



ROCKEFELLER BROTHERS FUND, INC.

Financial Statements and Supplemental Schedule

December 31, 2013 and 2012

(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, 2013 and 2012, 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, 2013 and 2012, 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 as a whole. The supplementary information included in the schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements as a whole.

KPMG LLP

July 17, 2014

ROCKEFELLER BROTHERS FUND, INC.

Statements of Financial Position

December 31, 2013 and 2012

Assets	Principal Fund	Pocantico Fund	Pocantico II Fund	2013 RBF Funds	2012 RBF Funds
Cash and cash equivalents	\$ 1,274,518	500	—	1,275,018	1,407,084
Accounts receivable	738,254	32,173	—	770,427	1,100,782
Contributions receivable	760,000	—	16,829,094	17,589,094	19,186,294
Investments	763,860,790	72,797,185	7,441,066	844,099,041	772,010,770
Program-related investments – real estate	510,000	—	—	510,000	510,000
Prepaid expenses	11,573	—	—	11,573	18,000
Fixed assets, net	4,985,317	1,331,748	—	6,317,065	6,724,013
Interfund	2,766,944	(3,783,121)	1,016,177	—	—
Total assets	<u>\$ 774,907,396</u>	<u>70,378,485</u>	<u>25,286,337</u>	<u>870,572,218</u>	<u>800,956,943</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,311,174	1,442,617	2,084	6,755,875	9,700,336
Grants payable	8,505,549	—	—	8,505,549	8,299,428
Taxes payable	5,396,403	496,447	47,900	5,940,750	4,283,825
Total liabilities	<u>19,213,126</u>	<u>1,939,064</u>	<u>49,984</u>	<u>21,202,174</u>	<u>22,283,589</u>
Commitments					
Net assets:					
Unrestricted	753,324,530	68,439,421	—	821,763,951	752,321,912
Temporarily restricted	2,369,740	—	15,273,010	17,642,750	16,447,075
Permanently restricted	—	—	9,963,343	9,963,343	9,904,367
Total net assets	<u>755,694,270</u>	<u>68,439,421</u>	<u>25,236,353</u>	<u>849,370,044</u>	<u>778,673,354</u>
Total liabilities and net assets	<u>\$ 774,907,396</u>	<u>70,378,485</u>	<u>25,286,337</u>	<u>870,572,218</u>	<u>800,956,943</u>

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Statements of Activities

Years ended December 31, 2013 and 2012

	Principal Fund	Pocantico Fund	Pocantico II Fund	2013 RBF Funds	2012 RBF Funds
Changes in unrestricted net assets:					
Operating revenues:					
Investment income	\$ 746,166	67,871	—	814,037	373,955
Other income	587	—	—	587	1,158,630
Contributions	507,000	—	—	507,000	1,007,702
Net assets released from restrictions	1,600,000	—	56,503	1,656,503	2,517,978
	<u>2,853,753</u>	<u>67,871</u>	<u>56,503</u>	<u>2,978,127</u>	<u>5,058,265</u>
Operating expenses:					
Direct charitable activities	907,836	3,329,596	—	4,237,432	4,410,689
Program and grant management	32,472,036	—	—	32,472,036	35,669,382
Investment management	2,983,424	211,850	25,023	3,220,297	2,830,494
General management	4,674,209	384,867	—	5,059,076	6,471,296
Federal excise and other taxes	2,800,263	327,928	31,480	3,159,671	2,563,955
	<u>43,837,768</u>	<u>4,254,241</u>	<u>56,503</u>	<u>48,148,512</u>	<u>51,945,816</u>
Deficiency of operating revenues over operating expenses	<u>(40,984,015)</u>	<u>(4,186,370)</u>	<u>—</u>	<u>(45,170,385)</u>	<u>(46,887,551)</u>
Nonoperating activities:					
Net realized and unrealized gain on investments	102,086,325	9,294,897	—	111,381,222	86,119,604
Amounts not yet recognized as a component of net periodic benefit cost	2,800,409	430,793	—	3,231,202	726,360
	<u>104,886,734</u>	<u>9,725,690</u>	<u>—</u>	<u>114,612,424</u>	<u>86,845,964</u>
Increase in unrestricted net assets	<u>63,902,719</u>	<u>5,539,320</u>	<u>—</u>	<u>69,442,039</u>	<u>39,958,413</u>
Changes in temporarily restricted net assets:					
Investment income	—	—	8,381	8,381	3,166
Contributions	1,560,000	—	136,000	1,696,000	5,763,104
Net realized and unrealized gain on investments	—	—	1,147,797	1,147,797	729,534
Net assets released from restrictions	(1,600,000)	—	(56,503)	(1,656,503)	(2,517,978)
(Decrease) increase in temporarily restricted net assets	<u>(40,000)</u>	<u>—</u>	<u>1,235,675</u>	<u>1,195,675</u>	<u>3,977,826</u>
Changes in permanently restricted net assets:					
Contributions	—	—	70,209	70,209	2,009,367
Other loss	—	—	(11,233)	(11,233)	—
Increase in permanently restricted net assets	<u>—</u>	<u>—</u>	<u>58,976</u>	<u>58,976</u>	<u>2,009,367</u>
Increase in net assets	<u>63,862,719</u>	<u>5,539,320</u>	<u>1,294,651</u>	<u>70,696,690</u>	<u>45,945,606</u>
Net assets:					
Beginning of year	691,831,551	62,900,101	23,941,702	778,673,354	732,727,748
End of year	\$ <u>755,694,270</u>	<u>68,439,421</u>	<u>25,236,353</u>	<u>849,370,044</u>	<u>778,673,354</u>

