

Rockefeller Brothers Fund, Inc.

Financial Statements

December 31, 2018

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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Period Financial Statements

The financial statements of the Fund as of December 31, 2017 were audited by other auditors whose report dated July 31, 2018, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended December 31, 2018 the Fund adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

August 2, 2019

Rockefeller Brothers Fund, Inc.

Statement of Financial Position
December 31, 2018
(with summarized totals at December 31, 2017)

	Principal Fund	Pocantico Fund	Pocantico II Fund	Richard Rockefeller Fellowship Fund	David Rockefeller Global Development Fund	2018 RBF Funds	2017 RBF Funds
ASSETS							
Cash and cash equivalents	\$ 1,933,101	\$ 500	\$ -	\$ -	\$ -	\$ 1,933,601	\$ 3,733,937
Accounts receivable and other assets	2,256,901	45,061	5,664	-	197,087	2,504,713	1,746,581
Contributions receivable	1,200,000	-	1,200,000	-	-	2,400,000	262,751,705
Investments	784,975,980	76,006,461	24,774,247	117,951	247,109,376	1,132,984,015	938,480,304
Program-related investment – real estate	510,000	-	-	-	-	510,000	510,000
Fixed assets, net	2,433,051	3,891,046	120,974	-	15,881	6,460,952	6,395,534
Interfund	4,808,172	(10,016,655)	2,477,579	3,532,962	(802,058)	-	-
	\$ 798,117,205	\$ 69,926,413	\$ 28,578,464	\$ 3,650,913	\$ 246,520,286	\$ 1,146,793,281	\$ 1,213,618,061
LIABILITIES AND NET ASSETS							
Liabilities							
Accrued expenses and other liabilities	\$ 990,421	\$ 808,574	\$ 115,119	\$ -	\$ -	\$ 1,914,114	\$ 2,476,117
Grants payable	11,940,030	-	-	-	-	11,940,030	10,543,627
Taxes payable	2,642,529	456,270	-	455	-	3,099,254	6,556,743
Accrued pension and postretirement benefits	8,260,883	2,311,152	-	-	-	10,572,035	11,669,506
Total Liabilities	23,833,863	3,575,996	115,119	455	-	27,525,433	31,245,993
Net Assets							
Without donor restrictions	773,132,488	66,350,417	-	-	-	839,482,905	898,384,485
With Donor Restrictions							
Purpose restricted	1,150,854	-	18,314,868	3,650,458	246,520,286	269,636,466	273,859,581
Perpetual	-	-	10,148,477	-	-	10,148,477	10,128,002
Total Net Assets With Donor Restrictions	1,150,854	-	28,463,345	3,650,458	246,520,286	279,784,943	283,987,583
Total Net Assets	774,283,342	66,350,417	28,463,345	3,650,458	246,520,286	1,119,267,848	1,182,372,068
	\$ 798,117,205	\$ 69,926,413	\$ 28,578,464	\$ 3,650,913	\$ 246,520,286	\$ 1,146,793,281	\$ 1,213,618,061

See notes to financial statements

Rockefeller Brothers Fund, Inc.

