	<b>\$ 34,394,296</b>	<b>\$ -</b>	<b>\$ 418,119,018</b>	<b>452,513,314</b>

Investments valued at net asset value:

Alternative investments	7,010,033
	<u>\$ 459,523,347</u>

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets for the year ended December 31, 2022:

	Beneficial Interest
Beginning balance, December 31, 2021	\$ 485,402,149
Decrease in value of beneficial interest, net of distributions	(67,283,131)
Ending balance, December 31, 2022	<u>\$ 418,119,018</u>

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2023 and 2022:

	Net Asset Value as of December 31, 2023	Net Asset Value as of December 31, 2022	Unfunded Commitments as of December 31, 2023	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Venture capital (a)	\$ 720,662	\$ 812,505	\$ 5,833	None	NA
Real estate (b)	1,955,028	2,117,413	131,878	None	NA
Debt (c)	813,894	930,043	112,372	None	NA
Buyout (d)	219,067	310,877	151,639	None	NA
Special situation (e)	1,250,089	1,135,787	1,899,431	None	NA
International equity (f)	201,397	243,042	1,365	Monthly	3-6 days
Emerging market (f)	1,742,808	1,460,366	-	Monthly	30 days
	<u>\$ 6,902,945</u>	<u>\$ 7,010,033</u>	<u>\$ 2,302,518</u>		

(a) Venture capital represents investments in startup firms and small businesses with perceived long-term growth potential. These are all partnership investments in which the Foundation plans to hold for the entire duration and are illiquid.



**Charles K. Blandin Foundation****Notes to Financial Statements**

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**Note 3. Fair Value Measurements (Continued)**

- (b) Real estate represents investments in land and related improvements, including buildings. The majority of these investments are partnership investments in which the Foundation plans to hold for the entire duration and are illiquid.
- (c) Debt includes investments in corporate bonds or government bonds that value their investments daily but impose certain liquidity restrictions on investors through periodic fund openings ranging from weekly to quarterly. Investing in corporate debt securities and government securities provides diversification, interest income and growth potential to the overall portfolio.
- (d) Buyout occurs when an acquiring investor gains controlling interest of another company. A leveraged buyout is when a company is purchased with a combination of equity and significant amounts of borrowed money, structured in such a way that the cash flows or assets are used as the collateral to secure and repay the money borrowed to purchase the company. The Foundation's investments are all partnership investments in which the Foundation plans to hold for the entire duration and are illiquid.
- (e) Special situations are private capital investments whose strategies are not fully described by the four traditional classifications of Venture, Buyout, Debt or Real Estate. This could mean a combination of the former four classifications, or a unique and/or opportunistic strategy that does not fit within any of the four traditional classifications. The majority of these investments the Foundation plans to hold for the entire duration and are illiquid.
- (f) International equity, domestic equity, and emerging market equity are funds with underlying investments in primarily publicly traded domestic and foreign stocks. Units are priced daily by the fund managers yet the fund manager may impose certain liquidity restrictions on investors.

**Note 4. Mission-Related Investments**

Program-related investments have three characteristics as identified by the Internal Revenue Code (IRC) of 1986, as amended: (1) a charitable purpose is the primary motivation; (2) generating income is not a significant motivation; and (3) program-related investments cannot be made with intent to influence legislation or a political election.

The Foundation uses program-related investments to further the mission of the Foundation; to strengthen rural Minnesota communities, especially the Grand Rapids area.

The approved program-related investments are carried at cost basis on the statement of financial position at year-end. An allowance for program-related investments is established based on annual review by the Foundation's Investment Committee of the status of all program-related investments. If the Investment Committee determines that a specific program-related investment should have an allowance established, the Investment Committee recommends to the Trustees, who approves the allowance. At both December 31, 2023 and 2022, there was no allowance for current program-related investments.

Program-related investment interest is recorded annually as income earned per the terms of the specific individual program-related investment loan agreement. If no interest rate is stated in the program-related investment loan agreement, then the loan is discounted on an annual basis at a rate equivalent to the prime rate at end of the year when the loan was approved.

**Charles K. Blandin Foundation****Notes to Financial Statements**

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**Note 4. Mission-Related Investments (Continued)**

Directed investments are used to further the Foundation's mission and are fundamentally a financial investment rather than a grant and must meet applicable prudent investor standards like more conventional investments. A directed investment is subject to the similar investment policies and procedures as the other investments in which the Foundation invests according to the mission-related investment revised policy. At both December 31, 2023 and 2022, there was no allowance for directed investments. During the years ended December 31, 2023 and 2022, the Foundation did not write off any directed investments. The approved directed investments are carried at cost basis on the statements of financial position at year-end less any unfunded commitments.

At December 31, 2023 and 2022, the program-related and directed investments consisted of the following:

	2023	2022
Program-related investments	\$ 2,095,735	\$ 2,451,148
Less discounts:		
Beginning of year	(432,446)	(483,783)
Decrease	53,031	51,337
Subtotal program-related investments	1,716,320	2,018,702
Directed investments	2,081,990	2,114,590
Total mission related investments, net	<u>\$ 3,798,310</u>	<u>\$ 4,133,292</u>

At December 31, 2023 and 2022, there were no unreserved past due program-related investments.

**Note 5. Property, Furniture and Equipment**

Property, furniture and equipment consist of the following at December 31, 2023 and 2022:

	2023	2022
Land, building and improvements	\$ 8,622,982	\$ 8,418,129
Furniture, equipment and vehicles	2,944,454	3,205,225
Total	11,567,436	11,623,354
Less accumulated depreciation	(7,523,219)	(7,628,368)
Net property, furniture and equipment	<u>\$ 4,044,217</u>	<u>\$ 3,994,986</u>

**Note 6. Line of Credit**

The Foundation has executed an agreement for an unsecured line of credit totaling \$2,000,000. The line of credit has a variable interest rate of 1.5 percentage points below *The Wall Street Journal* Prime rate and a minimum rate of 2.0% per annum (7.0% at December 31, 2023). As of December 31, 2023 and 2022, the outstanding borrowings were \$0. The aggregate outstanding principal and accrued unpaid interest are due in full on the commitment maturity date of December 20, 2025.

