GENERAL MILLS FOUNDATION

Financial Statements

May 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

GENERAL MILLS FOUNDATION

Table of Contents

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, 2016 and 2015, 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, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
September 2, 2016

GENERAL MILLS FOUNDATION

Statements of Financial Position

May 31, 2016 and 2015

Assets		**2016**	**2015**
Due from General Mills, Inc. and subsidiaries	$	25,000,000	15,000,000
Prepaid expenses		2,493	—
Purchased interest receivables		1,344	393
Investments, at fair value (note 3):			
Short-term investments		250,765	928,796
Fixed income investments		5,847	5,847
Other investment funds		36,184,198	47,110,085
Common/collective trust		22,130,746	21,751,262
Total investments		58,571,556	69,795,990
Total assets	$	83,575,393	84,796,383
Liabilities and Net Assets			
Liabilities:			
Grants payable (note 4)	$	4,976,437	2,272,579
Total liabilities		4,976,437	2,272,579
Net assets:			
Unrestricted		78,598,956	82,523,804
Total liabilities and net assets	$	83,575,393	84,796,383

See accompanying notes to financial statements.

GENERAL MILLS FOUNDATION

Statements of Activities

Years ended May 31, 2016 and 2015

		Unrestricted	
		2016	**2015**
Revenue and investment income:			
Contributions from General Mills, Inc. and subsidiaries	$	25,000,000	15,000,000
Contributions of operating costs from General Mills, Inc. and subsidiaries		625,001	645,763
Interest and dividend income		257,117	481,654
Net realized and unrealized gain on investments		209,067	3,910,711
Tax refund		—	2,355
Net revenue and investment income		26,091,185	20,040,483
Expenses:			
Grants approved and paid, including gift matching contributions of $1,885,438 and $1,995,557 in 2016 and 2015, respectively		24,150,183	21,546,492
Grants approved but unpaid		5,003,858	2,357,985
Operating costs		625,001	645,763
Other		236,991	158,157
Total expenses		30,016,033	24,708,397
Decrease in net assets		(3,924,848)	(4,667,914)
Net assets at beginning of year		82,523,804	87,191,718
Net assets at end of year	$	78,598,956	82,523,804

See accompanying notes to financial statements.

GENERAL MILLS FOUNDATION

Statements of Cash Flows

Years ended May 31, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Decrease in net assets	$	(3,924,848)	(4,667,914)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Net realized and unrealized gain on investments		(209,067)	(3,910,711)
Changes in assets and liabilities:			
Purchased interest receivables		(951)	(212)
Prepaid expenses		(2,493)	12,926
Due from General Mills, Inc. and subsidiaries		(10,000,000)	(14,900,000)
Grants payable and other accrued expenses		2,703,858	(4,142,015)
Net cash used in operating activities		(11,433,501)	(27,607,926)
Cash flows from investing activities:			
Purchase of investments		(244,557)	(6,450,422)
Proceeds from sale of investments		11,000,000	32,000,000
Net proceeds from sale of short-term investments		678,058	2,058,348
Net cash provided by investing activities		11,433,501	27,607,926
Net increase (decrease) 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 (refunded) during the period for taxes	$	45,000	(2,355)

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, 2016 and 2015, 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 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 adoption of ASU 2015-07 as of June 1, 2016 is not expected to have a material impact on the Foundation's financial statements.

(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.

(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, 2016 and 2015.

(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 2% 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, 2016, 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, 2016, 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

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to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation management believes it is no longer subject to tax examinations for years prior to 2012.

(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, 2016 and 2015, 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, 2016 and 2015.

