GENERAL MILLS FOUNDATION

Financial Statements

May 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

GENERAL MILLS FOUNDATION

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KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
General Mills Foundation:

We have audited the accompanying financial statements of the General Mills Foundation (the Foundation), which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Mills Foundation as of May 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
August 31, 2017

GENERAL MILLS FOUNDATION

Statements of Financial Position

May 31, 2017 and 2016

Assets		Unrestricted 2017	Unrestricted 2016
Due from General Mills, Inc. and subsidiaries	$	25,000,000	25,000,000
Prepaid expenses		67,750	2,493
Purchased interest receivables		1,705	1,344
Investments, at fair value (note 3):			
Short-term investments		—	250,765
Fixed income investments		5,828	5,847
Registered investment companies		9,177,075	8,624,894
Common/collective trust		54,975,170	49,690,050
Total investments		64,158,073	58,571,556
Total assets	$	89,227,528	83,575,393
Liabilities and Net Assets			
Liabilities:			
Other liabilities	$	41,970	—
Grants payable (note 4)		6,289,813	4,976,437
Total liabilities		6,331,783	4,976,437
Net assets:			
Unrestricted		82,895,745	78,598,956
Total liabilities and net assets	$	89,227,528	83,575,393

See accompanying notes to financial statements.

GENERAL MILLS FOUNDATION

Statements of Activities

Years ended May 31, 2017 and 2016

	Unrestricted	
	2017	**2016**
Revenue and investment income:		
Contributions from General Mills, Inc. and subsidiaries	$ 25,000,000	25,000,000
Contributions of operating costs from General Mills, Inc. and subsidiaries	738,416	625,001
Interest and dividend income	299,701	257,117
Net realized and unrealized gain on investments	6,337,214	209,067
Net revenue and investment income	32,375,331	26,091,185
Expenses:		
Grants approved and paid, including gift matching contributions of $1,658,380 and $1,885,438 in 2017 and 2016, respectively	20,820,513	24,150,183
Grants approved but unpaid	6,393,377	5,003,858
Operating costs	738,416	625,001
Other	126,236	236,991
Total expenses	28,078,542	30,016,033
Increase (decrease) in net assets	4,296,789	(3,924,848)
Net assets at beginning of year	78,598,956	82,523,804
Net assets at end of year	$ 82,895,745	78,598,956

See accompanying notes to financial statements.

GENERAL MILLS FOUNDATION

Statements of Cash Flows

Years ended May 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Increase (decrease) in net assets	$	4,296,789	(3,924,848)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Net realized and unrealized gain on investments		(6,337,214)	(209,067)
Changes in assets and liabilities:			
Purchased interest receivables		(361)	(951)
Prepaid expenses		(65,257)	(2,493)
Due from General Mills, Inc. and subsidiaries		—	(10,000,000)
Grants payable and other accrued expenses		1,355,346	2,703,858
Net cash used in operating activities		(750,697)	(11,433,501)
Cash flows from investing activities:			
Purchase of investments		(250,089)	(244,557)
Proceeds from sale of investments		750,021	11,000,000
Net proceeds from sale of short-term investments		250,765	678,058
Net cash provided by investing activities		750,697	11,433,501
Net change in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of year		—	—
Cash and cash equivalents at end of year	$	—	—
Supplemental disclosure of cash flow information:			
Cash paid during the period for taxes	$	35,000	45,000

See accompanying notes to financial statements.

(1) Description of Organization

The General Mills Foundation (the Foundation) focuses on grant making and gift matching. Generally, the Foundation grants are targeted in the areas of creating food secure communities, nutrition wellness, education, family services, and arts and culture.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

Under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. As of and for the years ended May 31, 2017 and 2016, the Foundation had no temporarily or permanently restricted net assets. Accordingly, net assets of the Foundation and changes therein are classified as unrestricted.