**Charles K. Blandin Foundation****Notes to Financial Statements**

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**Note 7. Federal Excise Taxes and Distribution Requirements**

The Foundation is classified as a private foundation, and as such, is subject to a federal excise tax of 1.39% on taxable net investment income, which principally includes income from investments plus net realized capital gains (net capital losses, however, are not deductible) less expenses incurred.

The federal excise tax provision and liability (refund) consists of the following as of December 31:

	2023	2022
(Benefit) expenses:		
Current	\$ (117,491)	\$ 136,072
(Asset) liabilities:		
Current	\$ (103,429)	\$ (102,465)
Deferred	75,546	17,091
	<u>\$ (27,883)</u>	<u>\$ (85,374)</u>

The Foundation is subject to distribution requirements of the IRC. Accordingly, it must distribute, in the year immediately following receipt, 100% of the contribution received from the Trust and 5% of the previous year's average monthly market value of its assets as defined by the IRC. Failure to meet this distribution requirement subjects the Foundation to a 30% tax on the undistributed balance. The Foundation has complied with the distribution requirements through December 31, 2023.

**Note 8. Employee Benefit Plans**

**Defined contribution plans:** All employees of the Foundation working a minimum of 1,000 hours in a plan year are covered by a defined contribution money purchase plan after their first year of service. The Foundation contributes 6% of each employee's annual compensation. All participants are entitled to a benefit equal to their vested percentage of the individuals' pension account balance. The vesting schedule is based on the number of full years of service from zero to 100%, vesting at six years.

The Foundation also contributes to a plan qualified under section 403(b) of the IRC. The plan covers all employees who work a minimum of 1,000 hours in a 12-month period. The Foundation contributes a matching contribution of up to 6% of gross compensation for all participating employees. All participants are immediately vested in contributions from the Foundation, employee deferral contributions and investment earnings thereon. Employee deferrals are subject to annual limits as defined by the IRC.

The Money Purchase Pension Plan was terminated on May 31, 2023. Effective June 1, 2023, the 403(b) Plan was amended to include an employer non-elective contribution with the same parameters as the Money Purchase Pension Plan.

Foundation contributions related to these defined contribution plans was approximately \$352,000 and \$335,000 for the years ended December 31, 2023 and 2022, respectively.

**Charles K. Blandin Foundation****Notes to Financial Statements**

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**Note 9. Grants and Scholarships Payable**

Grants and scholarships payable are recorded when approved by the Trustees. Long-term grants and scholarships payable (payable in over one year) are discounted to the present value of future commitments using the prime rate of interest at year-end. Grants and scholarships approved and scheduled for payment are as follows:

	<u>Amount</u>
2024 scholarships	\$ 747,166
2024 grants	6,816,500
2025 grants	1,263,000
2026 grants	<u>315,000</u>
Total grant and scholarship commitments	9,141,666
Discount to present value	<u>(156,308)</u>
Total present value of grant and scholarship commitments	<u><u>\$ 8,985,358</u></u>

**Note 10. Charitable Activities—Programs**

The charitable programs listed separately below, represent the major programs which are internally administered by the Foundation, with other self-administered grant programs comprising the smaller charitable programs that are also internally administered.

	<u>2023</u>	<u>2022</u>
Charitable activities—programs:		
Rural grantmaking	\$ 916,591	\$ 848,452
Innovation and design	1,099,185	544,502
Rural advocacy	517,901	-
Rural capacity building	525,166	654,259
Total charitable activities—programs	<u>\$ 3,058,843</u>	<u>\$ 2,047,213</u>

**Charles K. Blandin Foundation****Notes to Financial Statements**

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**Note 10. Charitable Activities—Programs (Continued)**

The Trustees approved a new strategic plan in 2022, which shifted the Foundation's strategic focus to better meet rural Minnesota's urgent challenges and to realign its current work with Charles Blandin's original vision. At the core of the Foundation's new programs is the belief that rural places and people have been held back by long-standing unfair structures, systems and practices based on place (where we live), race (who we are) and class (economic status). Through updated priority areas, the Foundation will strive toward equitable rural futures where policy creation, implementation and decision-making will include broader rural perspectives. Policies that reflect a wider range of economic, racial, cultural and geographic interests will better serve the entire state. The Foundation has refocused its grantmaking efforts on three areas where the biggest difference can be made toward those goals:

- **Community wealth-building:** Building the rural bases of knowledge, money, workforce, entrepreneurship and investment and keeping those powerful resources close to home.
- **Placemaking:** Bolstering the arts, culture, natural resources, creativity and opportunities to come together that help us feel connected, invested and proud of where we live.
- **Small communities:** Funding resources, skills and needed system changes in rural Minnesota's smallest communities.

These grantmaking activities will be integrated to advance these program areas:

- **Rural grantmaking:** Funding organizations that make change in our three impact areas: rural placemaking, community wealth building and small towns.
- **Rural advocacy:** Raising rural voices and perspectives in service to people and places pushed to the margins, who live the realities of outdated policies every day.
- **Rural capacity building:** Delivering programming to community champions so rural communities can identify and access the resources needed to thrive.

In 2023, the Foundation's programmatic work was organized into four departments: Innovation and design, Rural grantmaking, Rural advocacy and Rural capacity building.

The innovation and design department includes research, evaluation and project management support to advance programmatic integration of the other three departments to achieve these outcomes:

- Rural grantmaking
- Rural advocacy
- Rural capacity building

**Rural grantmaking:** Blandin Foundation partners with community-focused organizations throughout rural Minnesota to inspire resourcefulness and move rural places forward. A minimum of 60% of grants are awarded in the Itasca County area over a six-year rolling period, with the remaining grant funds awarded in support of initiatives in other parts of rural Minnesota. To be eligible for a Foundation grant, organizations must be located in Minnesota, be a 501(c)(3) organization, unit of government or Tribal unit of government, and propose projects that align with the Foundation's mission and focus areas described previously.

**Rural advocacy** utilizes public policy research and strategic communications, to raise our voice to advance equity of race, place and class.

**Charles K. Blandin Foundation****Notes to Financial Statements****Note 10. Charitable Activities—Programs (Continued)**

**Rural capacity building** department was organized in 2023 to include: (1) scholarship programming, (2) community relationships programming, (3) leadership engagement and development.

