



**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Consolidated Financial Statements and Supplemental Schedule

December 31, 2005 and 2004

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154

## **Independent Auditors' Report**

The Board of Trustees  
Rockefeller Brothers Fund, Inc.:

We have audited the accompanying consolidated statements of financial position of the Rockefeller Brothers Fund, Inc. and Affiliate (the Fund) as of December 31, 2005 and 2004, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Rockefeller Brothers Fund, Inc. and Affiliate as of December 31, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2005 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2005 basic consolidated financial statements taken as a whole.

**KPMG LLP**

May 11, 2006

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Consolidated Statements of Financial Position

December 31, 2005 and 2004

Assets	Principal Fund	Pocantico Fund	Pocantico II Fund	Ramon Magsaysay Award Foundation Fund	Asian Projects Fund
Cash and cash equivalents	\$ 750,607	1,051	—	—	—
Accounts receivable	546,178	—	—	—	—
Contributions receivable	—	—	13,539,872	—	—
Interest and dividends receivable	1,194,127	158,248	—	10,767	9,939
Due from brokers and dealers	1,271,470	329,231	21,753	24,212	21,703
Investments, at fair value	710,324,488	68,259,983	516,519	4,361,254	4,035,983
Program-related investments:					
Program mortgage loans	1,725,000	—	—	—	—
Real estate	510,000	—	—	—	—
Prepaid expenses	390,129	—	—	—	—
Fixed assets, net	1,708,734	5,850,459	—	—	—
Interfund	(1,031,330)	(1,523,634)	3,123,194	(413,515)	(154,715)
Total assets	<u>\$ 717,389,403</u>	<u>73,075,338</u>	<u>17,201,338</u>	<u>3,982,718</u>	<u>3,912,910</u>
<b>Liabilities and Net Assets</b>					
Accounts payable and accrued liabilities	\$ 3,043,361	325,868	1,992	2,860	2,780
Due to brokers and dealers	717,391	331,419	—	22,389	24,095
Grants payable	18,667,476	—	—	—	—
Deferred taxes payable	2,823,139	266,257	15,366	15,681	15,681
Total liabilities	<u>25,251,367</u>	<u>923,544</u>	<u>17,358</u>	<u>40,930</u>	<u>42,556</u>
<b>Commitments</b>					
<b>Net assets:</b>					
Unrestricted	692,138,036	72,151,794	—	3,941,788	3,870,354
Temporarily restricted	—	—	9,288,980	—	—
Permanently restricted	—	—	7,895,000	—	—
Total net assets	<u>692,138,036</u>	<u>72,151,794</u>	<u>17,183,980</u>	<u>3,941,788</u>	<u>3,870,354</u>
Total liabilities and net assets	<u>\$ 717,389,403</u>	<u>73,075,338</u>	<u>17,201,338</u>	<u>3,982,718</u>	<u>3,912,910</u>

See accompanying notes to consolidated financial statements.