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

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

(b) Adoption of New Accounting Standards

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value practical expedient. The amendments in this update are effective for fiscal periods beginning after December 15, 2015 and should be applied retrospectively, with early adoption permitted. The financial statements and related footnotes have been updated to reflect the adoption of ASU 2015-07 as of June 1, 2016. There was no material impact to the financial statements from the adoption of this guidance.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

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(d) Risks and Uncertainties

The Foundation's assets are held in a variety of investments. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

(e) Investments

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

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

(f) Contributions

The Foundation receives contributions from General Mills, Inc. and subsidiaries based on its operating results. Contributions are typically approved prior to the Foundation's year-end but are paid subsequent to its year-end and, therefore, are recorded as a receivable at May 31, 2017 and 2016.

(g) Federal Income Tax Status

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

Under the Tax Reform Act of 1969, the Foundation is required to make certain minimum distributions in accordance with a specified formula. At May 31, 2017, the Foundation was in compliance with those requirements.

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

GAAP requires Foundation management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation management has analyzed the tax positions taken by the Foundation, and has concluded that as of May 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in

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progress. The Foundation management believes it is no longer subject to tax examinations for years prior to 2013.

(h) Grant Appropriations

Grants are recorded as expense when approved by the Foundation, except when the grants are conditional as defined by the requirements of ASC 720-25, *Contributions Made*. As of May 31, 2017 and 2016, the Foundation had no conditional grants. Cancellation of grants occurs principally when the grantees do not meet the grant terms. There were no cancellations during the years ended May 31, 2017 and 2016.

(i) Immaterial Correction of an Error

During 2017, the Foundation corrected its classification of certain investments which were previously reported as other investments on the statement of financial position at May 31, 2016. Investments previously reported as other investments, aggregating $27,559,304 at May 31, 2016, were reclassified to the common/collective trusts (CCTs) category. In addition, investments aggregating $8,624,894, which were previously classified as other investments, are now reflected in a new category, registered investment companies, to conform to the current year presentation. note 3 has also been updated to reflect these changes. Management reviewed the impact of the classification errors on the prior period financial statements and determined that the classification errors were not material to the financial statements.

(j) Subsequent Events

Subsequent events have been evaluated through August 31, 2017, the date the financial statements were available to be issued.

(3) Investments

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

- Short-term investments largely consist of a collective trust fund valued at net asset value (NAV) daily by the fund with the ability to redeem daily at that price. For these funds, NAV is considered to be the readily determinable fair value and is supported by the unit prices of actual purchase and sale transactions. Issuances and redemptions are made on each business day and are typically purchased and redeemed at a constant NAV of $1.00 per unit. In the event that a significant disparity develops between the constant NAV and the fair value-based NAV of the fund, the Trustee may determine that continued issuance or redemption at a constant $1.00 net asset value would create inequitable results for the fund’s unit holders. In these circumstances, the Trustee, in its sole discretion and acting on behalf of the fund’s unit holders, may direct that units be issued or redeemed at the fair value-based NAV until such time as the disparity between the fair value-based and the constant NAV per unit is deemed to be immaterial. The short-term collective trust is designed to provide safety of principal, daily liquidity, and a competitive yield by investing in high quality money market instruments. They have a daily redemption frequency and a daily redemption notice period. There are no unfunded commitments to such funds at May 31, 2017 and 2016.
- Fixed income investments are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing

service/vendor. These prices are based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, such as benchmark yields, expected prepayment speeds and volumes, and issuer ratings.

- Investments in registered investment companies traded on national exchanges are valued by the trustee at the closing price on the valuation date. If not traded on national exchanges, they are valued based on the net asset value, which is considered to be the readily determinable fair value provided by the investment manager.
- CCTs are valued at net asset values (NAV) by the funds with the ability to trade at that price at least weekly. For these CCTs, NAV is considered to be readily determinable fair value. These CCTs have a redemption frequency ranging from daily to quarterly and a redemption notice period ranging from daily to 30 days. There are no unfunded commitments to such funds at May 31, 2017 and 2016.

