KPMG

ROCKEFELLER BROTHERS FUND, INC.

Financial Statements and Supplemental Schedule

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Rockefeller Brothers Fund, Inc.:

We have audited the accompanying financial statements of Rockefeller Brothers Fund, Inc. (the Fund), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Rockefeller Brothers Fund, Inc. as of December 31, 2016 and 2015, 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 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

July 26, 2017

ROCKEFELLER BROTHERS FUND, INC.

Statements of Financial Position

December 31, 2016 and 2015

Assets		**Principal Fund**	**Pocantico Fund**	**Pocantico II Fund**	**Richard Rockefeller Fellowship Fund**	**2016 RBF Funds**	**2015 RBF Funds**
Cash and cash equivalents	$	1,930,932	500	—	—	1,931,432	2,650,935
Accounts receivable and other current assets		1,862,469	115,674	13,233	805	1,992,181	2,622,589
Contributions receivable		3,084,070	—	16,272,135	287,500	19,643,705	16,124,644
Investments		748,518,520	71,746,761	9,300,931	2,646,006	832,212,218	831,505,000
Program-related investment – real estate		510,000	—	—	—	510,000	510,000
Fixed assets, net		3,385,274	2,679,745	—	—	6,065,019	6,053,088
Interfund		4,914,253	(6,186,295)	1,272,042	—	—	—
Total assets	$	764,205,518	68,356,385	26,858,341	2,934,311	862,354,555	859,466,256
Liabilities and Net Assets							
Liabilities:							
Accrued expenses and other liabilities	$	1,698,653	441,337	4,190	—	2,144,180	2,032,251
Grants payable		6,809,362	—	—	—	6,809,362	8,016,513
Taxes payable		3,399,361	517,377	52,276	2,812	3,971,826	3,239,042
Accrued pension and postretirement benefits		8,741,672	2,326,992	—	—	11,068,664	10,777,270
Total liabilities		20,649,048	3,285,706	56,466	2,812	23,994,032	24,065,076
Commitments							
Net assets:							
Unrestricted		739,893,499	65,070,679	—	2,931,499	807,895,677	808,297,057
Temporarily restricted:							
Time restricted		2,684,070	—	—	—	2,684,070	—
Purpose restricted		978,901	—	16,732,698	—	17,711,599	17,389,355
Total temporarily restricted net assets		3,662,971	—	16,732,698	—	20,395,669	17,389,355
Permanently restricted		—	—	10,069,177	—	10,069,177	9,714,768
Total net assets		743,556,470	65,070,679	26,801,875	2,931,499	838,360,523	835,401,180
Total liabilities and net assets	$	764,205,518	68,356,385	26,858,341	2,934,311	862,354,555	859,466,256

