

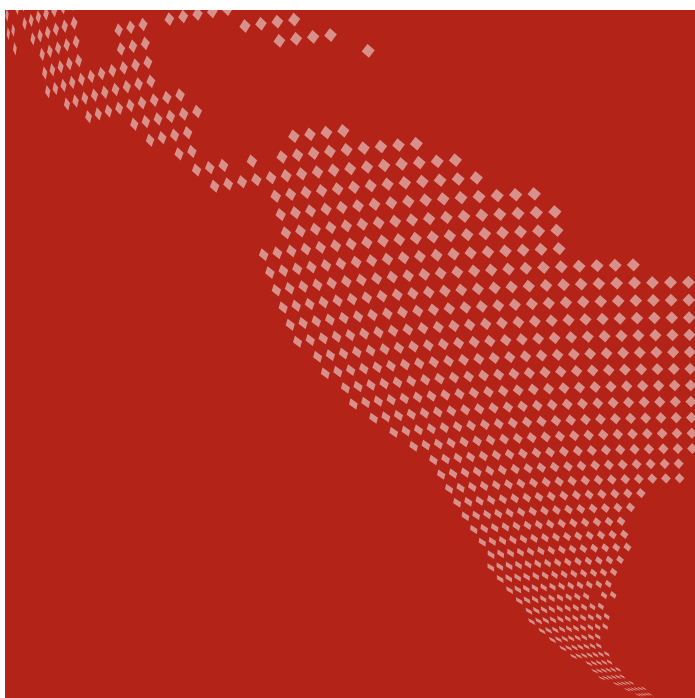


Rockefeller  
Brothers Fund

Philanthropy for an Interdependent World

# 2014 Annual Review

CHARTING OUR PROGRESS 2012-2014



# A Message from the President



President Stephen Heintz

**2014 was a year that produced some notable milestones in the fields of the Fund's work and in the ways in which we conduct our work. I am pleased to highlight a select few.**

Combatting climate change remains a critical priority, and in 2014 as we continued to provide support to outstanding nonprofit organizations that are advancing climate solutions in the United States and internationally, we also concluded that it was time to more directly align the way we invest our endowment funds with our work on climate change. When we announced our decision to divest from fossil fuel investments in September 2014, we underestimated the level of global interest the announcement would generate. Many have expressed support. Others have argued that given the scale of our endowment, which at the time stood at \$851 million, the decision would have little impact on the multi-trillion-dollar fossil fuel industry. I have frequently been asked, “Isn’t this a largely symbolic gesture?”

It may be. But symbols are important—they inspire and motivate behavior and they have the power to stimulate change. Our decision to divest was made with great care after thorough discussion with all of our relevant stakeholders: staff, investment advisors, and our investment committee and board of trustees. The decision was based on twin imperatives: the moral obligation of doing everything we can to help prevent catastrophic climate change and an economic necessity of looking long term as an institutional investor.

The RBF devotes approximately 40 percent of its annual grants budget to various efforts to combat global warming. We believe that climate change is the most profound challenge of our time. Continuing to invest in fossil fuels would be akin to providing grant funds for lung cancer research while investing in tobacco. Divesting from fossil fuels is one way that we are working to align our investments with our philanthropic mission and programs.

And as institutional investors we have followed with interest a growing body of economic research and analysis that suggests that as the global community takes the measures needed to prevent climate catastrophe, fossil fuels will lose market value. The scientific consensus indicates that global greenhouse gas emissions must be reduced by 80 percent by 2050 if we are to avoid reaching an irreversible climate tipping point that would have disastrous consequences for the planet, human civilization, and the larger community of life. Emissions reductions of this magnitude will only be

possible if we leave the bulk of known coal, oil, and gas reserves in the ground and transition to clean energy on an urgent basis. Fossil fuel reserves are likely to become “stranded assets” with shrinking market value and investments in the fossil fuel sector will be increasingly risky.

Our divestment announcement took place the day after hundreds of thousands of people, from all walks of life and many parts of the globe filled the streets of Manhattan for the People’s Climate March. The march was a collective outpouring of love for our planet and a united demand for action. Many of our grantees helped organize this inspiring event, and are continuing to work to build momentum for meaningful action by governments, businesses, nonprofit and philanthropic institutions, and citizens across the globe.

The People’s Climate March was just one major climate milestone of 2014. Two months later President Barack Obama and President Xi Jinping jointly announced ambitious new targets to cut greenhouse gas emissions in the United States and China. RBF partners in China helped pave the way for this historic announcement. There have been additional encouraging domestic policy developments in China, such as Beijing’s decision to ban the burning of coal in the city



**The People’s Climate March.** More than 300,000 people filled the streets of New York City in solidarity for climate justice at the People’s Climate March on September 21, 2014. **PHOTO** BY ROBERT VAN WAARDEN, SURVIVAL MEDIA AGENCY/CC BY-NC-SA 2.0.



by the end of 2020. In New York City, the Fund’s home, RBF grantees worked with city officials to help devise the plan unveiled by Mayor Bill de Blasio to drastically reduce the city’s greenhouse gas emissions by 2050.

The Carbon Tracker Initiative’s work to analyze and forecast future economic risk in the fossil fuels sector has informed the global public debate about the economics of climate and energy policymaking. In addition to acknowledgment by the World Bank, the International Energy Agency, the Bank of England, and other global financial institutions, the Carbon Tracker Initiative was awarded a 2014 Guardian Sustainable Business Award for reframing the climate debate and providing investors with tools to measure climate risk.



**A Climate Agreement between the United States and China.** President Barack Obama and President Xi Jinping of China arrive for a bilateral meeting at Zhong Nan Hai in Beijing, China, Nov. 11, 2014. **PHOTO** BY PETE SOUZA.

For the past thirteen years, the RBF has supported work to improve U.S.–Iran relations and advance a diplomatic resolution to the international dispute over Iran’s nuclear program. The Iran Project, the Ploughshares Fund, and numerous other grantees have worked tirelessly to provide dispassionate analysis, promote informal channels of dialogue, and inform American policymakers and the public. It is clear that all of these efforts contributed to the success of the formal diplomatic negotiations that produced agreement on the Comprehensive Joint Plan of Action that was announced in Vienna on July 14, 2015.



**The Nuclear Agreement with Iran.** Secretary of State John Kerry posed with his fellow European Union, P5+1, and Iranian counterparts at the Austria Center in Vienna, Austria, on July 14, 2015, after the formal announcement of the agreement concluding the Iranian nuclear negotiations. PHOTO BY THE STATE DEPARTMENT.

