



ROCKEFELLER BROTHERS FUND, INC.

Financial Statements and Supplemental Schedule

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Rockefeller Brothers Fund, Inc.:

We have audited the accompanying financial statements of Rockefeller Brothers Fund, Inc. (the Fund), which comprise the statements of financial position as of December 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 Rockefeller Brothers Fund, Inc. 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 U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedule of functional expenses for the year ended December 31, 2017 is presented for purposes of additional analysis and is not a required part of the 2017 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 2017 financial statements taken as a whole.

KPMG LLP

July 31, 2018

ROCKEFELLER BROTHERS FUND, INC.

Statements of Financial Position

December 31, 2017 and 2016

Assets	Principal Fund	Pocantico Fund	Pocantico II Fund	Richard Rockefeller Fellowship Fund	David Rockefeller Global Development Fund	2017 RBF Funds	2016 RBF Funds
Cash and cash equivalents	\$ 3,733,437	500	—	—	—	3,733,937	1,931,432
Accounts receivable and other current assets	1,722,092	24,489	—	—	—	1,746,581	1,992,181
Contributions receivable	25	—	12,751,680	—	250,000,000	262,751,705	19,643,705
Investments	843,377,827	79,972,817	14,795,330	334,330	—	938,480,304	832,212,218
Program-related investment – real estate	510,000	—	—	—	—	510,000	510,000
Fixed assets, net	2,937,252	3,458,282	—	—	—	6,395,534	6,065,019
Interfund	2,513,151	(7,617,785)	1,972,485	3,132,149	—	—	—
Total assets	<u>\$ 854,793,784</u>	<u>75,838,303</u>	<u>29,519,495</u>	<u>3,466,479</u>	<u>250,000,000</u>	<u>1,213,618,061</u>	<u>862,354,555</u>
Liabilities and Net Assets							
Liabilities:							
Accrued expenses and other liabilities	\$ 1,806,476	669,641	—	—	—	2,476,117	2,144,180
Grants payable	10,543,627	—	—	—	—	10,543,627	6,809,362
Taxes payable	5,723,717	716,806	101,012	15,208	—	6,556,743	3,971,826
Accrued pension and postretirement benefits	9,083,120	2,586,386	—	—	—	11,669,506	11,068,664
Total liabilities	<u>27,156,940</u>	<u>3,972,833</u>	<u>101,012</u>	<u>15,208</u>	<u>—</u>	<u>31,245,993</u>	<u>23,994,032</u>
Commitments							
Net assets:							
Unrestricted	826,519,015	71,865,470	—	3,451,271	—	901,835,756	807,895,677
Temporarily restricted:							
Time restricted	—	—	—	—	—	—	2,684,070
Purpose restricted	1,117,829	—	19,290,481	—	250,000,000	270,408,310	17,711,599
Total temporarily restricted net assets	<u>1,117,829</u>	<u>—</u>	<u>19,290,481</u>	<u>—</u>	<u>250,000,000</u>	<u>270,408,310</u>	<u>20,395,669</u>
Permanently restricted	—	—	10,128,002	—	—	10,128,002	10,069,177
Total net assets	<u>827,636,844</u>	<u>71,865,470</u>	<u>29,418,483</u>	<u>3,451,271</u>	<u>250,000,000</u>	<u>1,182,372,068</u>	<u>838,360,523</u>
Total liabilities and net assets	<u>\$ 854,793,784</u>	<u>75,838,303</u>	<u>29,519,495</u>	<u>3,466,479</u>	<u>250,000,000</u>	<u>1,213,618,061</u>	<u>862,354,555</u>