<b>2005 RBF Funds</b>	<b>2004 RBF Funds</b>	<b>2005 Asian Cultural Council, Inc.</b>	<b>2004 Asian Cultural Council, Inc.</b>	<b>Consolidated total 2005</b>	<b>Consolidated total 2004</b>
751,658	303,504	588,228	491,403	1,339,886	794,907
546,178	626,992	—	89,552	546,178	716,544
13,539,872	13,539,872	663,500	670,050	14,203,372	14,209,922
1,373,081	1,033,068	—	100,493	1,373,081	1,133,561
1,668,369	6,508,436	—	—	1,668,369	6,508,436
787,498,227	740,352,186	34,363,949	34,393,984	821,862,176	774,746,170
1,725,000	1,853,103	—	—	1,725,000	1,853,103
510,000	510,000	—	—	510,000	510,000
390,129	411,269	472,465	330,221	862,594	741,490
7,559,193	8,297,630	17,291	23,582	7,576,484	8,321,212
—	—	—	—	—	—
<u>815,561,707</u>	<u>773,436,060</u>	<u>36,105,433</u>	<u>36,099,285</u>	<u>851,667,140</u>	<u>809,535,345</u>
3,376,861	3,419,951	1,514,574	1,231,352	4,891,435	4,651,303
1,095,294	398,756	—	—	1,095,294	398,756
18,667,476	19,719,626	804,407	634,072	19,471,883	20,353,698
3,136,124	2,985,599	—	—	3,136,124	2,985,599
<u>26,275,755</u>	<u>26,523,932</u>	<u>2,318,981</u>	<u>1,865,424</u>	<u>28,594,736</u>	<u>28,389,356</u>
772,101,972	730,102,942	17,427,660	17,935,837	789,529,632	748,038,779
9,288,980	8,914,186	1,254,098	1,466,111	10,543,078	10,380,297
7,895,000	7,895,000	15,104,694	14,831,913	22,999,694	22,726,913
<u>789,285,952</u>	<u>746,912,128</u>	<u>33,786,452</u>	<u>34,233,861</u>	<u>823,072,404</u>	<u>781,145,989</u>
<u>815,561,707</u>	<u>773,436,060</u>	<u>36,105,433</u>	<u>36,099,285</u>	<u>851,667,140</u>	<u>809,535,345</u>

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Consolidated Statements of Activities  
Years ended December 31, 2005 and 2004

	<b>Principal Fund</b>	<b>Pocantico Fund</b>	<b>Pocantico II Fund</b>	<b>Ramon Magsaysay Award Foundation Fund</b>	<b>Asian Projects Fund</b>
Changes in unrestricted net assets:					
Operating revenues:					
Dividend income	\$ 6,656,933	627,832	—	36,975	36,975
Interest income	3,385,607	308,956	—	18,195	18,195
Other income	663,456	3,578	—	211	211
Contributions	112,561	—	—	—	—
Special events, net of expenses of \$17,438 and \$433,816 in 2005 and 2004, respectively	—	—	—	—	—
Net assets released from restrictions	—	—	27,166	—	—
	<u>10,818,557</u>	<u>940,366</u>	<u>27,166</u>	<u>55,381</u>	<u>55,381</u>
Operating expenses:					
Direct charitable activities	1,119,142	3,248,568	—	—	—
Program and grant management	25,584,567	—	—	174,816	168,355
Investment management	3,952,036	431,808	17,239	17,591	17,591
General management	3,109,223	624,607	—	—	—
Federal excise and other taxes	1,823,761	203,027	9,927	10,130	10,130
	<u>35,588,729</u>	<u>4,508,010</u>	<u>27,166</u>	<u>202,537</u>	<u>196,076</u>
Deficiency of operating revenues over operating expenses	<u>(24,770,172)</u>	<u>(3,567,644)</u>	<u>—</u>	<u>(147,156)</u>	<u>(140,695)</u>
Nonoperating activities:					
Net realized gain from securities sales	50,311,839	4,745,031	—	279,448	279,448
Unrealized gain (loss) on investments	13,563,333	1,279,192	—	75,335	75,335
Minimum pension liability adjustment	15,736	—	—	—	—
	<u>63,890,908</u>	<u>6,024,223</u>	<u>—</u>	<u>354,783</u>	<u>354,783</u>
Increase (decrease) in unrestricted net assets	<u>39,120,736</u>	<u>2,456,579</u>	<u>—</u>	<u>207,627</u>	<u>214,088</u>