- **Scholarship programming** offers support to students as they navigate college exploration, application and transition from high school. This program focuses on low income and first-generation students.
- **Community relationships programming** supports placemaking strategies in the local giving area by ensuring utilization of our building aligns with our organizational goals.
- **Community engagement and leadership development** utilizes the basic competencies of our nationally recognized program: (1) framing opportunities and challenges that lead to effective action; (2) building social capital for collaboration and resource sharing; and (3) mobilizing a critical mass of resources to achieve specific outcomes. The Foundation began offering programming in 2023 using a community of Practice approach.

**Scholarships:** Scholarships are awarded in the local giving area, focused on improving educational attainment of disadvantaged populations. Each year, hundreds of students from Itasca County, Minnesota area schools are awarded need-based scholarships to continue their education at trade schools and certificate programs, community or tribal college, or college or universities throughout the United States, up to age 25 and until they earn a bachelor's degree.

**Note 11. Natural and Functional Expenses**

The Foundation is required to provide an analysis of expenses by both natural and functional classification. Natural expenses are defined by their nature, such as salaries, rent, supplies, etc. Functional expenses are classified by the type of activity for which expenses were incurred, for example, administrative and direct program costs. Expenses were allocated by function using a reasonable and consistent approach discussed in Note 1.

The table below presents expenses by both their natural and function for the year ended December 31, 2023:

	Charitable Activities				Administrative	Total Expenses
	Grants	Scholarships	Programs	Total		
Grants	\$ 12,721,623	\$ -	\$ -	\$ 12,721,623	\$ -	\$ 12,721,623
Scholarships	-	1,345,475	-	1,345,475	-	1,345,475
Salary, benefits and payroll taxes	-	-	1,993,606	1,993,606	2,434,000	4,427,606
Trustee fees and costs	-	-	-	-	423,128	423,128
Travel, conferences and meetings	-	-	61,236	61,236	103,054	164,290
Professional fees	-	-	591,178	591,178	720,878	1,312,056
Printing and publications	-	-	2,744	2,744	4,115	6,859
Building and grounds	-	-	97,374	97,374	127,587	224,961
Other expenses	-	-	251,643	251,643	368,411	620,054
Interest	-	-	-	-	10,182	10,182
Depreciation	-	-	61,062	61,062	163,922	224,984
<b>Total</b>	<b>\$ 12,721,623</b>	<b>\$ 1,345,475</b>	<b>\$ 3,058,843</b>	<b>\$ 17,125,941</b>	<b>\$ 4,355,277</b>	<b>\$ 21,481,218</b>

**Charles K. Blandin Foundation****Notes to Financial Statements****Note 11. Natural and Functional Expenses (Continued)**

The table below presents expenses by both their natural and function for the year ended December 31, 2022:

	Charitable Activities				Administrative	Total Expenses
	Grants	Scholarships	Programs	Total		
Grants	\$ 15,889,991	\$ -	\$ -	\$ 15,889,991	\$ -	\$ 15,889,991
Scholarships	-	1,013,047	-	1,013,047	-	1,013,047
Salary, benefits and payroll taxes	-	-	2,242,818	2,242,818	2,003,764	4,246,582
Trustee fees and costs	-	-	-	-	386,997	386,997
Travel, conferences and meetings	-	-	45,973	45,973	66,381	112,354
Professional fees	-	-	258,145	258,145	343,806	601,951
Printing and publications	-	-	3,858	3,858	4,720	8,578
Building and grounds	-	-	99,602	99,602	122,259	221,861
Other expenses	-	-	248,384	248,384	69,207	317,591
Interest	-	-	-	-	975	975
Depreciation	-	-	74,267	74,267	172,194	246,461
Total	\$ 15,889,991	\$ 1,013,047	\$ 2,973,047	\$ 19,876,085	\$ 3,170,303	\$ 23,046,388

**Note 12. Liquidity**

The Foundation endeavors to structure its financial assets to be available and liquid as its general expenditure, liabilities and other obligations become due. The Foundation's investments at fair value are 90% and 88% liquid as of December 31, 2023 and 2022, respectively. There are likely to be additional components of the Foundation's investments that may be available and liquid within one year. These components include certain portions of marketable alternatives, as well as return of capital from both private equity and real asset holdings.

The Foundation's financial assets available within one year and available to meet general expenditures include:

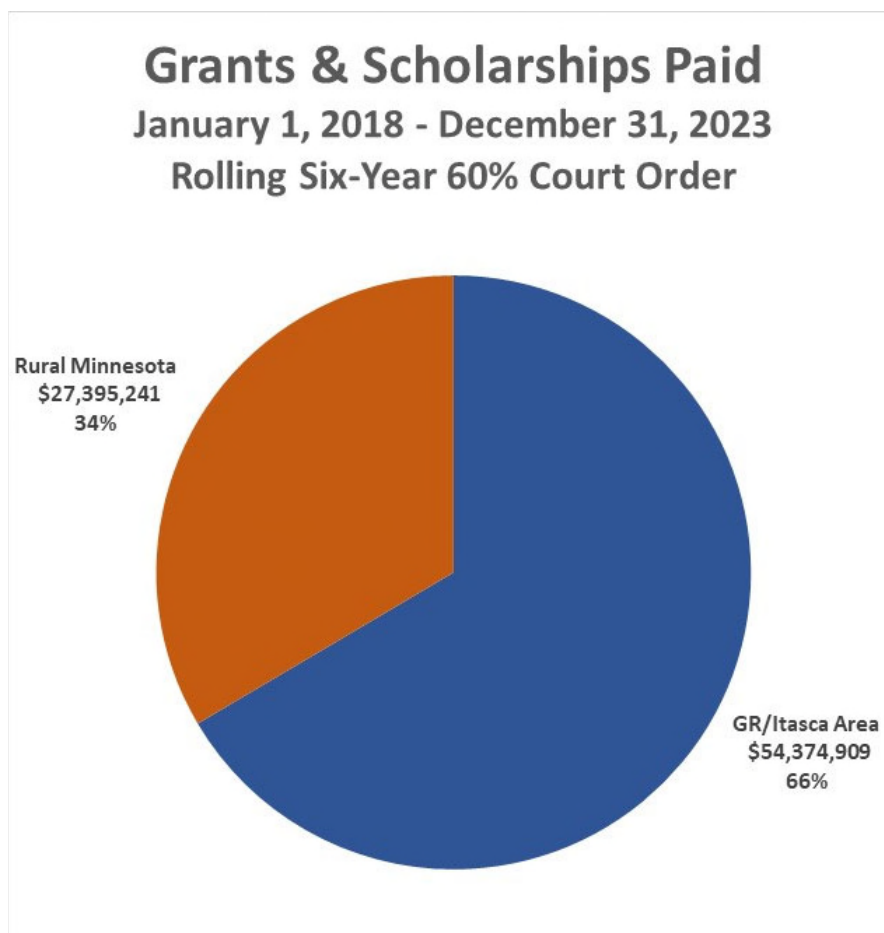
	2023	2022
Cash and cash equivalents	\$ 596,309	\$ 619,653
Accounts and investment income receivable	41,046	31,712
Investments	45,180,958	41,190,277
Other assets	301,668	110,961
Total financial assets	46,119,981	41,952,603
Available line of credit	2,000,000	2,000,000
Total liquidity	\$ 48,119,981	\$ 43,952,603