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Statements of Activities

Years ended December 31, 2017 and 2016

	Principal Fund	Pocantico Fund	Pocantico II Fund	Richard Rockefeller Fellowship Fund	David Rockefeller Global Development Fund	2017 RBF Funds	2016 RBF Funds
Changes in unrestricted net assets:							
Operating revenues:							
Investment income	\$ 1,942,418	165,554	—	7,751	—	2,115,723	2,952,032
Other income	15,973	—	—	—	—	15,973	5,542
Contributions	2,036,711	—	—	9,000	—	2,045,711	2,596,711
Net assets released from restrictions	4,939,061	—	107,360	—	—	5,046,421	4,980,386
	8,934,163	165,554	107,360	16,751	—	9,223,828	10,534,671
Operating expenses:							
Direct charitable activities	1,069,712	3,524,595	—	—	—	4,594,307	4,356,187
Program and grant management	39,888,993	—	—	—	—	39,888,993	35,951,015
Investment management	3,799,469	280,863	58,911	12,549	—	4,151,792	3,568,827
General management	5,298,057	500,774	—	—	—	5,798,831	5,387,989
Federal excise and other taxes	4,253,271	297,475	48,449	10,321	—	4,609,516	1,620,258
	54,309,502	4,603,707	107,360	22,870	—	59,043,439	50,884,276
Deficiency of operating revenues over operating expenses	(45,375,339)	(4,438,153)	—	(6,119)	—	(49,819,611)	(40,349,605)
Nonoperating activities:							
Net realized and unrealized gain on investments	131,779,460	11,306,645	—	525,891	—	143,611,996	39,468,520
Amounts not yet recognized as a component of net periodic benefit cost	221,395	(73,701)	—	—	—	147,694	479,705
	132,000,855	11,232,944	—	525,891	—	143,759,690	39,948,225
Increase (decrease) in unrestricted net assets	86,625,516	6,794,791	—	519,772	—	93,940,079	(401,380)
Changes in temporarily restricted net assets:							
Investment income	—	—	76,378	—	—	76,378	36,757
Contributions	2,393,919	—	120,000	—	250,000,000	252,513,919	6,753,352
Net realized and unrealized gain on investments	—	—	2,468,765	—	—	2,468,765	491,509
Net assets released from restrictions	(4,939,061)	—	(107,360)	—	—	(5,046,421)	(4,980,386)
Other	—	—	—	—	—	—	705,082
(Decrease) increase in temporarily restricted net assets	(2,545,142)	—	2,557,783	—	250,000,000	250,012,641	3,006,314
Changes in permanently restricted net assets:							
Contributions	—	—	58,825	—	—	58,825	39,325
Other	—	—	—	—	—	—	315,084
Increase in permanently restricted net assets	—	—	58,825	—	—	58,825	354,409
Increase in net assets	84,080,374	6,794,791	2,616,608	519,772	250,000,000	344,011,545	2,959,343
Net assets:							
Beginning of year	743,556,470	65,070,679	26,801,875	2,931,499	—	838,360,523	835,401,180
End of year	\$ 827,636,844	71,865,470	29,418,483	3,451,271	250,000,000	1,182,372,068	838,360,523

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 344,011,545	2,959,343
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(146,080,761)	(39,960,029)
Amount not yet recognized as a component of net periodic benefit cost	(147,694)	(479,705)
Depreciation and amortization	815,581	762,319
Changes in operating assets and liabilities:		
Accounts receivable and other current assets	245,600	630,408
Contributions receivable	(243,108,000)	(3,519,061)
Accrued expenses and other liabilities	331,937	111,929
Accrued pension and postretirement benefits	748,536	771,099
Grants payable	3,734,265	(1,207,151)
Taxes payable	2,584,917	732,784
Net cash used in operating activities	(36,864,074)	(39,198,064)
Cash flows from investing activities:		
Proceeds from sales of investments	443,108,475	473,579,310
Purchases of investments	(403,295,800)	(434,326,499)
Purchases of fixed assets	(1,146,096)	(774,250)
Net cash provided by investing activities	38,666,579	38,478,561
Net increase (decrease) in cash and cash equivalents	1,802,505	(719,503)
Cash and cash equivalents at beginning of year	1,931,432	2,650,935
Cash and cash equivalents at end of year	\$ 3,733,937	1,931,432
Supplemental disclosure of cash flow information:		
Cash paid for other taxes	\$ 1,848,138	514,671

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(1) Organizations and Purpose

Rockefeller Brothers Fund, Inc. (the Fund) is a not-for-profit, charitable corporation existing under the New York State not-for-profit corporation law and is classified as a private foundation as defined in the Internal Revenue Code (the Code). The Fund is dedicated to advancing social change that contributes to a more just, sustainable, and peaceful world. The Fund's grantmaking is organized around three global themes: Democratic Practice, Peacebuilding, and Sustainable Development, and the Fund pursues these interests in a variety of geographic contexts, with specific focus in the areas of New York City, Southern China, and Western Balkans.

The Fund has the following special-purpose funds that have been established by either the Fund's board of trustees or from donor-restricted contributions.

Pocantico Fund – For the preservation, maintenance, and operation of the Pocantico Historic Area at Pocantico Hills, New York, which includes the Pocantico Center, a venue for conferences and meetings on critical issues related to the Fund's mission, and a community resource offering public access through a visitation program, lectures, and cultural events, as well as support to artists and art organizations in the greater New York City area.

Pocantico II Fund – For the perpetual maintenance of the Playhouse parcel at the Pocantico Historic Area when ownership of that parcel passes to a charitable organization.

Richard Rockefeller Fellowship Fund (RRFF) – To commemorate the life and philanthropic leadership of Richard Rockefeller, and support promising, young Chinese men and women who plan to make a significant commitment to the development of philanthropy in China.

David Rockefeller Global Development Fund (DRGDF) - For the purposes of developing, supporting, and funding grants and projects focusing on various global initiatives which may include health, poverty, sustainable development, democratic governance, and finance, trade and the economy.

(2) Summary of Significant Accounting Policies

The financial statements of the Fund have been prepared on the accrual basis. The significant accounting policies followed are described below:

(a) Principles of Combination

The statements of financial position and activities separately break out the special-purpose funds. All significant interfund and interorganizational balances and transactions are eliminated in combination.