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Statements of Cash Flows

Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase in net assets	\$ 70,696,690	45,945,606
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(112,529,019)	(86,849,138)
Amount not yet recognized as a component of net periodic benefit cost	(3,231,202)	(726,360)
Depreciation and amortization	793,661	1,084,290
Changes in operating assets and liabilities:		
Accounts receivable	330,355	(118,781)
Contributions receivable	1,597,200	(4,145,322)
Prepaid expenses	6,427	(12,011)
Accounts payable and accrued liabilities	286,741	1,048,973
Grants payable	206,121	1,309,322
Taxes payable	1,656,925	1,574,820
Net cash used in operating activities	(40,186,101)	(40,888,601)
Cash flows from investing activities:		
Proceeds from sales of investments	487,797,372	235,986,762
Purchases of investments	(447,356,624)	(194,360,515)
Purchases of fixed assets	(386,713)	(455,376)
Net cash provided by investing activities	40,054,035	41,170,871
Net (decrease) increase in cash and cash equivalents	(132,066)	282,270
Cash and cash equivalents at beginning of year	1,407,084	1,124,814
Cash and cash equivalents at end of year	\$ 1,275,018	1,407,084
Supplemental disclosure of cash flow information:		
Cash paid for taxes	\$ 1,243,447	1,158,241

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Notes to Financial Statements

December 31, 2013 and 2012

(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 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 board of trustees has established the following special-purpose funds. Funding of these special-purpose funds has come from transfers from the Principal Fund, as well as donor 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.

(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.

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.

ROCKEFELLER BROTHERS FUND, INC.

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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 for 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 in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted 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. This category also includes alternative investments that are redeemable at or near December 31, 2013.

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. This category also includes alternative investments that are not redeemable at or near December 31, 2013.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the Fund's underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Fund's interest therein, its classification in Level 2 or 3 is based on the Fund's ability to redeem its interest at or near December 31. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and 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

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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.

(d) Investments

Investments in marketable securities are carried at quoted market prices. 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 Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. ASU 2009-12 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 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, and Pocantico II Fund are pooled; interest and dividend income and realized and unrealized gains or losses are allocated to each fund using the unitized investment method.

(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 federal excise tax 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, 2013 and 2012

(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 \$27,540,000 and \$26,800,000 at December 31, 2013 and 2012, 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.

(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 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, 2013 and 2012

(3) Investments

The following tables present the Fund's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2013 and 2012. At December 31, 2013 and 2012, Level 3 assets comprised approximately 30% and 36%, respectively, of the Fund's total investment portfolio fair value.

