



THE DAVID ROCKEFELLER FUND, INC.

Financial Statements and Supplemental Schedule

December 31, 2017 and 2016

(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., which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the schedule of functional expenses for the year ended December 31, 2017 is presented for purposes of additional analysis and is not a required part of the 2017 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2017 financial statements taken as a whole.

KPMG LLP

August 10, 2018

THE DAVID ROCKEFELLER FUND, INC.

Statements of Financial Position

December 31, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	\$ 2,323,605	188,042
Accounts receivable and other assets	26,985	12,239
Contributions receivable	13,005,000	8,987,468
Investments	23,861,477	5,124,117
Total assets	\$ 39,217,067	14,311,866
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 119,381	53,282
Grants payable	306,000	357,500
Total liabilities	425,381	410,782
Net assets:		
Unrestricted	33,752,690	4,913,616
Temporarily restricted	—	8,987,468
Permanently restricted	5,038,996	—
Total net assets	38,791,686	13,901,084
Total liabilities and net assets	\$ 39,217,067	14,311,866

See accompanying notes to financial statements.

THE DAVID ROCKEFELLER FUND, INC.

Statements of Activities

Years ended December 31, 2017 and 2016

	2017	2016
Changes in unrestricted net assets:		
Operating revenues:		
Contributions	\$ 19,868,395	1,250,000
Investment income	464,650	106,702
Net assets released from restrictions	9,017,468	—
Total operating revenues	29,350,513	1,356,702
Operating expenses:		
Direct charitable activities	112,292	117,666
Program and grants management	1,432,504	1,572,952
Investment management	136,835	85,365
General management	306,334	214,774
Total operating expenses	1,987,965	1,990,757
Excess (deficiency) of operating revenues over operating expenses	27,362,548	(634,055)
Nonoperating gains:		
Net realized and unrealized gains on investments	1,476,526	181,536
Increase (decrease) in unrestricted net assets	28,839,074	(452,519)
Changes in temporarily restricted net assets:		
Contributions	30,000	8,987,468
Net assets released from restrictions	(9,017,468)	—
(Decrease) increase in temporarily restricted net assets	(8,987,468)	8,987,468
Changes in permanently restricted net assets:		
Contributions	5,038,996	—
Increase in permanently restricted net assets	5,038,996	—
Increase in net assets	24,890,602	8,534,949
Net assets at beginning of year	13,901,084	5,366,135
Net assets at end of year	\$ 38,791,686	13,901,084

See accompanying notes to financial statements.

THE DAVID ROCKEFELLER FUND, INC.

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 24,890,602	8,534,949
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(1,476,526)	(181,536)
Contributions restricted for permanent investment	(5,038,996)	—
Changes in operating assets and liabilities:		
Accounts receivable and other assets	(14,746)	(3,370)
Contributions receivable	(2,017,532)	(8,987,468)
Accounts payable and accrued expenses	66,099	(52,193)
Grants payable	(51,500)	302,500
Net cash provided by (used in) operating activities	16,357,401	(387,118)
Cash flows from investing activities:		
Proceeds from sales of investments	4,050,853	5,604,032
Purchases of investments	(21,311,687)	(5,188,021)
Net cash (used in) provided by investing activities	(17,260,834)	416,011
Cash flows from financing activities:		
Proceeds from contributions restricted for permanent investment	3,038,996	—
Net cash provided by investing activities	3,038,996	—
Net increase in cash and cash equivalents	2,135,563	28,893
Cash and cash equivalents at beginning of year	188,042	159,149
Cash and cash equivalents at end of year	\$ 2,323,605	188,042
Supplemental disclosure of cash flow information:		
Cash paid for taxes	\$ 4,550	15,080

See accompanying notes to financial statements.

THE DAVID ROCKEFELLER FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(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 family members' individual philanthropic involvement and interests, as well as collaborative grant-making by the family.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

Unrestricted net assets represent resources over which the board of trustees has full discretion with respect to use.