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Statements of Activities

Years ended December 31, 2016 and 2015

		Principal Fund	Pocantico Fund	Pocantico II Fund	Richard Rockefeller Fellowship Fund	2016 RBF Funds	2015 RBF Funds
Changes in unrestricted net assets:							
Operating revenues:							
Investment income	$	2,704,592	237,877	—	9,563	2,952,032	6,892,224
Other income		4,445	1,097	—	—	5,542	13,074
Contributions		2,046,711	—	—	550,000	2,596,711	6,757,000
Net assets released from restrictions		4,929,277	—	51,109	—	4,980,386	2,142,962
		9,685,025	238,974	51,109	559,563	10,534,671	15,805,260
Operating expenses:							
Direct charitable activities		916,966	3,439,221	—	—	4,356,187	4,455,061
Program and grant management		35,951,015	—	—	—	35,951,015	42,804,485
Investment management		3,281,230	242,584	35,720	9,293	3,568,827	4,387,452
General management		4,947,061	440,928	—	—	5,387,989	5,208,161
Federal excise and other taxes		1,425,791	175,074	15,389	4,004	1,620,258	(1,916,948)
		46,522,063	4,297,807	51,109	13,297	50,884,276	54,938,211
(Deficiency) excess of operating revenues over operating expenses		(36,837,038)	(4,058,833)	—	546,266	(40,349,605)	(39,132,951)
Nonoperating activities:							
Transfer of endowment		(76,335)	—	—	76,335	—	—
Net realized and unrealized gain on investments		36,159,829	3,180,819	—	127,872	39,468,520	9,914,722
Amounts not yet recognized as a component of net periodic benefit cost		400,950	78,755	—	—	479,705	1,620,434
		36,484,444	3,259,574	—	204,207	39,948,225	11,535,156
(Decrease) increase in unrestricted net assets		(352,594)	(799,259)	—	750,473	(401,380)	(27,597,795)
Changes in temporarily restricted net assets:							
Investment income		—	—	36,757	—	36,757	81,586
Contributions		6,665,352	—	88,000	—	6,753,352	2,508,000
Net realized and unrealized gain on investments		—	—	491,509	—	491,509	117,376
Net assets released from restrictions		(4,929,277)	—	(51,109)	—	(4,980,386)	(2,142,962)
Other		—	—	705,082	—	705,082	(705,082)
Increase (decrease) in temporarily restricted net assets		1,736,075	—	1,270,239	—	3,006,314	(141,082)
Changes in permanently restricted net assets:							
Contributions		—	—	39,325	—	39,325	3,575
Other		—	—	315,084	—	315,084	(314,608)
Increase (decrease) in permanently restricted net assets		—	—	354,409	—	354,409	(311,033)
Increase (decrease) in net assets		1,383,481	(799,259)	1,624,648	750,473	2,959,343	(28,049,910)
Net assets:							
Beginning of year		742,172,989	65,869,938	25,177,227	2,181,026	835,401,180	863,451,090
End of year	$	743,556,470	65,070,679	26,801,875	2,931,499	838,360,523	835,401,180

See accompanying notes to financial statements.

ROCKEFELLER BROTHERS FUND, INC.

Statements of Cash Flows

Years ended December 31, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Increase (decrease) in net assets	$	2,959,343	(28,049,910)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:			
Net realized and unrealized gain on investments		(39,960,029)	(10,032,098)
Amount not yet recognized as a component of net periodic benefit cost		(479,705)	(1,620,434)
Depreciation and amortization		762,319	870,346
Changes in operating assets and liabilities:			
Accounts receivable and other current assets		630,408	(1,294,325)
Contributions receivable		(3,519,061)	740,336
Accrued expenses and other liabilities		111,929	(1,006,986)
Accrued pension and postretirement benefits		771,099	954,828
Grants payable		(1,207,151)	3,574,628
Taxes payable		732,784	233,770
Net cash used in operating activities		(39,198,064)	(35,629,845)
Cash flows from investing activities:			
Proceeds from sales of investments		473,579,310	740,324,448
Purchases of investments		(434,326,499)	(703,465,378)
Purchases of fixed assets		(774,250)	(848,722)
Net cash provided by investing activities		38,478,561	36,010,348
Net (decrease) increase in cash and cash equivalents		(719,503)	380,503
Cash and cash equivalents at beginning of year		2,650,935	2,270,432
Cash and cash equivalents at end of year	$	1,931,432	2,650,935
Supplemental disclosure of cash flow information:			
Cash paid for taxes	$	514,671	2,439,741

See accompanying notes to financial statements.

(1) Organizations and Purpose

Rockefeller Brothers Fund, Inc. (the Fund) is a not-for-profit, charitable corporation existing under the New York State not-for-profit corporation law and is classified as a private foundation as defined in the Internal Revenue Code (the Code). The Fund is dedicated to advancing social change that contributes to a more just, sustainable, and peaceful world. The Fund's grantmaking is organized around three global themes: Democratic Practice, Peacebuilding, and Sustainable Development, and the Fund pursues these interests in a variety of geographic contexts, with specific focus in the areas of New York City, Southern China, and Western Balkans.

The Fund has the following special-purpose funds that have been established by either the Fund's board of trustees or from donor-restricted contributions.

Pocantico Fund – For the preservation, maintenance, and operation of the Pocantico Historic Area at Pocantico Hills, New York, which includes the Pocantico Center, a venue for conferences and meetings on critical issues related to the Fund's mission, and a community resource offering public access through a visitation program, lectures, and cultural events, as well as support to artists and art organizations in the greater New York City area.

Pocantico II Fund – For the perpetual maintenance of the Playhouse parcel at the Pocantico Historic Area when ownership of that parcel passes to a charitable organization.