In June 2014, the Fund was devastated by the death of Dr. Richard Rockefeller, a former trustee and board chair, and a dear friend. Richard was a leader in his generation of the Rockefeller family, continuing the principled philanthropy of his father, David, and uncles who established the RBF in 1940, while responding to the needs of a profoundly transformed world. In the last years of his life, Richard became deeply engaged in work with leading Chinese philanthropists and was excited about the future of Chinese philanthropy. To commemorate Richard’s life and philanthropic leadership, the Fund is establishing the Richard Rockefeller Fellowship, to be awarded annually to promising mid-career Chinese men and women who plan to make a significant professional commitment to the development of strategic philanthropy in their country. Fellows will spend time at the RBF to experience firsthand how we manage our philanthropic activities. In addition, fellows will have the opportunity to visit other foundations and participate in conferences and academic training programs.



David Rockefeller, Richard Rockefeller, and Stephen Heintz in 2006.

While 2014 was a pivotal year for the Fund, we're also marking 75 years of the Fund's work as we celebrate the anniversary of our founding in 1940. I hope you find the enhanced look and functionality of our website to be a welcome change, and that you'll join us online to explore an interactive timeline reflecting on the Fund's 75 years of engaged philanthropy, which will appear on our website in November 2015. As always, we welcome any comments or questions you may have after browsing our Annual Review. Please feel free to contact us.

*Stephen Heintz, President*

# Investment Portfolio and Rate of Spending

In 2014, the Fund's portfolio continued to grow since its 2009 recession low of \$609 million, finishing the year at approximately \$858 million. The 2014 value reflects the net impact of annual performance of 7.5 percent and total spending of approximately \$44 million in expenditures that count toward the minimum distribution requirement, plus \$6 million\* for investment-related expenses.

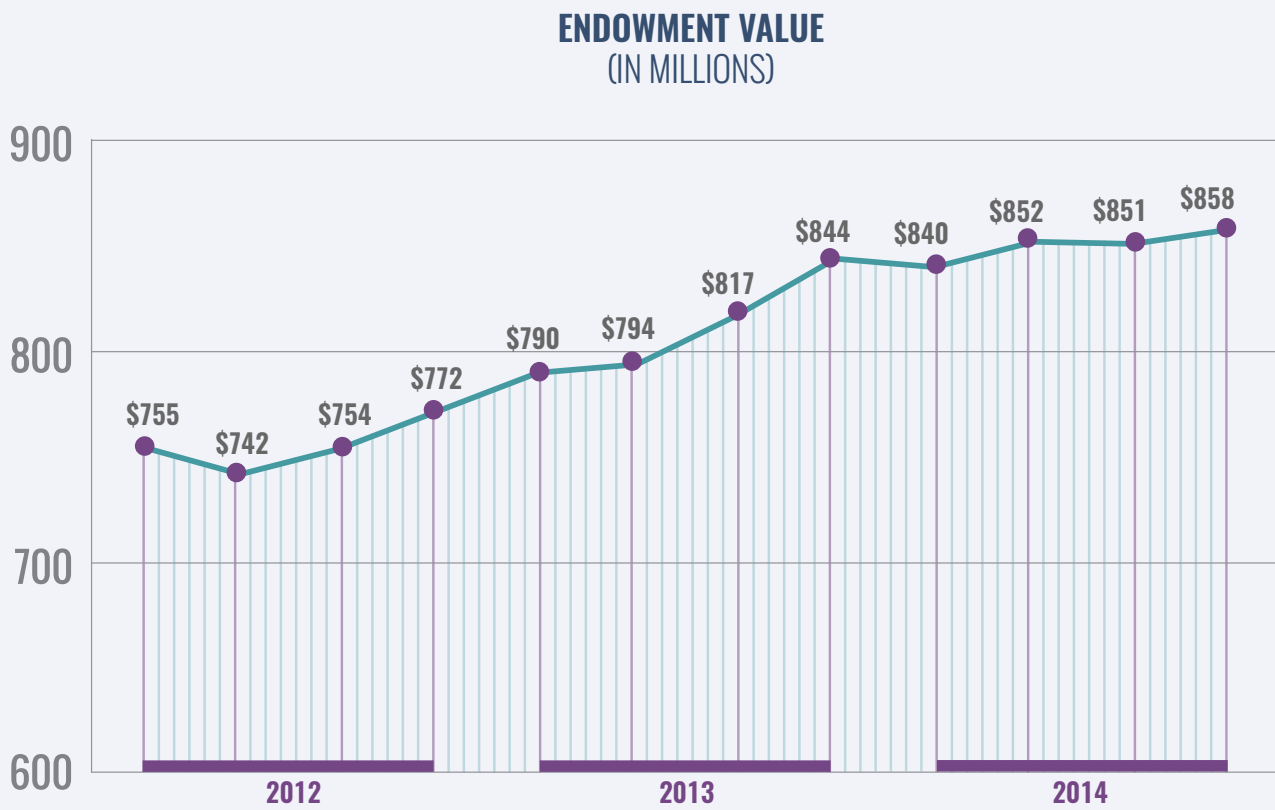
Despite portfolio growth, the Fund's level of grants spending has exceeded its payout requirements since the 2008 recession, generating excess distributions of approximately \$21 million from 2010 through 2014. Although these carry forward credits could be applied over a five-year period against future IRS spending requirements, the Fund's long-term philanthropic commitments compelled it to minimize reductions in its programmatic spending. This overspending was approved by the trustees, as the Fund sought to balance the challenges of a reduced portfolio against the programmatic needs of the Fund's mission.

## Investment Performance and Rate of Spending

	2012	2013	2014
<b>Investment Portfolio (12/31)</b>	\$ 772,011,000	\$ 844,099,000	\$ 858,332,000
<b>Average Market Value of Portfolio</b>	\$ 748,314,000	\$ 804,135,000	\$ 849,597,000
<b>Investment Performance (net of fees)</b>	12.03%	15.00%	7.50%
<b>Total Spending<sup>†</sup></b>	\$ 42,029,000	\$ 40,522,000	\$ 43,734,000
<b>Total Spending as a % of Average Market Value of Portfolio</b>	5.62%	5.04%	5.15%

\* This figure does not include all fees paid to investment managers. It excludes the Fund's share of underlying management and incentive fees from alternative investment funds, private equity funds, and fund of funds, where investment fees are not directly invoiced, but rather netted against investment performance.

