Blandin Foundation™
STRENGTHENING RURAL MINNESOTA

September 28, 2018

Honorable Robyn A. Millenacker
Ramsey County District Court
15 West Kellogg Boulevard, 1550
St. Paul, MN 55102

RE: Charles K. Blandin Foundation 2017 Independent Auditor Verified Self-Reporting
Court File No. C5-58-302795

Honorable Judge Millenacker:

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 independent auditor's verified self-reporting and constitutes the Blandin Foundation's compliance with the Ramsey County District Court's requirements regarding self-reporting for calendar year 2017.

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 audited self-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.

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The Foundation's 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 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 2017 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 June 25, 2018.

As confirmed on Page 20 of the 2017 Report during the 2012-2017 6-year rolling period, 73% of all Foundation grants were distributed to the Grand Rapids area and 27% to rural Minnesota.

The Foundation has complied with all required reporting under the April 2015 Order and the 2017 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.

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 regarding the Foundation's annual report for 2017 can be directed to the Foundation's President/CEO Dr. Kathleen Annette via email - krannette@blandinfoundation.org; phone - 218-326-0523; or by mail or in person – 100 North Pokegama Avenue, Grand Rapids, MN 55744. Dr. Annette will respond within 10 business days, pursuant to the Foundation Policy adopted as a result of the April 2015 Order. The 2017 Report has been posted on the Foundation's web site at www.blandinfoundation.org.

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

Sincerely,

Kathleen R Annette

Kathleen R. Annette
President/CEO

cc: Sarah Gillapsey, Assistant Minnesota Attorney General
James Rockwell, C.K. Blandin Residuary Trust
James Hoolihan, C.K. Blandin Residuary Trust
Brian Nicklason, Board Chair, Blandin Foundation
Neal T. Buethe and Andrew Howard, Briggs and Morgan, P.A.

Charles K. Blandin Foundation

Financial Statements
December 31, 2017

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RSM

Independent Auditor's Report

RSM US LLP

Board of Trustees
Charles K. Blandin Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the Charles K. Blandin Foundation, which comprise the statements of financial position as of December 31, 2017 and 2016, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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 auditor's 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 Charles K. Blandin Foundation as of December 31, 2017 and 2016, 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.

Other Matters

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 has been subjected to the auditing procedures applied in the audit 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The information in Management's Discussion and Analysis, which is of a nonaccounting nature, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

RSM US LLP

Des Moines, Iowa
June 25, 2018

Charles K. Blandin Foundation

Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 1,123,061	$ 930,972
Investments at fair value	39,170,935	36,138,448
Accounts and investment income receivable	69,142	48,290
Beneficial interest in Charles K. Blandin Residuary Trust	406,958,982	370,591,354
Mission related investments	2,931,673	3,651,735
Other assets	727,408	662,051
Property, furniture and equipment, net	5,196,969	5,447,672
Total assets	$ 456,178,170	$ 417,470,522
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 559,939	$ 917,653
Grants and scholarships payable	9,000,411	10,053,478
Long-term debt	5,273,770	7,076,899
Total liabilities	14,834,120	18,048,030
Net assets:		
Unrestricted	25,929,068	20,656,138
Unrestricted—Board designated	8,456,000	8,175,000
Total unrestricted	34,385,068	28,831,138
Permanently restricted	406,958,982	370,591,354
Total net assets	441,344,050	399,422,492
Total liabilities and net assets	$ 456,178,170	$ 417,470,522

See notes to financial statements.

Charles K. Blandin Foundation

Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gains, revenues, losses and contributions:				
Investment Income (Distributions) from Charles K. Blandin Residuary Trust	$ -	$ 18,064,071	$ -	$ 18,064,071
Investment income	747,713	-	-	747,713
Net realized and unrealized investment gain	4,533,659	-	-	4,533,659
Increase in beneficial interest of perpetual trust	-	-	36,367,628	36,367,628
Change in swap value	95,403	-	-	95,403
Other income	12,881	-	-	12,881
Net assets released from restrictions	18,064,071	(18,064,071)	-	-
Total gains, revenues and contributions	23,453,727	-	36,367,628	59,821,355
Expenses:				
Charitable activities:				
Grants	9,962,666	-	-	9,962,666
Scholarships	849,607	-	-	849,607
Programs	4,772,471	-	-	4,772,471
Total charitable activities	15,584,744	-	-	15,584,744
Administrative	2,315,053	-	-	2,315,053
Total expenses	17,899,797	-	-	17,899,797
Change in net assets	5,553,930	-	36,367,628	41,921,558
Net assets, beginning of year	28,831,138	-	370,591,354	399,422,492
Net assets, end of year	$ 34,385,068	$ -	$ 406,958,982	$ 441,344,050

See notes to financial statements.

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Charles K. Blandin Foundation

Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gains, revenues, losses and contributions:				
Investment Income (Distributions) from Charles K. Blandin Residuary Trust	$ -	$ 17,153,579	$ -	$ 17,153,579
Investment income	569,233	-	-	569,233
Net realized and unrealized investment gain	2,824,167	-	-	2,824,167
Increase in beneficial interest of perpetual trust	-	-	10,668,766	10,668,766
Change in swap value	128,219	-	-	128,219
Other income	36,948	-	-	36,948
Net assets released from restrictions	17,153,579	(17,153,579)	-	-
Total gains, revenues and contributions	20,712,146	-	10,668,766	31,380,912
Expenses:				
Charitable activities:				
Grants	12,032,361	-	-	12,032,361
Scholarships	881,267	-	-	881,267
Programs	4,751,170	-	-	4,751,170
Total charitable activities	17,664,798	-	-	17,664,798
Administrative	2,991,372	-	-	2,991,372
Total expenses	20,656,170	-	-	20,656,170
Change in net assets	55,976	-	10,668,766	10,724,742
Net assets, beginning of year	28,775,162	-	359,922,588	388,697,750
Net assets, end of year	$ 28,831,138	$ -	$ 370,591,354	$ 399,422,492

See notes to financial statements.

Charles K. Blandin Foundation

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 41,921,558	$ 10,724,742
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	422,849	313,215
Amortization	33,973	33,973
Loss on disposal of property and equipment	-	20,045
Change in value of Charles K. Blandin Residuary Trust	(36,367,628)	(10,668,766)
Net realized and unrealized investment (gains)	(4,533,659)	(2,824,167)
Change in interest rate swap value	(95,403)	(128,220)
(Increase) decrease in assets:		
Accounts and investment income receivable	(20,852)	(3,264)
Other assets	(65,357)	94,319
Mission related investments	720,062	(587,826)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(262,311)	152,468
Grants and scholarships payable	(1,053,067)	(182,899)
Net cash provided by (used in) operating activities	700,165	(3,056,380)
Cash flows from investment activities:		
Purchase of property, furniture and equipment	(172,146)	(579,407)
Purchase of property, furniture and equipment, building remodel	-	(75,960)
Proceeds from sale of investments	28,172,446	24,829,232
Purchase of investments	(26,671,274)	(21,705,991)
Net cash provided by investing activities	1,329,026	2,467,874
Cash flows from financing activities:		
Repayment of long-term debt	(1,837,102)	(1,762,348)
Net increase (decrease) in cash and cash equivalents	192,089	(2,350,854)
Cash and cash equivalents:		
Beginning of year	930,972	3,281,826
End of year	$ 1,123,061	$ 930,972
Supplemental information:		
Grants paid	$ 10,132,774	$ 12,304,985
Scholarships paid	914,866	936,749
Interest paid	293,715	365,408

See notes to financial statements.