(b) Basis of Presentation

Net assets and revenues, gains, losses, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified and reported as follows:

Unrestricted net assets represent resources over which the board of trustees has full discretion with respect to use.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

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Temporarily restricted net assets represent expendable resources that have been time or purpose restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions and other gifts that require that the corpus be maintained intact and that only the income be used as designated by the donor. Such income is reflected in the statements of activities as temporarily restricted until appropriated for expenditure.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

The Fund considers net realized and unrealized gains and losses on investments, amounts not yet recognized as a component of net periodic benefit cost, and other nonrecurring activities to be nonoperating activities.

(c) Fair Value Measurement

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Fund has established a fair value hierarchy, which uses the following three levels of inputs to measure fair value:

Level 1: Quoted prices or published net asset value for those alternative investments with characteristics similar to a mutual fund in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices for similar assets or liabilities; prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(d) Investments

Investments in marketable securities are carried at quoted market prices and alternative investments with characteristics similar to a mutual fund are carried at published net asset value. Unrealized gains or losses are determined using quoted market prices at the respective balance sheet dates. Security costs are determined on a first-in, first-out basis. Investments are recorded on a trade-date basis.

The Fund follows the provisions of Accounting Standards Codification (ASC) 820-10-35-59, *Measuring the Fair Value of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASC 820-10-35-59), to estimate fair value of certain investments in funds that do not have readily determinable fair values, including private investments, hedge funds, real estate, and other funds. ASC 820-10-35-59 allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent, as a practical expedient, as provided by the investment managers.

Investments in alternative investments that are not readily marketable are reported in the financial statements based upon the underlying net asset value (or partner's capital) of each investment, which is estimated at fair value by the fund managers or general partners. The Fund reviews and evaluates the values provided by the fund managers and general partners, and agrees with the valuation methods and assumptions used in determining the fair value of the underlying net assets (or partner's capital).

Investments of the Principal Fund, Pocantico Fund, Pocantico II Fund, and Richard Rockefeller Fellowship Fund are pooled; interest and dividend income and realized and unrealized gains or losses are allocated to each fund using the unitized investment method. Investments of the David Rockefeller Global Development Fund will be pooled upon receipt of the contribution receivable of \$250,000,000.

(e) Grants Payable

Grants are recorded at the time of approval by the trustees and notification to the recipient (note 8).

(f) Tax Status

The Fund is exempt from federal income tax under Section 501(c)(3) of the Code and has been classified as a "private foundation." Provision has been made for the current and deferred federal excise taxes on realized net investment income and unrealized appreciation.

The Fund follows the provisions of Accounting Standards Codification (ASC) Subtopic 740-10, *Accounting for Income Taxes*, which addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold or more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ASC Subtopic 740-10 also provides related guidance on measurement, classification, interest and penalties, and disclosures. The Fund has concluded that there were no uncertainties to disclose.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(g) Fixed Assets

The Fund capitalizes fixed assets, which include leasehold improvements, office equipment, and computer equipment and software. Depreciation and amortization of fixed assets are provided over the following estimated useful service lives: leasehold improvements – shorter of useful life of the asset or term of lease; office equipment – seven years; computer equipment – four years; and computer software – three years. Fixed assets are presented net of accumulated depreciation and amortization of approximately \$30,807,000 and \$29,991,000 at December 31, 2017 and 2016, respectively.

(h) Contributions

Contributions, including unconditional promises to give, are recognized in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions to be received after one year are discounted to present value of future cash flows at a risk-adjusted rate. Contributions receivable at December 31, 2016 were discounted at a rate of 3.47%, and contributions receivable at December 31, 2017 were not discounted as they are expected to be collected within 12 months of year-end.

(i) Cash and Cash Equivalents

The Fund considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents, except for those managed by the investment managers as part of its long-term investment strategy.

(j) Functional Expenses

The Fund reports expenses on a functional basis, with all expenses charged either to a particular program or supporting service. Direct charitable activities and program and grant management comprise the Fund's program-related expenses and investment management and general management comprise the supporting activity expenses. Direct charitable activities include technical assistance provided to other charitable organizations, service of Fund staff on boards and committees of such organizations, and the costs of certain program-related projects undertaken directly by the Fund rather than through grants, including stewardship of the Pocantico Historic Area and conference activity at the Pocantico Conference Center. Overhead expenses, including occupancy, telephone, and insurance, are allocated to functional areas based upon space used or actual usage, if specifically identifiable. The allocation of salary and related expenses for management and supervision of program service functions is made by management based on the estimated time spent by staff in the various program service functions.

(k) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, including the valuation of alternative investments, and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(3) Investments

The following table presents the Fund's fair value hierarchy for those investments measured at fair value as of December 31, 2017 and 2016.