† Exclusive of investment-related expenditures and excise taxes.



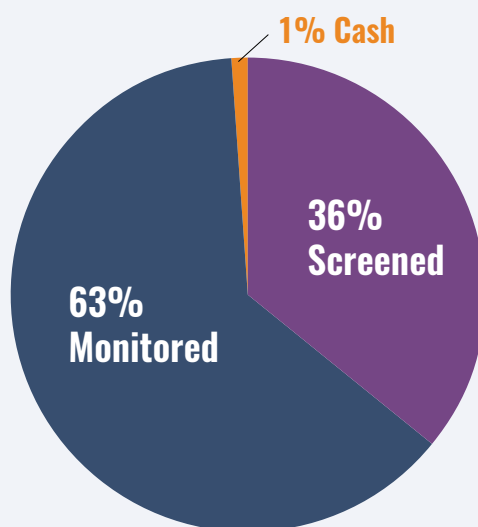
## Mission-Aligned Investments

In September 2014, the Fund committed to a two-step process to divest from fossil fuel companies. One year later, estimates indicate we have reduced our fossil fuel exposure to approximately 4.5 percent of our endowment value.

In addition, the Fund will allocate at least 10 percent of its endowed assets to investments that have measurable impact aligned with its mission. At the end of 2014, the RBF had \$20 million committed and \$2.25 million deployed in impact investments. Since its divestment announcement, the Fund has invested in four impact investing funds: Generation Climate Solutions Fund II, Turner Multifamily Impact Fund, Elevar Equity III, and Vision Ridge Sustainable Asset Fund. A total of \$67.5 million has been committed to these funds, of which approximately \$7.2 million has been deployed through July 31, 2015.



## DEPLOYED IMPACT INVESTMENTS (AS OF DECEMBER 31, 2014)



In addition to the specific 10 percent impact investment objective, the Fund is also aiming to align other parts of its portfolio with its mission. This is accomplished through both affirmative and negative screening, whereby investments that proactively seek to follow broad ESG considerations are classified as screened-invest, while those that have agreed to exclude fossil fuels are considered screened-divest. Over time, the RBF's objective is to reduce the level of investment dollars in the monitored portion of the portfolio, shifting monies to the screened and impact allocations. Under a new OCIO relationship with Perella Weinberg Partners, the Fund will renew efforts to exercise shareholder proxy voting rights to support our mission-aligned investing and programmatic objectives.

For the most current information about our endowment, divestment efforts, and commitment to mission-aligned investment, visit [www.rbf.org/about/finance](http://www.rbf.org/about/finance).

## Total Spending

Total spending for 2014 was \$43,734,000, reflecting an increase of approximately \$3.2 million from total spending in 2013 of \$40,522,000. This increase was primarily attributable to additional grantmaking generated by donor contributions. When excluding core operating costs of The Pocantico Center from the RBF's spending figures, grants represented 75 percent of the RBF's spending in 2014, which is consistent with previous years. In addition to the \$29.9 million in grant payments, the Fund spent a combined total of \$1.9 million to further support grantees and other nonprofit organizations through program-related expenditures, conferences, and public programs at The Pocantico Center, other conferences and special events, and

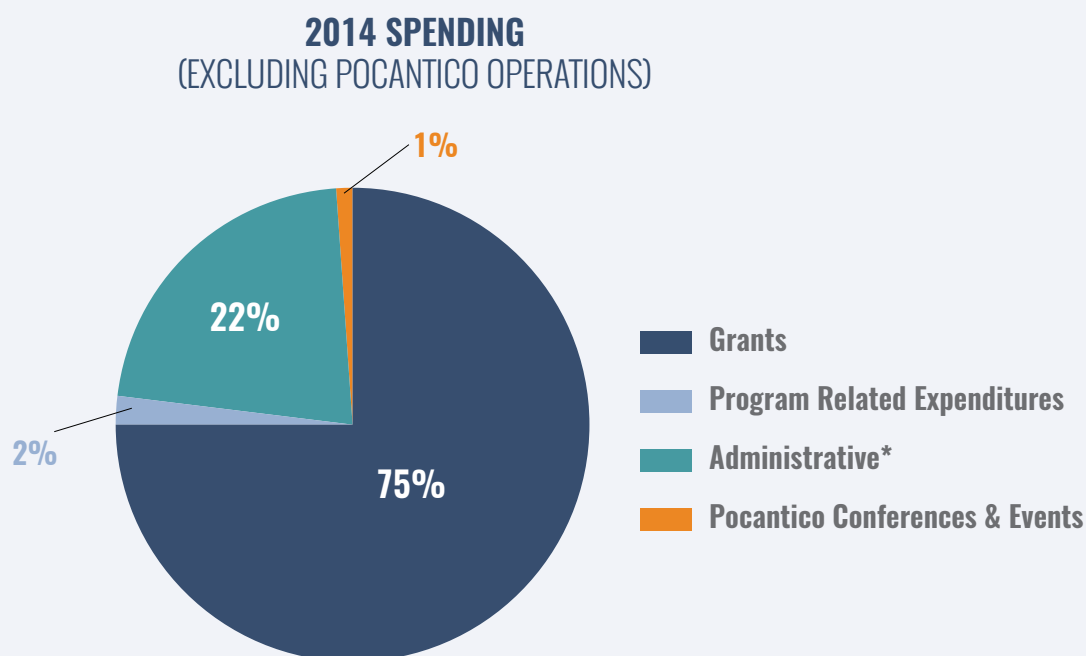
direct charitable activities. Spending on grantmaking and administration at the Fund’s headquarters, and operations in Southern China and the Western Balkans accounted for 91 percent of total spending, and The Pocantico Center for nine percent.

## Total Spending

	2012	2013	2014
Grants Paid*	\$ 29,097,000	\$ 27,399,000	\$ 29,880,000
Program-Related Expenditures	148,000	625,000	873,000
Conferences & Events	361,000	407,000	288,000
Administration†	8,582,000	8,170,000	8,736,000
<b>Subtotal</b>	<b>38,188,000</b>	<b>36,601,000</b>	<b>39,777,000</b>
Core Pocantico Operations	3,841,000	3,921,000	3,957,000
<b>Grand Total</b>	<b>\$ 42,029,000</b>	<b>\$ 40,522,000</b>	<b>\$ 43,734,000</b>

\* Includes grant payments and employee matching gifts.