Richard Rockefeller Fellowship Fund – To commemorate the life and philanthropic leadership of Richard Rockefeller, and support promising, young Chinese men and women who plan to make a significant commitment to the development of philanthropy in China.

(2) Summary of Significant Accounting Policies

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

(a) Principles of Combination

The statements of financial position and activities separately break out the special-purpose funds. All significant interfund and interorganizational balances and transactions are eliminated in combination.

(b) Basis of Presentation

Net assets and revenues, gains, losses, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Fund and changes therein are classified and reported as follows:

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

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

(Continued)

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

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

The Fund considers net realized and unrealized gains and losses on investments, amounts not yet recognized as a component of net periodic benefit cost, and other nonrecurring activities to be nonoperating activities.

(c) Fair Value Measurement

Fair value is defined as the exchange price that would be received 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 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.

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.

(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. 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 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 provided by the investment managers.

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

Investments of the Principal Fund, Pocantico Fund, Pocantico II Fund, and Richard Rockefeller Fellowship Fund are pooled; interest and dividend income and realized and unrealized gains or losses are allocated to each fund using the unitized investment method.

(e) Grants Payable

Grants are recorded at the time of approval by the trustees and notification to the recipient (note 8).

(f) Tax Status

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

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

(g) Fixed Assets

The Fund capitalizes fixed assets, which include leasehold improvements, office equipment, and computer equipment and software. Depreciation and amortization of fixed assets are provided over the following estimated useful service lives: leasehold improvements – shorter of useful life of the asset or term of lease; office equipment – seven years; computer equipment – four years; and computer software – three years. Fixed assets are presented net of accumulated depreciation and amortization of approximately $29,991,000 and $29,229,000 at December 31, 2016 and 2015, respectively.

(h) Contributions

Contributions, including unconditional promises to give, are recognized in the period received and are considered to be available for unrestricted use unless specifically restricted by the donor. 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, 2016 and 2015 were discounted at a rate of 3.47% and

3.32%, respectively. Contributions receivable at December 31, 2016 are primarily expected to be collected within fifteen months of year-end, and $2.7 million is due within one to five years.

(i) Cash and Cash Equivalents

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

(j) Functional Expenses

The Fund reports expenses on a functional basis, with all expenses charged either to a particular program or supporting service. Direct charitable activities and program and grant management comprise the Fund's program-related expenses and investment management and general management comprise the supporting activity expenses. Direct charitable activities include technical assistance provided to other charitable organizations, service of Fund staff on boards and committees of such organizations, and the costs of certain program-related projects undertaken directly by the Fund rather than through grants, including stewardship of the Pocantico Historic Area and conference activity at the Pocantico Conference Center. Overhead expenses, including occupancy, telephone, and insurance, are allocated to functional areas based upon space used or actual usage, if specifically identifiable. The allocation of salary and related expenses for management and supervision of program service functions is made by management based on the estimated time spent by staff in the various program service functions.

(k) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

(l) Recently Issued Accounting Pronouncements

In 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-10, *Technical Corrections and Improvements*, which contains amendments that affect a wide variety of topics in the accounting standards codification. One of these amendments include a clarification that an equity security has a readily determinable fair value if it meets certain conditions. An equity security includes an investment in a mutual fund or an investment in a structure similar to a mutual fund. The fair value of an equity security is considered to be readily determinable if the fair value per share is determined and published, and is the basis for current transactions. As a result, certain investments as of December 31, 2015 in the amount of $18.7 million have been corrected and reclassified from investments measured at net asset value to Level 1 in the 2015 fair value hierarchy.

(3) Investments

The following table presents the Fund's fair value hierarchy for those investments measured at fair value as of December 31, 2016 and 2015.