<b>2005 RBF Funds</b>	<b>2004 RBF Funds</b>	<b>2005 Asian Cultural Council, Inc.</b>	<b>2004 Asian Cultural Council, Inc.</b>	<b>Consolidated total 2005</b>	<b>Consolidated total 2004</b>
7,358,715	6,217,371	272,376	294,721	7,631,091	6,512,092
3,730,953	3,372,355	153,596	163,681	3,884,549	3,536,036
667,456	611,900	61,097	86,928	728,553	698,828
112,561	58,700	466,926	647,789	579,487	706,489
—	—	4,612	699,495	4,612	699,495
<u>27,166</u>	<u>14,595</u>	<u>1,507,813</u>	<u>1,437,021</u>	<u>1,534,979</u>	<u>1,451,616</u>
<u>11,896,851</u>	<u>10,274,921</u>	<u>2,466,420</u>	<u>3,329,635</u>	<u>14,363,271</u>	<u>13,604,556</u>
4,367,710	4,434,004	—	—	4,367,710	4,434,004
25,927,738	30,654,056	3,142,248	2,578,859	29,069,986	33,232,915
4,436,265	4,032,877	359,796	321,587	4,796,061	4,354,464
3,733,830	3,585,693	659,726	791,493	4,393,556	4,377,186
2,056,975	2,073,624	42,998	28,509	2,099,973	2,102,133
<u>40,522,518</u>	<u>44,780,254</u>	<u>4,204,768</u>	<u>3,720,448</u>	<u>44,727,286</u>	<u>48,500,702</u>
<u>(28,625,667)</u>	<u>(34,505,333)</u>	<u>(1,738,348)</u>	<u>(390,813)</u>	<u>(30,364,015)</u>	<u>(34,896,146)</u>
55,615,766	52,586,263	1,461,938	3,169,097	57,077,704	55,755,360
14,993,195	40,744,240	(231,767)	(507,918)	14,761,428	40,236,322
15,736	398,442	—	—	15,736	398,442
<u>70,624,697</u>	<u>93,728,945</u>	<u>1,230,171</u>	<u>2,661,179</u>	<u>71,854,868</u>	<u>96,390,124</u>
<u>41,999,030</u>	<u>59,223,612</u>	<u>(508,177)</u>	<u>2,270,366</u>	<u>41,490,853</u>	<u>61,493,978</u>

(Continued)

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Consolidated Statements of Activities  
Years ended December 31, 2005 and 2004

	<u>Principal Fund</u>	<u>Pocantico Fund</u>	<u>Pocantico II Fund</u>	<u>Ramon Magsaysay Award Foundation Fund</u>	<u>Asian Projects Fund</u>
Changes in temporarily restricted net assets:					
Dividend income	\$ —	—	36,235	—	—
Interest income	—	—	17,831	—	—
Other income	—	—	206	—	—
Contributions	—	—	—	—	—
Special events, net of expenses	—	—	—	—	—
Net realized and unrealized gain on investments	—	—	347,688	—	—
Net assets released from restrictions	—	—	(27,166)	—	—
Increase (decrease) in temporarily restricted net assets	—	—	374,794	—	—
Changes in permanently restricted net assets:					
Contributions	—	—	—	—	—
Increase in permanently restricted net assets	—	—	—	—	—
Increase (decrease) in net assets	39,120,736	2,456,579	374,794	207,627	214,088
Net assets:					
Beginning of year	<u>653,017,300</u>	<u>69,695,215</u>	<u>16,809,186</u>	<u>3,734,161</u>	<u>3,656,266</u>
End of year	<u>\$ 692,138,036</u>	<u>72,151,794</u>	<u>17,183,980</u>	<u>3,941,788</u>	<u>3,870,354</u>

See accompanying notes to consolidated financial statements.

<b>2005 RBF Funds</b>	<b>2004 RBF Funds</b>	<b>2005 Asian Cultural Council, Inc.</b>	<b>2004 Asian Cultural Council, inc.</b>	<b>Consolidated total 2005</b>	<b>Consolidated total 2004</b>
36,235	28,732	93,230	100,876	129,465	129,608
17,831	15,559	52,573	56,025	70,404	71,584
206	140	—	—	206	140
—	—	833,635	387,301	833,635	387,301
—	—	18,449	133,000	18,449	133,000
347,688	431,304	297,913	910,874	645,601	1,342,178
(27,166)	(14,595)	(1,507,813)	(1,437,021)	(1,534,979)	(1,451,616)
<u>374,794</u>	<u>461,140</u>	<u>(212,013)</u>	<u>151,055</u>	<u>162,781</u>	<u>612,195</u>
—	—	272,781	—	272,781	—
—	—	272,781	—	272,781	—
42,373,824	59,684,752	(447,409)	2,421,421	41,926,415	62,106,173
<u>746,912,128</u>	<u>687,227,376</u>	<u>34,233,861</u>	<u>31,812,440</u>	<u>781,145,989</u>	<u>719,039,816</u>
<u>789,285,952</u>	<u>746,912,128</u>	<u>33,786,452</u>	<u>34,233,861</u>	<u>823,072,404</u>	<u>781,145,989</u>