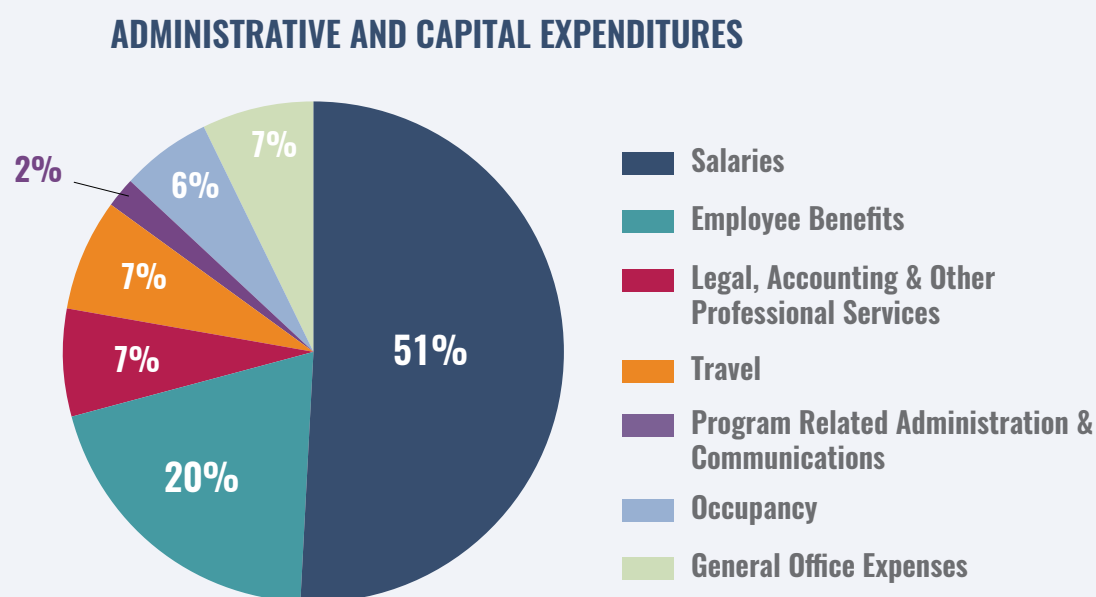
† Includes direct charitable activity and program-related administrative costs; excludes investment-related expenses.



\* Includes direct charitable activity and program-related administrative costs; excludes investment-related expenses.

## Analysis of Administrative and Capital Expenditures

The Fund’s combined administrative and capital expenses, net of estimated investment-related expenses and excluding Pocantico operations, totaled \$8,736,000 in 2014. Personnel costs (salaries and employee benefits) accounted for 71 percent of total administrative expenses, consistent with both 2012 and 2013. Since the 2008 recession, the cumulative increase in the Principal Fund administrative budget through 2014 is below five percent, while absorbing modest salary adjustments, an expansion of trustee engagement activities, technology enhancements to support Fund-wide operations, and inflationary increases in certain line items—demonstrating restraint or reduction in other cost categories where possible, while maintaining core operations.



## Grantmaking

In 2014, the Fund awarded 288 grants, totaling \$25,888,696. This amount differs from the grants paid figure (\$29,880,000) as some grants are payable over more than one year. The Fund entered the year with approximately 30 percent of the overall grantmaking budget committed for payment on grants awarded in prior years.

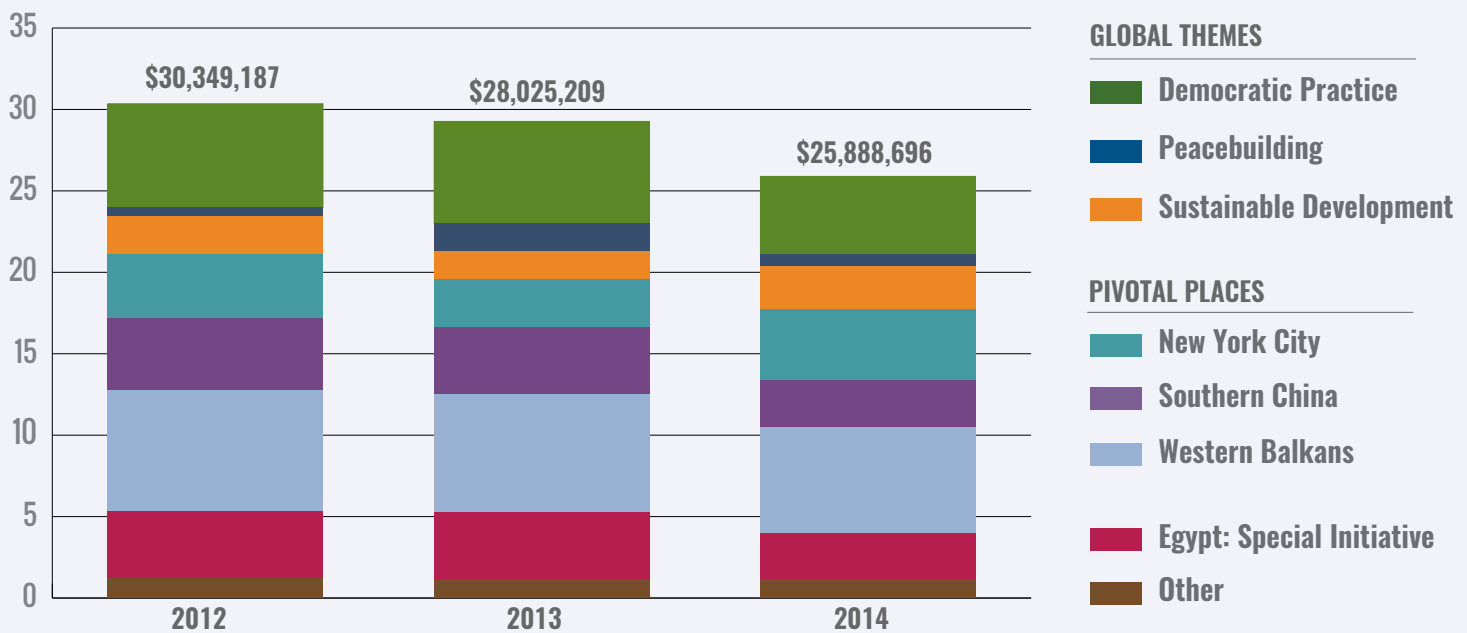
Grantmaking figures include contributions received from external sources used to support the Fund’s grantmaking endeavors. In total, the Fund drew on \$5.3 million in contributions from individuals and other foundations to support its 2014 grantmaking. The Fund used these contributions to support the Fund’s Peacebuilding, Southern China, Sustainable Development, and Western Balkans programs, as well as grantmaking in Egypt.