## **Supplemental Information**



A six-year rolling period of grants and scholarships paid in the local giving area versus rural Minnesota is reflected in the chart below. The chart displays the Foundation's adherence to the court order of at least 60% of grants to be distributed locally. Approximately \$54 million, or 66%, of grants have been paid in the local area during the timeframe represented. The Foundation's annual Form 990-PF tax return and audited financial statements were used as base documents.

*Note: Effective with calendar year 2022, grants paid include all grants distributed by the Blandin Foundation. For 2022, this included money from the Saint Paul Minnesota Foundation and the Margaret A Cargill Philanthropies.*



## **Management Discussion and Analysis**

**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2023**

This is management's discussion and analysis of the Charles K. Blandin Foundation's (the Foundation) audited financial statements for the year ended December 31, 2023. Please read in conjunction with the auditor's report and audited financial statements, which are presented at the front of this report.

**About the Charles K. Blandin Foundation**

The Foundation is a private foundation based in Grand Rapids, Minnesota, founded by Charles K. Blandin in 1941 to aid and promote Grand Rapids and the surrounding area. In designing the Foundation, Mr. Blandin emphasized flexibility to ensure it could adapt to changing times, with an underlying philosophy that its work should lead to the "betterment of mankind." Mr. Blandin stated, *"Furthermore, it is not the intention thru the medium of the Foundation, established as it is for the purpose of charitable enterprises and items that will be incidental to the welfare of the community to pauperize individuals or any class of people. Quite to the contrary, it is the intention of the Foundation, I hope, to be of material assistance in helping people to assist themselves. This, of course, would apply to both young and old, not overlooking the fact that in certain instances the principles of charity alone must be applied."* The Foundation is the state's largest rural-based and rural-focused private foundation.

The Foundation's vision is rural Minnesota places that welcome diversity, address injustice and embrace change to create a sustainable and equitable future. The Foundation's mission is to connect, fund and advocate for ideas and people to inspire resourcefulness and move rural places forward. The Foundation's values are that we love rural, lead with compassion, show courage through change and plant seeds for the future.

The Board of Trustees approved a new strategic plan in 2022, which shifted the Foundation's strategic focus to better meet rural Minnesota's urgent challenges and to realign its current work with Charles Blandin's original vision. At the core of the Foundation's new programs is the belief that rural places and people have been held back by long-standing unfair structures, systems and practices based on place (where we live), race (who we are) and class (economic status). Through updated priority areas, the Foundation will strive toward equitable rural futures where policy creation, implementation and decision-making will include broader rural perspectives. Policies that reflect a wider range of economic, racial, cultural and geographic interests will better serve the entire state. The Foundation has refocused its grantmaking efforts on areas where the biggest difference can be made toward those goals:

- **Community wealth-building:** Building the rural bases of knowledge, money, workforce, entrepreneurship and investment and keeping those powerful resources close to home.
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These grantmaking activities will be integrated to advance these program areas:

- **Rural grantmaking:** Funding organizations that make change in our three impact areas: rural placemaking, community wealth building and small towns.
- **Rural advocacy:** Raising rural voices and perspectives in service to people and places pushed to the margins, who live the realities of outdated policies every day.
- **Rural capacity building:** Delivering programming to community champions so rural communities can identify and access the resources needed to thrive.

**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2023**

Since the sale of the Blandin Paper Company (the Paper Company) in 1977, the financial resources of the Charles K. Blandin Residuary Trust (the Trust) and the Foundation have expanded dramatically. The Trust and the Foundation are distinct and legally separate from the Paper Company; and the Paper Company is owned by UPM Kymmene, based in Finland.

The Foundation is mainly funded by annual distributions from the Trust, of which the Foundation is the sole beneficiary. As of December 31, 2023, the Trust is worth approximately \$437.8 million.

The legacy of Charles K. Blandin's endowment truly shines when paired with the passion of individuals within rural and local communities.

**Overview of the Financial Statements**

This discussion and analysis introduce the Foundation's basic financial statements. The Foundation's basic financial statements are the following: (1) statement of financial position; (2) statement of activities; (3) statement of cash flows; and (4) notes to the financial statements. This report also demonstrates the Foundation's adherence to Paragraph II and III of the Stipulation and Order, which is the requirement, effective January 1, 2015, that the local giving area receive an average of at least sixty percent (60%) of all grants paid over a six-year rolling period.

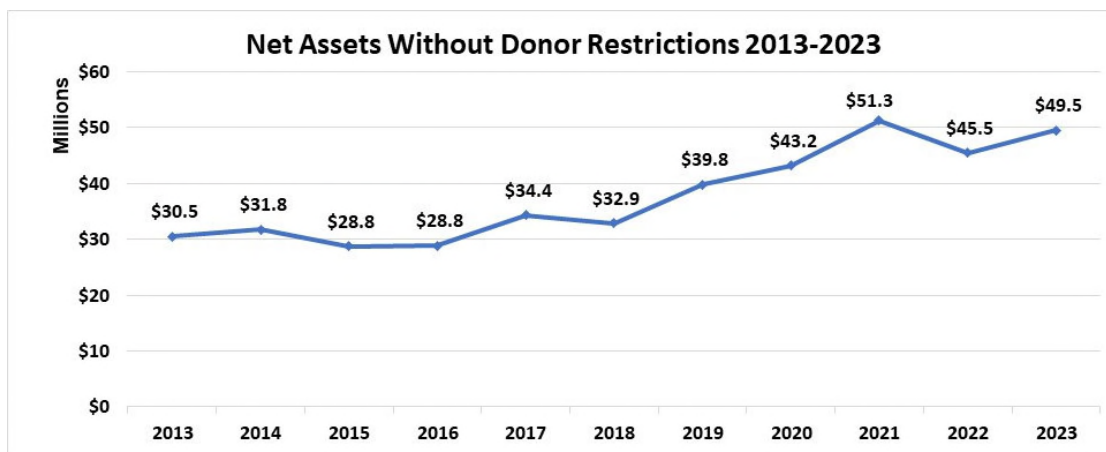
**Statement of Financial Position**

The statement of financial position (balance sheet) includes the Foundation's financial assets, liabilities and net assets.