Statement of Activities Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	Principal Fund	Pocantico Fund	Pocantico II Fund	Richard Rockefeller Fellowship Fund	David Rockefeller Global Development Fund	2018 RBF Funds	2017 RBF Funds
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS							
Support and Revenue							
Investment Return							
Investment income	\$ 3,112,959	\$ 242,949	\$ -	\$ -	\$ -	\$ 3,355,908	\$ 2,115,723
Net realized and unrealized (loss) gain on investments	(17,407,134)	(1,471,896)	-	-	-	(18,879,030)	143,611,996
Less: investment expenses	(3,119,680)	(263,791)	-	-	-	(3,383,471)	(3,383,665)
Investment Return	(17,413,855)	(1,492,738)	-	-	-	(18,906,593)	142,344,054
Contributions	14,787	-	-	-	-	14,787	2,045,711
Other income	12,478	-	-	-	-	12,478	15,973
Net assets released from restrictions	3,518,075	-	356,799	(11,222)	2,390,474	6,254,126	5,046,421
Total Support and Revenue	(13,868,515)	(1,492,738)	356,799	(11,222)	2,390,474	(12,625,202)	149,452,159
Expenses							
Direct charitable activities	1,291,399	4,042,611	344,607	-	72,006	5,750,623	4,594,307
Program and grant management	37,370,635	-	-	-	2,080,717	39,451,352	39,888,993
General management and taxes	2,139,447	381,735	12,192	(11,222)	237,751	2,759,903	11,118,307
Total Expenses	40,801,481	4,424,346	356,799	(11,222)	2,390,474	47,961,878	55,601,607
Amounts not yet recognized as a component of net periodic benefit cost	1,283,469	402,031	-	-	-	1,685,500	147,694
(Decrease) Increase in Net Assets Without Donor Restrictions	(53,386,527)	(5,515,053)	-	-	-	(58,901,580)	93,998,246
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Support and Revenue							
Investment Return							
Investment income	-	-	95,955	13,270	177,278	286,503	76,378
Net realized and unrealized (loss) gain on investments	-	-	(581,338)	(80,398)	(1,074,031)	(1,735,767)	2,468,765
Less: investment expenses	-	-	(104,186)	(14,407)	(192,487)	(311,080)	(58,167)
Investment Return	-	-	(589,569)	(81,535)	(1,089,240)	(1,760,344)	2,486,976
Contributions	3,551,100	-	72,000	269,500	-	3,892,600	252,513,919
Contributions - perpetual	-	-	20,475	-	-	20,475	58,825
Other (loss) - perpetual	-	-	(101,245)	-	-	(101,245)	-
Net assets released from restrictions	(3,518,075)	-	(356,799)	11,222	(2,390,474)	(6,254,126)	(5,046,421)
(Decrease) Increase in Net Assets With Donor Restrictions	33,025	-	(955,138)	199,187	(3,479,714)	(4,202,640)	250,013,299
(Decrease) Increase in Net Assets	(53,353,502)	(5,515,053)	(955,138)	199,187	(3,479,714)	(63,104,220)	344,011,545
NET ASSETS							
Beginning of year	827,636,844	71,865,470	29,418,483	3,451,271	250,000,000	1,182,372,068	838,360,523
End of year	\$ 774,283,342	\$ 66,350,417	\$ 28,463,345	\$ 3,650,458	\$ 246,520,286	\$ 1,119,267,848	\$ 1,182,372,068

See notes to financial statements

Rockefeller Brothers Fund, Inc.

Statement of Functional Expenses For the Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	Direct Charitable Activities			Subtotal	Program and Grant Management	General Management and Taxes ¹	2018 RBF Funds	2017 RBF Funds
	General Programs	Pocantico Fund	Pocantico II Fund					
Salaries and Employee Benefits:								
Salaries	\$ 585,923	\$ 818,782	\$ -	\$ 1,404,705	\$ 2,216,318	\$ 2,545,664	\$ 6,166,687	\$ 6,050,894
Employee benefits and development	289,341	402,112	-	691,453	1,094,462	1,256,415	3,042,330	3,200,949
	<u>875,264</u>	<u>1,220,894</u>	<u>-</u>	<u>2,096,158</u>	<u>3,310,780</u>	<u>3,802,079</u>	<u>9,209,017</u>	<u>9,251,843</u>
Other Expenses:								
Grants awarded	-	-	-	-	33,822,849	-	33,822,849	34,439,843
Federal excise and other taxes (benefit)	-	-	-	-	-	(3,124,208)	(3,124,208)	4,609,516
Consultant fees	-	8,631	-	8,631	658,712	436,638	1,103,981	1,448,903
Legal, audit and professional fees	2,426	89,792	-	92,218	40,267	407,800	540,285	503,291
Travel	42,668	20,663	-	63,331	627,082	73,421	763,834	645,829
Rent and electricity	36,176	-	-	36,176	368,722	289,959	694,857	644,080
Program conferences and events	322,365	-	-	322,365	-	-	322,365	291,808
Facilities maintenance and operations	-	2,262,453	321,530	2,583,983	-	-	2,583,983	1,832,730
Telephone, facsimile and internet	4,585	22,813	3,063	30,461	28,133	42,426	101,020	97,337
Temporary staffing and related expenses	-	-	-	-	-	21,816	21,816	40,997
Insurance	11,001	159,233	10,110	180,344	67,503	125,344	373,191	371,038
General office expenses	28,995	71,152	4,746	104,893	282,308	276,542	663,743	530,505
Communications	-	-	-	-	-	45,902	45,902	78,306
Depreciation and amortization	39,925	186,980	5,158	232,063	244,996	362,184	839,243	815,581
	<u>\$ 1,363,405</u>	<u>\$ 4,042,611</u>	<u>\$ 344,607</u>	<u>\$ 5,750,623</u>	<u>\$ 39,451,352</u>	<u>\$ 2,759,903</u>	<u>\$ 47,961,878</u>	<u>\$ 55,601,607</u>