Grants categorized as ‘other’ primarily reflect the Fund’s support of nonprofit and philanthropic infrastructure organizations, as well as the RBF’s Travel and Learning Fund at the Institute for International Education. For 2014, grants related to relief and recovery in response to the floods in the Balkans and Typhoon Haiyan are also included within this category.

Approximately 20 percent of the Fund’s grants in 2014 were for two or more years. The average grant size for 2014 was \$89,910, which is a decrease from 2013’s average of \$105,755. Consistent with previous years, new grantees received 20 percent of grants awarded in 2014, and of grants awarded to previous grantees, 32 percent were for new purposes.

The grantmaking described here is in addition to approximately \$1.9 million included in the ‘Total Spending’ section which supported activities that further the Fund’s grantmaking but do not take the form of grants, including consultancies and conferences.

### GRANT DOLLARS AWARDED BY PROGRAM (IN MILLIONS)





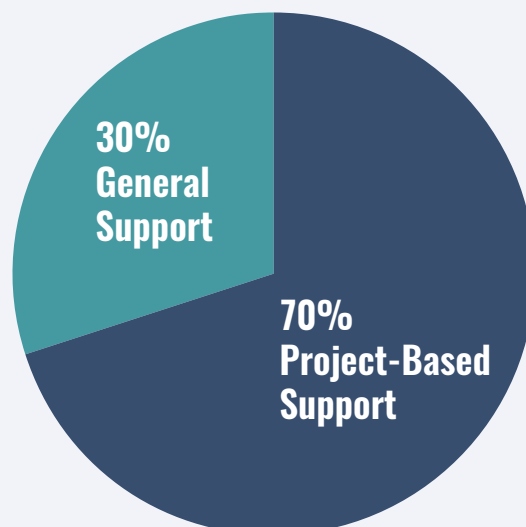
## Grants Awarded By Program

	2012	2013	2014
Democratic Practice	82	69	72
Peacebuilding	26	33	30
Sustainable Development	67	60	74
Pivotal Place: New York City	59	47	34
Pivotal Place: Southern China	24	16	21
Pivotal Place: Western Balkans	29	22	30
Special Initiative: Egypt	5	4	6
Other	21	14	21
<b>Total</b>	<b>313</b>	<b>265</b>	<b>288</b>

## Type of Grant Support

Thirty percent of all grant dollars awarded in 2014 was for general support to assist grantees in meeting core operating needs. This represents a four percent increase from 2013. General support has consistently constituted 20 to 30 percent of the Fund’s annual grantmaking, but varies year to year within programs, depending on the nature and size of requests from grantees.

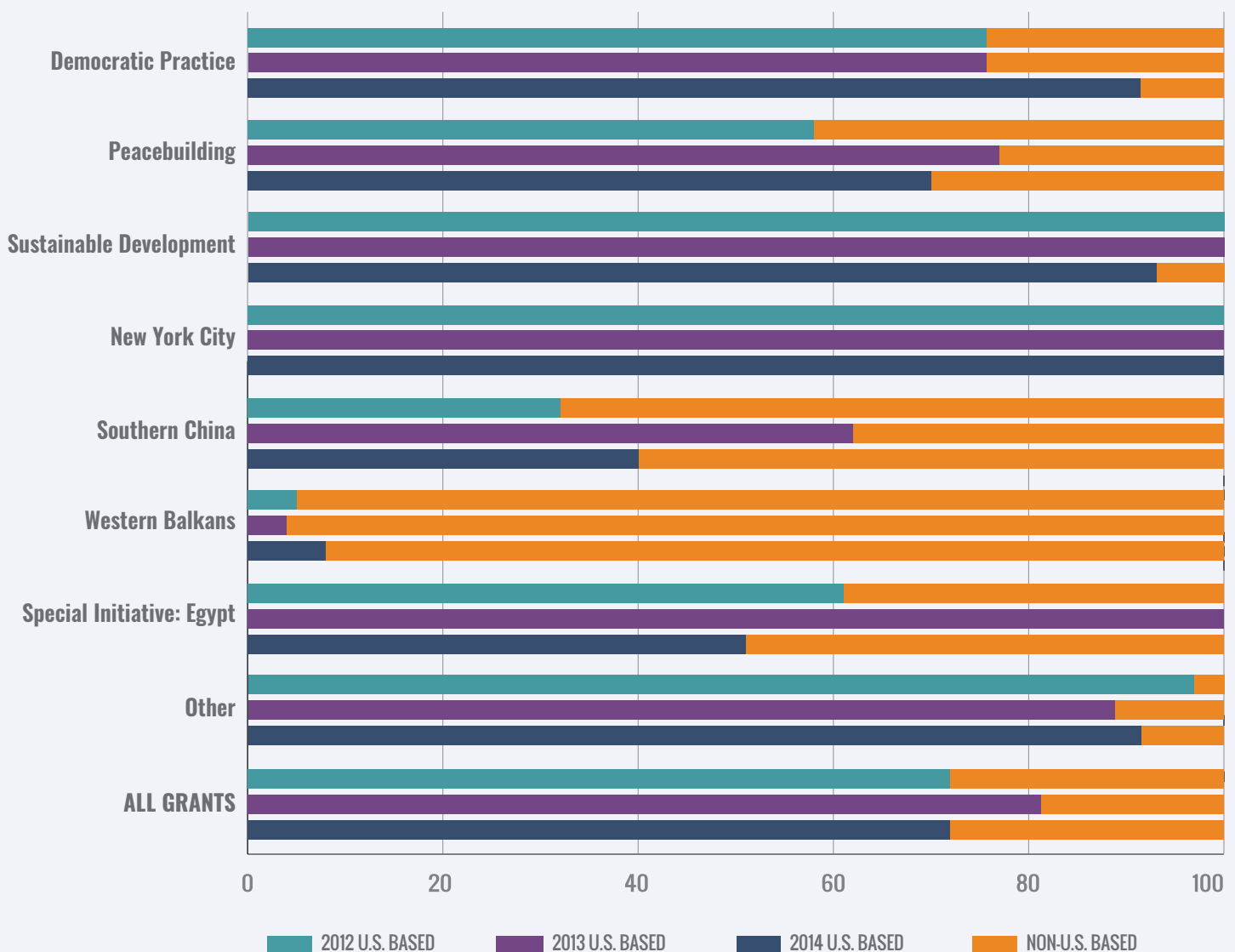
### GENERAL VS. PROJECT GRANTS 2014



## Location

Organizations based in the United States were awarded 72 percent of grant dollars approved in 2014, a nine percent decrease from 2013. The Fund’s international programs are committed to supporting indigenous organizations as much as possible. Comparably, 57 percent of the Fund’s 2014 support was for grantmaking with a focus outside of the United States. This figure differs from the percentage awarded to U.S. organizations since grants may be awarded to a U.S.-headquartered organization for its work overseas.