	<u>2017</u>		<u>2016</u>	
	<u>Fair value</u>	<u>Level 1</u>	<u>Fair value</u>	<u>Level 1</u>
Investments:				
Cash and cash equivalents	\$ 28,659,254	28,661,686	27,589,920	27,589,920
Investment-related receivables	2,007,895	2,007,895	16,700,000	16,700,000
Equity securities – U.S.	45,947,874	45,947,874	48,185,243	48,185,243
Equity securities – Global	37,628,410	37,628,410	34,935,228	34,935,228
Equity mutual funds	19,827,261	19,827,261	45,722,646	45,722,646
Fixed income mutual funds	26,506,696	26,506,696	14,245,631	14,245,631
Futures	361,079	361,079	(150,469)	(150,469)
Fixed income hedge funds	20,485,832	20,485,832	18,156,527	18,156,527
	<u>181,424,301</u>	<u>\$ 181,426,733</u>	<u>205,384,726</u>	<u>\$ 205,384,726</u>
Investments measured at net asset value:				
Equity hedge funds (a)	434,114,551		288,042,648	
Fixed income hedge funds (b)	64,446,190		93,211,563	
Insurance linked hedge fund (c)	15,644,153		11,223,653	
Multi-strategy hedge fund (d)	7,724,169		—	
Real estate (e)	59,360,846		65,848,954	
Private equity funds (f)	175,766,094		168,500,674	
Total investments	<u>\$ 938,480,304</u>		<u>\$ 832,212,218</u>	

- (a) This class includes hedge funds that invest in both long and short positions in primarily U.S. common stocks, comingled long-only funds that invest primarily in equity securities with certain redemption restrictions, and other hedge funds exposed primarily to equity risk factors. Management of the hedge funds has the ability to shift investments based on capitalization, sectors, and regions.
- (b) This class includes hedge funds and comingled long-only funds with certain redemption restrictions that invest in fixed income and currency markets.
- (c) This class includes a hedge fund which underwrites a global portfolio of reinsurance and retrocessional contracts on a semi-annual basis to coincide with the major renewal dates in the property catastrophe reinsurance market.
- (d) This class includes a hedge fund that combines distinct but complementary strategies, including convertible and capital structure arbitrage, direct investments, credit relative value, merger and event-driven arbitrage, long short equity and volatility trading, each executed by a dedicated portfolio manager and team.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

- (e) This class includes public and private equity funds that invest primarily in commercial real estate.
- (f) This class includes private equity funds that invest primarily in private equity markets. At December 31, 2017 and 2016, there were \$141,753,000 and \$160,851,000, respectively, of unfunded commitments in relation to these funds.

The Fund had no investments categorized as Level 2 or 3 in 2017 or 2016. The Fund had no significant transfers between Level 1, Level 2, and Level 3 for the years ended December 31, 2017 and 2016.

Included in the Fund's investment portfolio at December 31, 2017 are redeemable investment assets (excluding cash and cash equivalents and investment-related receivables) based on the following terms and conditions:

	<u>2017</u>	<u>2016</u>
Daily, with no notice	\$ 121,245,883	134,984,567
Daily, with 1 day notice	8,664,358	8,104,181
Daily, with 10 days notice	20,485,832	18,156,527
Weekly, with 2 days notice	361,079	(150,469)
Monthly, with 5 days notice	48,227,722	—
Monthly, with 45 days notice	—	17,444,412
Monthly, with 60 days notice	22,143,054	20,565,868
Quarterly, with 10 days notice	23,163,276	18,542,786
Quarterly, with 30 days notice	67,464,417	58,000,002
Quarterly, with 60 days notice	18,345,838	—
Redemption of 12.5% quarterly, with 65 days notice	7,724,169	—
Redemption of 25% quarterly, with 30 days notice	109,757,827	81,070,918
Redemption of 25% quarterly, with 45 days notice	16,737,366	—
Quarterly, with 65 days notice	19,693,467	20,994,605
Quarterly, with 90 days notice	65,838,305	69,169,891
Redemption of 25% quarterly, with 90 days notice	39,095,000	21,186,376
Annually, with 90 days notice	3,388,392	20,728,307
Redemption of 25% semi-annually, with 90 days notice	18,715,978	16,657,791
Semi-annually, with 60 days notice	24,975,514	22,389,025
Semi-annually on 3/31 and 10/31, with 60 days notice	15,644,153	11,223,653
Redemption of 1/3 annually, with 65 days notice	355,385	—
Redemption of 1/3 annually, with 60 days notice	2,861,242	1,217,630
Rolling 3 years	17,797,958	13,286,600
	<u>\$ 672,686,215</u>	<u>553,572,670</u>

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

The nonredeemable alternative investment funds included in the Fund's investment portfolio at December 31, 2017 have the following estimated remaining lives:

2018	\$ 8,123,215
2019-2022	103,411,795
2023-2034	<u>123,591,930</u>
	<u>\$ 235,126,940</u>

As a result of its investing strategies, the Fund is a party to a variety of financial instruments. These financial instruments may include fixed income, foreign currency futures and options contracts, foreign currency forwards, and interest rate cap and floor contracts. Much of the Fund's off-balance-sheet exposure represents strategies that are designed to reduce the interest rate and market risk inherent in portions of the Fund's investment program. Changes in the market values of these financial instruments are recognized currently in the statements of activities. The notional value of these contracts was \$17,632,376 and \$(30,921,863) at December 31, 2017 and 2016, respectively.

Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the statements of financial position. Market risk represents the potential loss the Fund faces due to the decrease in the value of financial instruments. Credit risk represents the maximum potential loss the Fund faces due to possible nonperformance by obligors and counterparties of the terms of their contracts.

(4) Endowment Funds

The Fund has board-designated endowment and permanently restricted funds.

The board of trustees of the Fund has established special-purpose funds (note 1), which constitute the Fund's board-designated endowment. Of these special-purpose funds as of December 31, 2017 and 2016, the net assets of the Principal Fund, excluding \$1,117,829 and \$978,901, respectively, in temporarily restricted net assets, Pocantico Fund, and Richard Rockefeller Fellowship Fund constitute board-designated funds, which amounted to \$901,835,756 and \$810,579,747, respectively. The Pocantico II Fund, which was established in 1999 through a pledge by one donor in the amount of \$8 million, for purposes of perpetual maintenance of the Playhouse Parcel at the Pocantico Historic Area, includes both permanently restricted and temporarily restricted endowment funds. The permanently restricted portion reflects matching grants of Rockefeller family members to the original pledge and includes net assets of \$10,128,002 and \$10,069,177, respectively, as of December 31, 2017 and 2016. The temporarily restricted portion reflects the original pledge, as well as income and appreciation earned on both the permanently restricted and temporarily restricted portions, and includes net assets of \$19,290,481 and \$16,732,698 as of December 31, 2017 and 2016, respectively. Also included in temporarily restricted net assets in 2017 is a \$250,000,000 contribution receivable from the estate of David Rockefeller, Sr. to establish the David Rockefeller Global Development Fund for the purposes of developing, supporting, and funding grants and projects focusing on various global initiatives which may include health, poverty, sustainable development, democratic governance, and finance, trade and the economy.

ROCKEFELLER BROTHERS FUND, INC.

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The Fund sets its annual spending policy through a multifaceted process that involves reviewing the impact of past levels of spending, calculating a budget formula based on three-year average market base, assessing the prospective minimum payout requirement for the budget year, evaluating current market position and trends to formulate a reasonable projection of the following year's anticipated market value, and considering programmatic needs that may impact current thinking on spending. Using the information gathered from this process, the Fund develops a proposal for a financially responsible budget amount that meets both the Fund's minimum payout requirement and programmatic priorities. In anticipation of near-term budget pressures, continued market volatility, and eventual growth, the Fund's trustees and staff launched a process in 2011 to develop a shared vision of the relative scale of its programs at the end of this decade, and a resource allocation plan to achieve it over the coming years. While not binding on the Fund's future leadership, the shared vision on the relative scale of programs in 2020 was intended to aid priority setting and near-term resource allocation decisions related to spending rates, program budgets, staff, and other infrastructure investments. Spending for 2019 and beyond will consider the inflow of the significant bequest from David Rockefeller and the expansion of properties maintained by the Fund at Pcantico. The Fund monitors the impact of actual market trends during the year to assess if budget spending adjustments are needed.

The board of trustees of the Fund has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the Fund to appropriate for expenditure or accumulate so much of an endowment fund as the Fund determines is prudent for the uses, benefits, purposes, and duration under which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the board of trustees. The Fund has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by NYPMIFA.

ROCKEFELLER BROTHERS FUND, INC.

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The Fund had the following endowment-related activities for the years ended December 31, 2017 and 2016:

	Board- designated endowment funds	Temporarily restricted	Permanently restricted	Total
Endowment net assets at December 31, 2015	\$ 808,297,057	15,462,459	9,714,768	833,474,284
Investment return:				
Net investment income	2,952,032	36,757	—	2,988,789
Net appreciation	39,468,520	491,509	—	39,960,029
Contributions to endowment	5,280,781	88,000	39,325	5,408,106
Other	5,542	705,082	315,084	1,025,708
Amounts appropriated for expenditure	<u>(45,424,185)</u>	<u>(51,109)</u>	<u>—</u>	<u>(45,475,294)</u>
Endowment net assets at December 31, 2016	810,579,747	16,732,698	10,069,177	837,381,622
Investment return:				
Net investment income	2,115,723	76,378	58,825	2,250,926
Net appreciation	143,611,996	2,468,765	—	146,080,761
Contributions to endowment	2,045,711	250,120,000	—	252,165,711
Other	15,973	—	—	15,973
Amounts appropriated for expenditure	<u>(56,533,394)</u>	<u>(107,360)</u>	<u>—</u>	<u>(56,640,754)</u>
Endowment net assets at December 31, 2017	<u>\$ 901,835,756</u>	<u>269,290,481</u>	<u>10,128,002</u>	<u>1,181,254,239</u>

(5) Program-Related Investments

The Fund's program-related investment has limited or no marketability, and represents real estate that has been leased rent-free to a not-for-profit organization under the terms of an agreement, which expires in the year 2056.