(i) Subsequent Events

Subsequent events have been evaluated through September 2, 2016, 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, the fair value of which is based on the net asset value reported by the manager of the collective trust and supported by the unit prices of actual purchase and sale transactions. Issuances and redemptions of participant units are made on each business day. Participant units are typically purchased and redeemed at a constant net asset value of $1.00 per unit. In the event that a significant disparity develops between the constant net asset value and the fair-value-based net asset value 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 net asset value until such time as the disparity between the fair-value-based and the constant net asset value 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.
- 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.
- Other investment funds consist of a commingled fund that is valued based on the net asset value or capital balance as reported by the investment manager and a mutual fund that is valued by the Trustee at the unadjusted closing prices from a national exchange on the valuation date.
- Common/collective trusts are valued at unit values provided by investment managers, which are based on the fair value of the underlying investments. They 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, 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, 2016:

		Fair value	Cost	Net unrealized gain (loss)
Investments:				
Short-term investments	$	250,765	250,765	—
Fixed income investments		5,847	5,847	—
Other investment funds		36,184,198	27,351,255	8,832,943
Common/collective trust		22,130,746	11,471,136	10,659,610
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 investments' fair value, cost, and net unrealized gain were as follows at May 31, 2015:

		Fair value	Cost	Net unrealized gain (loss)
Investments:				
Short-term investments	$	928,796	928,796	—
Fixed income investments		5,847	5,847	—
Private equity funds		—	198,494	(198,494)
Other investment funds		47,110,085	34,802,545	12,307,540
Common/collective trust		21,751,262	11,471,135	10,280,127
Total	$	69,795,990	47,406,817	22,389,173

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Following is a summary of changes in relationships between carrying values and cost of investment assets for fiscal year 2015:

		Fair value	Cost		Net gain
End of year	$	69,795,990	47,406,817		22,389,173
Beginning of year		93,493,205	63,873,656		29,619,549
Unrealized net loss for the year					(7,230,376)
Realized net gain for the year					11,141,087
Net realized and unrealized gain on investments for the year				$	3,910,711

The Plan'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, $58,565,708 and $69,790,143 of those investments at May 31, 2016 and 2015, respectively, were redeemable with the trust or fund at net asset value with a daily to quarterly and a redemption notice period ranging from daily to 30 days. Of the amounts reported at net asset value at May 31, 2016 and 2015, the Foundation had no investments in alternative private equity funds that do not provide for liquidity in the form of discretionary withdrawals. These alternative funds are generally locked up for several years and the lock-up period can be extended at the discretion of the alternative fund. There were no unfunded commitments to these alternative funds at May 31, 2016 and 2015.

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, 2016 and 2015:

Description		2016 Total	Level 1	Level 2	Level 3
Short-term investments	$	250,765	—	250,765	—
Fixed income investments		5,847	—	5,847	—
Other investment funds		36,184,198	8,624,894	27,559,304	—
Common/collective trust		22,130,746	—	22,130,746	—
Total	$	58,571,556	8,624,894	49,946,662	—

Description		2015 Total	Level 1	Level 2	Level 3
Short-term investments	$	928,796	—	928,796	—
Fixed income investments		5,847	—	5,847	—
Private equity funds		—	—	—	—
Other investment funds		47,110,085	9,480,781	37,629,304	—
Common/collective trust		21,751,262	—	21,751,262	—
Total	$	69,795,990	9,480,781	60,315,209	—

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 year ended May 31, 2016.

The following table is a rollforward of the Level 3 investments during the year ended May 31, 2015:

Description		June 1, 2014	Total gains or losses (realized/ unrealized)	Purchases	Sales	Transfers in	Transfers out	May 31, 2015
Private equity funds	$	20,459	(20,459)	—	—	—	—	—
Total	$	20,459	(20,459)	—	—	—	—	—

Net change in unrealized gains (losses) included in net change in statements of activities for the period relating to assets and liabilities held at May 31, 2015:		
Private equity funds	$	(20,459)

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, 2016 and 2015.

(4) Grants Payable

The Foundation has approved a total of $5,080,000 and $2,300,000 in grants for future payment to various organizations at May 31, 2016 and 2015, respectively.

		2016	2015
Grants payable before unamortized discount	$	5,080,000	2,300,000
Less unamortized discount (at 1.150% and 1.171% at May 31, 2016 and 2015, respectively)		(103,563)	(27,421)
Total grants payable	$	4,976,437	2,272,579
Amounts owed in:			
Less than one year	$	1,430,000	2,300,000
One to five years		3,650,000	—
Total	$	5,080,000	2,300,000

(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.