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Increase in net assets	\$ 41,926,415	62,106,173
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(72,484,733)	(97,333,860)
Depreciation and amortization	1,292,058	1,296,272
Decrease in accounts receivable	170,366	257,997
Decrease (increase) in contributions receivable	6,550	(111,800)
(Increase) decrease in interest and dividends receivable	(239,520)	127,512
Increase in prepaid expenses	(121,104)	(531,902)
(Decrease) increase in grants payable	(881,815)	3,766,471
Increase in accounts payable and accrued liabilities	240,132	192,573
Increase in deferred taxes payable	150,525	910,800
Net cash used in operating activities	(29,941,126)	(29,319,764)
Cash flows from investing activities:		
Proceeds from sales of investments	531,134,270	526,630,543
Purchases of investments	(505,765,543)	(489,995,084)
Decrease (increase) in due from brokers and dealers	4,840,067	(5,859,106)
Increase (decrease) in due to brokers and dealers	696,538	(1,677,987)
Reductions of program-related investment	128,103	206,906
Purchases of fixed assets	(547,330)	(484,992)
Net cash provided by investing activities	30,486,105	28,820,280
Net increase (decrease) in cash and cash equivalents	544,979	(499,484)
Cash and cash equivalents at beginning of year	794,907	1,294,391
Cash and cash equivalents at end of year	\$ 1,339,886	794,907

See accompanying notes to consolidated financial statements.

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

**(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). In 1999, the Fund merged with the Charles E. Culpeper Foundation (Culpeper), a private, grantmaking corporation founded in New York. Under the terms of the merger, the Fund received all of the assets of Culpeper with a fair value of approximately \$212,000,000, consisting principally of investments, cash, and cash equivalents. In addition, four members of Culpeper's board of trustees were elected to the Fund's board of trustees. The Fund's principal purpose is to make grants to local, national, and overseas philanthropic organizations. The Fund also provides fellowships for students of color entering the teaching profession and scholarships for medical science and biomedical research.

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, as a conference center and an historic park benefiting the public.

**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.

**Ramon Magsaysay Award Foundation Fund:** To support the Ramon Magsaysay Awards and other activities of the Ramon Magsaysay Award Foundation, Inc.

**Asian Projects Fund:** Income to be used for a period of 20 years from inception in 1987 for special projects that exemplify the spirit of the Ramon Magsaysay Awards and Asian program concerns of the Fund.

Asian Cultural Council, Inc. (ACC) is a not-for-profit, charitable corporation existing under the New York State not-for-profit corporation law and has been determined to be a publicly supported organization as defined in the Code. ACC provides fellowship awards to Asian and American individuals in the visual and performing arts, and also awards grants to cultural institutions engaged in international exchange projects. The Fund is the sole member of ACC.

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

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

**(a) Principles of Consolidation**

The financial statements of the Fund include ACC of which it is the sole member. The accompanying consolidated statements of financial position and consolidated statements of activities separately break out the special purpose funds and ACC. All significant interfund and interorganizational balances and transactions are eliminated in consolidation.

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

The Fund considers net realized gains and losses from securities sales, unrealized gains and losses on investments, and minimum pension liability adjustments to be nonoperating activities.

**(b) Basis of Presentation**

Net assets and revenues, expenses, 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 which 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 consolidated statements of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions and other gifts which require that the corpus be maintained intact and that only the income be used as designated by the donor. Depending upon the donor's designation, such income is reflected in the consolidated statements of activities as either temporarily restricted or unrestricted income.