The total assets of the Foundation increased by \$22.9 million at year-end 2023 compared to year-end 2022. This is mostly attributed to the increase in the value of the beneficial interest in the Trust. The value of the Trust increased from \$418.1 million at end-of-year 2022 to \$437.8 million at end-of-year 2023. Cash, cash equivalents and liquid investments at end-of-year 2023 is more than sufficient to pay grant and scholarship commitments in early 2024.

There was an increase of \$3.4 million in the Foundation's investment value from 2022 to 2023. The rate of return exceeded the 5% annual payout for the Foundation's charitable grant making and programs, which is what local and rural participants and organizations receive. Mission related investments decreased by \$335 thousand from 2022 to 2023, with continued implementation of the Foundation's mission related investment policy.

Total 2023 net assets without donor restrictions of the Foundation increased \$4 million compared to 2022. The amount of Board-designated net assets in 2023 increased \$800 thousand compared to 2022 in accordance with adopted policy, which directly links the Board-designated amount to next year's operating budget, less grants and scholarships. The chart on the next page shows a historical snapshot of net assets without donor restrictions of the Foundation.

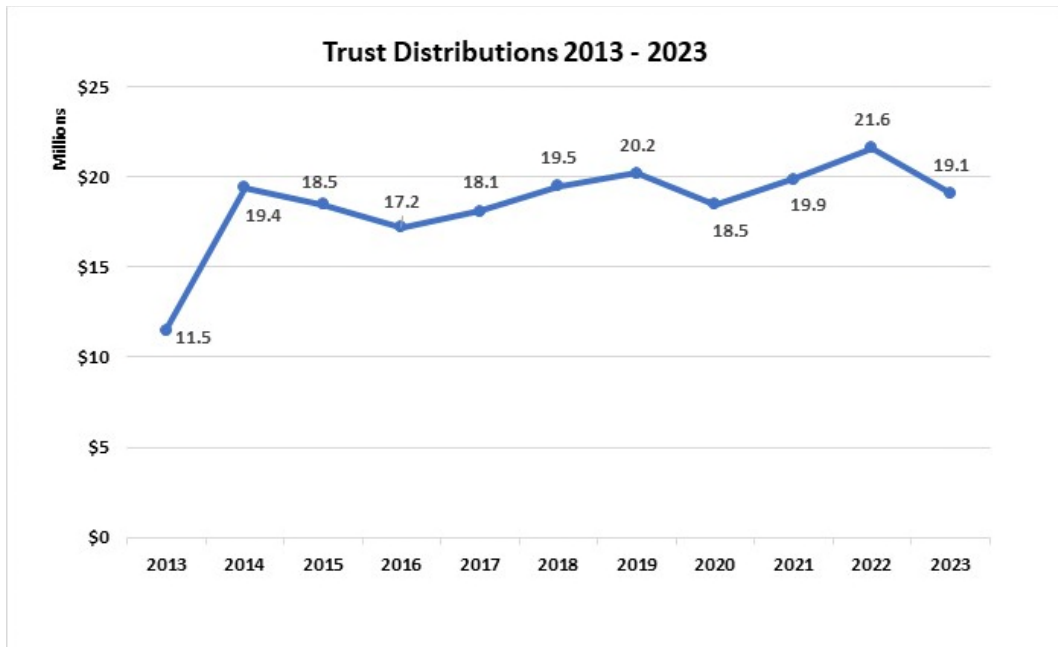


**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2023**

**Statement of Activities**

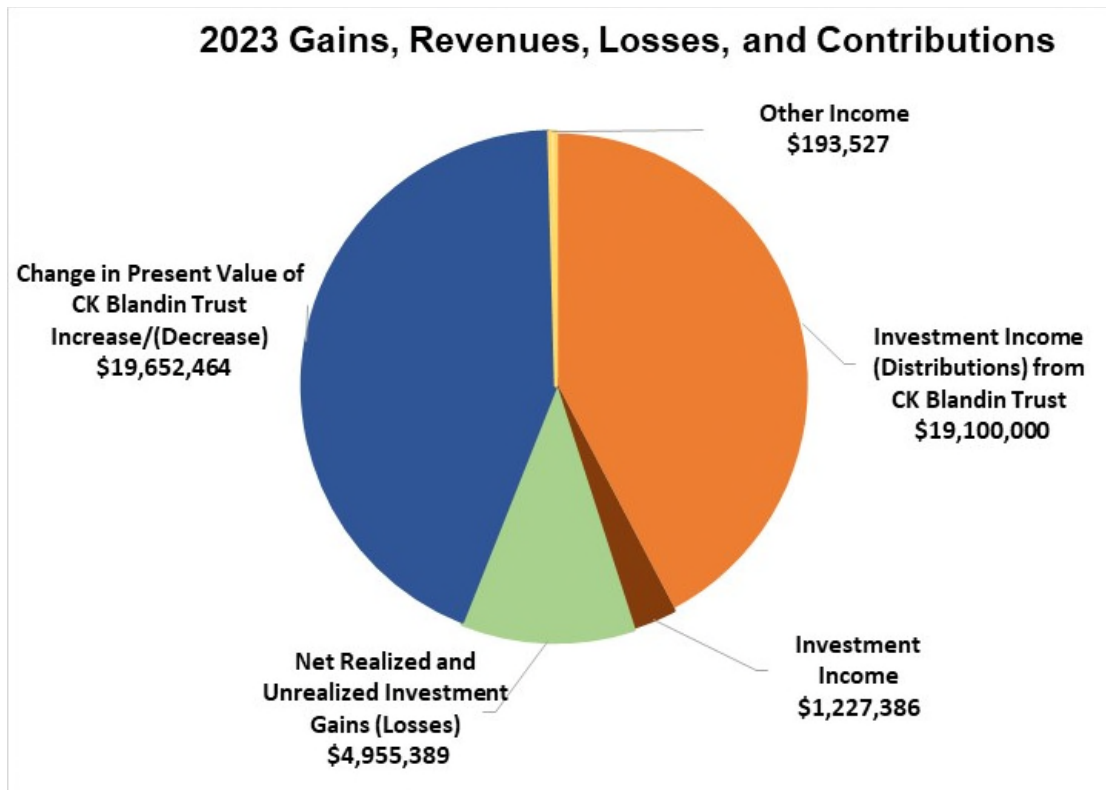
The statement of activities (income statement) is a summary of revenues from all sources and all expenses of the Foundation. The statement shows any surplus (deficit) of revenue over expenses. Generally Accepted Accounting Principles (GAAP) require the audited financial statements to classify revenues and expenses as without donor restrictions or with donor restrictions.