Temporarily restricted net assets represent expendable resources that have been time or purpose restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets represent contributions and other gifts that require that the corpus be maintained intact and that only the income be used as designated by the donor. Such income, if applicable, is reflected in the statements of activities as temporarily restricted until appropriated for expenditure.

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 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. 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 or published net asset value for those alternative investments with characteristics similar to a mutual fund.

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.

THE DAVID ROCKEFELLER FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

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.

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 and alternative investments with characteristics similar to a mutual fund are carried at published net asset value.

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.

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 as a practical expedient, 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).

Unrealized gains and losses are determined using the fair value 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.

(e) Beneficial Interest in Charitable Remainder Unitrust

The Fund was notified in 2016 that it was a beneficiary of the remainder interest of a charitable remainder unitrust held by a third party trustee. This unitrust had a fifteen year term which expired in 2017. As a result of the notification, in 2016, the Fund recorded a temporarily restricted contribution in the amount of \$8,987,468. Proceeds from the unitrust were received during 2017.

Temporarily restricted contribution revenue is measured at the fair value of assets held by the trust, net of the present value of future payments to the beneficiary made during the period of the trust, as provided by the trustee. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

THE DAVID ROCKEFELLER FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(f) 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, 2017 are expected to be paid in 2018.

(g) 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. In 2017, contributions totaling \$30,000 were restricted – for purpose by the donor and \$5,038,996 were permanently restricted by the donor. In 2016, there were no amounts received with donor-imposed restrictions. In 2017, approximately 67% and 85% of total contribution revenue and contribution receivable, respectively, was generated from one donor. In 2016, total contributions revenue of \$1,250,000 was generated from one donor and additional contribution revenue of \$8,987,468 that was recorded for the charitable remainder unitrust, was received from the same donor.

(h) 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 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 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.

(i) Functional Expenses

The Fund reports expenses on a functional basis, with all expenses charged either to a particular program or supporting service. Direct charitable activities and program and grant management comprise the Fund’s program-related expenses and investment management and general management comprise the supporting activity expenses. Direct charitable activities include technical assistance provided to other charitable organizations, service of Fund staff on boards and committees of such organizations, and the costs of certain program-related projects undertaken directly by the Fund rather than through grants. 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.

(j) 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, including the valuation of alternative investments, 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.

THE DAVID ROCKEFELLER FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(3) Investments

The following table presents the Fund's fair value hierarchy for those assets measured at fair value as of December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Fair value	Level 1	Fair value	Level 1
Investments:				
Cash and cash equivalents	\$ 50,994	50,994	50,788	50,788
Equity – mutual funds	6,382,103	6,382,103	—	—
Fixed income – securities	2,220,536	2,220,536	—	—
Fixed income – mutual funds	4,150,761	4,150,761	216,769	216,769
	12,804,394	\$ 12,804,394	267,557	\$ 267,557
Investments measured at net asset value:				
Limited partnerships	11,057,083		4,856,560	
Total investments	\$ 23,861,477		\$ 5,124,117	

The Fund had no investments categorized as Level 2 or 3 in 2017 or 2016. The Fund had no significant transfers into and out of Level 1, Level 2, or Level 3 fair value measurements in 2017 or 2016.

The net realized and unrealized gains on investments for the years ended December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Net realized gains	\$ 252,083	715,930
Net unrealized gains (losses)	1,224,443	(534,394)
	\$ 1,476,526	181,536

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Notes to Financial Statements

December 31, 2017 and 2016

The following tables present the nature and liquidity of the Fund's investments at fair value as of December 31, 2017 and 2016:

December 31, 2017				
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Socially responsive global equities ^(a)	\$ 10,679,612	—	Monthly	5 business days
Fund of private equity and venture capital funds ^(b)	371,685	162,000	None	N/A
Fund of hedge funds ^(c)	5,786	—	None	N/A
	<u>\$ 11,057,083</u>	<u>162,000</u>		

December 31, 2016				
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Socially responsive global equities ^(a)	\$ 4,406,159	—	Monthly	5 business days
Fund of private equity and venture capital funds ^(b)	443,066	162,000	None	N/A
Fund of hedge funds ^(c)	7,335	—	None	N/A
	<u>\$ 4,856,560</u>	<u>162,000</u>		

- (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 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. At December 31, 2017, there were \$162,000 of unfunded commitments in relation to these funds.
- (c) This category includes a fund of hedge funds, which is in the final stages of liquidation, and all redemptions have been suspended.

