

The David Rockefeller Fund, Inc.

Financial Statements

December 31, 2018



Independent Auditors' Report

The Board of Directors The David Rockefeller Fund, Inc.

We have audited the accompanying financial statements of The David Rockefeller Fund, Inc. (the "Fund"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of The David Rockefeller Fund, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Period Financial Statements

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

Change in Accounting Principle

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

PKF O'Connor Davies, LLP

August 1, 2019

The David Rockefeller Fund, Inc.

Statement of Financial Position
December 31, 2018
(with comparative amounts at December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 6,198,320	\$ 2,323,605
Accounts receivable and other assets	146,504	26,985
Contributions receivable	-	13,005,000
Investments	<u>55,918,255</u>	<u>23,861,477</u>
	<u>\$ 62,263,079</u>	<u>\$ 39,217,067</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 147,261	\$ 82,234
Grants payable	425,000	306,000
Taxes payable	<u>9,694</u>	<u>37,147</u>
Total Liabilities	<u>581,955</u>	<u>425,381</u>
Net Assets		
Without donor restrictions	<u>56,719,925</u>	<u>36,791,686</u>
With Donor Restrictions		
Time restricted	-	2,000,000
Purpose restricted	<u>4,961,199</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>4,961,199</u>	<u>2,000,000</u>
Total Net Assets	<u>61,681,124</u>	<u>38,791,686</u>
	<u>\$ 62,263,079</u>	<u>\$ 39,217,067</u>

See notes to financial statements

The David Rockefeller Fund, Inc.

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

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue		
Contributions	\$ 23,181,814	\$ 22,907,391
Investment Return		
Net realized and unrealized (loss) gain on investments	(3,673,308)	1,476,526
Investment income	1,353,068	464,650
Less: Investment expenses	(244,035)	(109,160)
Investment Return	(2,564,275)	1,832,016
Net assets released from restrictions	2,080,000	9,017,468
Total Support and Revenue	22,697,539	33,756,875
Expenses		
Direct charitable activities	83,097	112,292
Program and grant management	2,269,992	1,432,504
General management and taxes	416,211	334,009
Total Expenses	2,769,300	1,878,805
Change in Net Assets Without Donor Restrictions	19,928,239	31,878,070
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Support and Revenue		
Contributions	5,030,000	2,030,000
Investment income	11,199	-
Net assets released from restrictions	(2,080,000)	(9,017,468)
Change in Net Assets With Donor Restrictions	2,961,199	(6,987,468)
Change in Net Assets	22,889,438	24,890,602
NET ASSETS		
Beginning of year	38,791,686	13,901,084
End of year	\$ 61,681,124	\$ 38,791,686

See notes to financial statements

The David Rockefeller Fund, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	Program Services		Supporting Services			
	Direct Charitable Activities	Program and Grant Management	General Management and Taxes	2018 Total	2017 Total	
Salaries and Employee Benefits:						
Salaries	\$ 54,181	\$ 79,480	\$ 221,161	\$ 354,822	\$ 308,785	
Employee benefits and events	20,385	29,903	83,209	133,497	109,047	
	74,566	109,383	304,370	488,319	417,832	
Other Expenses:						
Grants awarded	-	2,083,671	-	2,083,671	1,294,500	
Federal excise (benefit) and other taxes	-	-	(9,623)	(9,623)	47,590	
Consultants fees	-	9,300	22,924	32,224	8,442	
Legal, audit and professional fees	-	-	45,569	45,569	29,528	
Travel	2,402	45,446	2,990	50,838	20,929	
Rent and electricity	2,284	8,410	19,279	29,973	24,125	
Telephone, facsimile and internet	163	602	1,380	2,145	1,889	
Insurance	453	1,667	3,820	5,940	5,443	
General office expenses	3,229	11,513	25,126	39,868	28,317	
Communications	-	-	376	376	210	
	\$ 83,097	\$ 2,269,992	\$ 416,211	\$ 2,769,300	\$ 1,878,805	