	2016		2015	
	Fair value	**Level 1**	**Fair value**	**Level 1**
Investments:				
Cash and cash equivalents	$ 27,589,920	27,589,920	4,377,029	4,377,029
Investment-related receivables	16,700,000	16,700,000	74,145,000	74,145,000
Equity securities – U.S.	48,185,243	48,185,243	71,404,011	71,404,011
Equity securities – Global	34,935,228	34,935,228	45,865,929	45,865,929
Equity mutual funds	45,722,646	45,722,646	46,840,854	46,840,854
Fixed income mutual funds	14,245,631	14,245,631	17,262,552	17,262,552
Futures	(150,469)	(150,469)	227,438	227,438
Equity hedge mutual funds	—	—	15,158,706	15,158,706
Fixed income hedge funds	18,156,527	18,156,527	18,695,112	18,695,112
Real estate mutual funds	—	—	5,617,266	5,617,266
	205,384,726	$ 205,384,726	299,593,897	299,593,897
Investments measured at net asset value:				
Equity hedge funds (a)	288,042,648		207,909,710	
Fixed income hedge funds (b)	93,211,563		77,215,310	
Insurance linked hedge fund (c)	11,223,653		—	
Real estate (d)	65,848,954		50,809,916	
Private equity funds (e)	168,500,674		195,976,167	
Total investments	$ 832,212,218		831,505,000	

(a) This class includes hedge funds that invest in both long and short positions in primarily U.S. common stocks, comingled long-only funds that invest primarily in equity securities with certain redemption restrictions, and other hedge funds exposed primarily to equity risk factors. Management of the hedge funds has the ability to shift investments based on capitalization, sectors, and regions.

(b) This class includes hedge funds and comingled long-only funds with certain redemption restrictions that invest in fixed income and currency markets.

(c) This class includes a hedge fund which underwrites a global portfolio of reinsurance and retrocessional contracts on a semi-annual basis to coincide with the major renewal dates in the property catastrophe reinsurance market.

(d) This class includes public and private equity funds that invest primarily in commercial real estate.

(e) This class includes private equity funds that invest primarily in private equity markets. At December 31, 2016 and 2015, there were $160,851,000 and $130,175,000, respectively, of unfunded commitments in relation to these funds.

The Fund had no investments categorized as level 2 or 3 in 2016 or 2015. The Fund had no significant transfers between Level 1, Level 2, and Level 3 for the years ended December 31, 2016 and 2015.

Included in the Fund's investment portfolio at December 31, 2016 are redeemable investment assets (excluding cash and cash equivalents and investment-related receivables) based on the following terms and conditions:

Daily, with no notice	$ 134,984,567
Daily, with 1 day notice	8,104,181
Daily, with 10 days notice	18,156,527
Weekly, with 2 days notice	(150,469)
Monthly, with 45 days notice	17,444,412
Monthly, with 60 days notice	20,565,868
Quarterly, with 10 days notice	18,542,786
Quarterly, with 30 days notice	58,000,002
Redemption of 25% quarterly, with 30 days notice	81,070,918
Quarterly, with 65 days notice	20,994,605
Quarterly, with 90 days notice	69,169,891
Redemption of 25% quarterly, with 90 days notice	21,186,376
Annually, with 90 days notice	20,728,307
Redemption of 25% semi-annually, with 90 days notice	16,657,791
Semi-annually, with 60 days notice	22,389,025
Semi-annually on 3/31 and 10/31, with 60 days notice	11,223,653
Redemption of 1/3 annually, with 65 days notice	1,217,630
Redemption of 1/3 annually, with 60 days notice	13,286,600
	$ 553,572,670

The nonredeemable alternative investment funds included in the Fund's investment portfolio at December 31, 2016 have the following estimated remaining lives:

2017	$ 26,599,835
2018–2021	63,808,632
2022–2033	143,941,161
	$ 234,349,628

As a result of its investing strategies, the Fund is a party to a variety of financial instruments. These financial instruments may include fixed income, foreign currency futures and options contracts, foreign currency forwards, and interest rate cap and floor contracts. Much of the Fund's off-balance-sheet exposure represents strategies that are designed to reduce the interest rate and market risk inherent in portions of the Fund's investment program. Changes in the market values of these financial instruments are recognized currently in the statements of activities.

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Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the statements of financial position. Market risk represents the potential loss the Fund faces due to the decrease in the value of financial instruments. Credit risk represents the maximum potential loss the Fund faces due to possible nonperformance by obligors and counterparties of the terms of their contracts.

(4) Endowment Funds

The Fund has board-designated endowment and permanently restricted funds.