¹ Includes indirect costs related to investment management in the amount of \$760,522.

See notes to financial statements

Rockefeller Brothers Fund, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(with comparative amounts for the year ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ (63,104,220)	\$ 344,011,545
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities		
Net realized and unrealized loss (gain) on investments	20,614,797	(146,080,761)
Amount not yet recognized as a component of net periodic benefit cost	(1,685,500)	(147,694)
Depreciation and amortization	839,243	815,581
Taxes payable	(3,457,489)	2,584,917
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(758,132)	245,600
Contributions receivable	260,351,705	(243,108,000)
Accrued expenses and other liabilities	(562,003)	331,937
Grants payable	1,396,403	3,734,265
Accrued pension and postretirement benefits	588,029	748,536
Net Cash from Operating Activities	214,222,833	(36,864,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	889,995,113	443,108,475
Purchases of investments	(1,105,113,621)	(403,295,800)
Purchases of fixed assets	(904,661)	(1,146,096)
Net Cash from Investing Activities	(216,023,169)	38,666,579
Net Change in Cash and Cash Equivalents	(1,800,336)	1,802,505
CASH AND CASH EQUIVALENTS		
Beginning of year	3,733,937	1,931,432
End of year	\$ 1,933,601	\$ 3,733,937
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for other taxes	\$ 1,276,715	\$1,848,138

See notes to financial statements

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

1. Organization 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, China, and Western Balkans. Effective November 15, 2017, the Fund registered under the supervision of the Ministry of Ecology and Environment of the People’s Republic of China (formerly the Ministry of Environmental Protection) and operates an office in Beijing.

In addition to the Principal Fund which supports the Fund’s core programs and operations, 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.

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, in alignment with the Fund’s programmatic mission.

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.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates made by management in the preparation of the financial statements include fair value of alternative investments, pension and other post-retirement benefits and depreciation and amortization. Management believes that the estimates utilized in preparing these financial statements are reasonable and appropriate.

Change in Accounting Principle

On January 1, 2018, the Fund adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Fund to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Fund to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard prior year amounts for temporarily restricted and permanently restricted net assets were combined as net assets with donor restrictions.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of the Fund’s operations. Net assets without donor restrictions may be used at the discretion of the Fund’s management and board of trustees.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Fund to maintain in perpetuity, the income of which can be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “with donor restrictions” or “without donor restrictions” net asset classes based upon stipulations by the donors.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

The Fund considers all highly liquid debt instruments purchased with 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.

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. U.S. GAAP 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.

Pursuant to U.S. GAAP, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not characterized within the fair value hierarchy.

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.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (*continued*)

Investments

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 were pooled upon receipt of the contribution receivable of \$250,000,000 in September 2018.

Investment Income Recognition

Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Investment Expenses

Investment expenses on the statement of activities consists of fees paid directly to the Fund's investment managers and custodian. Indirect investment expenses included in the statement of functional expenses consist primarily of legal and professional fees and personnel costs attributable to the oversight of and accounting for the Fund's investment portfolio.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in Income Taxes

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 of 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. The Fund is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2015.

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 \$31,646,000 and \$30,807,000 at December 31, 2018 and 2017, respectively.