See notes to financial statements

The David Rockefeller Fund, Inc.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 22,889,438	\$ 24,890,602
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Contributions of common stock	(1,804,401)	(3,007,759)
Net realized and unrealized loss (gain) on investments	3,673,308	(1,476,526)
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(119,519)	(14,746)
Contributions receivable	13,005,000	(4,017,532)
Accounts payable and accrued expenses	65,027	23,059
Grants payable	119,000	(51,500)
Taxes payable	(27,453)	43,040
Net Cash from Operating Activities	37,800,400	16,388,638
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	5,184,879	4,050,853
Purchases of investments	(39,110,564)	(18,303,928)
Net Cash from Investing Activities	(33,925,685)	(14,253,075)
Net Change in Cash and Cash Equivalents	3,874,715	2,135,563
 CASH AND CASH EQUIVALENTS		
Beginning of year	2,323,605	188,042
End of year	\$ 6,198,320	\$ 2,323,605
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for other taxes	\$ 17,830	\$4,550

See notes to financial statements

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

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. During 2018, the Richard Rockefeller Climate Change Initiatives was approved by the Board of Directors and made possible by the estate of David Rockefeller at the behest of two grandchildren and in honor of Richard Rockefeller. The main purpose of these initiatives is to support bold, urgent action to reduce and prevent greenhouse gas emissions as quickly as practitioners, and policymakers can achieve such gains at scale. The Fund also underwrites a number of programs designed to encourage family members' individual philanthropic involvement and interests, as well as collaborative grant-making by the family.

The Fund is exempt from federal income tax under Section 501(c)(3) of the Code and has been classified as a "private foundation." Provision has been made for the current and deferred federal excise taxes on realized net investment income and unrealized appreciation.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates made by management in the preparation of the financial statements include fair value of alternative investments. Management believes that the estimates utilized in preparing these financial statements are reasonable and appropriate.

Change in Accounting Principle

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

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

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

Net Asset Presentation

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

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

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

Cash and Cash Equivalents

The Fund considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents, except for those managed by the investment managers as part of its long-term investment strategy.

Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP has established a fair value hierarchy, which uses the following three levels of inputs to measure fair value:

Level 1: Quoted prices or published net asset value for those alternative investments with characteristics similar to a mutual fund in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices for similar assets or liabilities; prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

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

Fair Value Measurements (continued)

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

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

Investments

Investments in marketable securities are carried at quoted market prices and alternative investments with characteristics similar to a mutual fund are carried at published net asset value. Unrealized gains or losses are determined using quoted market prices at the respective statement of financial position dates. Security costs are determined on a first-in, first-out basis. Investment purchases and sales are recorded on a trade-date basis.

The Fund follows the provisions of Accounting Standards Codification (ASC) 820-10-35-59, *Measuring the Fair Value of Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASC 820-10-35-59), to estimate fair value of certain investments in funds that do not have readily determinable fair values, including private investments, hedge funds, real estate, and other funds. ASC 820-10-35-59 allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent, as a practical expedient, as provided by the investment managers.

Investments in alternative investments that are not readily marketable are reported in the financial statements based upon the underlying net asset value (or partner’s capital) of each investment, which is estimated at fair value by the fund managers or general partners. The Fund reviews and evaluates the values provided by the fund managers and general partners, and agrees with the valuation methods and assumptions used in determining the fair value of the underlying net assets (or partner’s capital).

Investment Income Recognition

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

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Investment Expenses

Direct investment expense on the statement of activities consists of fees paid directly to the Fund's investment managers and custodian.

Grants Payable

Grants are recognized in the year that they are authorized by the board of directors and the recipient is notified. All amounts payable at December 31, 2018 are expected to be paid in 2019.

Recognition of Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized in the period received and are considered to be available for general use unless specifically restricted by the donor. Contributions to be received after one year are discounted to present value of future cash flows at a risk-adjusted rate. Contributions receivable at December 31, 2017 were not discounted as they are expected to be collected within 12 months of year-end. There were no contributions receivable at December 31, 2018. The Fund evaluates collectability of promises to give in determining the necessary provision for doubtful collection. No such provision has been made as of December 31, 2018 and 2017.