(6) Pension Plans

The Fund participates in the Retirement Income Plan for Employees of Rockefeller Brothers Fund, Inc., et al. (the Plan), a noncontributory defined-benefit plan covering substantially all of its employees. Effective December 31, 2003, the Plan was frozen.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

The Fund recognizes the funded status of its defined-benefit pension and other postretirement plans as a liability and recognizes the changes in that funded status in the year in which the changes occur through a separate line within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic cost. The funded status reported on the statements of financial position was measured as the difference between the fair value of plan assets and the benefit obligations as of December 31, 2017 and 2016.

The following tables set forth the Plan's funded status and amounts recognized in the financial statements at December 31, 2017 and 2016:

	2017	2016
Accumulated benefit obligation/projected benefit obligation for services rendered to date	\$ (8,162,403)	(7,877,499)
Plan assets at fair value	6,972,397	6,447,493
Funded status (pension liability)	\$ (1,190,006)	(1,430,006)
	2017	2016
Net pension cost included the following components:		
Interest cost on projected benefit obligation	\$ 291,630	305,746
Service cost	77,600	72,500
Actual return on plan assets	(479,636)	(485,506)
Net amortization and deferral	259,771	265,733
Net periodic pension benefit cost	\$ 149,365	158,473

The weighted average discount rates used in determining the actuarial present value of the projected benefit obligation were 3.35% in 2017 and 3.79% in 2016. The weighted average discount rates used in determining the net periodic benefit costs were 3.79% in 2017 and 3.95% in 2016. The expected long-term rate of return on assets was 7.75% in 2017 and 2016. Amortization of unrecognized prior service cost was \$36,929 in 2017 and \$53,126 in 2016. In 2017, the Fund was not required to make contributions to the Plan.

The plan assets are currently invested in mutual funds, with an allocation of 65% equity and 35% debt securities and are considered Level 1 in the fair value hierarchy. The Fund's investment goal is to obtain a competitive risk-adjusted return on the pension plan assets commensurate with prudent investment practices and the Plan's responsibility to provide retirement benefits for its participants, retirees, and their beneficiaries. The Plan's asset allocation targets are strategic and long term in nature and are designed to take advantage of the risk reducing impacts of asset class diversification. Investments within each asset category are further diversified with regard to investment style and concentration of holdings.

ROCKEFELLER BROTHERS FUND, INC.

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December 31, 2017 and 2016

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$1,905,650 and \$2,295,015 at December 31, 2017 and 2016, respectively. The net actuarial loss and prior service cost that will be amortized into net periodic benefit cost in 2018 are approximately \$182,000.

The anticipated benefit payments for the next 10 years are as follows:

Year(s) ending December 31:		
2018	\$	431,000
2019		443,000
2020		446,000
2021		456,000
2022		508,000
2023–2027		2,544,000

(7) Postretirement Healthcare Benefits

In addition to providing pension benefits, the Fund provides certain healthcare benefits for retired employees. Substantially all of the Fund’s employees may become eligible for these benefits if they reach age 55 while employed by the Fund and have accumulated at least five years of service. Such benefits are provided through an insurance company.

The following table sets forth the Plan’s status as of December 31, 2017 and 2016:

	2017	2016
Accumulated postretirement benefit obligations (APBO)	\$ 10,219,429	9,484,210

The net periodic postretirement benefit cost included the following components as of December 31, 2017 and 2016:

	2017	2016
Service cost	\$ 261,685	249,549
Interest cost	355,888	358,223
Amortization of unrecognized loss	159,210	191,983
Net periodic postretirement benefit cost	\$ 776,783	799,755

Actual retiree premiums paid by the Fund during 2017 and 2016 amounted to \$283,235 and \$264,807, respectively.

The discount rate assumed in determining the APBO was 3.55% in 2017 and 4.10% in 2016. The weighted average discount rates used in determining the period’s benefit costs were 4.10% in 2017 and 4.30% in 2016. The medical cost trend rate assumed was 7.75%, declining to 4.75% over a five-year period for 2017 and 2016. Increasing the assumed medical cost trend rate by 1.00% each year would result in increases in both the APBO and the net periodic postretirement cost of \$1,947,976 and \$136,429 in 2017, and

ROCKEFELLER BROTHERS FUND, INC.

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\$1,752,909 and \$137,106 in 2016, respectively. Decreasing the assumed medical cost trend rate by 1.00% each year would result in decreases in both the APBO and the net periodic postretirement cost of approximately \$1,536,278 and \$105,026 in 2017, and \$1,390,598 and \$105,235 in 2016, respectively.