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 percent of its grants paid to the Grand Rapids area over a six-year rolling period.

The Blandin Foundation's mission is to be a trusted partner and advocate to strengthen rural Minnesota communities, especially the Grand Rapids area. The vision is healthy, inclusive communities. The Foundation stands with rural Minnesota communities as they design and claim vibrant, resilient futures. Blandin Foundation is one of only a handful of private foundations in the nation focused exclusively on rural communities, places which are persistently underserved and marginalized.

Cash, cash equivalents and concentration of risk: For the purpose of the statements of cash flows, 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 in excess of the FDIC insurance limit. The Foundation has not incurred any losses as a result 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 partnership investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the partnership general partner or as adjusted by the Foundation based as 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 gain 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 non-investment 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 permanently restricted 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 permanently restricted net assets column.

Note 1 Summary of Significant Accounting Policies (Continued)

Fair value of financial instruments: At December 31, 2017 and 2016, the fair value of all financial instruments approximates carrying value. Securities available for sale 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 the fair value of each class of financial instruments:

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.

Long-term debt: It is not practicable to estimate the fair value of the 2010 and 2015A debt due to the uncertainty of the bond refinance market.

Grants payable: The fair value of grants payable approximates carrying value as they are recorded at the present value of the future payments, using an appropriate discount rate at the time of the grant.

Interest rate swap: This derivative instrument is valued using a discounted cash flow model that uses observable yield curve inputs to calculate fair value and is classified within Level 3 of the hierarchy. For all other financial instruments, including investment income receivable, accounts payable and accrued expense, the carrying value approximates fair value due to the short-term nature of the instruments.

Mission related investments: The purpose of the Blandin Foundation's Mission Related Investment (MRI) activities is to increase the organization'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 Blandin Foundation uses the following definitions in its MRI policies: investments made from the annual five percent mandatory charitable distribution of the Foundation for which there is an expectation of partial or full repayment and known as program-related investments for financial reporting purposes.

Note 1 Summary of Significant Accounting Policies (Continued)

Program-related 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. In the event that a program-related investment is subsequently determined to be uncollectible or the value is permanently impaired, the Foundation may record the uncollectible amount as a grant appropriation or record an impairment reserve. During the years ended December 31, 2017 and 2016, there was $200,000 and none, respectively, of new Program-related investments. There were distributions to existing Program-related investments of none and $90,000 for the years ended December 31, 2017 and 2016, respectively.

Directed investments: Mission related investments funded from the unrestricted net assets 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, 2017 and 2016 there was none and $1,200,000, respectively, capital invested through capital calls.

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 in excess of $5,000, provided those assets have a useful life extending beyond one year.

Building and improvements	10-30 Years
Furniture and equipment	5-10 Years
Vehicles	5 Years

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:

Unrestricted: Represents assets over which the Foundation's Board of Trustees (Trustees) has discretionary control. The Trustees adopted a policy whereby a portion of unrestricted net assets are designated in an amount equivalent of next year's adopted operating expenses.

Temporarily restricted: Temporarily restricted assets represent resources subject to donor imposed restrictions that will be satisfied by actions of the Foundation or the passage of time.

Permanently restricted: The assets of the Charles K. Blandin Residuary Trust (Trust) are permanently restricted at the donor's request. The Trust is required by IRS regulations to distribute annually, 5 percent of the average monthly ending market values of its previous year net assets or, according to the Trust documents, distribute 100 percent of Trust income, whichever is greater. For the years ended December 31, 2017 and 2016, the Trust calculated the required 5 percent 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 percent distribution, a portion of the corpus of the Trust will be paid out to cover the remaining distribution requirement.

Note 1 Summary of Significant Accounting Policies (Continued)

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 generally accepted accounting principles 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. Other expenses, not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Board compensation: In accordance with the provision of Charles K. Blandin's Will, Foundation Trustees are compensated. For the years ending December 31, 2017 and 2016, there were 12 and 13 Board members, respectively, and they were compensated $213,750 and $230,500, respectively.

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.

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 31, 2018. The Foundation expects to have enhanced disclosures, but does not expect the new standard to have a material impact on the Foundation's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the requirements for financial statements and notes in Topic 958, Not-for-Profit Entities, and improves the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Management is currently evaluating the effect that adopting this new accounting guidance will have on the financial statements.

Subsequent events: In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 25, 2018, the date the financial statements were recommended by the Audit Committee to the Trustees to be approved and issued.

Charles K. Blandin Foundation

Notes to Financial Statements

Note 2. Investments

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

	2017			2016		
	Cost	Fair Value	Unrealized (Depreciation) Appreciation	Cost	Fair Value	Unrealized (Depreciation) Appreciation
Domestic large cap equities	$ 122,775	$ 134,127	$ 11,352	$ 55,739	$ 57,765	$ 2,026
Domestic mid cap equities	3,292,310	4,218,759	926,449	2,987,114	3,886,306	899,192
Domestic small cap equities	1,317,917	1,998,198	680,281	1,436,716	1,675,577	238,861
International equities	1,580,251	1,872,861	292,610	1,752,194	1,735,105	(17,089)
Fixed Income	4,142,359	4,134,247	(8,112)	4,472,581	4,452,253	(20,328)
Alternative investments	10,574,632	15,730,469	5,155,837	10,408,892	14,171,671	3,762,779
Natural resources publicly traded limited partnerships	2,987,923	1,290,186	(1,697,737)	2,620,308	1,400,196	(1,220,112)
Equity mutual funds	5,738,290	9,102,609	3,364,319	6,198,391	8,160,781	1,962,390
Cash	689,479	689,479	-	598,794	598,794	-
	$ 30,445,936	$ 39,170,935	$ 8,724,999	$ 30,530,729	$ 36,138,448	$ 5,607,719

	2017	2016
Net realized gain on investments	$ 1,086,576	$ 588,718
Net unrealized gain (loss) on investments	3,680,187	2,449,585
Investment fees	(233,104)	(214,136)
	4,533,659	2,824,167
Interest and dividends	747,713	569,233
Net investment gain (loss)	$ 5,281,372	$ 3,393,400

As of December 31, 2017 and 2016, the Foundation has future capital call requirements for investments of approximately $2,137,000 and $2,618,000, respectively.

Note 3. Fair Value Measurements

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.

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. However, according to the unaudited financial information provided from the Trust, the underlying investments would be categorized at December 31, 2017, as approximately $267 million (66 percent) Level 1, $92 million (22 percent) Level 2, and $48 million (12 percent) Level 3 and at December 31, 2016, approximately $249 million (67 percent) Level 1, $42 million (12 percent) Level 2, and $80 million (21 percent) Level 3.