Collections

The Fund has a small collection of art and historic collectibles, including paintings, sculptures, tapestries and carriages. The collection is maintained under the care of the Fund and is held for public exhibition and education in furtherance of public service, rather than for financial gain. The Fund does not anticipate selling these items and, therefore, does not include either the cost or the value of its collection in the statement of financial position, nor does it recognize gifts of collection items as revenues in the statement of activities. Since items acquired for the collection by purchase are not capitalized, the cost of those acquisitions is reported as decreases in net assets in the statement of activities.

Grants Payable

Grants are recorded at the time of approval by the trustees and notification to the recipient (note 10).

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Recognition of Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized in the period received and are considered to be available for any 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, 2018 and 2017 were not discounted as they are expected to be collected within 12 months of year-end. The Fund evaluates collectability of promises to give in determining the necessary provision for doubtful collection. No such provision has been made as of December 31, 2018 and 2017.

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 general management comprises the supporting activity expenses. Within general management are expenses related to investment administration. 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. The Fund's cash is maintained in bank accounts which, at times, may exceed federally insured limits. The Fund has not experienced any losses on its cash deposits. Investments are managed by a professional investment management firm that had been engaged to serve as the Fund's Outsourced Chief Investment Office (OCIO), and are monitored by the Fund's management and Investment Committee. The Fund believes no significant concentration of credit risk exist with respect to its receivables due to historical collections and experience.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 2, 2019.

3. Investments

The following table presents the Fund's fair value hierarchy for those investments measured at fair value as of December 31:

		2018	
	Level 1	Investments Valued Using NAV (*)	Total
Equity securities - U.S.	\$ 66,414,258	\$ -	\$ 66,414,258
Equity securities - Global	78,540,023	-	78,540,023
Fixed income securities	23,022,341	-	23,022,341
Exchange traded fund	25,083,905	-	25,083,905
Futures	(144,714)	-	(144,714)
Hedge Funds			
Equity (see "a" below)	-	459,687,356	459,687,356
Fixed income (see "b" below)	-	120,441,524	120,441,524
Insurance linked (see "c" below)	-	16,319,471	16,319,471
Multi-strategy (see "d" below)	-	23,343,258	23,343,258
Real estate (see "e" below)	-	75,175,936	75,175,936
Private equity funds (see "f" below)	-	186,193,738	186,193,738
Total Investments at Fair Value	<u>\$ 192,915,813</u>	<u>\$ 881,161,283</u>	1,074,077,096
Cash and equivalents			58,906,919
Total Investments			<u>\$ 1,132,984,015</u>

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

3. Investments (continued)

	2017		
	Level 1	Investments Valued Using NAV (*)	Total
Equity securities - U.S.	\$ 45,947,874	\$ -	\$ 45,947,874
Equity securities - Global	37,628,410	-	37,628,410
Equity mutual funds	19,827,261	-	19,827,261
Fixed income mutual funds	26,506,696	-	26,506,696
Futures	361,079	-	361,079
Hedge Funds			
Equity (see "a" below)	-	434,114,551	434,114,551
Fixed income (see "b" below)	-	84,932,022	84,932,022
Insurance linked (see "c" below)	-	15,644,153	15,644,153
Multi-strategy (see "d" below)	-	7,724,169	7,724,169
Real estate (see "e" below)	-	59,360,846	59,360,846
Private equity funds (see "f" below)	-	175,766,094	175,766,094
Total Investments at Fair Value	<u>\$ 130,271,320</u>	<u>\$ 777,541,835</u>	907,813,155
Cash and equivalents			28,659,254
Investment-related receivables			<u>2,007,895</u>
Total Investments			<u>\$ 938,480,304</u>

(*) As discussed in note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

- (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.
- (e) This class includes public and private equity funds that invest primarily in commercial real estate.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

3. Investments *(continued)*

(f) This class includes private equity funds that invest primarily in private equity markets. At December 31, 2018 and 2017, there were approximately \$187,726,000 and \$141,753,000, respectively, of unfunded commitments in relation to these funds.

The Fund had no investments categorized as Level 2 or 3 in 2018 or 2017. The Fund had no significant transfers between Level 1, Level 2, and Level 3 for the years ended December 31, 2018 and 2017.

