



**THE DAVID ROCKEFELLER FUND, INC.**

Financial Statements

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  
The David Rockefeller Fund, Inc.:

We have audited the accompanying financial statements of The David Rockefeller 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 auditors consider 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 The David Rockefeller 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.

KPMG LLP

July 17, 2014

**THE DAVID ROCKEFELLER FUND, INC.**

Statements of Financial Position

December 31, 2013 and 2012

<b>Assets</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	\$ 255,358	111,134
Accounts receivable and other assets	—	1,584
Investments	5,648,598	4,778,699
Total assets	<u>\$ 5,903,956</u>	<u>4,891,417</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 81,781	63,327
Grants payable	14,500	255,000
Total liabilities	96,281	318,327
Net assets – unrestricted	5,807,675	4,573,090
Total liabilities and net assets	<u>\$ 5,903,956</u>	<u>4,891,417</u>

See accompanying notes to financial statements.

**THE DAVID ROCKEFELLER FUND, INC.**

Statements of Activities

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Contributions	\$ 1,480,375	1,463,684
Dividend and interest income	93,412	95,491
Total revenues	<u>1,573,787</u>	<u>1,559,175</u>
Expenses:		
Grants awarded	1,276,500	1,486,000
Matching grants program	28,000	14,700
Program related expenses	10,880	22,430
Investment management fees	59,753	51,500
General and administrative	293,543	274,611
Total expenses	<u>1,668,676</u>	<u>1,849,241</u>
Deficiency of operating revenues over expenses	(94,889)	(290,066)
Nonoperating gains:		
Net realized and unrealized gains on investments	<u>1,329,474</u>	<u>627,898</u>
Increase in net assets	1,234,585	337,832
Net assets at beginning of year	<u>4,573,090</u>	<u>4,235,258</u>
Net assets at end of year	<u>\$ 5,807,675</u>	<u>4,573,090</u>

See accompanying notes to financial statements.



**THE DAVID ROCKEFELLER FUND, INC.**

Statements of Cash Flows

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,234,585	337,832
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(1,329,474)	(627,898)
Changes in operating assets and liabilities:		
Accounts receivable and other assets	1,584	2,402
Accounts payable and accrued expenses	18,454	18,900
Grants payable	(240,500)	170,000
Net cash used in operating activities	<u>(315,351)</u>	<u>(98,764)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	2,704,696	804,894
Purchases of investments	<u>(2,245,121)</u>	<u>(786,688)</u>
Net cash provided by investing activities	<u>459,575</u>	<u>18,206</u>
Net increase (decrease) in cash and cash equivalents	144,224	(80,558)
Cash and cash equivalents at beginning of year	<u>111,134</u>	<u>191,692</u>
Cash and cash equivalents at end of year	\$ <u><u>255,358</u></u>	<u><u>111,134</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for taxes	\$ 3,150	250

See accompanying notes to financial statements.

## THE DAVID ROCKEFELLER FUND, INC.

Notes to Financial Statements

December 31, 2013 and 2012

### (1) Organization and Purpose

The David Rockefeller Fund, Inc. (the Fund) is a not-for-profit, charitable corporation existing under the New York not-for-profit corporation law and is classified as a private foundation as defined in the Internal Revenue Code (the Code). The Fund was established in 1989 and provides support to charitable and public organizations in the areas of Criminal Justice, Environment, and the Arts. The Fund also underwrites a number of programs designed to encourage individual family members' philanthropic involvement and interest.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The financial statements of the Fund are prepared on the accrual basis of accounting.

The Fund considers net realized gains and losses from securities sales and net change in unrealized appreciation on investments to be nonoperating activities.

#### (b) Cash Equivalents

Cash equivalents are short-term, highly liquid investments whose original maturities are three months or less.

#### (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; quotes 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 funds' 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.



## THE DAVID ROCKEFELLER FUND, INC.

### Notes to Financial Statements

December 31, 2013 and 2012

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

**(e) Grants Payable**

Grants are recognized in the year that they are authorized by the board of trustees and the recipient is notified. All amounts payable at December 31, 2013 are expected to be paid in 2014.

**(f) Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. For 2013 and 2012, there were no amounts received with donor-imposed restrictions. In 2013 and 2012, contribution revenue of \$1,250,000 was generated from one donor.

**(g) Tax Status**

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Code and has been classified as a "private foundation." As such, it is subject to federal excise tax on investment income, which has been included in general and administrative expenses in the accompanying statements of activities. Private foundations are required by the Code to distribute annually 5% of the average of



# THE DAVID ROCKEFELLER FUND, INC.

## Notes to Financial Statements

December 31, 2013 and 2012

the fair market value of their assets no later than the 12-month period following the end of their fiscal year.

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

### (h) 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.

### (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:

December 31, 2013				
	Fair value	Level 1	Level 2	Level 3
Investments:				
Limited partnerships	\$ 5,398,522	—	4,867,897	530,625
Fixed income – mutual funds	199,668	199,668	—	—
Cash and cash equivalents	50,408	50,408	—	—
Total investments	\$ 5,648,598	250,076	4,867,897	530,625

  

December 31, 2012				
	Fair value	Level 1	Level 2	Level 3
Investments:				
Limited partnerships	\$ 4,526,052	—	4,021,652	504,400
Fixed income – mutual funds	202,428	202,428	—	—
Cash and cash equivalents	50,219	50,219	—	—
Total investments	\$ 4,778,699	252,647	4,021,652	504,400

The Fund had no significant transfers into and out of Level 1, Level 2, or Level 3 fair value measurements in 2013 and 2012.