The board of trustees of the Fund has established special-purpose funds (note 1), which constitute the Fund's board-designated endowment. Of these special-purpose funds, the net assets of the Principal Fund, excluding $978,901 and $1,926,896, respectively, in temporarily restricted net assets, Pocantico Fund, and Richard Rockefeller Fellowship Fund constitute board-designated funds, which amounted to $810,579,747 and $808,297,057 in 2016 and 2015, respectively. The Pocantico II Fund, which was established in 1999 through a pledge by one donor in the amount of $8 million, for purposes of perpetual maintenance of the Playhouse Parcel at the Pocantico Historic Area, includes both permanently restricted and temporarily restricted endowment funds. The permanently restricted portion reflects matching grants of Rockefeller family members to the original pledge and includes net assets of $10,069,177 and $9,714,768, respectively, in 2016 and 2015. The temporarily restricted portion reflects the original pledge, as well as income and appreciation earned on both the permanently restricted and temporarily restricted portions, and includes net assets of $16,732,698 and $15,462,459 in 2016 and 2015, respectively.

The Fund sets its annual spending policy through a multifaceted process that involves reviewing the impact of past levels of spending, calculating a budget formula based on three-year average market base, assessing the prospective minimum payout requirement for the budget year, evaluating current market position and trends to formulate a reasonable projection of the following year's anticipated market value, and considering programmatic needs that may impact current thinking on spending. Using the information gathered from this process, the Fund develops a proposal for a financially responsible budget amount that meets both the Fund's minimum payout requirement and programmatic priorities. In anticipation of near-term budget pressures, continued market volatility, and eventual growth, the Fund's trustees and staff launched a process in 2011 to develop a shared vision of the relative scale of its programs at the end of this decade, and a resource allocation plan to achieve it over the coming years. While not binding on the Fund's future leadership, the shared vision on the relative scale of programs in 2020 is intended to aid priority setting and near-term resource allocation decisions related to spending rates, program budgets, staff, and other infrastructure investments. The Fund monitors the impact of actual market trends during the year to assess if budget spending adjustments are needed.

The board of trustees of the Fund has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the Fund to appropriate for expenditure or accumulate so much of an endowment fund as the Fund determines is prudent for the uses, benefits, purposes, and duration under which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the board of trustees. The Fund has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as

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temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The Fund had the following endowment-related activities for the years ended December 31, 2016 and 2015:

	Board-designated endowment funds	Temporarily restricted	Permanently restricted	Total
Endowment net assets at December 31, 2014	$ 835,894,852	15,978,041	10,025,801	861,898,694
Investment return:				
Net investment income	6,892,224	81,586	—	6,973,810
Net appreciation	9,914,722	117,376	—	10,032,098
Contributions to endowment	6,757,000	8,000	3,575	6,768,575
Other	13,074	(705,082)	(314,608)	(1,006,616)
Amounts appropriated for expenditure	(51,174,815)	(17,462)	—	(51,192,277)
Endowment net assets at December 31, 2015	808,297,057	15,462,459	9,714,768	833,474,284
Investment return:				
Net investment income	2,952,032	36,757	—	2,988,789
Net appreciation	39,468,520	491,509	—	39,960,029
Contributions to endowment	5,280,781	88,000	39,325	5,408,106
Other	5,542	705,082	315,084	1,025,708
Amounts appropriated for expenditure	(45,424,185)	(51,109)	—	(45,475,294)
Endowment net assets at December 31, 2016	$ 810,579,747	16,732,698	10,069,177	837,381,622

(5) Program-Related Investments

The Fund’s program-related investment has limited or no marketability, and represents real estate that has been leased rent-free to a not-for-profit organization under the terms of an agreement, which expires in the year 2056.

(6) Pension Plans

The Fund participates in the Retirement Income Plan for Employees of Rockefeller Brothers Fund, Inc., et al. (the Plan), a noncontributory defined-benefit plan covering substantially all of its employees. Effective December 31, 2003, the Plan was frozen.

The Fund recognizes the funded status of its defined-benefit pension and other postretirement plans as a liability and recognizes the changes in that funded status in the year in which the changes occur through a separate line within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic cost. The funded status reported on the statements of financial position was measured as the difference between the fair value of plan assets and the benefit obligations as of December 31, 2016 and 2015.