	December 31, 2013			
	Fair value	Level 1	Level 2	Level 3
Investments:				
Fixed income hedge funds (a)	\$ 25,100,417	—	94,946	25,005,471
Equity long/short hedge funds (b)	168,838,314	—	167,762,888	1,075,426
Multistrategy hedge funds (c)	4,496,147	—	1,857,361	2,638,786
Private equity funds (d)	212,274,329	—	—	212,274,329
Real estate (e)	15,718,455	—	—	15,718,455
U.S. Equities	97,856,298	97,856,298	—	—
U.S. Treasuries	37,344,487	37,344,487	—	—
Futures	(208,193)	(208,193)	—	—
Cash and cash equivalents	282,678,787	282,678,787	—	—
	<u>\$ 844,099,041</u>	<u>417,671,379</u>	<u>169,715,195</u>	<u>256,712,467</u>

	December 31, 2012			
	Fair value	Level 1	Level 2	Level 3
Investments:				
Fixed income hedge funds (a)	\$ 41,962,327	—	16,251,281	25,711,046
Equity long/short hedge funds (b)	284,590,880	—	283,362,086	1,228,794
Multistrategy hedge funds (c)	128,008,171	—	119,892,826	8,115,345
Private equity funds (d)	228,726,591	—	—	228,726,591
Real estate (e)	16,945,689	—	—	16,945,689
U.S. Treasuries	16,219,807	16,114,274	105,533	—
Futures	58,811	58,811	—	—
Cash and cash equivalents	55,498,494	55,498,494	—	—
	<u>\$ 772,010,770</u>	<u>71,671,579</u>	<u>419,611,726</u>	<u>280,727,465</u>

- (a) This class includes hedge funds that invest in fixed income and currency markets.
- (b) This class includes hedge funds that invest in both long and short positions in primarily U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
- (c) This class invests in multiple strategies to diversify risks and reduce volatility. Investments include U.S. common stocks, credit, arbitrage, and event-driven markets.

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- (d) This class includes private equity funds that invest primarily in private equity markets. At December 31, 2013 and 2012, there were \$86,100,000 and \$95,800,000, respectively, of unfunded commitments in relation to these funds.
- (e) This class includes private equity funds that invest primarily in commercial real estate.

While the Fund had no significant transfers between Level 1, Level 2, and Level 3 for the years ended December 31, 2013 and 2012, significant changes between Level 1 and Level 2 from 2012 to 2013 reflect the redemptions of certain investments, with cash remaining at year-end awaiting re-investment.

Included in the Fund's investment portfolio at December 31, 2013 are redeemable investment assets based on the following terms and conditions:

Daily, with no notice	\$ 38,874,047
Monthly, with 100 days notice	167,762,888
Quarterly, with 90 days notice	1,857,361
Annually, with 180 days notice	28,829,267
Redemption every 2 years, with 60 days notice	11,507
Redemption every 2 years, with 100 days notice	1,372,057
Redemption of 1/3 annually, with 65 days notice	2,638,786
Redemption of 1/3 annually, with 90 days notice	25,005,471
	<u>\$ 266,351,384</u>

The nonredeemable alternative investment funds included in the Fund's investment portfolio at December 31, 2013 have the following estimated remaining lives:

2014–2017	\$ 93,676,773
2018–2021	46,159,449
2022–2033	57,955,238
	<u>\$ 197,791,460</u>

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Notes to Financial Statements

December 31, 2013 and 2012

The following table presents reconciliations for all Level 3 assets measured at fair value for the periods January 1, 2013 to December 31, 2013 and January 1, 2012 to December 31, 2012:

	Level 3 assets					Total
	Fixed income hedge funds	Equity long/short hedge funds	Multistrategy hedge funds	Private equity funds	Real estate	
Financial assets:						
Fair value at December 31, 2011 \$	25,785,791	30,256,303	9,918,294	244,975,219	15,321,285	326,256,892
Realized and unrealized gains and losses, net	(74,745)	4,906,124	329,827	16,177,882	1,531,125	22,870,213
Purchases	—		276,182	58,556,951	932,313	59,765,446
Settlements	—	(33,933,633)	(2,408,958)	(90,983,461)	(839,034)	(128,165,086)
Fair value at December 31, 2012	25,711,046	1,228,794	8,115,345	228,726,591	16,945,689	280,727,465
Realized and unrealized gains and losses, net	(705,575)	(108,374)	(2,670,011)	14,268,013	1,052,150	11,836,203
Purchases	—	—	192,652	29,216,521	74,398	29,483,571
Settlements	—	(44,994)	(2,999,200)	(59,936,796)	(2,353,782)	(65,334,772)
Fair value at December 31, 2013 \$	<u>25,005,471</u>	<u>1,075,426</u>	<u>2,638,786</u>	<u>212,274,329</u>	<u>15,718,455</u>	<u>256,712,467</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.