The following table presents the Foundation's fair value hierarchy for those assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Domestic large cap equities	$ 134,127	$ -	$ -	$ 134,127
Domestic mid cap equities	4,218,759	-	-	4,218,759
Domestic small cap equities	1,998,198	-	-	1,998,198
International equities	1,872,861	-	-	1,872,861
Fixed income	4,134,247	-	-	4,134,247
Equity mutual funds	9,102,609	-	-	9,102,609
Natural resources publicly traded limited partnerships	1,290,186	-	-	1,290,186
Beneficial interest in Charles K. Blandin Residual Trust	-	-	406,958,982	406,958,982
Interest rate swap liability	-	-	(57,133)	(57,133)
Total	$ 22,750,987	$ -	$ 406,901,849	429,652,836
Investments valued at net asset value:				
Alternative investments				15,730,469
				$ 445,383,305

Charles K. Blandin Foundation

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets and liabilities for the year ended December 31, 2017:

	Beneficial Interest	Interest Rate Swap Liability	Total
Beginning balance, January 1, 2017	$370,591,354	$ (152,536)	$370,438,818
Change in value of swap	-	95,403	95,403
Increase in value of beneficial interest, net of distributions	36,367,628	-	36,367,628
Ending balance, December 31, 2017	$406,958,982	$ (57,133)	$406,901,849

The following table presents the Foundation's fair value hierarchy for those assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Domestic large cap equities	$ 57,765	$ -	$ -	$ 57,765
Domestic mid cap equities	3,886,306	-	-	3,886,306
Domestic small cap equities	1,675,577	-	-	1,675,577
International equities	1,735,105	-	-	1,735,105
Fixed income	4,452,253	-	-	4,452,253
Equity mutual funds	8,160,781	-	-	8,160,781
Natural resources publicly traded limited partnerships	1,400,196	-	-	1,400,196
Beneficial interest in Charles K. Blandin Residual Trust	-	-	370,591,354	370,591,354
Interest rate swap liability	-	-	(152,536)	(152,536)
Total	$ 21,367,983	$ -	$ 370,438,818	391,806,801
Investments valued at net asset value:				
Alternative investments				14,171,671
				$ 405,978,472

The following table provides a summary of changes in fair value of the Foundation's Level 3 financial assets and liabilities for the year ended December 31, 2016:

	Beneficial Interest	Interest Rate Swap	Total
Beginning balance, January 1, 2016	$359,922,588	$ (280,755)	$359,641,833
Change in value of swap	-	128,220	128,220
Increase in value of beneficial interest	10,668,766	-	10,668,766
Ending balance, December 31, 2017	$370,591,354	$ (152,535)	$370,438,819

Note 3. Fair Value Measurements (Continued)

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31, 2017 and 2016:

	Net Asset Value as of December 31, 2017	Net Asset Value as of December 31, 2016	Unfunded Commitments as of December 31, 2017	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Venture capital (a)	$ 654,214	$ 789,857	$ 282,250	None	NA
Real estate (b)	3,851,869	3,735,744	499,968	None	NA
Debt (c)	1,662,606	256,887	287,604	Monthly	90 days
Buyout (d)	464,033	831,697	447,362	None	NA
Special situation (e)	1,035,222	1,722,085	619,831	None	NA
International equity (f)	4,671,758	3,962,301	-	Monthly	3–6 days
Domestic equity (f)	1,601,341	1,483,096	-	Daily	30 days
Emerging market (f)	1,789,426	1,390,004	-	Monthly	30 days
	$ 15,730,469	$ 14,171,671	$ 2,137,015		

The investments not currently eligible for redemption are expected to be liquidated over the period of approximately 15 years.

(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.

(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 include 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 (LBO) 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 situation are private capital investments whose strategies are not fully described by the four traditional classification 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 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 Board of Trustees who approves the allowance. At December 31, 2017, and 2016, 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.

Directed investments are used to further the Foundation's mission and is 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, 2017 and 2016, there was an allowance of $1,000,000 for current directed investments. The approved directed investments are carried at cost basis on the statement of financial position at year-end less any unfunded commitments.

At December 31, 2017 and 2016, the program-related and directed investments consisted of the following:

	2017	2016
Program-related investments	$ 1,680,095	$ 2,406,594
Less		
Allowance and discounts		
Beginning of year	(154,859)	(161,091)
Decreases	6,437	6,232
Subtotal program-related investments	1,531,673	2,251,735
Directed investments	2,400,000	2,400,000
Less allowance and discounts	(1,000,000)	(1,000,000)
Subtotal directed investments	1,400,000	1,400,000
Total program-related investments, net	$ 2,931,673	$ 3,651,735

At December 31, 2017 and 2016, 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, 2017 and 2016:

	2017	2016
Land, building and improvements	$ 8,304,590	$ 8,235,686
Furniture, equipment and vehicles	3,253,644	3,178,777
Total	11,558,234	11,414,463
Less accumulated depreciation	(6,361,265)	(5,966,791)
Net property, furniture and equipment	$ 5,196,969	$ 5,447,672

Note 6. Long-Term Debt, Interest Rate Swap and Bond Reserve Fund

Debt obligations of the Foundation consisted of the following at December 31, 2017 and 2016:

	2017	2016
Revenue Bonds Series 2010, interest payable semiannually on November 1 and May 1 at rates ranging between 3.00% and 4.00% (3.50% at December 31, 2017), with principal payable annually on May 1 through 2019. The bond is secured by a Bond Reserve Fund.	$ 1,525,000	$ 2,250,000
Revenue Bonds Series 2015A bearing interest at a fixed interest rate of 2.80% requiring $23,912 principal and interest monthly payments through January 2026.	2,073,548	2,298,998
Promissory note bearing interest at a fixed interest rate of 3.38% requiring $80,367 principal and interest monthly payments, through November 2019.	1,781,775	2,668,427
	5,380,323	7,217,425
Less unamortized debt issuance costs	106,553	140,526
	$ 5,273,770	$ 7,076,899

The summary of approximate annual future maturities of principal on bonds as of December 31, 2017 is as follows:

Years ending December 31:	
2018	$ 1,895,000
2019	1,883,000
2020	246,000
2021	252,000
2022	259,000
Thereafter	845,000
	$ 5,380,000

Note 6 Long-Term Debt, Interest Rate Swap and Bond Reserve Fund (Continued)

Bond reserve fund: As part of the issuance of the County of Itasca, Minnesota, Demand Revenue Bonds, Series 2010, the Foundation must maintain a reserve fund equal to the reserve requirement. The reserve requirement is the lesser of: (1) 50 percent principal and interest requirements on outstanding bonds payable during the then current or any succeeding fiscal year or (2) 10 percent of the original principal amount of all series of the bonds then outstanding or (3) 125 percent of the average annual debt service on the outstanding bonds. The bond reserve serves as collateral for the bonds. The balance of the bond reserve fund was $399,638 at both the years ended December 31, 2017 and 2016, and is recorded in other assets on the statements of financial position.

The Foundation incurred interest expense on long-term debt of approximately $294,000 and $366,000 during the years ended December 31, 2017 and 2016, respectively.