The following tables set forth the Plan's funded status and amounts recognized in the financial statements at December 31, 2016 and 2015:

		2016	2015
Accumulated benefit obligation/Projected benefit obligation for services rendered to date	$	(7,877,499)	(7,920,124)
Plan assets at fair value		6,447,493	6,515,182
Funded status (pension liability)	$	(1,430,006)	(1,404,942)

		2016	2015
Net pension cost included the following components:			
Interest cost on projected benefit obligation	$	305,746	301,402
Service cost		72,500	41,000
Actual return on plan assets		(485,506)	(522,908)
Net amortization and deferral		265,733	263,569
Net periodic pension benefit cost	$	158,473	83,063

The weighted average discount rates used in determining the actuarial present value of the projected benefit obligation were 3.79% in 2016 and 3.95% in 2015. The weighted average discount rates used in determining the net periodic benefit costs were 3.95% in 2016 and 3.67% in 2015. The expected long-term rate of return on assets was 7.75% in 2016 and 2015. Amortization of unrecognized prior service cost was $53,126 in 2016 and $69,323 in 2015. In 2016, the Fund was not required to make contributions to the Plan.

The plan assets are currently invested in mutual funds, with an allocation of 65% equity and 35% debt securities and are considered Level 1 in the fair value hierarchy. The Fund's investment goal is to obtain a competitive risk-adjusted return on the pension plan assets commensurate with prudent investment practices and the Plan's responsibility to provide retirement benefits for its participants, retirees, and their beneficiaries. The Plan's asset allocation targets are strategic and long term in nature and are designed to take advantage of the risk reducing impacts of asset class diversification. Investments within each asset category are further diversified with regard to investment style and concentration of holdings.

The accumulated amount not yet recognized as a component of net periodic benefit cost was $2,295,015 and $2,428,424 at December 31, 2016 and 2015, respectively. The net actuarial loss and prior service cost that will be amortized into net periodic benefit cost in 2017 are approximately $260,000.

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

Year ending December 31:		
2017	$	409,000
2018		417,000
2019		431,000
2020		435,000
2021		447,000
2022–2026		2,564,000

(7) Postretirement Healthcare Benefits

In addition to providing pension benefits, the Fund provides certain healthcare benefits for retired employees. Substantially all of the Fund's employees may become eligible for these benefits if they reach age 55 while employed by the Fund and have accumulated at least five years of service. Such benefits are provided through an insurance company.

The following table sets forth the Plan's status as of December 31, 2016 and 2015:

		2016	2015
Accumulated postretirement benefit obligations (APBO)	$	9,484,210	9,295,558

The net periodic postretirement benefit cost included the following components as of December 31, 2016 and 2015:

		2016	2015
Service cost	$	249,549	309,236
Interest cost		358,223	368,552
Amortization of unrecognized loss		191,983	375,981
Net periodic postretirement benefit cost	$	799,755	1,053,769

Actual retiree premiums paid by the Fund during 2016 and 2015 amounted to $264,807 and $258,774, respectively.

The discount rate assumed in determining the APBO was 4.10% in 2016 and 4.30% in 2015. The weighted average discount rates used in determining the period's benefit costs were 4.30% in 2016 and 3.90% in 2015. The medical cost trend rate assumed was 7.75%, declining to 4.75%, and 8.00%, declining to 5.00% over a five-year period for 2016 and 2015, respectively. Increasing the assumed medical cost trend rate by 1.00% each year would result in increases in both the APBO and the net periodic postretirement cost of $1,752,909 and $137,106 in 2016, and $1,765,127 and $165,202 in 2015, respectively. Decreasing the assumed medical cost trend rate by 1.00% each year would result in decreases in both the APBO and the net periodic postretirement cost of approximately $1,390,598 and $105,235 in 2016, and $1,393,856 and $125,239 in 2015, respectively.

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

Year ending December 31:		
2017	$	340,000
2018		376,000
2019		415,000
2020		417,000
2021		439,000
2022–2026		2,586,000

The accumulated amount not yet recognized as a component of net periodic benefit cost was $3,091,791 and $3,438,087 at December 31, 2016 and 2015, respectively. The net actuarial loss that will be amortized into net periodic benefit cost in 2017 is approximately $235,464.