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statements of activities. The investments' fair value, cost, and net unrealized gain (loss) were as follows at May 31, 2017:

		Fair value	Cost	Net unrealized gain
Investments:				
Fixed income investments	$	5,828	5,828	—
Registered investment companies		9,177,075	8,026,875	1,150,200
Common/collective trust		54,975,170	30,259,222	24,715,948
Total	$	64,158,073	38,291,925	25,866,148

Following is a summary of changes in relationships between carrying values and cost of investment assets for fiscal year 2017:

		Fair value	Cost		Net gain
End of year	$	64,158,073	38,291,925		25,866,148
Beginning of year		58,571,556	39,079,003		19,492,553
Unrealized net gain for the year					6,373,595
Realized net loss for the year					(36,381)
Net realized and unrealized gain on investments for the year				$	6,337,214

The investments' fair value, cost, and net unrealized gain were as follows at May 31, 2016:

		Fair value	Cost	Net unrealized gain
Investments:				
Short-term investments	$	250,765	250,765	—
Fixed income investments		5,847	5,847	—
Regsistered investment companies		8,624,894	8,563,169	61,725
Common/collective trust		49,690,050	30,259,222	19,430,828
Total	$	58,571,556	39,079,003	19,492,553

Following is a summary of changes in relationships between carrying values and cost of investment assets for fiscal year 2016:

		Fair value	Cost		Net gain
End of year	$	58,571,556	39,079,003		19,492,553
Beginning of year		69,795,990	47,406,817		22,389,173
Unrealized net loss for the year					(2,896,620)
Realized net gain for the year					3,105,687
Net realized and unrealized gain on investments for the year				$	209,067

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

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

- Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 – Valuations based on models where significant inputs are not observable.

Of the amounts reported at net asset value, $64,152,245 and $58,565,709 of those investments at May 31, 2017 and 2016, respectively, were redeemable with the trust or fund at net asset value with a daily to quarterly redemption frequency and a redemption notice period ranging from daily to 30 days.

The following tables summarize the Foundation’s investments that were accounted for at fair value within the fair value hierarchy of ASC 820 as of May 31, 2017 and 2016:

	2017			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed income investments	$ 5,828	—	5,828	—
Registered investment companies	9,177,075	9,177,075	—	—
Common/collective trust	54,975,170	—	54,975,170	—
Total	$ 64,158,073	9,177,075	54,980,998	—

	2016			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Short-term investments	$ 250,765	—	250,765	—
Fixed income investments	5,847	—	5,847	—
Registered investment companies	8,624,894	8,624,894	—	—
Common/collective trust	49,690,050	—	49,690,050	—
Total	$ 58,571,556	8,624,894	49,946,662	—

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

There was no Level 3 investment activity during the years ended May 31, 2017 and 2016.

The Foundation recognizes transfers into and out of a respective level on the first day of the reporting period. There were no transfers between levels during the years ended May 31, 2017 and 2016.

(4) Grants Payable

The Foundation has approved a total of $6,411,000 and $5,080,000 in grants for future payment to various organizations at May 31, 2017 and 2016, respectively.

		2017	2016
Grants payable before unamortized discount	$	6,411,000	5,080,000
Less unamortized discount (at 1.640% and 1.150% at May 31, 2017 and 2016, respectively)		(121,187)	(103,563)
Total grants payable	$	6,289,813	4,976,437
Amounts owed in:			
Less than one year	$	5,528,000	1,430,000
One to five years		883,000	3,650,000
Total	$	6,411,000	5,080,000

(5) Related Party

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

(6) Functional Expenses

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

		2017	2016
Program:			
Hunger and nutrition wellness	$	12,230,007	10,116,802
Family services		8,995,941	6,456,436
Education		4,046,832	7,046,384
Arts and culture		1,941,110	5,534,419
Total program		27,213,890	29,154,041
Management and general:			
Operating costs		738,416	625,001
Other		126,236	236,991
Total management and general		864,652	861,992
Total expenses	$	28,078,542	30,016,033