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

	2018	2017
Daily, with no notice	\$ 193,060,528	\$ 121,245,883
Daily, with 1 day notice	-	8,664,358
Daily, with 10 days notice	29,716,000	20,485,832
Weekly, with 2 days notice	(144,714)	361,079
Twice monthly, with 5 days notice	20,785,298	-
Monthly, with 5 days notice	52,005,629	48,227,722
Monthly, with 30 days notice	3,826,128	-
Monthly, with 60 days notice	19,936,977	22,143,054
Quarterly, with 10 days notice	21,704,597	23,163,276
Quarterly, with 30 days notice	82,298,406	67,464,417
Quarterly, with 60 days notice	-	18,345,838
Redemption of 12.5% quarterly, with 65 days notice	-	7,724,169
Redemption of 12.5% quarterly, with 90 days notice	7,831,421	-
Redemption of 25% quarterly, with 30 days notice	95,068,300	109,757,827
Redemption of 25% quarterly, with 45 days notice	20,641,880	16,737,366
Quarterly, with 60 days notice	26,473,243	-
Quarterly, with 65 days notice	38,289,755	19,693,467
Quarterly, with 90 days notice	76,621,375	65,838,305
Redemption of 25% quarterly, with 90 days notice	33,088,433	39,095,000
Annually, with 90 days notice	2,153,342	3,388,392
Redemption of 25% semi-annually, with 90 days notice	22,371,720	18,715,978
Semi-annually, with 60 days notice	29,323,028	24,975,514
Semi-annually on 3/31 and 10/31, with 60 days notice	16,319,471	15,644,153
Redemption of 1/3 annually, with 65 days notice	51,410	355,385
Redemption of 1/3 annually, with 60 days notice	58,410	2,861,242
Rolling 3 years	21,226,786	17,797,958
	\$ 812,707,423	\$ 672,686,215

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

3. Investments (continued)

The nonredeemable alternative investment funds included in the Fund's investment portfolio at December 31, 2018 have the following estimated remaining lives:

2019	\$ 8,419,261
2020-2023	109,660,740
2024-2034	<u>143,289,673</u>
	<u>\$261,369,674</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 \$19,849,825 and \$17,632,376 at December 31, 2018 and 2017, 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. Liquidity and Availability

The following reflects the Fund's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions, plus expenditures appropriated from the endowment in accordance with the annual budget approval. The amounts classified as board designated could be made available, if necessary.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

4. Liquidity and Availability *(continued)*

Financial Assets	
Cash and cash equivalents	\$ 1,933,601
Accounts receivable	1,766,615
Contributions receivable	2,400,000
Investments	<u>1,132,984,015</u>
Total Financial Assets	<u>1,139,084,231</u>
Less:	
Donor-imposed Restrictions	
Donor restricted endowment funds	(10,148,477)
Other donor restrictions	(266,867,529)
Endowment fund appropriations for following year	<u>56,875,000</u>
	<u>(220,141,006)</u>
Board designated endowment funds	<u>(863,700,505)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 55,242,720</u>

As part of the Fund's liquidity management strategy, the Fund has designated its OCIO, with oversight by the Fund's Investment Committee and management, to structure its financial assets to be available as its grant payments and other general liabilities come due. Under the mandate of the Fund's Investment Policy Statement, at least 30% of the Fund's investment portfolio net assets will be held in vehicles utilizing lockups of 12 months or less. Within the Fund's managed investment portfolio, a separate cash account is maintained at the Fund's custodian bank, and used to facilitate capital calls on investments, investment income and capital distributions, investment management fees, and other withdrawals necessary to meet the Fund's cash requirements for grants and operating expenses. Recurring cash withdrawals from the managed investment portfolio are coordinated on a monthly basis, based on the Fund's annual cash flow projections for grants and administrative expenses as driven by the Fund's annual board approved budget. Cash requirements for other withdrawals associated with the Fund's investments are managed by the Fund's OCIO, as part of their investment management agreement with the Fund.

The Fund's endowment funds consist of funds designated by the board as endowment and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general expenditure.

The Fund's board designated endowment of \$863,700,505 at December 31, 2018 is subject to an annual spending policy as described in Note 5. Although the Fund does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, these amounts could be made available if necessary.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

5. Endowment Funds

The Fund's endowment is comprised of board designated funds without donor restrictions, funds with donor restriction for time or purpose, and donor restricted funds with restrictions in perpetuity.