Investment income (distributions) from the Trust was \$19.1 million in 2023. Trust distributions remain the Foundation's main source of revenue. Activities in the financial markets for 2023 resulted in a 14.2% annual investment return for the Foundation, which was ahead of the absolute return target benchmark of All Urban CPI + 5%. Below is a chart showing historical Trust investment income (distributions) to the Foundation.



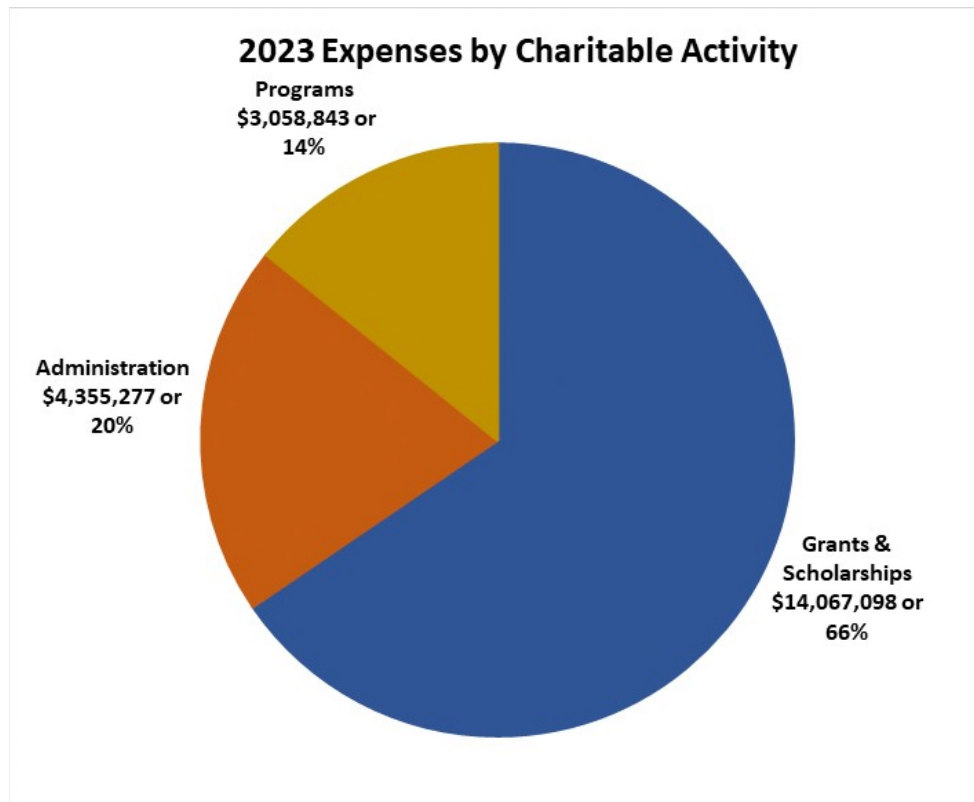
**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2023**

Net realized and unrealized investment gains for the Foundation equaled \$5 million and were 11% of total revenue. The beneficial interest in the Trust increased \$19.7 million and was 44% of total revenue. See below for a chart of the 2023 Foundation revenues by category.



**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2023**

The Board of Trustees approved a net \$14.1 million in grants and scholarships in 2023. The Foundation's program activities totaled \$3.1 million, which includes rural capacity building and innovation and design programs. Administrative costs were \$4.4 million in 2023. See chart below for a breakdown of 2023 charitable expenses by activity.



Below contains further information on grant-making and larger programmatic activities:

*Grants and Scholarships*—The Foundation supports partnerships through grants of money generated by the Trust. Since Charles K. Blandin's first grant of \$600 for a community park in 1943, the Foundation has approved 10,838 grants totaling \$512.9 million. Organizations must be located in Minnesota, and a minimum of 60% of grants are targeted to the Itasca County local giving area over a six-year rolling period, with the remaining balance used to support initiatives in other parts of rural Minnesota. Scholarships are awarded to students having graduated from high schools in the local giving area and are focused on improving the educational attainment of disadvantaged populations. More than 18,954 area youth have received scholarships totaling over \$33.6 million since 1956. The 2023 costs of \$939 thousand are associated with the administration of the grant and scholarship making programs.

**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
Year Ended December 31, 2023**

Our Leadership program and Public Policy and Engagement program were sunset in 2022. Aspects of these program areas were reorganized into new programmatic areas.

Rural Advocacy Program – Utilizing public policy research and strategic communications, Blandin Foundation raises our voice to advance equity of race, place and class.

Rural Capacity Building Program – Housing programming for scholarships, community relationships, and leadership development, this department works to develop human capital in rural communities so that these communities can thrive. In 2023, we served leaders from 26 communities who received our funding via a Community of Practice. We developed a sponsorship program in support of local community projects. And provided programmatic support to 354 scholarship recipients in the Local Giving Area.

Innovation and Design Program – Driving integration across program areas to increase impact. The department houses research, project management and administrative support for program area.