Interest rate swap: The Foundation entered into an interest rate swap agreement (the Agreement) effective March 1, 2006. The purpose of the swap was to convert the variable rate interest on the Variable Rate Demand Revenue Bonds, Series 2004B to a synthetic fixed rate of 5.071 percent. Under terms of the Swap Agreement, the Foundation began making fixed rate payments of interest on April 1, 2006. During the year ended December 31, 2015 the Foundation paid the Series 2004B in full and this interest rate swap agreement is considered to be an orphaned swap agreement. The notional amount of the Agreement is $8,100,000 and gradually decreases to zero upon the termination of the Agreement on May 1, 2019. The fair value of the swap agreement was a liability as of December 31, 2017 and 2016, was approximately $57,000 and $153,000, respectively, and recorded in accrued expenses.

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 2 percent (reduced to 1 percent if certain requirements are met) 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:

	2017	2016
(Benefit) expenses:		
Current	$ (8,943)	$ 60,166
(Asset) liabilities:		
Current	$ (31,568)	$ 19,136
Deferred	181,190	112,147
	$ 149,622	$ 131,283

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, it must distribute, in the year immediately following receipt, 100 percent of the contribution received from the Trust and 5 percent of the previous year's average monthly market value of its assets as defined by the Internal Revenue Code. Failure to meet this distribution requirement subjects the Foundation to a 30 percent tax on the undistributed balance. The Foundation has complied with the distribution requirements through December 31, 2017.

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. The Foundation contributes 6 percent 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 percent, vesting at six years.

The Foundation also contributes to a plan qualified under Section 403(b) of the Internal Revenue Code. 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 percent 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 Internal Revenue Code.

Foundation contributions related to these defined contribution plans was approximately $309,000 and $307,000 for the year's ended December 31, 2017 and 2016, respectively.

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:

Year	Amount
2018 scholarships	$ 496,900
2018 grants	6,272,822
2019 grants	2,359,000
2020 grants	50,000
Total grant and scholarship commitments	9,178,722
Discount to present value	(178,311)
Total present value of grant and scholarship commitments	$ 9,000,411

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.

	2017	2016
Charitable activities—Programs:		
Leadership development	$ 2,432,437	$ 2,411,626
Public policy and engagement	1,117,420	1,148,012
Grants and scholarships	1,222,614	1,191,532
Total charitable activities—Programs	$ 4,772,471	$ 4,751,170

Note 10 Charitable Activities—Programs (Continued)

Leadership development: This is a unique nationally-recognized program that builds competencies in three major areas: (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 program is designed for community teams that reflect diversity of their community from all walks-of-life. A combination of an intensive residential retreat, coupled with on-going workshops, trains leaders in communications, conflict management, networking and stakeholder analysis.

Public policy and engagement: Part of strengthening rural Minnesota is helping assure rural perspectives are well represented in public discourse. The Foundation, with partners, convenes and participates in public policy conversations on issues most important to the health of rural Minnesota communities. The Foundation currently has the following focus areas: *broadband, student success, early childhood quality and quantity of care and a fair and complete census.*

High-speed Internet, or "broadband," today is indispensable infrastructure for thriving communities. Since 2003, the Blandin Community Broadband Program has engaged at local, state and federal levels to ignite and sustain policies that support rural access to robust broadband to decrease disparities between rural and urban broadband access.

Student Success and Early Childhood: a strong start in life—education, nurturing, discovery, growth, work—sets the foundation and direction for the lives of individuals and communities alike. The Foundation partnerships focused on the success of all students assist people, particularly those in Itasca County, Minnesota, who seek opportunities that enhance their lives, their children's lives, and their community as a whole.

A fair and complete 2020 Census is a bedrock of American society and constitutionally mandated. Too often, rural peoples and other marginalized populations are underrepresented, which has implications for commerce, community development and governmental representation. Blandin Foundation is engaged specifically within Minnesota.

Grants and scholarships: The Foundation partners with community-focused organizations throughout rural Minnesota to build healthy communities. A minimum of 60 percent of grants are targeted to the Itasca County local giving area, with the balance used to support 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 education, and proposed projects that align with the Foundation's mission and focus areas which include:

Vibrant home communities where all dimensions of local communities are healthier.

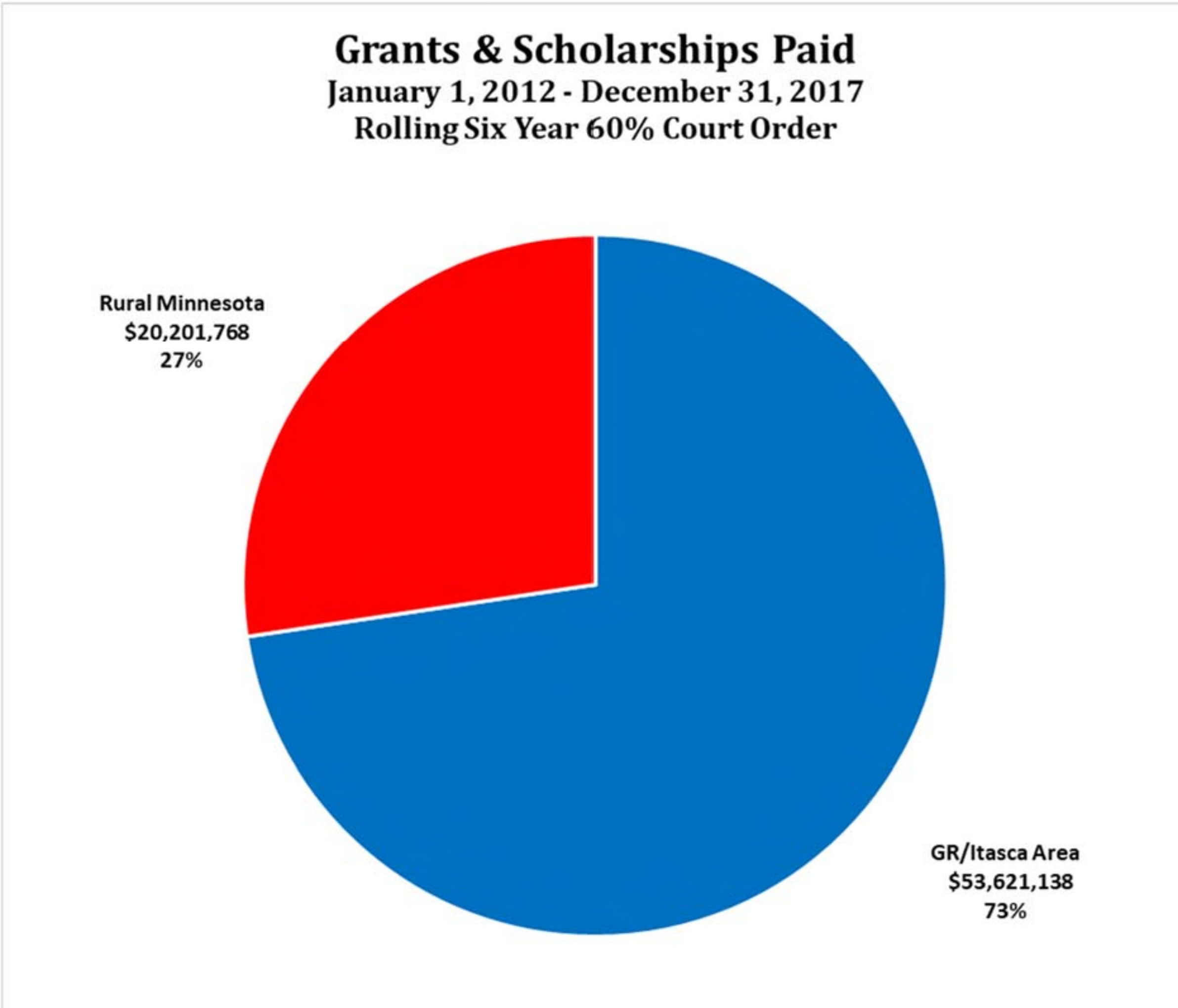
Skilled community leaders who recognize and capitalize on opportunities, strengthen diverse relationships, and motivate others to act to strengthen their community of place or interest.