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 a board-designated endowment fund 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, the net assets of the Principal Fund, excluding \$2,369,740 and \$2,409,740, respectively, in temporarily restricted net assets, and Pocantico Fund constitute board-designated funds, which amounted to \$821,763,951 and \$752,321,912 in 2013 and 2012, 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 \$9,963,343 and \$9,904,367, respectively, in 2013 and 2012. The temporarily restricted portion reflects the original pledge, as well as income and appreciation earned on

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Notes to Financial Statements

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both the permanently restricted and temporarily restricted portions, and includes net assets of \$15,273,010 and \$14,037,335 in 2013 and 2012, respectively.

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 RBF's future leadership, the shared vision on the relative scale of programs in 2020 is intended to aid priority setting and near-term resource allocation decisions related to spending rates, program budgets, staff, and other infrastructure investments. 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, 2013 and 2012:

	Board- designated endowment funds	Temporarily restricted	Permanently restricted	Total
Endowment net assets at December 31, 2011	\$ 712,363,499	10,434,509	7,895,000	730,693,008
Investment return:				
Net investment income	373,955	3,166	—	377,121
Net appreciation	86,119,604	729,534	—	86,849,138
Contributions to endowment	1,007,702	2,910,400	2,009,367	5,927,469
Other income	1,158,630	—	—	1,158,630
Amounts appropriated for expenditure	<u>(48,701,478)</u>	<u>(40,274)</u>	<u>—</u>	<u>(48,741,752)</u>
Endowment net assets at December 31, 2012	752,321,912	14,037,335	9,904,367	776,263,614
Investment return:				
Net investment income	\$ 814,037	8,381	—	822,418
Net appreciation	111,381,222	1,147,797	—	112,529,019
Contributions to endowment	507,000	136,000	70,209	713,209
Other income (loss)	587	—	(11,233)	(10,646)
Amounts appropriated for expenditure	<u>(43,260,807)</u>	<u>(56,503)</u>	<u>—</u>	<u>(43,317,310)</u>
Endowment net assets at December 31, 2013	<u>\$ 821,763,951</u>	<u>15,273,010</u>	<u>9,963,343</u>	<u>847,000,304</u>

(5) Program-Related Investments

The Fund's program-related investments have limited or no marketability, and include 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.

ROCKEFELLER BROTHERS FUND, INC.

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(6) Pension Plan

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.

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, 2013 and 2012.

The following tables set forth the Plan's funded status and amounts recognized in the financial statements at December 31, 2013 and 2012 (accounts payable and accrued liabilities):

	2013	2012
Accumulated benefit obligation/Projected benefit obligation for services rendered to date	\$ (6,893,243)	(7,635,429)
Plan assets at fair value	7,021,603	6,125,543
Funded status (pension liability)	\$ 128,360	(1,509,886)
	2013	2012
Net pension cost included the following components:		
Interest cost on projected benefit obligation	\$ 263,974	286,775
Service cost	27,500	23,500
Actual return on plan assets	(1,097,907)	(782,105)
Net amortization and deferral	931,875	672,084
Net periodic pension benefit cost	\$ 125,442	200,254

The weighted average discount rates used in determining the actuarial present value of the projected benefit obligation were 4.42% in 2013 and 3.53% in 2012. The weighted average discount rates used in determining the period's benefit costs were 3.53% in 2013 and 4.06% in 2012. The expected long-term rate of return on assets was 7.75% in 2013 and 2012. Amortization of unrecognized prior service cost was \$101,717 in 2013 and \$117,914 in 2012. In 2013, the Fund was required to make contributions of \$28,241 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

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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.

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$807,416 and \$2,542,863 at December 31, 2013 and 2012, respectively. The net actuarial loss and prior service cost that will be amortized into net periodic benefit cost in 2014 are approximately \$27,000.