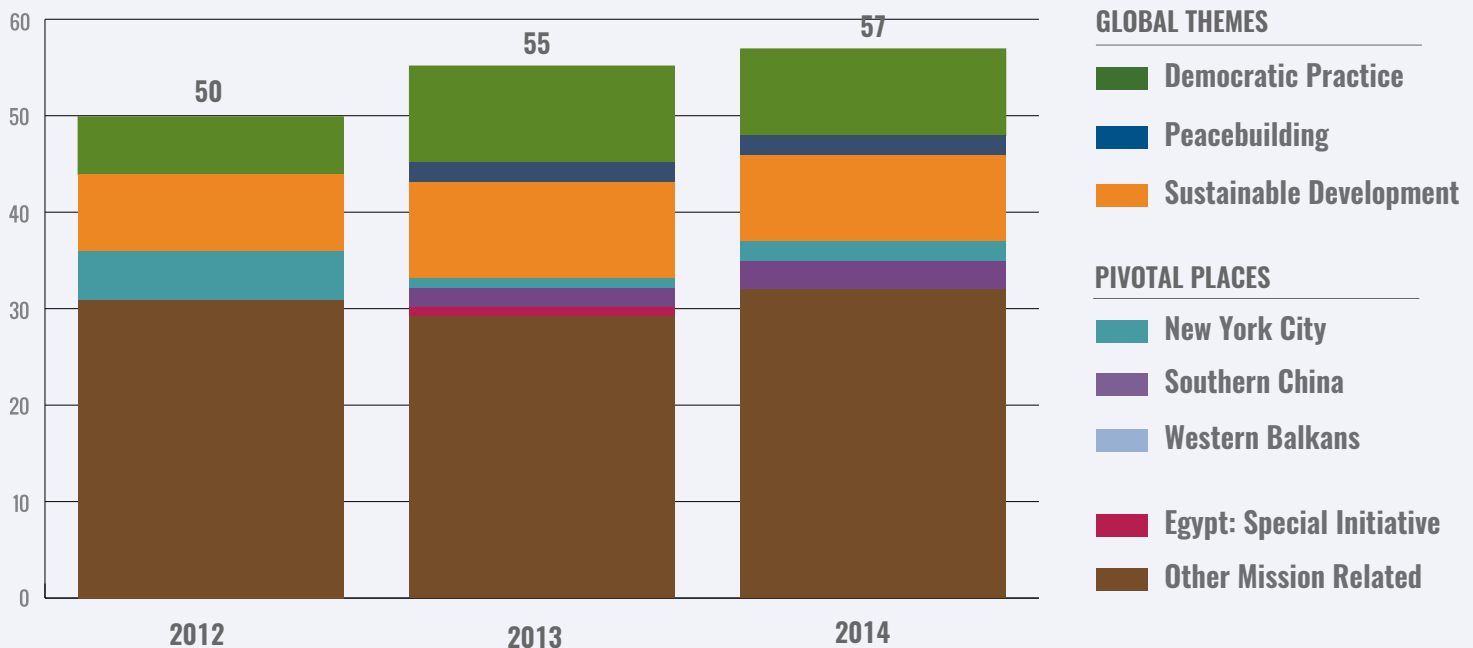
### LOCATION OF GRANTEE ORGANIZATIONS



# The Pocantico Center

The Pocantico Center has served as a venue for conferences and meetings on critical issues related to the Rockefeller Brothers Fund's mission since 1994. It has also become a community resource, offering public access through lectures, cultural events, and a new series of educational programs focused on the Pocantico Historic Area's buildings, gardens, and collections of decorative and fine art. A public visitation program is offered annually from May through October. In collaboration with the New York City program, The Pocantico Center also hosts residencies to a growing number of artists and shares the creative process with the public through on-site performances, readings, exhibits, and various artist interactions. The Pocantico Center is managed by the Rockefeller Brothers Fund as part of its agreement with the National Trust for Historic Preservation.

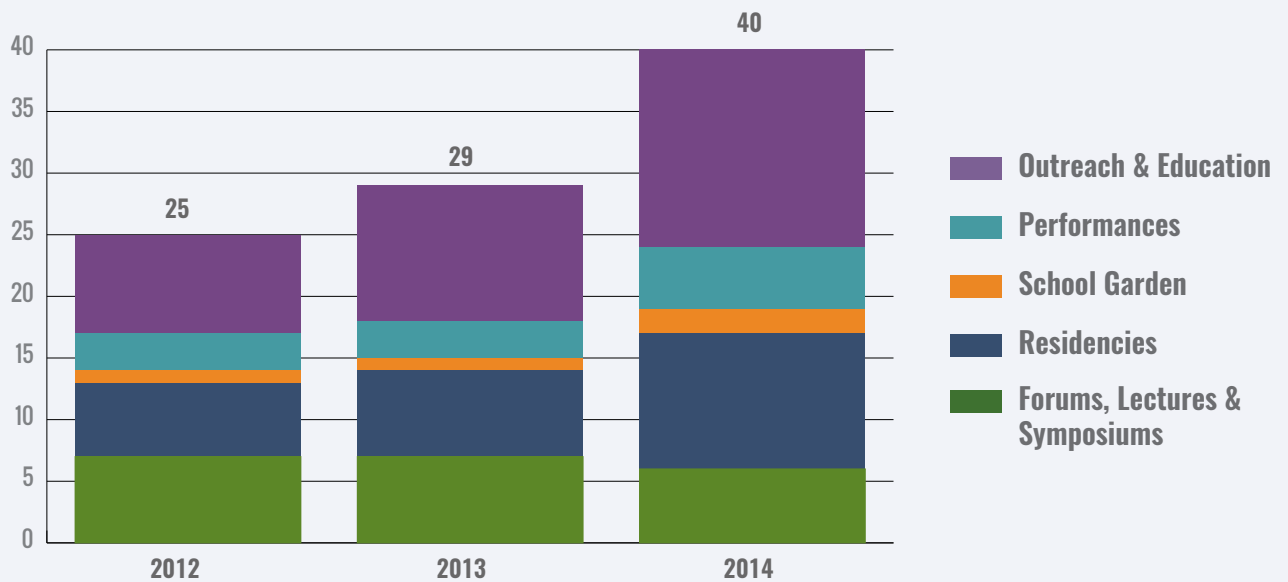
**CONFERENCES BY PROGRAM FOCUS (2012–2014)**