**Statement of Cash Flows**

The statement of cash flows reports the sources and uses of the Foundation's cash. The three main sections in the statement of cash flows are cash flows from: (1) operating activities; (2) investing activities; and (3) financing activities.

In 2023, cash was used by operating (\$1.6 million), and provided by investing (\$1.6 million) activities. This resulted in a decrease in cash of \$23 thousand at the end of 2023.

Cash used to pay grants and scholarships in 2023 totaled \$14.9 million, of which \$8.8 million or 58.6% was for the Grand Rapids/Itasca County area. See the Grants by Location (includes scholarships) table on the next page for more information.

**Notes to the Financial Statements**

A complete set of financial statements includes footnotes that provide further information to the reader about the Foundation's accounting policies and other explanatory information. There are several detailed footnotes on investments, program-related and directed investments and outstanding bonds.

**Other Information**

The Foundation has an Audit Committee and a Finance & Investment Committee. Both committees inform and advise the Foundation's Board of Trustees. Members of the Foundation Board are identified in the Foundation's 990-PF annual tax return.

The Residuary Trust files a separate 990-PF annual tax return, but salient information about the Trust is incorporated into the Foundation's tax filing. The Trustees of the Residuary Trust are identified in the Residuary Trust's 990-PF annual tax return.

In December 2003, the Foundation's Board of Trustees approved a resolution, ratified by the Ramsey County District Court, to distribute an average of at least 55% of all paid grants to the Grand Rapids area over a six-year rolling period, beginning with 2003. This action resulted from objections brought to the court's attention that questioned the Foundation's compliance with the founder's will. The Foundation reports annually the rolling six-year average of grants paid that are in its home giving area (classified as local) and those that are outside of its home giving area (classified as rural).

In calculating local grants, the Foundation follows the adopted policy of including grants expended 100% in the local area as local grants. Paid grants which include both local and rural impact are excluded from the definition of local for the purposes of the 55% calculation.



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The April 2015 Court order released the Special Master, authorized the Foundation to author an annual independent auditor verified self-report of compliance to the Court order, and increased the percentage of local grants to 60% over a six-year rolling period starting in 2015.

The six-year rolling period 2018–2023 timeframe is reflected in the figures and charts below, which confirms the Foundation complied with the 60% court order. \$54.4 million or 66% of grants were paid in the local area. The Foundation 990-PF annual tax return and audited financial statements are used as base documents for the below charts.

C.K. BLANDIN FOUNDATION  
Grants by Location (includes scholarships)  
Six-Year Rolling Average Percentages  
(See Annual 990-PF Tax Form for Details)

	2012 Amount	2013 Amount	2014 Amount	2015 Amount	2016 Amount	2017 Amount
Local	\$ 7,082,932	\$ 8,515,003	\$ 9,416,644	\$ 10,334,164	\$ 10,053,480	\$ 8,218,915
Rural	3,931,124	3,842,060	3,328,337	3,083,268	3,188,254	2,828,725
<b>TOTAL</b>	<b>\$ 11,014,056</b>	<b>\$ 12,357,063</b>	<b>\$ 12,744,981</b>	<b>\$ 13,417,432</b>	<b>\$ 13,241,734</b>	<b>\$ 11,047,640</b>

	2018 Amount	2013-2018 6-Year Rolling Total	2013-2018 6-Year Rolling Average	2019 Amount	2014-2019 6-Year Rolling Total	2014-2019 6-Year Rolling Average
Local	\$ 8,262,548	\$ 54,800,754	73.8%	\$ 7,785,545	\$ 54,071,296	73.7%
Rural	3,223,678	19,494,322	26.2%	3,596,486	19,248,748	26.3%
<b>TOTAL</b>	<b>\$ 11,486,226</b>	<b>\$ 74,295,076</b>	<b>100.0%</b>	<b>\$ 11,382,031</b>	<b>\$ 73,320,044</b>	<b>100.0%</b>

	2020 Amount	2015-2020 6-Year Rolling Total	2015-2020 6-Year Rolling Average	2021 Amount	2016-2021 6-Year Rolling Total	2016-2021 6-Year Rolling Average
Local	\$ 10,922,921	\$ 55,577,573	73.4%	\$ 8,755,431	\$ 53,998,840	72.9%
Rural	4,238,523	20,158,934	26.6%	3,035,499	20,111,165	27.1%
<b>TOTAL</b>	<b>\$ 15,161,444</b>	<b>\$ 75,736,507</b>	<b>100.0%</b>	<b>\$ 11,790,930</b>	<b>\$ 74,110,005</b>	<b>100.0%</b>

	2022 Amount	2017-2022 6-Year Rolling Total	2017-2022 6-Year Rolling Average	2023 Amount	2018-2023 6-Year Rolling Total	2018-2023 6-Year Rolling Average
Local	\$ 9,898,149	\$ 53,843,509	69.1%	\$ 8,750,315	\$ 54,374,909	66.5%
Rural	7,112,810	24,035,721	30.9%	6,188,245	27,395,241	33.5%
<b>TOTAL</b>	<b>\$ 17,010,959</b>	<b>\$ 77,879,230</b>	<b>100.0%</b>	<b>\$ 14,938,560</b>	<b>\$ 81,770,150</b>	<b>100.0%</b>

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**Note:** Grant amounts are determined from publicly reported grant detail listed in the Foundation's Form 990-PF tax return. The listed amounts have been adjusted by the Court appointed Special Master to comply with requirements of the 2003 Ramsey County Minnesota Court Order requiring a minimum six-year rolling average of 55% local grants. In April 2015, the Court ordered: (1) release of the Special Master; (2) increased the minimum 6-year rolling average to 60% local grants; and (3) authorized the Foundation to start independent auditor verified self-reporting on the required minimum six-year rolling average of 60% local grants.

Historical and annual charitable activities are reported in a chart which identifies financial information requested in the 2003 court order. Specifically, this information includes:

1. The grant amounts paid in the prior year on a cash basis of accounting to the local area;
2. The grant amounts paid in the prior year on a cash basis of accounting outside of the local area;
3. The program expenses paid in the prior year on an accrual basis of accounting;
4. The administrative expenses paid in the prior year on an accrual basis of accounting; and
5. The total expenditures on a cash basis of accounting for the prior year.

The base document used for this chart is the annual 990-PF tax return and it is prepared as part of the auditing and tax preparation procedures.