Expanded rural opportunity through the blend of community economic vitality, intentional inclusion and education success.

Scholarships are awarded in the local giving area, focused on improving educational attainment of disadvantaged populations. The above costs are associated with the administration of the grant and scholarship making programs. Each year, hundreds of students from Itasca County, Minnesota, area schools are awarded need-based scholarships to continue their education at community college, college or university, trade schools and certificate programs throughout the United States.

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 confirms the Foundation is in compliance with the court order of at least 60% of grants to be distributed locally. Approximately $53.6 million, or 73%, 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 for the chart above.

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MANAGEMENT DISCUSSION AND ANALYSIS

Charles K. Blandin Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

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, 2017. 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 foundation.

The Foundation's mission is to be a trusted partner and advocate to strengthen rural Minnesota communities, especially the Grand Rapids area. The Foundation stands with rural Minnesota communities and leaders as they design and claim ambitious, vibrant and resilient futures. The Foundation's management and Board of Trustees work diligently to ensure that Charles K. Blandin's legacy is served through wise investment, progressive leadership programs, meaningful public policy engagement, and grant making.

The Foundation's vision is of healthy, inclusive rural communities. The Foundation's work--and that of its partners--is viewed through the lens of four areas of focus:

Vibrant Itasca County
The Foundation's primary geographic focus is Itasca County (north central Minnesota) and a few neighboring communities. This region was the "wood basket" of the Grand Rapids-based Blandin Paper Company when it was owned by Foundation founder, Charles K. Blandin, in the early 20th Century.

Today the Foundation's primary focus -- and the focus of the majority of its resources -- is on its partnerships with its "home communities" of Bigfork, Blackduck, Bovey, Calumet, Cohasset, Coleraine, Deer River, Effie, Goodland, Grand Rapids, Hill City, Keewatin, LaPrairie, Marble, Marcell, Nashwauk, Northome, Pengilly, Remer, S. Lake, Taconite, Talmoon, Warba, Wawina, Wirt, and Zemple.

The Foundation's work and giving in the area is focused on building strong relationships for all Itasca communities to be vibrant, thriving, and healthy. The Foundation supports a wide spectrum of partners and initiatives, with emphasis given to those based on collaboration and people facing inequities.

Invest in community leadership
As the only statewide foundation in Minnesota focused exclusively on rural communities, the Foundation stands with community partners to design, claim, and work toward communities that work for all residents. In short, the Foundation seeks to support and inspire inclusive rural leadership.

The Foundation works toward outcomes, such as new and diverse people taking formal and informal leadership roles and leadership program alumni being supported and equipped to take courageous action to help their communities address barriers, especially socio-economic, racial, and cultural.

Charles K. Blandin Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

Expand opportunity
The Foundation encourages and supports inclusive community efforts that intentionally blend educational attainment, economic innovation, and equity. Outcomes the Foundation seeks include community members collaborating to reduce systemic barriers, especially for people persistently excluded. The Foundation also focuses its resources and relationships to enhance rural communities' ability to learn and adapt to change.

Effective stewards
This strategy is inward facing, focused on growing and leveraging Foundation resources, relationships, and opportunities. For example, staff and board capacities are developed, strengthened, and utilized. The organizational culture is welcoming, inclusive, and powering. In addition, the Foundation declares its commitment to managing financial assets with integrity and transparency in perpetuity. To this end, the Foundation has achieved the Glasspockets designation by Foundation Center.

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, 2017, the Trust is worth approximately $407.0 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 introduces 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 compliance with 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.

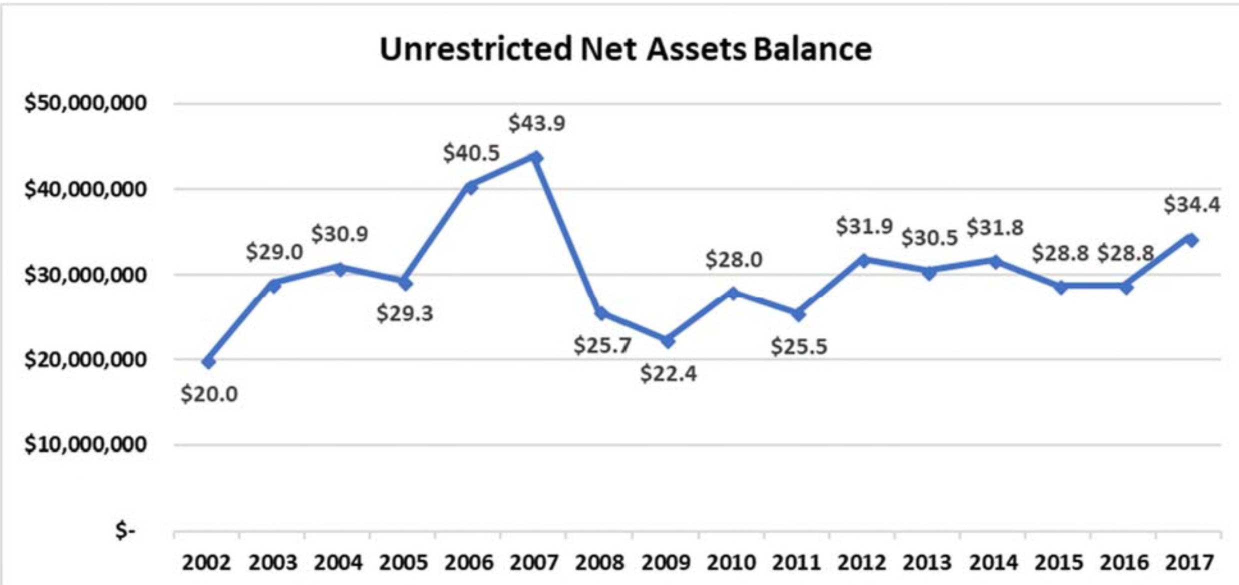
Statement of Financial Position
The statement of financial position (balance sheet) includes the Foundation's financial assets, liabilities and net assets.

The total assets of the Foundation increased by $38.7 million at year-end 2017. This is mostly attributed to the increase in the value of the beneficial interest in the Trust. The value of the Trust increased $36.4 million, from $370.6 million at end-of-year 2016 to $407.0 million at end-of-year 2017, due to stronger economic markets generating returns that exceeded the annual calculated distributions to the Foundation. The cash and cash equivalents at end-of-year 2017 is more than sufficient to pay grant and scholarship commitments early in 2018.