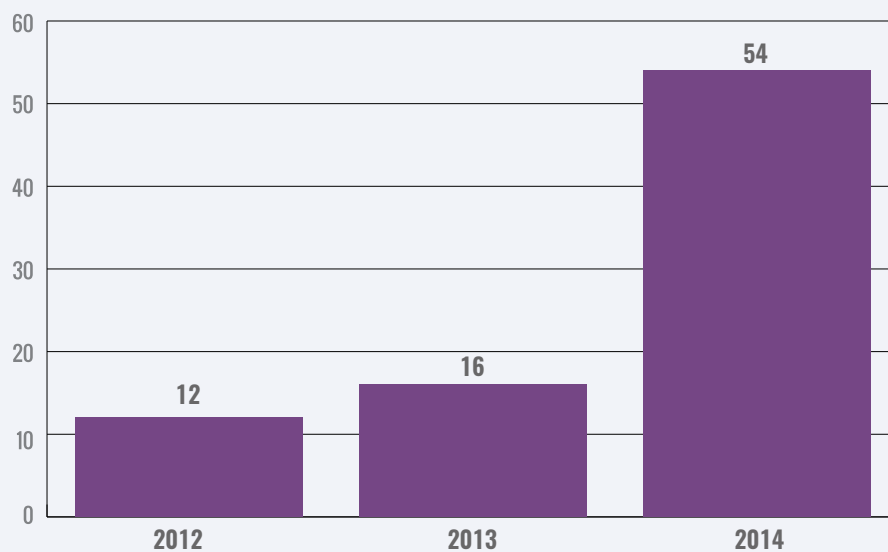
In 2014, The Pocantico Center held 57 conferences and meetings and 40 public programs. Of the 57 conferences held, 25 were directly related to the Fund's grantmaking programs.

Fifty-four artists, including composers, playwrights, choreographers, and dancers, participated in 11 residencies at The Pocantico Center in 2014. In addition, 31,665 people visited the Pocantico Historic Area in 2014.

### NUMBER OF PUBLIC PROGRAMS BY YEAR



### NUMBER OF ARTISTS IN RESIDENCE BY YEAR

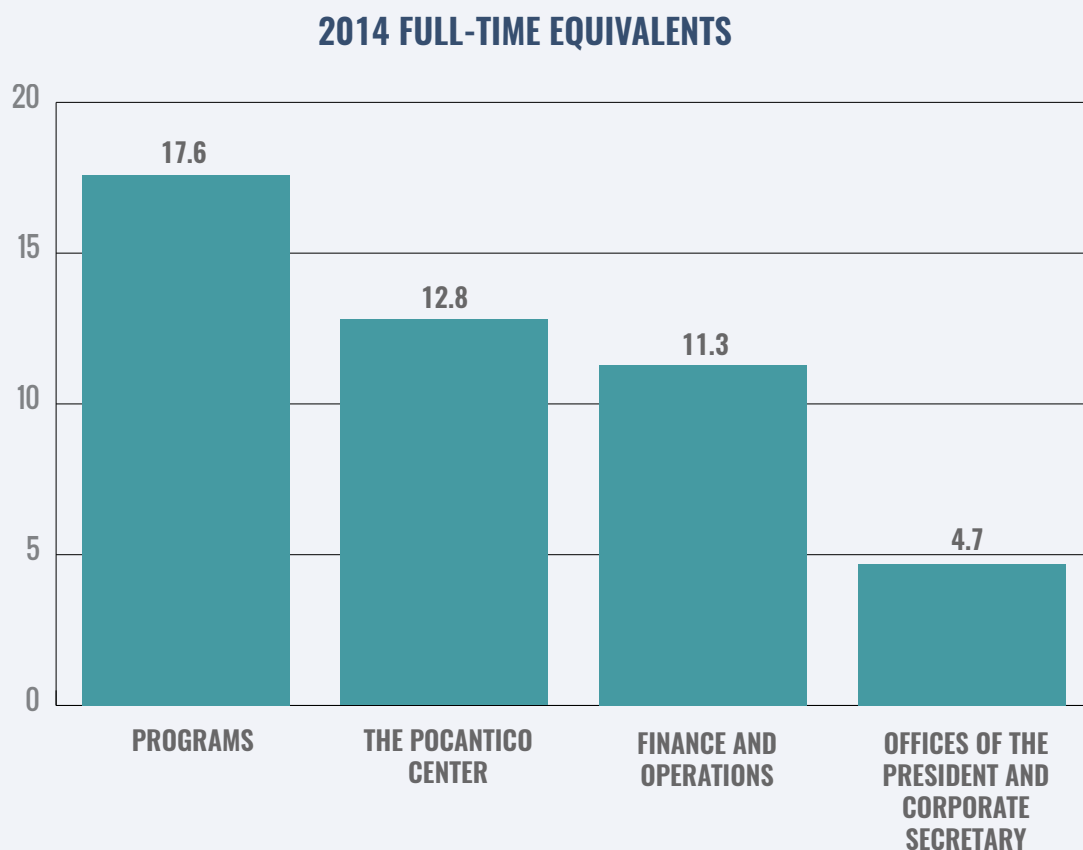


For the more about The Pocantico Center, visit [www.rbf.org/pocantico-center](http://www.rbf.org/pocantico-center).