C.K. BLANDIN FOUNDATION  
Historical Comparisons

	Combined Assets (Fair Market Value) Source: 990-PF	Receipts (Accrual Basis) Source: 990-PF	Grants (Cash Basis) Source: 990-PF	Program Expenses (Accrual Basis) Source: Audit		Administrative Expenses (Accrual Basis) Source: Audit		Total Program & Administrative Expenses (Cash Basis) Source: 990-PF		Total Program & Administrative Expenses (Accrual Basis) Source: 990-PF
2010	406,456,948	23,280,216	18,207,731	4,336,078	***	3,868,532	*	7,569,254	**	8,434,539
2011	381,260,734	22,687,228	15,221,483	4,028,680	***	3,387,998	*	7,387,780	**	7,664,814
2012	404,340,951	20,213,933	11,594,701	4,704,753	***	2,752,187	*	6,887,213	**	7,716,515
2013	449,897,821	16,592,676	12,429,008	4,966,321	***	2,414,529	*	7,079,737	**	7,648,968
2014	444,848,406	22,533,040	12,744,981	4,748,163		2,649,456	*	7,079,850	**	7,687,880
2015	409,006,400	20,936,285	13,417,432	4,853,396		2,847,712	*	7,336,591	**	7,946,634
2016	417,470,522	18,348,478	13,241,734	4,751,170		2,991,372	*	7,187,789	**	7,956,678
2017	456,178,170	19,911,241	11,047,640	4,772,471		2,315,053	*	6,632,721	**	7,320,628
2018	420,188,971	23,309,835	11,486,226	5,063,043		2,396,045	*	7,066,470	**	7,700,774
2019	463,521,136	22,265,791	11,382,031	3,999,200		3,958,089	*	7,248,175	**	8,159,169
2020	484,204,383	24,073,238	15,161,444	2,940,181		3,960,880	*	6,193,091	**	7,090,843
2021	546,792,054	25,783,880	11,790,930	2,400,734		4,154,967	*	5,852,575	**	6,768,565
2022	473,816,755	21,665,350	17,010,959	2,973,047		3,170,303	*	5,804,825	**	6,300,387
2023	-	-	-	3,058,843		4,355,277	*	-		-

\* The administrative expenses in the audit column do not include investment expenses which are netted against investment income for audit presentation

\*\* The 990-PF reports investment expense as part of administrative expenses.

\*\*\* Includes Federal ARRA program costs which are reimbursed by the federal government.

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The Foundation has not changed any charitable financial practices. There have been no prior grants converted to programs and no programs have been converted to grants. The Foundation has developed a matrix process to utilize if there are any questions as to determination of geographic area impact of a grant, which was approved by the Board of Trustees in December 2013.

Grant, program, and administrative expenses and program-related investments made in the Grand Rapids area have a multiplier effect and the dollars likely recirculate several times. For example, the Foundation's payroll was \$3.3 million in 2023 and almost every employee lives in the Itasca County area. The Foundation also spent \$1.7M in the Itasca County area paying local vendors for goods and services.

The Foundation's annual report shall be reviewed by the Foundation's Board of Trustees each year, and after conducting such review, the Board of Trustees shall pass a resolution of their review and compliance to Court Orders and Stipulations.

At the June 2023 Board meeting, the following resolutions were unanimously carried by Board vote:

**WHEREAS, the RSM US LLP firm, contracted to perform 2022 audit and tax services, has discussed with the Audit Committee in their audit review that there have been no significant changes to the Foundation's grant making and charitable distribution practices; and**

**WHEREAS, the RSM US LLP firm has discussed with the Audit Committee in their audit review that there is no pending accounting standard that impacts the Foundation; and**

**WHEREAS, the RSM US LLP firm has verified as part of the Foundation's annual audit procedures all material amounts and significant inputs, and recalculated all key computations related to numerical presentations in the supplemental information and has reviewed the Management Discussion and Analysis section of the Foundation's annual audit; and**

**WHEREAS, the RSM US LLP firm has confirmed, on a test basis as part of the overall audit, the accuracy of the amount and the local and rural designation of grants paid in 2022,**

**RESOLVED, the Board of Trustees approves the 2022 Charles K. Blandin Foundation audited financial statements, notes, supplemental information, management discussion & analysis, and management letter at their June 2023 Board meeting; and**

**FURTHER RESOLVED, the Board of Trustees confirms the Foundation has complied with the required distribution of 60% grants paid in the local giving area over the six-year rolling period and have identified no significant changes in the charitable financial practices of the Foundation.**

At the December 2023 Board meeting, the following resolutions were unanimously carried by Board vote:

**WHEREAS, the RSM US LLP USA firm, using worksheets developed by Foundation staff, has prepared the Foundation's 2022 Form 990-PF, which has been reviewed by Foundation staff and accepted by the Audit Committee;**

**NOW THEREFORE, BE IT RESOLVED, that the Board of Trustees ratifies the Charles K. Blandin Foundation 2022 Form 990-PF tax return signed by the President/CEO, and given an IRS approved extension to November 15, 2023.**

**Charles K. Blandin Foundation  
Management's Discussion and Analysis (Unaudited)  
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**WHEREAS, the RMS US LLP firm has completed the Foundation's 2022 Form 990-T, International, and State tax returns, which have been reviewed by Foundation staff and accepted by Audit Committee;**

**THEREFORE BE IT RESOLVED, that the Board of Trustees ratifies the Charles K. Blandin Foundation 2022 Form 990-T, International, and State tax returns signed by the President/CEO and filed by the extension due date November 15, 2023.**

**Request for information**

This financial report provides a general overview of the Foundation's finances. Questions about this report or requests for additional financial information should be addressed to Chief Financial Officer at The Charles K. Blandin Foundation, 100 North Pokegama Ave., Grand Rapids, MN 55744. The annual audited financial report is also available online at [www.blandinfoundation.org](http://www.blandinfoundation.org).

A member of the Grand Rapids community with a question or concern regarding the Foundation's compliance with the 60% court order may present said question or concern to the Foundation's President/CEO, Tuleah Palmer, at [blandinCEO@blandinfoundation.org](mailto:blandinCEO@blandinfoundation.org) or 218-326-0523. The President/CEO will review the question or concern and respond within ten business days to the community member.