The board of trustees of the Fund has established special-purpose funds, which along with the Fund's Principal Fund (note 1), constitute the Fund's board-designated endowment. Included in this endowment as of December 31, 2018 and 2017, are net assets without donor restrictions which reflect the net assets of the Principal Fund and the Pocantico Fund. 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 net assets with donor restrictions by purpose and net assets with donor restrictions in perpetuity. The purpose restricted net assets reflect the original pledge, as well as income and appreciation earned on both the perpetual and purpose restricted portions and include net assets of \$16,905,727 and \$18,105,216 as of December 31, 2018 and 2017, respectively. These net assets, in addition to the net assets of the Richard Rockefeller Fellowship Fund and net assets of the David Rockefeller Global Development Fund, which was established in 2017 through a bequest from the estate of David Rockefeller in the amount of \$250 million for the purposes of developing, supporting, and funding grants and projects focusing on various global initiatives aligned with the Fund's mission, constitute the Fund's endowment with donor restrictions, which amounted to \$266,867,529 and \$271,567,770 at December 31, 2018 and 2017, respectively. The portion of the Pocantico II Fund net assets with donor restrictions in perpetuity reflect matching grants of Rockefeller family members to the original \$8 million donor pledge, and includes net assets of \$10,148,477 and \$10,128,002, respectively, as of December 31, 2018 and 2017, constituting the Fund's permanent endowment.

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 Pocantico. The Fund monitors the impact of actual market trends during the year to assess if budget spending adjustments are needed.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

5. Endowment Funds *(continued)*

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 perpetually 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 perpetually restricted net assets is classified as with donor restricted net assets (purpose or time) until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Fund had the following endowment-related activities for the years ended December 31, 2018 and 2017:

	Board-Designated endowment Funds	With Donor Restrictions	With Donor Designated Restrictions - Perpetuity	Total
Endowment net assets at December 31, 2016	\$ 825,790,783	\$ 18,437,395	\$ 10,069,177	\$ 854,297,355
Net investment return	145,194,077	3,078,785	-	148,272,862
Contributions to endowment	2,036,711	250,129,000	58,825	252,224,536
Other	15,973	-	-	15,973
Amounts appropriated for expenditure	(47,403,700)	(77,410)	-	(47,481,110)
Endowment net assets at December 31, 2017	925,633,844	271,567,770	10,128,002	1,207,329,616
Net investment return	(18,906,593)	(1,760,344)	-	(20,666,937)
Contributions to endowment	14,787	341,500	20,475	376,762
Other	12,478	(101,245)	-	(88,767)
Amounts appropriated for expenditure	(43,054,011)	(3,180,152)	-	(46,234,163)
Endowment net assets at December 31, 2018	\$ 863,700,505	\$ 266,867,529	\$ 10,148,477	\$ 1,140,716,511

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

6. 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. At the expiration of the lease, the real estate will be surrendered to the landlord. This real estate is not held for sale and is therefore carried at cost.

7. Employee Savings and Investment Plan

The Fund sponsors a qualified defined contribution plan that covers eligible full-time employees of the Fund who have completed six consecutive months of service as indicated in the plan document. Plan contributions for the years ended December 31, 2018 and 2017 totaled approximately \$754,000 and \$769,000, respectively.

8. 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. In November 2018, the Fund's trustees approved the termination of the Plan.

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 net assets without donor restrictions, apart from expenses, to the extent those changes are not included in the net periodic cost. The funded status reported on the statement of financial position was measured as the difference between the fair value of Plan assets and the benefit obligations as of December 31, 2018 and 2017.