(8) Reconciliation of Grants Awarded

The following table reconciles grants awarded and grants paid during 2016 and 2015:

Grants payable, December 31, 2014	$	4,441,885
Grants awarded 2015		36,326,518
Grants paid 2015		(32,751,890)
Grants payable, December 31, 2015		8,016,513
Grants awarded 2016		28,908,262
Grants paid 2016		(30,115,413)
Grants payable, December 31, 2016	$	6,809,362

The Fund estimates that the grants payable balance as of December 31, 2016 will be paid as follows:

Year ending December 31:		
2017	$	6,179,362
2018		630,000
Total	$	6,809,362

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

(9) Related-Party Transactions

The Fund was reimbursed for the cost of certain expenditures, which may include a proportionate share of direct and indirect compensation for accounting, human resource, and operations department staff; information technology services; occupancy; capital expenditures; employee benefits; and consultant and legal fees related to employee benefits issues from various related parties as presented in the following table at December 31, 2016 and 2015, respectively:

		2016	**2015**
Rockefeller Archive Center (RAC)	$	791,342	757,133
Rockefeller Family Fund		617,490	601,514
David Rockefeller Fund		112,526	148,200
	$	1,521,358	1,506,847

During 2016, the Fund approved and paid one grant to Rockefeller Philanthropy Advisors (RPA) totaling $400,000 designated for its Climate Nexus project. During 2015, the Fund approved three grants to RPA totaling $272,500, detailed as follows: $22,500 designated for the Theory of the Foundation Initiative, $50,000 designated for its Climate Nexus Project, and $200,000 designated for the D5 initiative, payable over three years, $110,559 in 2015, $50,000 in 2016, and the remainder, $39,441, in 2017. Also during 2015, the Fund made payments to RPA totaling approximately $18,000, representing amounts due to RPA related to the close out of the Pluribus Project. During 2016, the Fund received contributions from RPA totaling $32,500. Of this amount, $25,000 was designated for the Richard Rockefeller Fellowship, and $7,500 was designated for general support. During 2015, the Fund received contributions from RPA totaling $157,000. Of this amount, $150,000 was designated for the Richard Rockefeller Fellowship, and $7,000 was designated for general support.

In 2016, David Rockefeller made a commitment of $750,000 in support of the Fund’s grant-making initiative in Egypt of which $350,000 was received in 2016, and the remainder was received in 2017. Also in 2016, David Rockefeller made a commitment of $500,000 in support of the Richard Rockefeller Fellowship Program of which $250,000 was received in 2016. In 2015, David Rockefeller made a commitment of $1 million in support of the Fund’s grant-making initiative in Egypt of which $500,000 was received in 2015, and the remainder was received in 2016. These were recorded as contributions in the accompanying statement of activities.

In 2016, the Fund entered into two consulting agreements with RAC totaling $104,500, detailed as follows: consulting services in the amount of $41,000 for the purpose of writing six thematic essays for the Fund’s 75th anniversary timeline and conducting two oral histories of former and current trustees or staff of which $23,000 was paid in 2016 and consulting services in the amount of $63,500 for the purpose of preparing two papers about the Fund’s history of grantmaking in Latin American and in the Middle East which was fully paid in 2016.

The Fund paid fees of approximately $1,300,000 and $1,330,000 in 2016 and 2015, respectively, for maintenance of the Pocantico properties to Greenrock Corporation, which is wholly owned by Rockefeller family members.

During 2016, the Fund invested in an equity hedge fund in which Rockefeller & Co., a related party, is an underlying investment manager. Of the Fund's total investment in the equity hedge fund, the approximate value of the investment holdings managed by Rockefeller & Co. was $14 million at December 31, 2016.

(10) Federal Taxes

As a private foundation, the Fund is assessed an excise tax under the Code. The provision for federal excise tax consists of a current provision on realized net investment income and a deferred provision on unrealized appreciation of investments. This tax is generally equal to 2%; however, it is reduced to 1% if a foundation meets certain distribution requirements under Section 4940(e) of the Code. The Fund provided for current excise taxes at the rate of 1% in 2016 and 2015. The following table reconciles the Fund's current and deferred tax provisions for the years ended December 31, 2016 and 2015, respectively.