There was an increase of $3.0 million in the Foundation's investment value from 2016 to 2017. The rate of return exceeded the 5% annual payout for the Foundation's charitable grantmaking and programs, which is what local and rural participants and organizations receive. Mission related investments decreased by $720 thousand from 2016 to 2017, with continued implementation of the Foundation's revised mission investment policy.

Charles K. Blandin Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

Total 2017 unrestricted net assets of the Foundation increased $5.6 million compared to 2016. The amount of unrestricted net assets – Board designated in 2017 increased $281 thousand compared to 2016 in accordance with adopted policy, which directly links the Board designated amount to next year's operating budget, less grants and scholarships. The chart below shows a historical snapshot of unrestricted net assets of the Foundation.

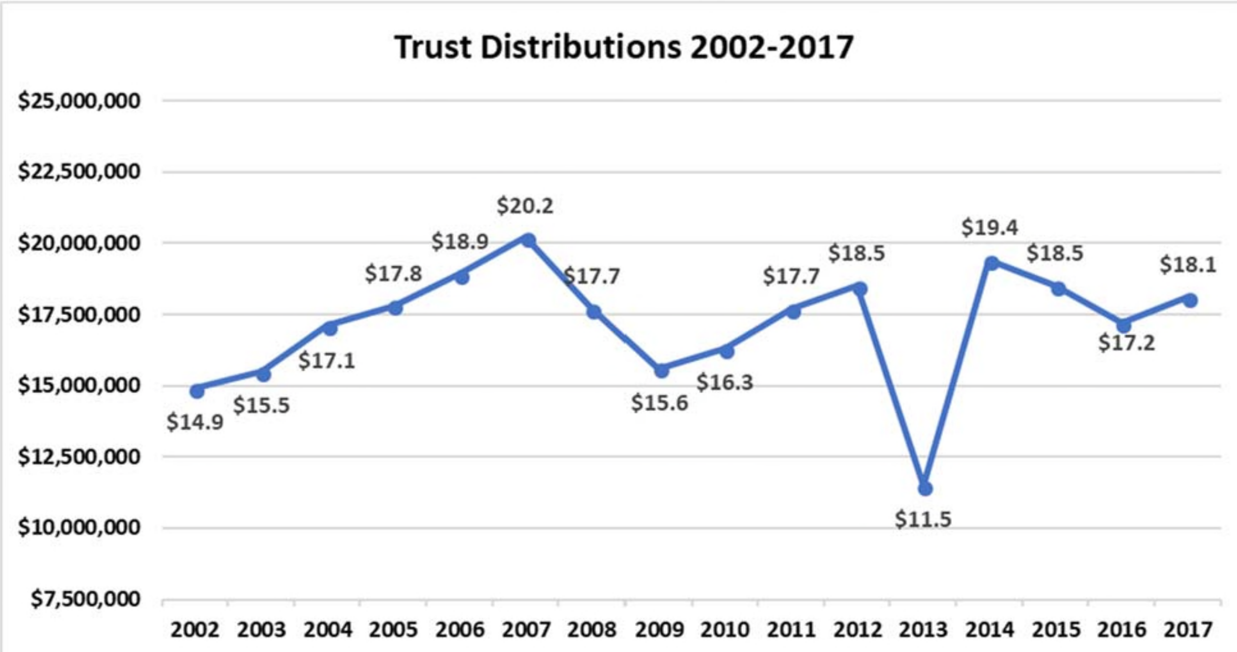


Statement of Activities

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 unrestricted, temporarily restricted, and permanently restricted.

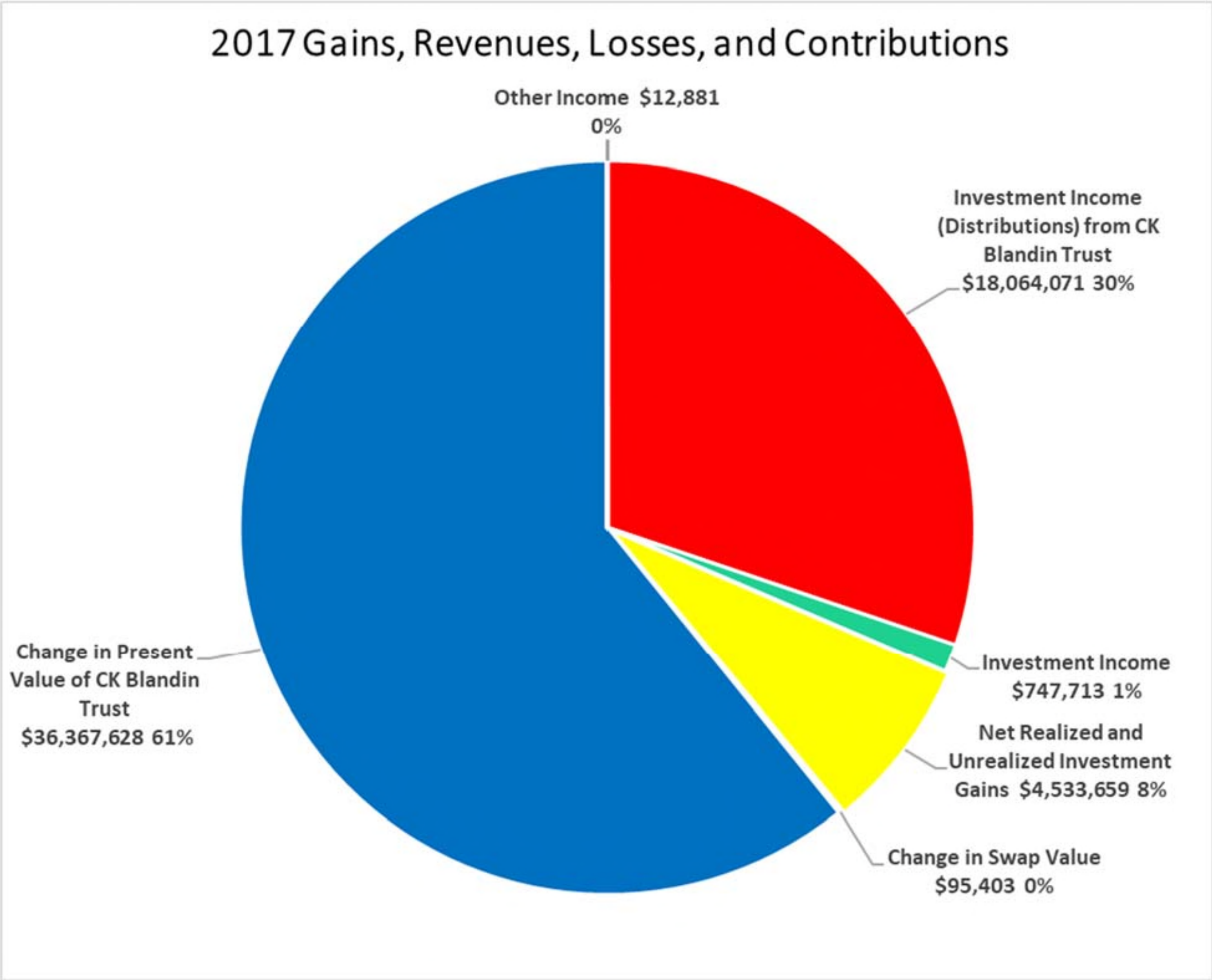
Charles K. Blandin Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

Investment income (distributions) from the Trust was $18.1 million in 2017. Trust distributions remain the Foundation's main source of revenue. Activities in the financial markets for 2017 resulted in a 16.0% positive annual investment return for the Foundation, which beat the absolute return target benchmark of All Urban CPI + 5%. Below is a chart showing historical Trust investment income (distributions) to the Foundation.