Accounting for Uncertainty in Income Taxes

The Fund follows the provisions of Accounting Standards Codification (ASC) Subtopic 740-10, *Accounting for Income Taxes*, which addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ASC Subtopic 740-10 also provides related guidance on measurement, classification, interest and penalties, and disclosures. The Fund has concluded that there were no uncertainties to disclose. The Fund is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2015.

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

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

Functional Expenses

The Fund reports expenses on a functional basis, with all expenses charged either to a particular program or supporting service. Direct charitable activities and program and grant management comprise the Fund's program-related expenses and general management comprises the supporting activity expenses. Within general management are expenses related to investment administration. Direct charitable activities include technical assistance provided to other charitable organizations, service of Fund staff on boards and committees of such organizations, and the costs of certain program-related projects undertaken directly by the Fund rather than through grants. Overhead expenses are allocated to functional areas based upon actual usage, if specifically identifiable. The allocation of expenses is made by management based on the estimated time spent by staff in the various program service functions.

Concentration of Credit Risk

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

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation. During 2018, the Fund determined assets previously classified as donor restricted – perpetual were misclassified. Accordingly, \$3,008,996 of net assets have been reclassified as net assets without donor restrictions, and \$2,000,000 of net assets have been reclassified as net assets with donor restrictions – time restricted in 2017.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 1, 2019.

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

3. Investments

The following table presents the Fund's fair value hierarchy for those investments measured at fair value as of December 31, 2018 and 2017.

	2018		
	Level 1	Investments Valued Using NAV (*)	Total
Mutual funds	\$ 19,966,166	\$ -	\$ 19,966,166
Fixed income securities	19,347,064	-	19,347,064
Socially responsive global equities		16,234,460	16,234,460
Hedge funds	-	5,644	5,644
Venture capital	-	313,090	313,090
Total Investments at Fair Value	<u>\$ 39,313,230</u>	<u>\$ 16,553,194</u>	55,866,424
Cash and equivalents, at cost			51,831
Total Investments			<u>\$ 55,918,255</u>
	2017		
	Level 1	Investments Valued Using NAV (*)	Total
Mutual funds	\$ 10,532,864	\$ -	\$ 10,532,864
Fixed income securities	2,220,536	-	2,220,536
Socially responsive global equities		10,679,612	10,679,612
Hedge funds	-	5,786	5,786
Venture capital	-	371,685	371,685
Total Investments at Fair Value	<u>\$ 12,753,400</u>	<u>\$ 11,057,083</u>	23,810,483
Cash and equivalents, at cost			50,994
Total Investments			<u>\$ 23,861,477</u>

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

The David Rockefeller Fund, Inc.

Notes to Financial Statements December 31, 2018

3. Investments *(continued)*

Included in the Fund's investment portfolio at December 31, 2018 and 2017 are alternative investments with the following terms and conditions:

December 31, 2018				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Socially responsive global equities (see "a" below)	\$ 16,234,460	\$ -	Monthly	5 days
Hedge funds (see "b" below)	5,644	-	None	N/A
Venture capital (see "c" below)	313,090	162,000	None	N/A
	\$ 16,553,194	\$ 162,000		
December 31, 2017				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Socially responsive global equities (see "a" below)	\$ 10,679,612	\$ -	Monthly	5 days
Hedge funds (see "b" below)	5,786	-	None	N/A
Venture capital (see "c" below)	371,685	162,000	None	N/A
	\$ 11,057,083	\$ 162,000		

- (a) 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).
- (b) This category includes a fund of hedge funds, which is in the final stages of liquidation, and all redemptions have been suspended. Redemptions from this fund cannot currently be exercised.
- (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 investment 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. Redemptions from this fund cannot currently be exercised.