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.

**(c) 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. Realized gains or losses from sales of securities are determined on a specific-identification basis as of the trade date. Security costs are determined on a first-in, first-out basis.

Investments in alternative investments are reported at fair value on the basis of the Fund's equity in the net assets of such partnerships as determined by the general partners. In certain instances, portions of the underlying investment portfolios of the alternative investments contain nonmarketable or thinly traded investments, which have been recorded at fair value as determined by management of the alternative investments. As of December 31, 2005 and 2004, approximately \$198,000,000 and \$150,000,000, respectively, of the Fund's investments in alternative investments were recorded at fair value as determined by the Fund's management or their designee, which might differ significantly from the market value that would have been used had a readily available market for the investment existed. The Fund reviews and evaluates the values provided by the investment managers and general partners and agrees with the valuation methods used in determining the fair value of these alternative investments.

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

Investments of the Principal Fund, Pocantico Fund, Pocantico II Fund, Ramon Magsaysay Award Foundation Fund, and Asian Projects Fund are pooled; interest and dividend income and realized and unrealized gains or losses are allocated to each fund using the unitized investment method.

**(d) Grants Payable**

Grants are recorded at the time of approval by the trustees and notification to the recipient.

The following table reconciles grants awarded and grants actually paid during 2005 and 2004:

Grants payable, December 31, 2003	\$	16,587,227
Grants awarded 2004		28,592,015
Grants paid 2004		<u>(24,825,544)</u>
Grants payable, December 31, 2004		20,353,698
Grants awarded 2005		24,306,757
Grants paid 2005		<u>(25,188,572)</u>
Grants payable, December 31, 2005	\$	<u><u>19,471,883</u></u>

The Fund and ACC estimate that the grants payable balance as of December 31, 2005 will be paid as follows:

Year ending December 31:		
2006	\$	13,974,083
2007		4,016,400
2008		1,069,400
2009		380,800
2010		<u>31,200</u>
Total	\$	<u><u>19,471,883</u></u>

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

**(e) Tax Status**

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a "private foundation." Provision has been made for the federal excise tax on investment income.

ACC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and has been determined to be a publicly supported organization.

**ROCKEFELLER BROTHERS FUND, INC.  
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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

**(f) Fixed Assets**

The Fund and ACC capitalize fixed assets which include leasehold improvements, furniture and fixtures, and office equipment. Depreciation and amortization of the fixed assets are provided over the following estimated useful service lives: leasehold improvements: life of lease; office equipment: 7 years; computer equipment: 4 years; and computer software: 3 years. Fixed assets are presented net of accumulated depreciation and amortization of approximately \$14,131,000 and \$12,839,000 at December 31, 2005 and 2004, respectively.

**(g) Contributions**

Contributions, including unconditional promises to give, are recognized in the period received.

**(h) Functional Expenses**

The Fund and ACC report 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 and ACC'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 are made by management based on the estimated time spent by executives in the various program service functions.

**(i) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates relate to investments as discussed in note 2(c). Actual results could differ from those estimates.

**ROCKEFELLER BROTHERS FUND, INC.  
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

**(3) Investments**

The fair value of investments at December 31, 2005 and 2004 is summarized as follows:

	<b>2005</b>	<b>2004</b>
Short-term investments	\$ 19,858,916	22,282,080
Stocks	469,944,123	435,612,801
Bonds	85,538,146	83,557,934
Alternative investments	246,597,568	233,291,355
Foreign currency fluctuations	(76,577)	2,000
	\$ 821,862,176	774,746,170

Through a certain investment manager, the Fund purchases and sells warrants, exchange-traded options, and financial futures contracts. The Fund's exposure to these instruments totaled approximately \$13,600,000 and \$20,000,000 with a notional amount of \$13,700,000 and \$17,470,000 at December 31, 2005 and 2004, respectively.

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, and 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 consolidated 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 consolidated balance sheets. 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.

Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the consolidated financial position and changes in net assets of the Fund.