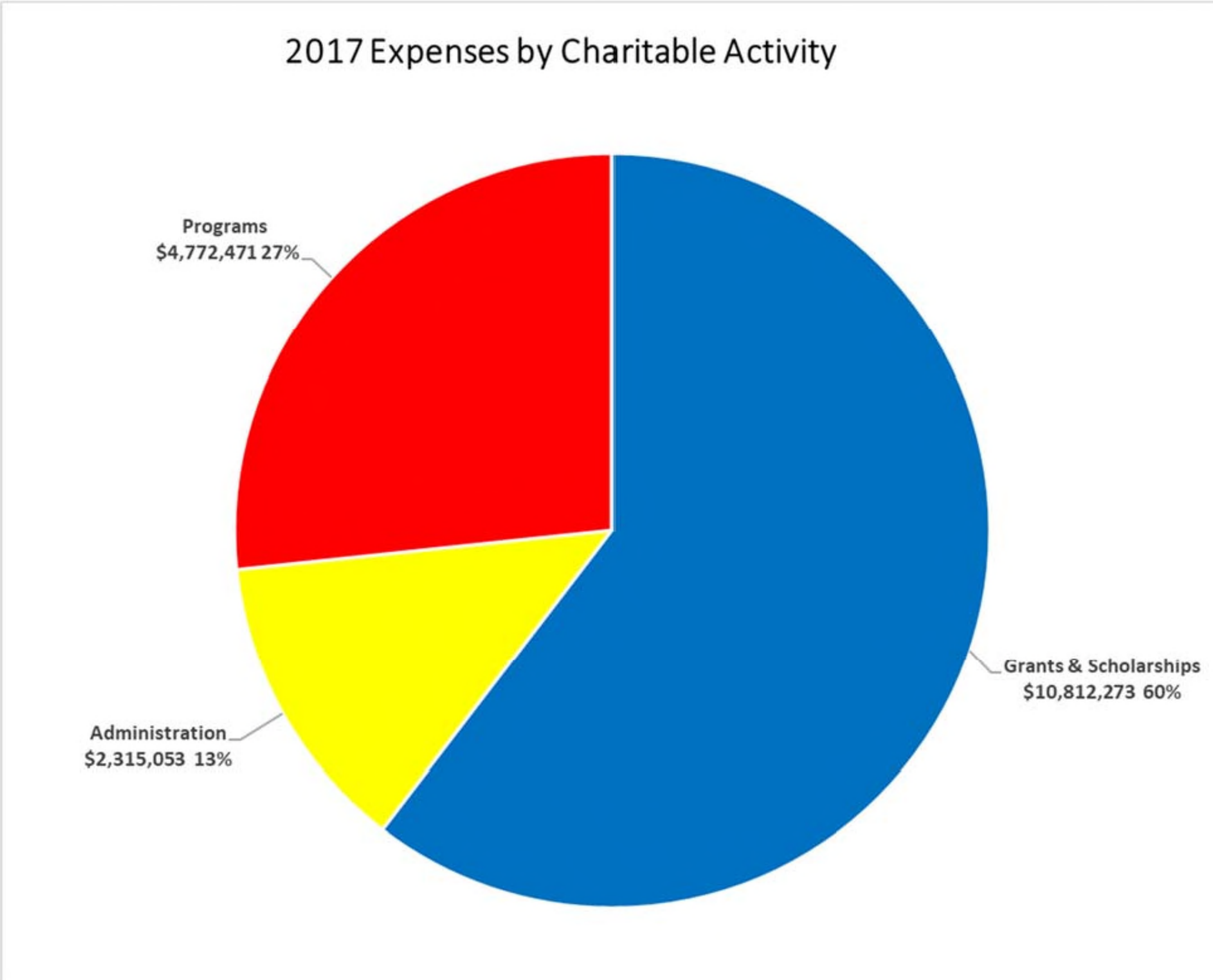
Charles K. Blandin Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

Net realized and unrealized investment gains for the Foundation equaled $4.5 million and were 7.6% of total net revenue. The beneficial interest in the Trust increased $36.4 million, which is a permanently restricted net asset of the Foundation. See below for a chart of the 2017 Foundation revenues by category.



Charles K. Blandin Foundation
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2017

The Board of Trustees approved $11.0 million in grants and scholarships in 2017. The Foundation's direct charitable activities totaled $4.8 million, which includes the leadership and public policy & engagement programs. Administrative costs were $2.3 million in 2017. See chart below for a breakdown of 2017 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 7,676 grants totaling $393 million. Organizations must be located in Minnesota and a minimum of 60% of grants are targeted to the Itasca County local giving area, 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 20,000 area youth have received scholarships totaling more than $24 million since 1956. The 2017 costs of $1.2 million are associated with the administration of the grant and scholarship making programs.

Leadership Program – The nationally recognized Blandin Community Leadership Program and Blandin Reservation Community Leadership Program combine residential retreats with ongoing workshops to strengthen the abilities of new and seasoned community leaders to frame challenges and opportunities, collaborate with others effectively across all segments of community, and mobilize resources to achieve specific outcomes. For over 30 years, the Foundation has trained more than 7,389 community leaders in 581 rural Minnesota communities through various community leadership programs and eleven rural reservations with total program expenses of $2.4 million for 2017.

Public Policy and Engagement Program – Part of strengthening rural Minnesota is helping assure rural perspectives are well represented in public discourse. The Foundation, with its partners, convenes and participates in public policy conversations on issues most important to the health of rural Minnesota communities. The public policy and engagement expenses were $1.1 million in 2017.

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 2017, cash was provided by operating ($0.7 million) and investing ($1.3 million) activities, while it was used in financing ($1.8 million) activities. This resulted in an increase in cash of $0.2 million at the end of 2017. Financing activities in 2017 were for the repayment of long-term debt of $1.8 million.

Cash used to pay grants and scholarships in 2017 totaled $11.1 million, of which $8.2 million or 74% was for the Grand Rapids/Itasca County area. See the Grants by Location (includes scholarships) table below 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 and 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.

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.