The anticipated benefit payments for the next 10 years are as follows:

Year(s) ending December 31:		
2018	\$	293,000
2019		329,000
2020		348,000
2021		361,000
2022		377,000
2023–2027		2,143,000

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$3,333,462 and \$3,091,791 at December 31, 2017 and 2016, respectively. The net actuarial loss that will be amortized into net periodic benefit cost in 2018 is approximately \$242,865.

(8) Reconciliation of Grants Awarded

The following table reconciles grants awarded and grants paid during 2017 and 2016:

Grants payable, December 31, 2015	\$	8,016,513
Grants awarded 2016		28,908,262
Grants paid 2016		<u>(30,115,413)</u>
Grants payable, December 31, 2016		6,809,362
Grants awarded 2017		34,439,843
Grants paid 2017		<u>(30,705,578)</u>
Grants payable, December 31, 2017	\$	<u><u>10,543,627</u></u>

The Fund estimates that the grants payable balance as of December 31, 2017 will be paid as follows:

Year ending December 31:		
2018	\$	9,317,928
2019		1,150,699
2020		<u>75,000</u>
	\$	<u><u>10,543,627</u></u>

The net present value of grants payable is not materially different from amounts committed to be paid.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(9) Related-Party Transactions

The Fund was reimbursed for the cost of certain expenditures, which may include a proportionate share of direct and indirect compensation for accounting, human resource, and operations department staff; information technology services; occupancy; capital expenditures; employee benefits; and consultant and legal fees related to employee benefits issues from various related parties as presented in the following table at December 31, 2017 and 2016, respectively:

	2017	2016
Rockefeller Archive Center	\$ 792,962	791,342
Rockefeller Family Fund	614,461	617,490
Asian Cultural Council	346,646	354,042
David Rockefeller Fund	146,153	112,526
	\$ 1,900,222	1,875,400

Rockefeller Philanthropy Advisors (RPA)

During 2017, the Fund approved one grant to RPA totaling \$400,000, designated for its Climate Nexus Project, payable over two years, \$204,841 in 2017, and \$195,150 in 2018. During 2017, the Fund paid its last installment on a grant approved for RPA's D-5 initiative in 2015, in the amount of \$39,441. During 2016, the Fund approved and paid one grant to RPA totaling \$400,000, designated for its Climate Nexus Project. During 2017, RPA reimbursed the Fund for meeting and conference expenses totaling \$11,466. During 2017, the Fund received contributions from RPA totaling \$9,000, designated for the RRFF. During 2016, the Fund received contributions from RPA totaling \$32,500. Of this amount, \$25,000 was designated for the RRFF, payable over two years, and \$7,500 was designated for general support.

David Rockefeller

In 2017, the Fund received a contribution totaling \$750,000 from the estate of David Rockefeller in support of the Fund's grant-making initiative in Egypt. In 2016, David Rockefeller made a commitment of \$750,000 in support of the Fund's grant-making initiative in Egypt of which \$350,000 was received in 2016, and \$400,000 was received in 2017. In 2016, David Rockefeller also made a commitment of \$500,000 designated for the RRFF of which \$250,000 was received in 2016 and 2017, respectively. In 2017, the Fund became the beneficiary of a cash bequest from the will of David Rockefeller, amounting to the lesser of the balance of his net residual estate and \$250,000,000. The intent of the bequest is to establish the DRGDF.

Rockefeller Archive Center (RAC)

In 2016, the Fund entered into two consulting agreements with RAC totaling \$104,500, detailed as follows: consulting services in the amount of \$41,000 for the purpose of writing six thematic essays for the Fund's 75th anniversary timeline, and conducting two oral histories of former and current trustees or staff of which \$23,000 was paid in 2016, and consulting services in the amount of \$63,500 for the purpose of preparing two papers about the Fund's history of grantmaking in Latin American and in the Middle East which was fully paid in 2016.

ROCKEFELLER BROTHERS FUND, INC.

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December 31, 2017 and 2016

Other Related Parties

In 2017, the Fund approved a grant in the amount of \$150,000 to the Growald Family Fund, a related party, to co-fund its staff position of Asia Climate Finance Director. The grant is payable over two years, with \$75,000 paid in 2017, and \$75,000 to be paid in 2018.

The Fund paid fees of approximately \$1,300,000 in 2017 and 2016, respectively, for maintenance of the Pocantico properties to Greenrock Corporation, which is wholly owned by Rockefeller family members.

The Fund is invested in an equity hedge fund in which Rockefeller & Co., a related party, is an underlying investment manager. Of the Fund's total investment in the equity hedge fund, the approximate value of the investment holdings managed by Rockefeller & Co. was \$18 million and \$14 million, at December 31, 2017 and 2016, respectively.