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

Year ending December 31:		
2014	\$	391,000
2015		400,000
2016		426,000
2017		449,000
2018		451,000
2019–2023		2,396,000

(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, 2013 and 2012:

	2013	2012
Accumulated postretirement benefit obligations (APBO) included in accounts payable and accrued liabilities	\$ 5,918,685	7,016,796

The net periodic postretirement benefit cost included the following components as of December 31, 2013 and 2012:

	2013	2012
Service cost	\$ 207,063	194,600
Interest cost	235,201	268,170
Amortization of unrecognized loss	153,633	214,934
Net periodic postretirement benefit cost	\$ 595,897	677,704

Actual retiree premiums paid by the Fund during 2013 and 2012 amounted to \$198,253 and \$212,585, respectively.

The discount rate assumed in determining the APBO was 4.80% in 2013 and 3.90% in 2012. The weighted average discount rates used in determining the period's benefit costs were 3.90% in 2013 and 4.30% in

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2012. The medical cost trend rate assumed was 8.00%, declining to 5.00% over a five-year period for 2013 and 2012. 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 \$965,114 and \$89,493 in 2013 and \$1,205,225 and \$92,081 in 2012, 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 \$780,184 and \$70,064 in 2013 and \$966,766 and \$72,261 in 2012, respectively.

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

Year ending December 31:		
2014	\$	226,000
2015		240,000
2016		260,000
2017		258,000
2018		265,000
2019–2023		1,525,000

The accumulated amount not yet recognized as a component of net periodic benefit cost was \$1,275,350 and \$2,771,105 at December 31, 2013 and 2012, respectively. The net actuarial loss that will be amortized into net periodic benefit cost in 2014 is approximately \$115,200.

(8) Reconciliation of Grants Awarded

The following table reconciles grants awarded and grants paid during 2013 and 2012:

Grants payable, December 31, 2011	\$	6,990,106
Grants awarded 2012		30,305,987
Grants paid 2012		<u>(28,996,665)</u>
Grants payable, December 31, 2012		8,299,428
Grants awarded 2013		27,491,710
Grants paid 2013		<u>(27,285,589)</u>
Grants payable, December 31, 2013	\$	<u><u>8,505,549</u></u>

The Fund estimates that the grants payable balance as of December 31, 2013 will be paid as follows:

Year ending December 31:		
2014	\$	8,059,549
2015		<u>446,000</u>
Total	\$	<u><u>8,505,549</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

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(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, 2013 and 2012, respectively:

	<u>2013</u>	<u>2012</u>
Rockefeller Archive Center	\$ 629,000	574,300
Rockefeller Family Fund, Inc.	489,240	492,700
David Rockefeller Fund	33,200	34,700
	<u>\$ 1,151,440</u>	<u>1,101,700</u>

During 2012, the Fund approved a grant to Rockefeller Philanthropy Advisors in the amount of \$450,000 designated as a contribution to its Climate Nexus project, payable over two years, \$250,000 in 2012 and \$200,000 in 2013.

The Fund received two contributions from Rockefeller Philanthropy Advisors totaling \$7,000 and \$6,500 in 2013 and 2012, respectively, designated for general support. In 2011, the Fund received a pledge from David Rockefeller, committing \$2.5 million to help support Egypt-led initiatives to organize civic education, democratic participation, and similar efforts. Relating to this pledge, \$1 million was received during 2011 and 2012, and \$0.5 million was received during 2013. In 2013, David Rockefeller made an additional commitment of \$1 million in support of the Egypt initiative to help develop democratic institutions, citizen participation, and economic reform. Relating to this commitment, \$300,000 was received during 2013, and the remainder is expected to be received in 2014.

The Fund paid fees of approximately \$1,303,000 and \$1,086,000 in 2013 and 2012, respectively, for maintenance of the Pocantico properties to Greenrock Corporation, which is wholly owned by Rockefeller family members.

(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. The Fund provided for excise taxes at the rate of 2% in 2013 and 2012. The Fund's overpayment of excise taxes during 2008 resulted in a credit of \$1,021,954, which was applied against the Fund's tax obligations in 2010, 2011, and 2012. The Fund made estimated excise tax payments totaling \$1,170,000 and \$1,052,000, during 2013 and 2012, respectively. The federal excise tax expenses included in the accompanying financial statements were approximately \$3,800,000 and \$921,000 in 2013 and 2012, respectively. An excise tax liability of approximately \$2,250,000 and an excise tax receivable of approximately \$259,300 have been reflected during 2013 and 2012, respectively, in the accompanying financial statements. In 2013 and 2012, a deferred tax credit of approximately \$590,000, and a deferred tax expense of approximately \$1,575,000,

ROCKEFELLER BROTHERS FUND, INC.