The following tables set forth the Plan's funded status and amounts recognized in the financial statements at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accumulated benefit obligations/projected benefit obligations for services rendered to date	\$(7,511,486)	\$(8,162,403)
Plan assets at fair value	<u>6,469,895</u>	<u>6,972,397</u>
Funded Status (Pension Liability)	<u>\$(1,041,591)</u>	<u>\$(1,190,006)</u>
	<u>2018</u>	<u>2017</u>
Net Pension Cost Included the Following Components		
Interest cost on projected benefit obligation	\$ 266,547	\$ 291,630
Service cost	56,900	77,600
Actual return on plan assets	47,982	(479,636)
Net amortization and deferral	<u>(370,772)</u>	<u>259,771</u>
Net Periodic Pension Benefit Cost	<u>\$ 657</u>	<u>\$ 149,365</u>

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

8. Pension Plans (*continued*)

The weighted average discount rates used in determining the actuarial present value of the projected benefit obligation were 3.99% in 2018 and 3.35% in 2017. The weighted average discount rates used in determining the net periodic benefit costs were 3.35% in 2018 and 3.79% in 2017. The expected long-term rate of return on assets was 7.50% in 2018 and 7.75% in 2017. Amortization of unrecognized prior service cost was \$20,732 in 2018 and \$36,929 in 2017. In 2018, the Fund was required to make contributions of \$50,000 to the Plan, and in 2017 there were no payments made to the Plan. Employer contributions to the Plan are expected to be limited during the year ending December 31, 2019, and any amounts are subject to change once the termination of the Plan is finalized (see below).

The Plan assets are currently invested in mutual funds. For transition purposes with respect to the impending termination of the Plan, the allocation of investments during the beginning of the year reflected 50% equity and 50% fixed income, moving towards an allocation of 100% fixed income by year end. These securities are considered Level 1 in the fair value hierarchy.

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$1,806,578 and \$1,905,650 at December 31, 2018 and 2017, respectively. The net actuarial loss and prior service cost that will be amortized into net periodic benefit cost in 2019 are approximately \$195,000.

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

2019	\$ 447,000
2020	450,000
2021	458,000
2022	511,000
2023	520,000
2024-2028	<u>2,555,000</u>
	<u>\$4,941,000</u>

In 2019, the Fund's participants in the Plan were notified by the Plan administrator of the intent to terminate the Plan. It is expected that while termination of the Plan will occur in 2019, full dissolution of the Fund's obligations will not occur until 2020. Participants who choose to receive annuity payments will arrange to have their pension benefits transferred to an insurer who will continue to administer their annuity payments, or in certain circumstances, participants may opt for a lump sum distribution.

9. 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.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

9. Postretirement Healthcare Benefits (continued)

The following table sets forth the plan's status as of December 31, 2018 and 2017:

	2018	2017
Accumulated benefit obligations/unfunded benefit obligations	\$(9,159,967)	\$(10,219,429)

The net periodic postretirement benefit cost included the following components as of December 31, 2018 and 2017:

	2018	2017
Service cost	\$ 277,018	\$ 291,630
Interest cost	345,758	77,600
Amortization of unrecognized loss (gain)	210,762	(479,636)
Net Periodic Postretirement Benefit Cost (Income)	\$ 833,538	\$ (110,406)

Actual retiree premiums paid by the Fund during 2018 and 2017 amounted to \$380,052 and \$283,235, respectively.

The discount rate assumed in determining the accumulated benefit obligation ("ABPO") was 4.15% in 2018 and 3.55% in 2017. The weighted average discount rates used in determining the period's benefit costs were 3.55% in 2018 and 4.10% in 2017. The five-year medical cost trend rate assumed in 2018 was 7.50%, declining to 4.50%, and in 2017 was 7.75%, declining to 4.75%. 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 \$1,572,815 and \$143,089 in 2018, and \$1,947,976 and \$136,429 in 2017, 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 \$1,257,746 and \$109,228 in 2018, and \$1,536,278 and \$105,026 in 2017, respectively.