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

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

4. Liquidity and Availability

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

Financial Assets	
Cash and cash equivalents	\$ 6,198,320
Accounts receivable and other assets	146,504
Investments	<u>55,918,255</u>
Total Financial Assets	<u>62,263,079</u>
Less:	
Donor restricted endowment funds	(4,961,199)
Board designated endowment funds	(57,189,055)
Endowment fund appropriations for following year	<u>2,676,842</u>
	<u>(59,473,412)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 2,789,667</u>

As part of the Fund's liquidity management strategy, the Fund has designated its outsourced investment advisor, with oversight by the Fund's Investment Committee and management, to structure its financial assets to be available as its grant payments and other general liabilities come due. Under the mandate of the Fund's Investment Policy Statement, approximately 10% to 45% of the Fund's investment portfolio net assets will be held in vehicles utilizing lockups of 12 months or less. Within the Fund's managed investment portfolio, a separate cash account is maintained at the Fund's custodian bank, and used to facilitate capital calls on investments, investment income and capital distributions, investment management fees, and other withdrawals necessary to meet the Fund's cash requirements for grants and operating expenses. Recurring cash withdrawals from the managed investment portfolio are coordinated on a quarterly basis, based on the Fund's annual cash flow projections for grants and administrative expenses as driven by the Fund's annual board approved budget. Cash requirements for other withdrawals associated with the Fund's investments are managed by the Fund's outsourced investment advisor, as part of their investment management agreement with the Fund.

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

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

4. Liquidity and Availability (*continued*)

The Fund's board designated endowment of \$57,189,055 at December 31, 2018 is subject to an annual spending policy as described in Note 5. Although the Fund does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, these amounts could be made available if necessary.

5. Endowment Funds

The Fund has a board-designated endowment and donor restricted endowment funds.

The Fund received a major bequest from the estate of David Rockefeller over the course of 2017 and 2018, constituting the Fund's board-designated endowment. Included in this endowment as of December 31, 2018 and 2017, are net assets without donor restrictions including net assets of the Clay Rockefeller donor-advised fund, which was established in 2018 through a pledge in the amount of approximately \$2.8 million. The Fund's net assets with donor restrictions reflect the Richard Rockefeller Climate Change Initiatives program, a program established by the Board's approval. During 2018 the Fund satisfied restrictions on net assets with donor restrictions and, accordingly, released from restriction \$2,080,000.

The Fund sets its annual spending policy by considering the Fund's long-term financial objectives, determining a minimum rate of annual spending (typically 5%) that would align with those long-term objectives, and considering programmatic needs that may impact current thinking on spending. Based on this analysis, the Fund develops a proposal for a financially responsible budget amount that will meet both the Fund's minimum payout requirement and programmatic priorities. Spending for 2019 and beyond will consider the inflow of the significant bequest from David Rockefeller and align with long-term financial objectives. Each year, the Board of Directors establishes an annual budget and the Fund monitors the impact of actual market trends during the year to make adjustments to spending in future years.

The Board of Directors 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 Directors. The Fund has classified contributions to the donor restricted endowment fund as *With Donor Restrictions* – Time Restricted or Purpose Restricted until those amounts are appropriated for expenditure by the Fund in a manner consistent with the donor's restrictions and the standard of prudence prescribed by NYPMIFA.

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

5. Endowment Funds (continued)

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

	Board-designated endowment Funds	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets at December 31, 2016	\$ 5,312,159	\$ 8,987,468	\$ 14,299,627
Net investment return	1,832,016	-	1,832,016
Contributions to endowment	22,907,391	2,030,000	24,937,391
Transfers/releases from restriction	8,987,468	(8,987,468)	-
Amounts appropriated for expenditure	<u>(1,865,903)</u>	<u>(30,000)</u>	<u>(1,895,903)</u>
Endowment net assets at December 31, 2017	37,173,131	2,000,000	39,173,131
Net investment return	(2,564,275)	11,199	(2,553,076)
Contributions to endowment	23,181,815	5,030,000	28,211,815
Transfers/releases from restriction	2,000,000	(2,000,000)	-
Amounts appropriated for expenditure	<u>(2,601,616)</u>	<u>(80,000)</u>	<u>(2,681,616)</u>
Endowment net assets at December 31, 2018	<u>\$ 57,189,055</u>	<u>\$ 4,961,199</u>	<u>\$ 62,150,254</u>

