The Rockefeller Foundation

Consolidated Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

Board of Trustees
The Rockefeller Foundation

We have audited the accompanying consolidated financial statements of The Rockefeller Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Rockefeller Foundation, as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in note 2 to the financial statements, during the year ended December 31, 2018 the Foundation 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

June 17, 2019

The Rockefeller Foundation

Consolidated Statements of Financial Position
(Amounts in thousands)

	December 31 2018	December 31 2017
ASSETS		
Cash and cash equivalents	$ 14,244	$ 13,187
Redemptions, dividends, interest, and other receivables	499	404
Prepaid Federal excise and unrelated business income taxes	2,372	3,041
Investments	4,362,636	4,436,078
Program related investments	32,382	24,718
Property, furniture, fixtures and equipment, net	9,462	10,834
Prepaid pension cost	22,184	21,596
Interest rate swap asset	93	12
Total Assets	$ 4,443,872	$ 4,509,870
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,006	$ 8,227
Grants payable	68,333	129,914
Term loan payable	8,362	10,093
Deferred federal excise tax	16,294	21,439
Postretirement benefit obligation	21,404	21,968
Total Liabilities	122,399	191,641
Net assets without donor restrictions	4,321,473	4,318,229
Total Liabilities and Net Assets	$ 4,443,872	$ 4,509,870

See notes to consolidated financial statements

The Rockefeller Foundation

Consolidated Statements of Activities
(Amounts in thousands)

	Year Ended December 31	
	2018	2017
INVESTMENT RETURN		
Net realized gain on investments	$ 408,972	$ 291,040
Unrealized (depreciation) appreciation	(257,463)	315,585
Dividend and interest income	19,878	31,998
Other investment gain (loss)	81	(115)
	171,468	638,508
Less direct investment expense	(11,614)	(13,030)
Net Investment Return	159,854	625,478
EXPENSES		
Grants and direct charitable activities	101,201	190,889
Program costs	30,280	23,437
Operations and governance	23,212	20,629
Federal excise and other taxes	2,125	11,146
Total Expenses	156,818	246,101
Change in Net Assets Before Pension and Postretirement Benefit Liability Adjustments	3,036	379,377
Pension and postretirement benefit liability adjustments	208	3,299
Change in Net Assets	3,244	382,676
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning of year	4,318,229	3,935,553
End of year	$ 4,321,473	$ 4,318,229

See notes to consolidated financial statements

The Rockefeller Foundation

Consolidated Statement of Functional Expenses
For The Year Ended December 31, 2018
(with summarized totals for the year ended December 31, 2017)
(Amounts in thousands)

	Program Services			Supporting Services				
	Grants and Direct Charitable Activities	Program Costs	Subtotal	Operations and Governance	Taxes	Subtotal	2018 Total	2017 Total
Grants	$ 101,201	$ -	$ 101,201	$ -	$ -	$ -	$ 101,201	$ 190,889
Salaries and benefits	-	17,495	17,495	8,538	-	8,538	26,033	26,001
Legal fees	-	671	671	2,661	-	2,661	3,332	1,274
Accounting fees	-	-	-	140	-	140	140	138
Other professional fees	-	8,935	8,935	4,160	-	4,160	13,095	6,016
Interest	-	-	-	218	-	218	218	210
Depreciation and depletion	-	18	18	2,382	-	2,382	2,400	2,679
Occupancy	-	522	522	2,034	-	2,034	2,556	2,305
Travel, conferences, and meetings	-	2,263	2,263	664	-	664	2,927	2,642
Printing and publications	-	117	117	20	-	20	137	226
Federal excise and other taxes	-	-	-	-	7,270	7,270	7,270	4,834
Federal deferred excise tax (benefit)	-	-	-	-	(5,145)	(5,145)	(5,145)	6,312
Other expenses	-	259	259	2,395	-	2,395	2,654	2,575
	$ 101,201	$ 30,280	$ 131,481	$ 23,212	$ 2,125	$ 25,337	$ 156,818	$ 246,101

See notes to consolidated financial statements

The Rockefeller Foundation

Consolidated Statements of Cash Flows
(Amounts in thousands)

	Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,244	$ 382,676
Adjustments to reconcile change in net assets to net cash from operating activities		
Pension and postretirement benefit adjustments	(208)	(3,299)
Depreciation and amortization	2,605	2,878
Deferred federal excise taxes	(5,145)	6,312
Net unrealized depreciation (appreciation) on investments	257,463	(315,585)
Net realized gain on investments	(408,972)	(291,040)
Change in fair value of interest rate swap	(81)	(146)
Changes in operating assets and liabilities		
Redemptions, dividends, interest, and other receivables	(95)	1,476
Prepaid Federal excise and unrelated business income taxes	669	1,482
Prepaid pension cost	(380)	(4,395)
Postretirement benefit obligation	(564)	2,955
Accounts payable and accrued expenses	(221)	(802)
Grants approved, net	95,968	186,594
Grants paid	(157,549)	(152,668)
Net Cash from Operating Activities	(213,266)	(183,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,124,946	1,454,630
Purchase of investments	(907,659)	(1,270,391)
Purchase of furniture, fixtures and equipment	(1,233)	(2,388)
Net Cash from Investing Activities	216,054	181,851
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan payable	(1,731)	(1,731)
Net Cash from Financing Activities	(1,731)	(1,731)
Net Change in Cash and Cash Equivalents	1,057	(3,442)
CASH AND CASH EQUIVALENTS		
Beginning of year	13,187	16,629
End of year	$ 14,244	$ 13,187
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for term loan interest	$ 333	$ 395
Federal excise and Federal unrelated business income taxes paid	6,515	3,900

See notes to consolidated financial statements

1. Organization

The Rockefeller Foundation was established in 1913 by John D. Rockefeller, Sr., to "promote the well-being" of humanity by addressing the root causes of serious problems. The Rockefeller Foundation works around the world to expand opportunities for poor or vulnerable people and to help ensure that globalization's benefits are more widely shared. With assets of more than $4 billion, it is one of the few institutions to conduct such work both within the United States and internationally. In managing the endowment, financial objectives are achieved through a diversified investment portfolio and disciplined spending policies.

The Rockefeller Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("Code") and is a private foundation as defined in Section 509(a) of the Code.

The accompanying financial statements include the accounts of the Rockefeller Foundation and Rockefeller Foundation (London) LLC (collectively the "Foundation), a single member limited liability company, organized and operated exclusively for charitable, educational, religious, scientific or literary purposes, exempt under Section 501(c)(3) of the Code.

The Foundation recognizes the effect of tax positions when they are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for years prior to 2015.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying financial statements include the accounts of the Rockefeller Foundation and Rockefeller Foundation (London) LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared in accordance with U.S. GAAP which 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 consolidated 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, pension and other post-retirement benefits and depreciation. Management believes that the estimates utilized in preparing these financial statements are reasonable and appropriate.

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

Change in Accounting Principle

On January 1, 2018, the Foundation adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Foundation 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 Foundation 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.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash and highly liquid debt instruments with maturities of 90 days or less at the time of purchase. Cash and cash equivalents held by the Foundation's investment managers, awaiting investment in various investment classes, are included within investments.

Investments

The Foundation's investments consist of marketable securities; alternative investments and similar interests; and cash held for reinvestment. Alternative investments and similar interests include hedge funds, real asset and private equity fund investments. Alternative investments and similar interests are reported at the net asset value provided by the management of the respective fund as of December 31 and are reviewed by the Foundation's management for reasonableness. Management utilizes audited financial statements when available for alternative investments as part of its on-going due diligence and annual financial statement valuation process. All other investments are stated at fair value as of December 31 based upon active markets.

Interest income and related expenses are accounted for on the accrual basis. Dividend income and related expenses are recognized on the ex-dividend date, net of withholding taxes, where applicable. Realized gains and losses on investments in securities are calculated based on the specific identification method, based on the trade date.

Transactions in other currencies are translated into U.S. dollars at the exchange rates in effect at the date of the transactions. Monetary assets and liabilities denominated in non-U.S. currency are reported at the exchange rates in effect at the end of the year. Any gain or loss arising from a change in exchange rates as of the date of the transaction is included in the change in realized gain on investments in the consolidated statements of activities. For the years ended December 31, 2018 and 2017, the realized and change in unrealized gain (loss), resulting from foreign exchange was approximately ($0.1) million and $14.7 million.

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

Derivatives

The Foundation records derivatives at fair value. The fair value of futures contracts is reflected in investments and the fair value of the interest rate swap is shown as an asset in the consolidated statements of financial position. Derivatives contain varying degrees of risk whereby changes in fair value of the securities underlying the financial instruments or the cost of satisfying the Foundation's obligations may exceed the amount recognized in the consolidated statements of financial position. Changes in the fair value of derivatives, excluding the interest rate swap, are included in the consolidated statements of activities as part of the unrealized appreciation/(depreciation) on investments.