THE DAVID ROCKEFELLER FUND, INC.

Notes to Financial Statements

December 31, 2017 and 2016

(4) Reconciliation of Grants Awarded

The following table reconciles grants awarded and grants paid during 2017 and 2016:

Grants payable, December 31, 2015	\$	55,000
Grants awarded 2016		1,446,750
Grants paid 2016		<u>(1,144,250)</u>
Grants payable, December 31, 2016		357,500
Grants awarded 2017		1,294,500
Grants paid 2017		<u>(1,346,000)</u>
Grants payable, December 31, 2017	\$	<u>306,000</u>

The Fund estimates that the grants payable balance as of December 31, 2017 will be paid in 2018. The net present value of grants payable is not materially different from amounts committed to be paid.

(5) Related Parties

In 2017 and 2016, the Fund reimbursed the Rockefeller Brothers Fund (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 \$146,513 and \$112,526 in 2017 and 2016, respectively.

Investment management fees of \$107,710 and \$60,525 were charged by Rockefeller & Company in 2017 and 2016, respectively.

In 2017 and 2016, the Fund made a grant in the amount of \$100,000 and \$50,000, respectively, 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/Trustee Grants Program of the Fund.

During 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, 2017 and 2016

(6) 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 provided for excise taxes at the rate of 2% and 1% in 2017 and 2016, respectively, in the accompanying financial statements. The following table reconciles the Fund's current and deferred tax provisions for the years ended December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Current tax:		
Beginning of year receivable	\$ (6,839)	(500)
Excise tax expense	14,000	8,741
Additional overpayment credits	(81)	—
Payments	<u>(4,300)</u>	<u>(15,080)</u>
End of year tax liability (receivable)	<u>\$ 2,780</u>	<u>(6,839)</u>
Deferred tax:		
Beginning of year liability	\$ 946	20,566
Deferred tax expense (credit) adjustment	<u>33,421</u>	<u>(19,620)</u>
End of year deferred tax liability	<u>\$ 34,367</u>	<u>946</u>

(7) 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, 2017 through August 10, 2018, 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.

THE DAVID ROCKEFELLER FUND, INC.

Supplemental Schedule of Functional Expenses

Year ended December 31, 2017

(with summarized financial information for the year ended December 31, 2016)

	Direct charitable activities	Program and grant management	Investment management	General management	2017 DRF funds	2016 DRF funds
Salaries and employee benefits:						
Salaries	\$ 72,318	80,747	10,560	145,160	308,785	283,419
Employee benefits	25,539	28,516	3,729	51,263	109,047	88,218
	<u>97,857</u>	<u>109,263</u>	<u>14,289</u>	<u>196,423</u>	<u>417,832</u>	<u>371,637</u>
Other expenses:						
Grants awarded	—	1,294,500	—	—	1,294,500	1,446,750
Federal excise and other taxes	—	—	—	47,590	47,590	(10,879)
Consultants' fees	—	1,000	—	7,442	8,442	6,308
Investment services	—	—	109,160	—	109,160	60,885
Legal, audit and professional fees	—	—	12,260	17,268	29,528	28,680
Travel	6,833	12,899	56	1,141	20,929	30,118
Rent and electricity	3,069	5,990	432	14,634	24,125	23,297
Telephone, facsimile and internet	240	469	34	1,146	1,889	2,110
Insurance	692	1,352	97	3,302	5,443	5,369
General office expenses	3,477	6,788	489	16,582	27,336	24,400
Communications	—	—	—	210	210	1,100
Depreciation	124	243	18	596	981	982
	<u>\$ 112,292</u>	<u>1,432,504</u>	<u>136,835</u>	<u>306,334</u>	<u>1,987,965</u>	<u>1,990,757</u>

See accompanying independent auditors' report.