Charles K. Blandin Foundation
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The six-year rolling period 2012–2017 timeframe is reflected in the figures and charts below, which confirms the Foundation complied with the 60% court order. $53.6 million or 73% 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)

	2003 Amount	2004 Amount	2005 Amount	2006 Amount	2007 Amount	2008 Amount	2003-2008 6-Year Rolling Total	2003-2008 6-Year Rolling Average
Local	$ 4,812,576	$ 28,422,350	$ 6,062,078	$ 7,339,357	$ 9,269,405	$ 7,842,539	$ 63,748,305	70.2%
Rural	4,117,097	1,584,245	2,914,341	6,355,760	7,724,493	4,421,314	27,117,250	29.8%
TOTAL	$ 8,929,673	$ 30,006,595	$ 8,976,419	$ 13,695,117	$ 16,993,898	$ 12,263,853	$ 90,865,555	100.0%

	2009 Amount	2004-2009 6-Year Rolling Total	2004-2009 6-Year Rolling Average	2010 Amount	2005-2010 6-Year Rolling Total	2005-2010 6-Year Rolling Average
Local	$ 6,049,916	$ 64,985,645	71.4%	$ 12,571,531	$ 49,134,826	63.1%
Rural	3,015,684	26,015,837	28.6%	4,307,648	28,739,240	36.9%
TOTAL	$ 9,065,600	$ 91,001,482	100.0%	$ 16,879,179	$ 77,874,066	100.0%

	2011 Amount	2006-2011 6-Year Rolling Total	2006-2011 6-Year Rolling Average	2012 Amount	2007-2012 6-Year Rolling Total	2007-2012 6-Year Rolling Average
Local	$ 9,315,795	$ 52,388,543	64.0%	$ 7,082,932	$ 52,132,119	65.9%
Rural	3,604,934	29,429,833	36.0%	3,931,124	27,005,197	34.1%
TOTAL	$ 12,920,729	$ 81,818,376	100.0%	$ 11,014,056	$ 79,137,316	100.0%

	2013 Amount	2008-2013 6-Year Rolling Total	2008-2013 6-Year Rolling Average	2014 Amount	2009-2014 6-Year Rolling Total	2009-2014 6-Year Rolling Average
Local	$ 8,515,003	$ 51,377,717	69.0%	$ 9,416,644	$ 52,951,821	70.6%
Rural	3,842,060	23,122,764	31.0%	3,328,337	22,029,787	29.4%
TOTAL	$ 12,357,063	$ 74,500,481	100.0%	$ 12,744,981	$ 74,981,608	100.0%

	2015 Amount	2010-2015 6-Year Rolling Total	2010-2015 6-Year Rolling Average	2016 Amount	2011-2016 6-Year Rolling Total	2011-2016 6-Year Rolling Average
Local	$ 10,334,164	$ 57,236,070	72.1%	$ 10,053,480	$ 54,718,019	72.3%
Rural	3,083,268	22,097,371	27.9%	3,188,254	20,977,977	27.7%
TOTAL	$ 13,417,432	$ 79,333,441	100.0%	$ 13,241,734	$ 75,695,996	100.0%

	2017 Amount	2012-2017 6-Year Rolling Total	2012-2017 6-Year Rolling Average
Local	$ 8,218,915	$ 53,621,138	72.6%
Rural	2,828,725	$ 20,201,768	27.4%
TOTAL	$ 11,047,640	$ 73,822,906	100.0%

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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 6-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 6-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;
5. The total expenditures on a cash basis of accounting for the prior year.

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

CHARLES K. BLANDIN FOUNDATION
Historical Comparisons

	Combined Assets (Fair Market Value) Source: 990-PF	Receipts (Accrual Basis) 990-PF	Grants (Cash Basis) 990-PF	Program Expenses (Accrual Basis) Audit	Administrative Expenses (Accrual Basis) Audit	Total Program & Administrative Expenses Cash Basis 990-PF	Total Program & Administrative Expenses Accrual Basis 990-PF
1998	N/A	$ 20,555,106	$ 13,627,691	N/A	$ 2,473,819	$ 3,446,491	$ 3,750,758
1999	$ 407,930,875	23,875,762	11,853,548	$ 2,123,598 #	2,452,250	2,004,272	2,440,750
2000	457,940,059	21,771,591	13,601,341	2,569,602	2,344,117	4,034,438	4,853,596
2001	389,600,831	21,160,961	15,418,132	2,719,566	2,443,550	4,608,556	5,111,053
2002	333,701,300	15,328,613	9,949,739	3,361,858	1,730,594 *	4,809,037 **	5,199,026
2003	386,458,834	17,144,166	8,929,673	3,893,635	2,618,285 *	6,274,680 **	6,663,731
2004	413,253,276	19,286,568	30,006,595	3,897,987	2,490,725 *	5,872,713 **	6,552,477
2005	423,323,009	22,526,467	8,976,419	3,656,672	2,765,678 *	6,269,020 **	6,642,672
2006	464,296,136	21,789,236	13,720,117	3,760,910	3,272,517 *	6,676,969 **	7,298,789
2007	472,839,298	30,395,870	17,077,344	4,132,314	3,383,896 *	6,946,615 **	7,842,028
2008	331,825,635	18,692,264	13,915,649	4,505,006	3,349,621 *	8,074,599 **	8,157,274
2009	386,166,167	13,492,457	9,067,801	4,275,830	3,248,309 *	7,271,107 **	7,745,942
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				4,772,471	2,315,053 *		

Partial
* 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.

There were no new accounting standards implemented in the 2017 calendar year. 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 $2.9 million in 2017 and all employees live in the Itasca County area. The Foundation also spent $2.2 million 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 19, 2017 Board meeting, the following resolutions were unanimously carried by Board vote:

RESOLVED, that, after review of the 2016 Charles K. Blandin Foundation audited financial statements and 2016 SAS 115 auditor letter (governance), management letter, SAS 114 (auditor communications), and the debt compliance letter, the Board of Trustees approves said financial statements and auditors' letters at their June 2017 Board meeting, and;

BE IT FURTHER RESOLVED, that, the Board of Trustees has reviewed the supplemental information and management, discussion, and analysis of the Foundation in the audited financial statements and confirms the Foundation has complied with the required court order distribution of 60% grants paid in the local giving area and have identified no significant changes in the charitable financial practices of the Foundation.

At the December 14, 2017 Board meeting, the following resolutions were unanimously carried by Board vote:

WHEREAS, the RSM US LLP USA firm, using worksheets developed by the Finance team, has completed the Foundation's 2016 990-PF, 990-T, and related state returns, which have been reviewed by Foundation staff;

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees ratifies the Audit Committee's acceptance of the Charles K. Blandin Foundation 2016 990-PF and 2016 990-T and related state returns, as signed by the appropriate authority, and with an IRS approved extension to November 15, filed by the approved April 2015 Court Order due date September 30, 2017.

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 Finance Director 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.

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, Kathleen Annette, at krannette@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.

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Secretary's Certificate of Corporate Actions Taken by the Board of Trustees of

BLANDIN FOUNDATION

I, Janet Borth, Assistant Secretary of Blandin Foundation (the "Company"), hereby certify that the Board of Trustees approved the following actions at a meeting held on June 25, 2018:

BE IT RESOLVED, that the Board has reviewed the Management Discussion & Analysis of the Foundation and 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; and

BE IT FURTHER RESOLVED, that the Board of Trustees has reviewed the supplemental information and Management Discussion & Analysis and 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.

Dated this 21st day of September, 2018

Janet Borth

Janet Borth, Assistant Secretary