**(4) Program-Related Investments**

The Fund's program-related investments have limited or no marketability. These investments and real estate are stated at the lower of cost or estimated fair value. The Fund's real estate has been leased rent-free to a not-for-profit organization under the terms of an agreement which expires in the year 2056.

In February 1994, the Fund entered into a loan agreement with the Ramon Magsaysay Award Foundation (RMAF) which authorized RMAF to borrow up to three million dollars during the period the loan commenced through December 31, 1995. The underlying promissory note initially charged interest on the unpaid principal at the rate of 6% per year; such interest accrued beginning January 1, 1995. The interest rate was reduced in 1999 to 3% for the remaining term of the loan. In 2004, the interest rate was further reduced to 1%. Payment of principal of \$120,000 and related interest is to be made annually over the term

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of the loan and on December 31, 2019, the outstanding balance will be payable in full. The Fund had loaned RMAF the full amount authorized as of December 31, 1995 and received the appropriate repayments of principal and interest in the years ended December 31, 1995 through 2005.

**(5) Pension Plan**

The Fund and ACC participate in the Retirement Income Plan for Employees of Rockefeller Brothers Fund, Inc., et al. (the Plan), a noncontributory defined benefit plan covering substantially all its employees. Effective December 31, 2003, the Plan was frozen. The following table sets forth the Plan's funded status and amounts recognized in the consolidated financial statements at December 31, 2005 and 2004 and for the years then ended:

	<b>2005</b>	<b>2004</b>
Actuarial present value of benefit (credit) obligations:		
Accumulated benefit obligation	\$ 7,637,476	7,287,613
Projected benefit obligation for services rendered to date	7,637,476	7,287,613
Plan assets at fair value	6,789,610	6,381,747
Funded status	(847,866)	(905,866)
Intangible asset	(548,771)	(587,188)
Unrecognized prior service cost	548,771	587,188
Unrecognized net loss	707,207	741,332
Unamortized transition asset	(36,773)	(55,162)
Additional minimum pension liability adjustment	(670,434)	(686,170)
Pension liability	\$ (847,866)	(905,866)
	<b>2005</b>	<b>2004</b>
Net pension cost included the following components:		
Interest cost on projected benefit obligation	\$ 369,524	433,686
Actual return on plan assets	(407,942)	(506,897)
Net amortization and deferral	34,571	31,234
Additional curtailment loss	—	52,634
Net periodic pension (benefit) cost	\$ (3,847)	10,657

The weighted average discount rates used in determining the actuarial present value of the projected benefit obligation were 5.75% and 6.25% in 2005 and 2004, respectively. The weighted average discount rates used in determining the period's benefit costs were 6.25% and 6.75% in 2005 and 2004, respectively. The expected long-term rate of return on assets was 7.5% in 2005 and 8.5% in 2004. Because the accumulated benefit obligation exceeds the fair value of plan assets at December 31, 2005 and 2004, an additional minimum pension liability adjustment of \$(15,736) and \$(398,442), respectively, has been

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recorded. In 2006, a contribution of \$50,000 was made to the Plan for 2005. No additional contribution is expected to be required in 2006. A contribution of \$161,000 was made to the Plan in 2004.

The plan assets are currently invested in mutual funds with an allocation of 70% equity and 30% debt securities. The Fund's investment goal is to obtain a competitive risk adjusted return on the pension plan assets commensurate with prudent investment practices and the Plan's responsibility to provide retirement benefits for its participants, retirees, and their beneficiaries. The Plan's asset allocation targets are strategic and long term in nature and are designed to take advantage of the risk reducing impacts of asset class diversification. Investments within each asset category are further diversified with regard to investment style and concentration of holdings.