Fair Value Measurements

The Foundation follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets and liabilities. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets and liabilities with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. U.S. GAAP guidance excludes alternative investments from the fair value hierarchy when fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient for fair value. The Foundation follows U.S. GAAP guidance which affects the presentation and disclosure requirements of financial liabilities where the fair value option has been elected, which exempts all entities that are not public business entities, as defined, from disclosing fair value information for financial instruments measured at amortized cost.

Investments Valuation

Investments are carried at fair value. 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 and does 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.

Investment Expense

Direct investment expense on the statements of activities consists of fees paid directly to the Foundation's investment managers as well as direct internal costs that the Foundation incurs in the generation of investment return. These costs include salaries, benefits, travel and other costs associated with the officers and staff responsible for the development and execution of the Foundation's investment strategy.

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

Program Related Investments

Program Related Investments ("PRI") are philanthropically driven, nonmarketable investments and loans to businesses that further the Foundation's mission. The Foundation's PRI portfolio is monitored periodically to determine the appropriateness of the net realizable value, which is reflected on the consolidated statement of financial position. PRI are stated at estimated fair value.

Property, Furniture, Fixtures and Equipment, Net

Property, furniture, fixtures and equipment are stated at cost at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives by asset class range from 3 to 30 years.

Federal Excise and Unrelated Business Income Taxes

The Foundation is subject to a Federal excise tax of 2% on its net investment income. This tax is reduced to 1% if certain distribution requirements are met. In addition, the Foundation provides for deferred Federal excise tax at 2% on the net unrealized appreciation in the fair value of investments.

Additionally, the Foundation's investment in certain alternative investments give rise to unrelated business income tax ("UBIT") liabilities taxed at general corporate rates of 21%.

Functional Expenses

The Foundation allocates expenses on a functional basis among its various program and supporting services. Expenditures that are attributed to a specific program or supporting service are reported accordingly. Therefore, costs are directly assigned and are not allocated across various bases.

Program services consists of the Foundation's work in supporting programs in Power, Food, Health, US Jobs, 100 Resilient Cities, Co-Impact, Innovation and Global Policy and Advocacy. This includes grants, direct charitable activities and program costs. Supporting services consists of the President's Office, Operations and Legal divisions, in addition to federal excise taxes.

Subsequent Events

In connection with the preparation of the consolidated financial statements, the Foundation evaluated subsequent events from December 31, 2018 through June 17, 2019, which was the date the consolidated financial statements were available for issuance. Other than the Foundation obtaining an additional $100 million line of credit, management has concluded that no additional disclosures were required.

(Amounts in thousands)

3. Investments

The Foundation's investment portfolio at December 31, at fair value, consists of the following:

	2018	2017
Cash and cash equivalents	$ 129,224	$ 112,959
Equity Long/Short Hedge Funds		
Domestic equities	5,525	8,802
International equities	418,317	416,765
Event Driven/Multi-Strategy Hedge Funds		
Domestic equities	91,127	93,905
International equities	140,565	135,204
Passive Fixed Income		
Cash and cash equivalents	-	600
Domestic fixed income	169,596	167,816
Global Macro Hedge Funds		
International equities	127,268	94,140
Marketable Other Hedge Funds		
International equities	48,252	46,665
Non-Marketable Other Hedge Funds		
Domestic equities	7,023	13,066
International equities	17,622	10,911
Developed Equity		
Domestic equities	521,696	685,835
International equities	148,153	195,970
Emerging Markets		
Cash and cash equivalents	-	3
Domestic equities	202,041	295,489
International equities	116,860	167,620
Marketable Distressed Hedge Funds		
Domestic equities	26,249	27,550
Non-Marketable Distressed Hedge Funds		
Domestic equities	39,333	43,070
International equities	9,294	7,443
Portable Alpha		
Cash and cash equivalents	7,366	5,961
International equities	104,456	103,332
Domestic fixed income	32,114	26,608
Private Equity		
Cash and cash equivalents	294	269
Domestic equities	765,620	703,835
International equities	863,408	650,605
Real Estate		
Domestic equities	33,378	46,889
International equities	46,036	55,221
Resources		
Domestic equities	170,773	154,572
International equities	70,470	104,383
Relative Value Hedge Funds		
International equities	43,059	41,740
Pending securities transactions - net	7,517	18,850
Total	$ 4,362,636	$ 4,436,078