# THE DAVID ROCKEFELLER FUND, INC.

## Notes to Financial Statements

December 31, 2013 and 2012

The following table presents the reconciliation 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:

	<u>2013</u>	<u>2012</u>
Financial assets:		
Fair value at January 1	\$ 504,400	451,445
Net realized and unrealized gains	74,103	46,581
Purchases	94	36,366
Settlements	(47,972)	(29,992)
Fair value at December 31	<u>\$ 530,625</u>	<u>504,400</u>

The net realized and unrealized gains on investments for the years ended December 31, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Net realized gains	\$ 475,483	276,554
Net unrealized gains	853,991	351,344
	<u>\$ 1,329,474</u>	<u>627,898</u>

The following tables present the nature and liquidity of the Fund's investments at fair value as of December 31, 2013 and 2012:

<u>December 31, 2013</u>				
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Global equity <sup>(a)</sup>	\$ 1,325,382	—	Monthly	7 business days
Fund of hedge funds <sup>(b)</sup>	19,685	—	None	N/A
Fund of private equity and venture capital funds <sup>(c)</sup>	510,940	162,000	None	N/A
Socially responsive global equities <sup>(d)</sup>	3,274,400	—	Monthly	7 business days
Socially responsive U.S. equities <sup>(e)</sup>	268,115	—	Monthly	5 business days
Fixed income – mutual funds	199,668	—	Daily	Daily
Cash and cash equivalents	50,408	—	Daily	Daily
	<u>\$ 5,648,598</u>	<u>162,000</u>		

# THE DAVID ROCKEFELLER FUND, INC.

## Notes to Financial Statements

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	December 31, 2012			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Global equity <sup>(a)</sup>	\$ 2,959,498	—	Monthly	7 business days
Fund of hedge funds <sup>(b)</sup>	18,908	—	None	N/A
Fund of private equity and venture capital funds <sup>(c)</sup>	485,492	162,000	None	N/A
Socially responsive global equities <sup>(d)</sup>	1,062,154	—	Monthly	7 business days
Fixed income – mutual funds	202,428	—	Daily	Daily
Cash and cash equivalents	50,219	—	Daily	Daily
	<u>\$ 4,778,699</u>	<u>162,000</u>		

- (a) This category includes a global equity fund that invests primarily in global large capitalization equities. The investment manager utilizes a fundamental research process that attempts to identify attractive investment opportunities, and examines and evaluates the long-term profitability and free cash flow potential of each major operating division of every company in whose stock they invest. Holdings in this category can be invested in either value or growth stocks, but the manager attempts to ensure that each stock has a demonstrable level of undervaluation based on the manager's research.
- (b) This category includes a fund of hedge funds, which is in the final stages of liquidation, and all redemptions have been suspended.
- (c) This category includes a fund of private equity and venture capital funds that invests in private equity, primarily through investments in venture capital funds and growth equity funds investing in established private companies and specialized buyout and recapitalization funds. The investment fund contained in this category is a commitment fund with limited exit rights.
- (d) This category includes a fund that invests in a diversified portfolio of U.S. and non-U.S. companies with a market capitalization greater than \$1 billion. The manager attempts to employ a socially responsive strategy that uses a thoughtful and disciplined approach to proxy voting and shareholder activism that is based on research, and designed to encourage company management to improve certain business practices for the betterment of all stakeholders. The objective is to identify those socially responsive companies with the greatest potential return in an attempt to outperform the MSCI World index over a "full market cycle" (rolling 3 to 5 year periods).
- (e) This category includes a fund that invests in U.S. small and mid-capitalization public equities that are responsive to governance, social and environmental concerns as determined by the General Partner. The Partnership may also invest in a limited number of publicly-traded Canadian equities from time to time. The investment objective of the fund is long-term growth of the Partnership's capital.



## **THE DAVID ROCKEFELLER FUND, INC.**

### **Notes to Financial Statements**

December 31, 2013 and 2012

#### **(4) Related Parties**

The Fund receives grant management and administrative services provided by David Rockefeller at no cost to the Fund. The value of these services has been estimated to be \$230,375 and \$213,452 in 2013 and 2012, respectively, and is included in contributions and general and administrative expenses in the accompanying statements of activities. The Fund reimbursed the Rockefeller Brothers Fund for the fair value of accounting services provided in the amount of \$11,330 and \$9,814 for 2013 and 2012, respectively. Investment management fees of \$59,753 and \$51,500 were charged by Rockefeller & Company in 2013 and 2012, respectively. In 2013 and 2012, the Fund made a grant in the amount of \$230,000 to Rockefeller Philanthropy Advisors (RPA) for the two donor-advised funds managed in its name. The purpose of the donor-advised funds is to support the Discretionary Grants/Trustee Grants Program of the Fund.

#### **(5) Federal Taxes**

As a private foundation, the Fund is assessed an excise tax by the Code. 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 qualified for the reduced tax rate of 1% in 2012. The Fund provided for excise taxes at the rate of 1% in 2013 and 2012 in the accompanying financial statements. The federal excise tax expenses were \$5,200 and \$3,400 in 2013 and 2012, respectively, and are included in general and administrative expenses in the accompanying financial statements. The Fund did not pay estimated excise taxes in 2012. A balance in the amount of \$2,992, remaining from an overpayment of excise taxes in 2008, was applied against the Fund's tax obligation in 2012, and an additional payment in the amount of \$400 was made with the filing of the extension for the 2012 annual return in 2013. During 2013, the Fund paid estimated excise taxes totaling \$2,500. The Fund's remaining obligation for 2013 of approximately \$2,700 is included in accounts payable and accrued expenses in the accompanying financial statements. In 2013 and 2012, a deferred tax expense of \$17,290, and \$7,026, respectively, is included in general and administrative expenses in the accompanying financial statements.

#### **(6) Subsequent Events**

In connection with the preparation of the financial statements, the Fund evaluated events subsequent to 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 matters that are required to be disclosed.