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respectively, have been included in federal excise and other taxes in the accompanying financial statements.

(11) Commitments

The Fund, together with its affiliates, occupies office facilities that provide for annual minimum rental commitments excluding escalation as follows:

2014	\$	598,000
2015		598,000
2016		598,000
2017		598,000
2018		598,000
2019–2023		2,990,000

The Fund had a lease agreement which was effective January 1, 1998, for space the Fund occupied until June 2009. The terms of this lease expired in December 2012; however, the Fund entered into an early termination agreement to vacate one floor on July 31, 2012. Portions of this space had been subleased through 2012. Approximately \$1,100,000 was received in 2012 related to these subleases. On January 1, 2009, the Fund entered into a new lease agreement and relocated its offices in June 2009. Portions of this space are occupied by affiliated nonprofits; approximately \$119,000 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.

In 2004, the Fund received notice of a demand that it return amounts claimed as overpayments to the Fund in 1995 and 1996 as part of its liquidation of an investment in a certain partnership. The amount of the claim approximates \$2.3 million. Since legal issues underlying this claim are complex and a fair estimate of the potential liability cannot be presently determined, no amount for the claim has been included in these financial statements.

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 2013 and 2012, these costs aggregated approximately \$1,750,000 and \$1,719,000, 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.

Pursuant to its limited partnership agreements, the Fund is committed to invest approximately \$86,100,000 as of December 31, 2013.

ROCKEFELLER BROTHERS FUND, INC.

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(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, 2013 through July 17, 2014 which was the date the financial statements were available to be issued, and determined that there were no additional matters that are required to be disclosed.

ROCKEFELLER BROTHERS FUND, INC.
Supplemental Schedule of Functional Expenses
Year ended December 31, 2013
(with summarized financial information for the year ended December 31, 2012)

	Direct charitable activities		Subtotal	Program and grant management	Investment management	General management and federal excise and other taxes	2013 RBF Funds	2012 RBF Funds
	Principal Fund	Pocantico Fund						
Salaries and employee benefits:								
Salaries	\$ 264,487	829,982	1,094,469	1,943,558	328,483	2,104,526	5,471,036	5,383,334
Employee benefits	122,759	460,181	582,940	902,084	152,960	995,333	2,633,317	2,862,926
	<u>387,246</u>	<u>1,290,163</u>	<u>1,677,409</u>	<u>2,845,642</u>	<u>481,443</u>	<u>3,099,859</u>	<u>8,104,353</u>	<u>8,246,260</u>
Other expenses:								
Grants awarded	—	—	—	27,491,710	—	—	27,491,710	30,305,987
Federal excise and other taxes	—	—	—	—	—	3,159,672	3,159,672	2,563,955
Consultants fees	—	—	—	756,800	42,500	604,161	1,403,461	566,609
Investment services	—	—	—	—	2,444,347	—	2,444,347	2,292,016
Legal, audit, and professional fees	—	45,211	45,211	323	114,139	202,310	361,983	552,220
Travel	36,300	30,910	67,210	506,021	22,284	19,123	614,638	639,532
Rent and electricity	22,538	—	22,538	229,046	30,087	257,515	539,186	2,567,854
Program conferences and events	398,532	—	398,532	—	—	—	398,532	361,329
Facilities maintenance and operations	—	1,749,696	1,749,696	—	—	—	1,749,696	1,719,320
Telephone, facsimile, and internet	3,433	19,399	22,832	34,885	4,674	43,605	105,996	97,050
General office expenses	29,594	136,246	165,840	300,771	40,243	401,156	908,010	844,387
Publications	—	—	—	—	—	73,267	73,267	105,007
Depreciation and amortization	30,193	57,971	88,164	306,838	40,580	358,079	793,661	1,084,290
	<u>\$ 907,836</u>	<u>3,329,596</u>	<u>4,237,432</u>	<u>32,472,036</u>	<u>3,220,297</u>	<u>8,218,747</u>	<u>48,148,512</u>	<u>51,945,816</u>

See accompanying independent auditors' report.