(Amounts in thousands)

3. Investments *(continued)*

The following are major categories of investments as of December 31:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Marketable Securities				
Cash and cash equivalents	$ 136,884	$ 136,885	$ 119,792	$ 119,792
U.S. and other government obligations	32,114	31,999	26,609	26,374
ETFs, mutual and commingled funds	1,262,802	955,876	1,616,061	1,052,596
Common stock	-	382	-	382
Subtotal	1,431,800	1,125,142	1,762,462	1,199,144
Alternative Investments and Similar Interests				
Hedge funds	973,634	769,277	939,261	621,598
Real assets	320,657	442,034	361,065	431,742
Private equity	1,629,028	1,205,701	1,354,440	1,092,363
Subtotal	2,923,319	2,417,012	2,654,766	2,145,703
Pending securities transactions - net	7,517	6,017	18,850	19,303
Total	$4,362,636	$3,548,171	$4,436,078	$3,364,150

The following tables summarize the fair value of investments valued at fair value on a recurring basis at December 31, grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	2018		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Cash and cash equivalents	$ 129,224	$ -	$ 129,224
Equity long/short hedge funds	-	423,842	423,842
Event driven/multi-strategy hedge funds	-	231,692	231,692
Passive fixed income	169,596	-	169,596
Global macro hedge funds	-	127,268	127,268
Marketable other hedge funds	-	48,252	48,252
Non-Marketable other hedge funds	-	24,645	24,645
Developed equity	-	669,849	669,849
Emerging markets	-	318,901	318,901
Marketable distressed hedge funds	-	26,249	26,249
Non-marketable distressed hedge funds	1	48,626	48,627
Portable alpha	31,291	112,645	143,936
Private equity	9,990	1,619,332	1,629,322
Real estate	-	79,414	79,414
Resources	-	241,243	241,243
Relative value hedge funds	-	43,059	43,059
Pending securities transactions - net	7,517	-	7,517
Total	$ 347,619	$4,015,017	$4,362,636

(Amounts in thousands)

3. Investments *(continued)*

	2017		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Cash and cash equivalents	$ 112,959	$ -	$ 112,959
Equity long/short hedge funds	-	425,567	425,567
Event driven/multi-strategy hedge funds	-	229,109	229,109
Passive fixed income	168,416	-	168,416
Global macro hedge funds	-	94,140	94,140
Marketable other hedge funds	-	46,665	46,665
Non-Marketable credit hedge funds	-	23,977	23,977
Developed equity	-	881,805	881,805
Emerging markets	3	463,109	463,112
Marketable distressed hedge funds	-	27,550	27,550
Non-marketable distressed hedge funds	-	50,513	50,513
Portable alpha	25,222	110,679	135,901
Private equity	8,741	1,345,968	1,354,709
Real estate	-	102,110	102,110
Resources	-	258,955	258,955
Relative value hedge funds	-	41,740	41,740
Pending securities transactions - net	18,850	-	18,850
Total	$ 334,191	$ 4,101,887	$ 4,436,078

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

(Amounts in thousands)

3. Investments *(continued)*

Information in the following table summarizes the various redemption, lock-up provisions, and unfunded commitments of alternative investments measured at NAV using the practical expedient at December 31, 2018.

2018				
Investment Category	Fair Value	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Equity long/short hedge funds				
Long/short hedge funds (a1)	$ 422,898	Monthly, quarterly, semi-annual and greater - lockup periods expire in March 2019, June 2020 and June 2021	10-90 days	$ -
Residual interest (a2)	944	N/A	N/A	-
Event driven/multi-strategy hedge funds				
Event driven/multi-strategy hedge funds (b1)	210,982	Quarterly, semi-annual and greater - lockup period expires Jun 2019	60-185 days	63,000
Restricted portion of fund investment (b1)	20,151	N/A	N/A	-
Residual interests (b2)	559	N/A	N/A	-
Global macro hedge funds (c)	127,268	Monthly, quarterly	7-30 days	-
Marketable other hedge funds (d)	48,252	Quarterly, annual	65-90 days	-
Non-Marketable other hedge funds (e)	24,645	Private equity structure	N/A	45,827
Developed equity (f)	669,849	Daily, monthly, quarterly	1-90 days	-
Emerging markets (g)	318,901	Daily, weekly, monthly, every other month, semi-annually	1-90 days	-
Distressed funds (h)				
Marketable distressed hedge funds	25,958	Private equity structure	N/A	-
- residual interests	291	N/A	N/A	-
Non-marketable distressed hedge funds	48,623	Private equity structure	N/A	42,688
- residual interests	3	N/A	N/A	-
Portable alpha funds (i)	112,645	Monthly, quarterly	7-65 days	-
Private equity funds (j)	1,619,332	Private equity structure	N/A	336,832
Real estate funds (k)	79,414	Private equity structure	N/A	74,735
Resource funds (l)	241,243	Private equity structure	N/A	78,693
Relative value hedge funds (m)	43,059	Annual - Lockup period expires on March 2019	60 days	-
Total	$ 4,015,017			$ 641,775