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

2019	\$ 349,000
2020	370,000
2021	388,000
2022	405,000
2023	423,000
2024-2028	2,203,000
	\$4,138,000

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$1,747,034 and \$3,333,462 at December 31, 2018 and 2017, respectively. The net actuarial loss that will be amortized into net periodic benefit cost in 2019 is \$91,597.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

10. Reconciliation of Grants Awarded

The following table reconciles grants awarded and grants paid during 2018 and 2017:

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	10,543,627
Grants awarded 2018	33,822,849
Grants paid 2018	<u>(32,426,446)</u>
Grants Payable December 31, 2018	<u>\$ 11,940,030</u>

The Fund estimates that the grants payable balance will be paid as follows:

<u>Year Ending December 31,</u>	
2019	\$ 11,315,030
2020	<u>625,000</u>
	<u>\$ 11,940,030</u>

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

11. 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, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Rockefeller Archive Center	\$ 842,137	\$ 792,962
Rockefeller Family Fund	672,927	614,461
Asian Cultural Council	400,944	346,646
David Rockefeller Fund	<u>212,933</u>	<u>146,153</u>
	<u>\$2,128,941</u>	<u>\$ 1,900,222</u>

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

11. Related-Party Transactions (*continued*)

Rockefeller Philanthropy Advisors (RPA)

During 2018, the Fund approved two grants to RPA: one in the amount of \$100,000, for the upstart co-lab project to launch a joint investment fund in New York City to support the local creative sector, and the other in the amount of \$25,000 for its Theory of the Foundation initiative. 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 2018 and 2017, RPA reimbursed the Fund for meeting and conference expenses totaling \$32,795 and \$11,466, respectively. During 2018 and 2017, the Fund received contributions from RPA totaling \$9,500 and \$9,000, respectively, designated for the RRFF.

David Rockefeller

In 2018, the Fund received a cash bequest from the will of David Rockefeller, amounting to \$250,000,000 to establish the DRGDF. In 2018, the Fund also received \$11,438,400 from the estate of David Rockefeller to satisfy his outstanding pledge to the Pocantico II fund. 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.

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 was payable over two years, with \$75,000 paid in 2017, and \$75,000 paid in 2018.

The Fund paid fees of approximately \$1,300,000 in 2017 for maintenance of the Pocantico properties to Greenrock Corporation, which was wholly owned by Rockefeller family members. During 2018, ownership of Greenrock Corporation passed to the National Trust for Historic Preservation in the United States (NTHP), and Greenrock Corporation began to operate on a self-sustaining basis, in accordance with a Memorandum of Understanding between the Fund, the NTHP, and David Rockefeller dated October 7, 2008. The Fund paid fees of approximately \$2,042,000 in 2018 for maintenance of the Pocantico properties to Greenrock Corporation.

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 \$15 million and \$18 million, at December 31, 2018 and 2017, respectively.

During 2018, the Fund received a contribution from TisBest Philanthropy, in the amount of \$10,000, designated to the Fund for the RRFF by a trustee of the Fund.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

12. 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.

The Fund provided for current excise taxes at the rate of 2% in 2018 and 2017. The following table reconciles the Fund's current and deferred tax provisions for the years ended December 31, 2018 and 2017, respectively.

	2018	2017
Current Tax		
Beginning of year receivable	\$ 122,128	\$ 1,212,367
Excise tax expense	(461,000)	(695,000)
Payments	717,000	-
Refund received	-	(800,000)
Adjustment to prior year accrual for underpayment (additional overpayment)	(122,128)	404,761
Current Tax Receivable	\$ 256,000	\$ 122,128
Deferred Tax		
Beginning of year liability	\$ 6,548,431	\$ 3,971,826
Deferred expense adjustment	(3,648,968)	2,576,605
Deferred Tax Liability	2,899,463	6,548,431
Other adjustments to taxes payable	199,791	8,312
Taxes Payable	\$ 3,099,254	\$ 6,556,743
Statement of Financial Position Presentation		
Total receivable, included in accounts receivable and other assets	\$ 256,000	\$ 130,440
Total Liability (Taxes Payable)	\$ 3,099,254	\$ 6,556,743

13. 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. No formal leases exist between these affiliated nonprofits. The term of the lease for this location expires on December 31, 2023, with one five-year renewal option.

Rockefeller Brothers Fund, Inc.

Notes to Financial Statements
December 31, 2018

13. Commitments (continued)

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

2019	\$ 725,600
2020	725,600
2021	725,600
2022	725,600
2023	<u>725,600</u>
	<u>\$ 3,628,000</u>

On January 1, 1992, the Fund entered into a formal arrangement with the NTHP, 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 2018 and 2017, these costs aggregated approximately \$2,586,000 and \$1,833,000, 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.

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