(10) Federal Taxes

As a private foundation, the Fund is assessed an excise tax under the Code. The provision for federal excise tax consists of a current provision on realized net investment income and a deferred provision on unrealized appreciation of investments. This tax is generally equal to 2%; however, it is reduced to 1% if a foundation meets certain distribution requirements under Section 4940(e) of the Code. These requirements take into consideration the prior five years' average asset values and qualifying charitable distributions to develop a five-year average payout rate, which is then applied to the current year's average asset value to arrive at the current year payout amount. If a foundation exceeds this amount plus 1% of its investment income, it qualifies for the 1% tax rate.

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The Fund provided for current excise taxes at the rate of 2% and 1% in 2017 and 2016, respectively. The following table reconciles the Fund's current and deferred tax provisions for the years ended December 31, 2017 and 2016, respectively.

	2017	2016
Current tax:		
Beginning of year receivable	\$ (1,212,367)	(1,717,500)
Excise tax expense	695,000	618,000
Refund received	800,000	—
Additional overpayment credits	(404,761)	(112,867)
Current tax receivable	\$ (122,128)	(1,212,367)
Deferred tax:		
Beginning of year liability	\$ 3,971,826	3,239,042
Deferred expense adjustment	2,576,605	732,784
Deferred tax liability	6,548,431	3,971,826
Other adjustments to taxes payable	8,312	—
Taxes Payable	\$ 6,556,743	3,971,826
Statement of financial position presentation:		
Total receivable, included in accounts receivable and other current assets	\$ 130,440	1,212,367
Total liability (taxes payable)	6,556,743	3,971,826

(11) Commitments

On January 1, 2009, the Fund entered into a lease agreement, and relocated its offices in June 2009. Portions of this space are occupied by affiliated nonprofits; approximately \$152,000 is reimbursed each year by these entities. The terms of the lease for this location expire on December 31, 2023, with one five-year renewal option.

The office space occupied by the Fund, together with its affiliates, provides for annual minimum rental commitments, excluding escalation as follows:

2018	\$ 684,000
2019	684,000
2020	684,000
2021	684,000
2022–2023	1,368,000

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On January 1, 1992, the Fund entered into a formal arrangement with the National Trust for Historic Preservation in the United States, whereby the Fund assumes the costs associated with maintenance and operations of the Pocantico Historic Area, including all utilities, real estate and other taxes, and impositions assessed against the property. In 2017 and 2016, these costs aggregated approximately \$1,833,000 and \$1,879,000, respectively. Under the same agreement, the Fund agreed to conduct a program of public visitation of the Pocantico Historic Area. Historic Hudson Valley was engaged by the Fund to operate this program on its behalf. The public visitation program commenced in April 1994.

(12) Subsequent Events

In connection with the preparation of the financial statements, the Fund evaluated events after the statement of financial position date of December 31, 2017 through July 31, 2018, which was the date the financial statements were available to be issued and noted no additional disclosures are required.

ROCKEFELLER BROTHERS FUND, INC.

Supplemental Schedule of Functional Expenses

Year ended December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	Direct charitable activities		Subtotal	Program and grant management	Investment management	General management and federal excise and other taxes	2017 RBF Funds	2016 RBF Funds
	Principal Fund	Pocantico Fund						
Salaries and employee benefits:								
Salaries	\$ 450,583	723,574	1,174,157	2,208,112	247,951	2,420,674	6,050,894	5,899,710
Employee benefits and events	222,394	518,821	741,215	1,089,854	123,747	1,246,133	3,200,949	3,193,571
	672,977	1,242,395	1,915,372	3,297,966	371,698	3,666,807	9,251,843	9,093,281
Other expenses:								
Grants awarded	—	—	—	34,439,843	—	—	34,439,843	28,908,262
Federal excise and other taxes	—	—	—	—	—	4,609,516	4,609,516	1,620,258
Consultants fees	—	—	—	600,085	7,500	841,318	1,448,903	1,964,351
Investment services	—	—	—	—	3,441,832	—	3,441,832	2,902,270
Legal, audit, and professional fees	—	39,672	39,672	42,594	206,037	214,988	503,291	968,366
Travel	23,157	10,005	33,162	555,397	21,468	35,802	645,829	656,897
Rent and electricity	26,980	—	26,980	321,756	22,666	272,678	644,080	589,539
Program conferences and events	291,808	—	291,808	—	—	—	291,808	337,817
Facilities maintenance and operations	—	1,832,730	1,832,730	—	—	—	1,832,730	1,879,218
Telephone, facsimile, and internet	3,346	20,946	24,292	31,368	2,919	38,758	97,337	114,583
Temporary staffing and related expenses	—	—	—	163	—	40,834	40,997	97,063
Insurance	7,087	177,184	184,271	66,447	6,871	113,449	371,038	286,016
General office expenses	15,549	39,445	54,994	263,294	45,760	166,457	530,505	618,000
Communications	—	—	—	—	—	78,306	78,306	86,036
Depreciation and amortization	28,808	162,218	191,026	270,080	25,041	329,434	815,581	762,319
	\$ 1,069,712	3,524,595	4,594,307	39,888,993	4,151,792	10,408,347	59,043,439	50,884,276

See accompanying independent auditors' report.