The anticipated benefit payments cash flow for the next ten years is as follows:

Year ending December 31:		
2006	\$	268,000
2007		300,000
2008		330,000
2009		408,000
2010		421,000
2011-2015		2,660,000

**(6) Postretirement Healthcare Benefits**

In addition to providing pension benefits, the Fund provides certain healthcare benefits for retired employees. Substantially all of the Fund's and ACC'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, 2005 and 2004:

	<b>2005</b>	<b>2004</b>
Accumulated postretirement benefit obligation (APBO)	\$ 2,876,678	2,633,263
Unrecognized net loss	(440,757)	(365,915)
Accrued postretirement benefit cost	\$ 2,435,921	2,267,348

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The net periodic postretirement benefit cost included the following components as of December 31, 2005 and 2004:

	2005	2004
Service cost	\$ 147,987	137,475
Interest cost	158,843	143,599
Amortization of unrecognized (loss) gain	(3,796)	58
Net periodic postretirement benefit cost	\$ 303,034	281,132

Actual retiree premiums paid by the Fund and ACC during 2005 and 2004 amounted to \$176,000 and \$150,000, respectively.

The discount rate assumed in determining the APBO was 5.75% and 6.25% in 2005 and 2004, respectively. The weighted average discount rates used in determining the Period's benefit costs were 6.25% in both 2005 and 2004. The medical cost trend rates assumed were 10.0% and declining to 6.0% over a five-year period for 2005 and 2004. Increasing the assumed medical cost trend rate by one percent each year would result in increases in both the APBO and the net periodic postretirement cost of approximately \$568,000 and \$70,000 in 2005 and \$510,000 and \$71,000 in 2004, respectively.

The anticipated benefit payments cash flow for the next ten years is as follows:

Year ending December 31:		
2006	\$	141,000
2007		120,000
2008		137,000
2009		130,000
2010		144,000
2011-2015		695,000

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Act) was signed into law in December 2003. The accumulated postretirement benefit obligation and costs include the economic impact associated with the federal subsidy provided by the Act in the amount of \$220,000 for both 2005 and 2004.

**(7) Related Party Transactions**

The Fund paid Rockefeller and Co., Inc., fees of approximately \$41,000 in 2004 for the management of the Fund's qualified pension plans and other services. The Fund was reimbursed approximately \$452,000 and \$500,000, in 2005 and 2004, respectively, for the fair value of certain expenses, including accounting and occupancy, by the Rockefeller Family Fund, Inc. The Fund was also reimbursed \$524,000 and \$14,000 in 2005 and \$540,000 and \$11,000 in 2004 for the fair value of certain expenses, including accounting and occupancy, by ACC and the David Rockefeller Fund, respectively. The Fund received reimbursement for the fair value of certain expenses, including accounting, occupancy, capital expenditures, and employee

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benefits, in 2005 and 2004 in the amounts of \$880,000 and \$825,000, respectively, from Rockefeller Philanthropy Advisors.

The Fund paid fees of approximately \$1,210,000 and \$1,160,000 in 2005 and 2004, respectively, for maintenance of the Pocantico properties to Greenrock Corporation, which is wholly owned by Rockefeller family members.

**(8) 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. For 2005, the Fund expects to pay the full tax rate and provided for excise taxes at the rate of 2% in the amount of \$1,400,000. For 2004, the Fund paid the full tax rate and provided for excise taxes at the rate of 2% in the amount of \$1,130,000.

**(9) Commitments**

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

Fiscal year:	
2006	\$ 1,931,000
2007	1,945,000
2008	1,745,324
2009	1,765,000
2010	1,765,000
2011-2012	3,530,000

On January 1, 1998, the Fund entered into a new lease agreement and relocated its offices in June 1998. The terms of the leases for the Fund's offices expire in December, 2012 with one five-year renewal option. Portions of this additional space have been subleased through 2012. Under the terms of its merger agreement with the Charles E. Culpeper Foundation, the Fund assumed the liability for Culpeper's office space through 2007. This space was subleased in 1999 for the years 2000 through 2007.

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 can not be presently determined, no amount for the claim has been included in these consolidated financial statements.