6. Employee Incentive Savings and Investment Plan

The Fund sponsors a qualified defined contribution plan that covers eligible full-time employees of the Fund who have completed six consecutive months of service as indicated in the plan document. Plan contributions for the years ended December 31, 2018 and 2017 totaled approximately \$37,897 and \$36,307.

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

7. Reconciliation of Grants Awarded

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

Grants payable, December 31, 2016	\$ 357,500
Grants awarded	1,294,500
Grants paid	<u>(1,346,000)</u>
Grants Payable December 31, 2017	306,000
Grants awarded	2,083,671
Grants paid	<u>(1,964,671)</u>
Grants Payable December 31, 2018	<u>\$ 425,000</u>

The Fund estimates that the grants payable balance as of December 31, 2018 will be paid in 2019.

8. Related-Party Transactions

In 2018 and 2017, the Fund reimbursed the Rockefeller Brothers Fund, Inc. (RBF) for accounting, human resource and operations staff services. The Fund also reimbursed RBF for certain other costs including employee benefits; consultant and legal fees related to employee benefits; information technology services; occupancy; and other miscellaneous overhead expenses. The Fund's total reimbursement to RBF was \$212,933 and \$146,513 in 2018 and 2017.

Investment management fees of \$236,882 and \$107,710 were charged by Rockefeller & Company in 2018 and 2017.

In 2018 and 2017, the Fund made grants in the amount of \$100,000 each year, to Rockefeller Philanthropy Advisors for the two donor-advised funds managed in its name. The purpose of the donor-advised funds is to support the Discretionary Grants/Director Grants Program of the Fund.

During 2018, the Fund received a contribution from the Rockefeller Philanthropy Advisors on behalf of a Director of the Fund, in the amount of \$10,000, designated to the Fund for the E.D. Discretionary Fund.

In 2017, the Fund awarded two grants to the Rockefeller Family Fund, Inc. totaling \$20,000. Of this amount, \$15,000 was designated for the Carbon-Intensive Fuel Fund and \$5,000 was designated for the Leslie Lowe Fund for Economic and Social Justice.

The David Rockefeller Fund, Inc.

Notes to Financial Statements
December 31, 2018

9. Federal Taxes

As a private foundation, the Fund is assessed an excise tax under the Code. The provision for federal excise tax consists of a current provision on realized net investment income and a deferred provision on unrealized appreciation of investments. This tax is generally equal to 2%; however, it is reduced to 1% if a foundation meets certain distribution requirements under Section 4940(e) of the Code. These requirements take into consideration the prior five years' average asset values and qualifying charitable distributions to develop a five-year average payout rate, which is then applied to the current year's average asset value to arrive at the current year payout amount. If a foundation exceeds this amount plus 1% of its investment income, it qualifies for the 1% tax rate.

The Fund provided for current and deferred excise taxes at the rate of 2% in 2018 and 2017. At December 31, 2018 the Fund's cost basis in investments held was below the fair market value. As a result, no provision for deferred excise taxes has been made at December 31, 2018. The following table reconciles the Fund's current and deferred tax provisions for the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Current Tax		
Beginning of year receivable	\$ 2,780	\$ (6,839)
Excise tax expense	25,000	14,000
Additional overpayment credits	(506)	(81)
Payments	<u>(17,580)</u>	<u>(4,300)</u>
Current Tax Liability	<u>\$ 9,694</u>	<u>\$ 2,780</u>
Deferred Tax		
Beginning of year liability	\$ 34,367	\$ 946
Deferred tax expense adjustment	<u>(34,367)</u>	<u>33,421</u>
Deferred Tax Liability	<u>\$ -</u>	<u>\$ 34,367</u>

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