		2016	2015
Current tax:			
Beginning of year receivable	$	(1,717,500)	(485,686)
Excise tax expense (credit), net of over accrual of $0 and $3,326,658, respectively		618,000	(2,478,472)
Refund received		—	3,326,658
Additional overpayment credits		(112,867)	—
Payments		—	(2,080,000)
Current tax receivable	$	(1,212,367)	(1,717,500)
Deferred tax:			
Beginning of year liability	$	3,239,042	3,005,272
Deferred expense adjustment		732,784	233,770
Deferred tax liability	$	3,971,826	3,239,042
Statement of financial position presentation:			
Total receivable, included in accounts receivable and other current assets	$	1,212,367	1,717,500
Total liability (taxes payable)		3,971,826	3,239,042

(11) Commitments

On January 1, 2009, the Fund entered into a lease agreement, and relocated its offices in June 2009. Portions of this space are occupied by affiliated nonprofits; approximately $152,000 is reimbursed each year by these entities. The terms of the lease for this location expire on December 31, 2023, with one five-year renewal option.

The office space occupied by the Fund, together with its affiliates, provides for annual minimum rental commitments, excluding escalation as follows:

2017	$	681,000
2018		681,000
2019		681,000
2020		681,000
2021		681,000
2022–2023		1,362,000

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 2016 and 2015, these costs aggregated approximately $1,879,000 and $1,912,000, 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.

(12) Subsequent Events

In connection with the preparation of the financial statements, the Fund evaluated events after the statement of financial position date of December 31, 2016 through July 26, 2017, which was the date the financial statements were available to be issued and noted the following significant event. Upon the death of David Rockefeller on March 20, 2017, and the subsequent granting of probate with respect to his will, the Fund became the beneficiary of a cash bequest amounting to the lesser of the balance of his net residual estate and $250,000,000. The intent of this bequest is to establish a separately identified fund, the David Rockefeller Global Development Fund, for the purposes of developing, supporting, and funding grants and projects focusing on various global initiatives which may include health, poverty, sustainable development, democratic governance, and finance, trade and the economy. In addition, the Fund was named as beneficiary in conjunction with the National Trust for Historic Preservation in the United States, of any tangible property located in or used in connection with the care and maintenance of the building known as the Playhouse in Pocantico Hills, New York.

Schedule

ROCKEFELLER BROTHERS FUND, INC.

Supplemental Schedule of Functional Expenses

Year ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

	Direct charitable activities							
	Principal Fund	**Pocantico Fund**	**Subtotal**	**Program and grant management**	**Investment management**	**General management and federal excise and other taxes**	**2016 RBF Funds**	**2015 RBF Funds**
Salaries and employee benefits:								
Salaries	$ 322,667	746,146	1,068,813	2,302,992	225,232	2,302,673	5,899,710	5,790,684
Employee benefits and events	165,079	466,309	631,388	1,207,339	117,719	1,237,125	3,193,571	3,429,407
	487,746	1,212,455	1,700,201	3,510,331	342,951	3,539,798	9,093,281	9,220,091
Other expenses:								
Grants awarded	—	—	—	28,908,262	—	—	28,908,262	36,326,518
Federal excise and other taxes	—	—	—	—	—	1,620,258	1,620,258	(1,916,948)
Consultants fees	—	—	—	1,494,114	831	469,406	1,964,351	1,477,223
Investment services	—	—	—	—	2,902,270	—	2,902,270	3,736,899
Legal, audit, and professional fees	—	14,681	14,681	485,540	239,874	228,271	968,366	589,519
Travel	20,448	9,843	30,291	586,110	8,284	32,212	656,897	818,827
Rent and electricity	21,223	—	21,223	270,599	21,813	275,904	589,539	598,552
Program conferences and events	337,817	—	337,817	—	—	—	337,817	311,908
Facilities maintenance and operations	—	1,879,218	1,879,218	—	—	—	1,879,218	1,911,896
Telephone, facsimile, and internet	3,187	21,073	24,260	40,633	3,384	46,306	114,583	106,439
Temporary staffing and related expenses	—	—	—	54,818	—	42,245	97,063	63,718
Insurance	4,840	122,579	127,419	61,707	5,605	91,285	286,016	265,937
General office expenses	19,774	55,552	75,326	252,117	20,637	269,920	618,000	366,972
Communications	—	—	—	7,158	—	78,878	86,036	190,314
Depreciation and amortization	21,931	123,820	145,751	279,626	23,178	313,764	762,319	870,346
	$ 916,966	3,439,221	4,356,187	35,951,015	3,568,827	7,008,247	50,884,276	54,938,211

See accompanying independent auditors' report.