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On January 1, 1992, the Fund entered into a formal arrangement with the National Trust for Historic Preservation in the United States, whereby the Fund assumes the costs associated with maintenance and operations of the Pocantico Historic Area, including all utilities, real estate and other taxes, and impositions assessed against the property. In 2005 and 2004, these costs aggregated approximately \$1,738,000 and \$1,617,000, 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 \$129,000,000 as of December 31, 2005.

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Supplemental Schedule of Functional Expenses

Year ended December 31, 2005

(with summarized financial information for the year ended December 31, 2004)

	<u>Direct Charitable Activities</u>		<u>Subtotal</u>	<u>Program and Grant Management</u>	<u>Investment Management</u>
	<u>General Programs</u>	<u>Pocantico Fund</u>			
Salaries and employee benefits:					
Salaries	\$ 388,967	453,951	842,918	1,390,638	365,640
Employee benefits	106,361	241,274	347,635	380,549	101,706
	<u>495,328</u>	<u>695,225</u>	<u>1,190,553</u>	<u>1,771,187</u>	<u>467,346</u>
Other expenses:					
Grants awarded	—	—	—	22,676,998	—
Fellowship and leadership – program expenses	184,323	—	184,323	—	—
Federal excise and other taxes	—	—	—	—	—
Consultants' fees	—	—	—	325,729	9,510
Investment services	—	—	—	—	3,595,860
Legal, audit, and professional fees	7,477	22,261	29,738	41,616	20,963
Travel	33,527	14,679	48,206	308,741	35,735
Rent and electricity	109,680	—	109,680	499,045	146,697
Program conferences and events	195,897	—	195,897	—	—
Facilities maintenance and operations	—	1,737,579	1,737,579	—	—
Telephone, facsimile, and internet	3,261	14,514	17,775	14,840	5,678
General office expenses	64,935	109,453	174,388	177,135	62,066
Publications	—	—	—	—	—
Fundraising expenses	—	—	—	—	—
Depreciation and amortization	24,714	654,857	679,571	112,447	92,410
	<u>\$ 1,119,142</u>	<u>3,248,568</u>	<u>4,367,710</u>	<u>25,927,738</u>	<u>4,436,265</u>

See accompanying independent auditors' report.

## Schedule I

<b>General Management</b>	<b>2005 RBF Funds</b>	<b>2004 RBF Funds</b>	<b>2005 Asian Cultural Council, Inc.</b>	<b>2004 Asian Cultural Council, Inc.</b>	<b>Consolidated total 2005</b>	<b>Consolidated total 2004</b>
1,532,873	4,132,069	3,529,562	826,720	906,722	4,958,789	4,436,284
428,254	1,258,144	1,649,226	467,620	312,022	1,725,764	1,961,248
1,961,127	5,390,213	5,178,788	1,294,340	1,218,744	6,684,553	6,397,532
—	22,676,998	27,240,395	1,584,931	1,291,312	24,261,929	28,531,707
—	184,323	174,027	—	—	184,323	174,027
2,056,975	2,056,975	2,073,624	42,988	28,509	2,099,963	2,102,133
101,242	436,481	239,698	203,422	154,768	639,903	394,466
—	3,595,860	3,273,595	359,796	321,587	3,955,656	3,595,182
182,481	274,798	323,920	238,702	222,364	513,500	546,284
12,939	405,621	393,596	59,065	75,896	464,686	469,492
615,580	1,371,002	1,346,959	193,640	178,015	1,564,642	1,524,974
—	195,897	240,981	13,517	14,854	209,414	255,835
—	1,737,579	1,623,756	20,474	24,687	1,758,053	1,648,443
24,041	62,334	68,840	12,152	13,039	74,486	81,879
295,316	708,905	831,294	132,224	138,903	841,129	970,197
143,570	143,570	484,743	37,888	26,475	181,458	511,218
—	—	—	1,533	1,061	1,533	1,061
397,534	1,281,962	1,286,038	10,096	10,234	1,292,058	1,296,272
<u>5,790,805</u>	<u>40,522,518</u>	<u>44,780,254</u>	<u>4,204,768</u>	<u>3,720,448</u>	<u>44,727,286</u>	<u>48,500,702</u>