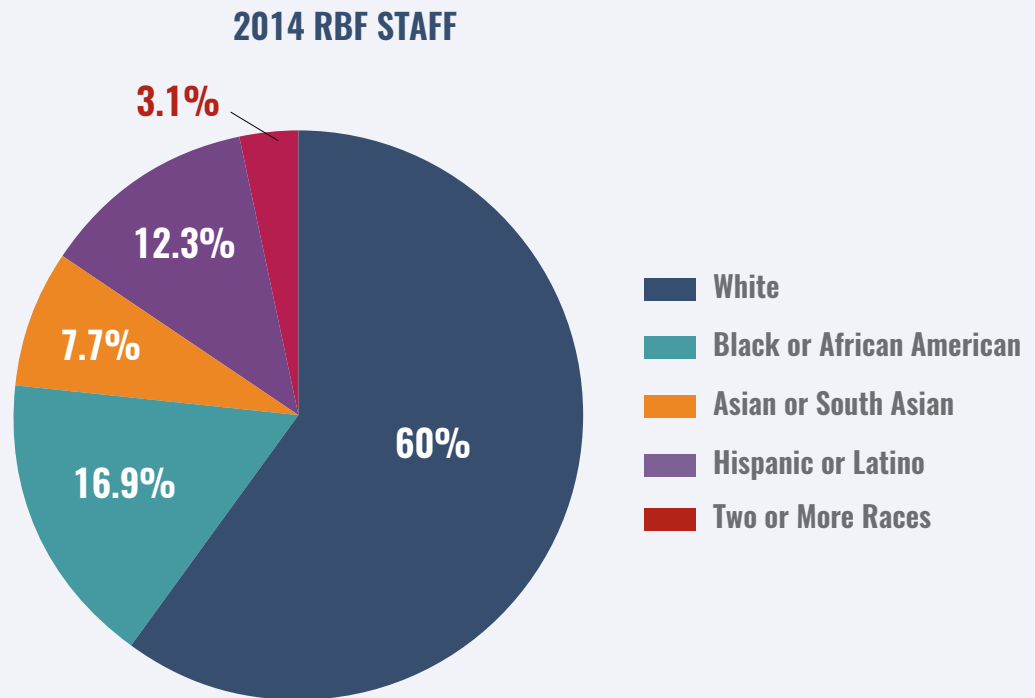
# Human Resources & Diversity

The Fund's 2014 staff total was 65, which included 43 full-time and 22 part-time employees. Of these part-time employees, one worked in Finance and Operations; one worked in Programs; one worked in the Office of the President; and three part-time and 16 hourly employees provided operations and maintenance support to The Pocantico Center. The combined hours of these Pocantico staff members (part-time and hourly) are equal to approximately four full-time positions. The Fund filled seven vacancies in 2014. The average tenure of RBF employees in 2014 was 10.6 years.

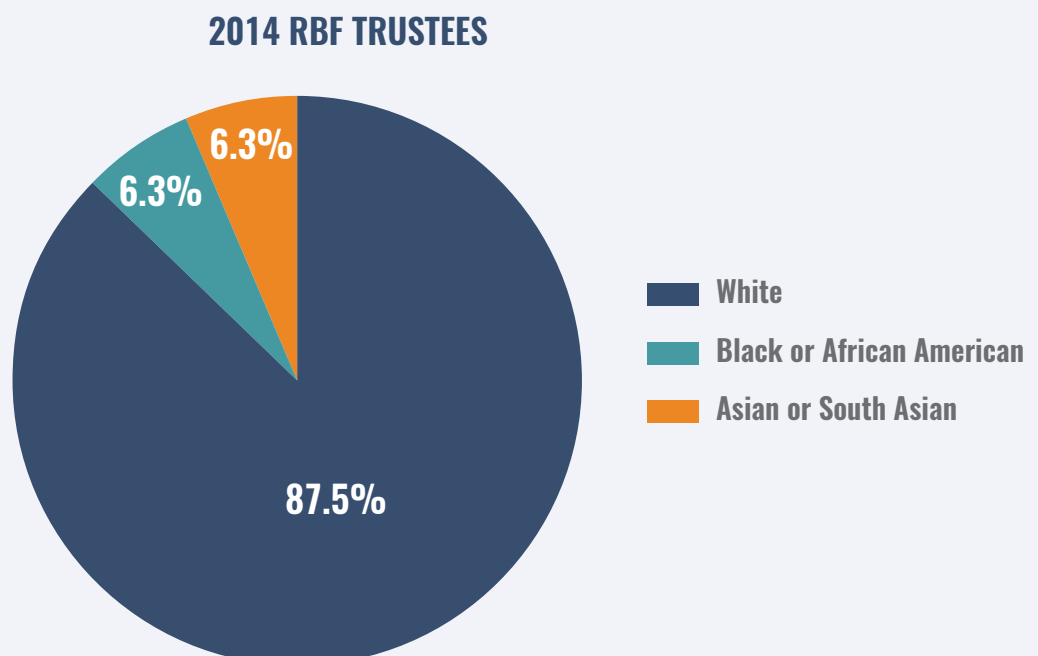


In 2014, certain services of the Rockefeller Brothers Fund's Human Resources, Operations, Accounting, and Information Technology departments were shared with the David Rockefeller Fund, the Rockefeller Family Fund, and the V. Kann Rasmussen Foundation. In addition, the Human Resources and Accounting departments provided support to the American Conservation Association, Asian Cultural Council, Environmental Grantmakers Association, Rockefeller Archives Center, and the Trust for Mutual Understanding. These organizations reimbursed the RBF for their share of these services.

In 2014, 60 percent of the RBF staff self-identified as White, 17 percent Black or African-American, 12 percent Hispanic or Latino, 8 percent Asian or South Asian, and 3 percent Two or More Races. Women represented 83 percent of the staff.



The 2014 RBF board of trustees consisted of 16 trustees, half of whom are members of the Rockefeller family, including five from the fifth generation. Of the 16 trustees, 88 percent self-identified as White, 6 percent Black or African-American, and 6 percent Asian or South Asian. Women comprised 50 percent of the board of trustees.



## Key Terminology

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**ESG:** Environmental, Social, and Governance, the three main areas of concern in measuring the sustainability and ethical impact of investments.

**Direct Charitable Activities:** Activities that are classified as administrative expenses, although they represent charitable activities (e.g., technical assistance and board service) carried out directly by RBF staff.

**Donor contributions:** When a donor prefers to work through the RBF, the Fund may accept contributions that are consistent with its philanthropic mission and enhance or complement its grant-making. Read the full donor contributions policy.

**Impact (investment related):** Investment mandates that have a measurable impact on issues that align with the mission of the Rockefeller Brothers Fund.

**Monitored:** Investment mandates that cannot be categorized as Impact or Screened.

**Program-Related Expenditures:** Non-grant expenses for activities that support the RBF's grantmaking. This includes expenses such as consultancies and various expenses associated with convenings of the Fund.

**Screened:** Investment mandates that incorporate affirmative or negative sustainable screening criteria.

**Spending:** Expenditures that count toward satisfying the minimum IRS distribution requirement. Under IRS regulations, a private foundation generally must distribute at least 5 percent of the market value of its investments to support its mission. This amount for the Fund includes grants, program-related expenses, conferences and events, administration costs, and core operating and maintenance costs of The Pocantico Center.