(a1) **Long/short hedge funds –** This category includes investments in funds that employ deep fundamental, company-specific research to identify businesses with favorable fundamental and technical factors to invest long and unfavorable fundamental and technical factors to invest short. These managers may also vary exposures based on the prevailing market environment.

(a2) **Residual interest –** This category includes a residual interest in two funds that were previously redeemed.

3. Investments *(continued)*

(b1) **Event driven/multi-strategy hedge funds –** This category includes investments in funds that seek to invest opportunistically across the following strategies: credit long/short, distressed, risk arbitrage, convertibles, equity and private investments/special situations. The allocation to sub-strategies varies based on the manager's assessment of risk/reward for each sub-strategy and attractiveness of each individual opportunity. Typically, all investments are supported by deep fundamental research on the industry and company level.

(b2) **Residual interests –** This category includes residual interests in three funds that were previously redeemed.

(c) **Global macro hedge funds** – This category includes funds that invest both long and short in a wide variety of financial instruments according to a view about the direction of markets, whether fundamental, technical or quantitatively derived. These funds utilize leverage and trade a wide range of instruments, including derivatives.

(d) **Marketable other hedge funds –** This category is comprised of one fund, which employs quantitative, market neutral based strategies across differing time horizons.

(e) **Non-marketable other hedge funds –** This category is comprised of three funds: a senior debt fund that owns bank loans of primarily private companies in North America, a direct lending fund that makes private loans to Brazilian entities, and a fund that invests in and manages legal claims in Brazil.

(f) **Developed equity –** This category generally includes investments in funds that invest in common stocks across developed markets.

(g) **Emerging markets –** This category generally includes investments in funds that invest in common stocks across emerging and frontier markets.

(h) **Distressed funds –** This category includes funds that typically invest in debt of distressed companies or post-reorganization equity following deep fundamental analysis of companies and corresponding industries to determine the risk/reward for each investment. The portfolios are typically long-biased and have low turnover, as distressed investments take months to years to work out. These funds, therefore, require longer lockups or private equity capital call/distribution structures.

(i) **Portable alpha funds –** This category includes two accounts that combine U.S. Intermediate Treasury beta and alpha generating components.

(Amounts in thousands)

3. Investments *(continued)*

(j) **Private equity funds –** This category includes both buyout and venture capital funds. The Foundation invests into these funds via a partnership structure, and these funds then typically invest equity capital into a portfolio of private companies. Whereas buyout funds are usually characterized by control (ownership of 50% or greater), venture capital focuses more on early-stage, startup-type opportunities with potentially greater reward but also higher risk. These funds may invest in an array of companies, industries, sectors, countries and geographies. Realized distributions of capital from each fund will be received as the underlying investments of the funds are liquidated; final liquidations are estimated to occur within the next five to 10 years.

(k) **Real estate funds –** This category includes real estate funds that invest in commercial real estate globally. Realized distributions of capital from each fund will be received as the underlying investments of the funds are liquidated. Final liquidations are estimated to occur within the next five to 10 years.

(l) **Resource funds –** This category includes natural resource related private equity funds that primarily invest in the energy sector. Realized distributions of capital from each fund will be received as the underlying investments of the funds are liquidated; final liquidations are estimated to occur within the next five to 15 years.

(m) **Relative value hedge fund –** This category includes one fund that utilizes an investment strategy that seeks to take advantage of price differentials between related financial instruments, such as stocks and bonds, by simultaneously buying and selling the different securities—thereby allowing investors to potentially profit from the "relative value" of the two securities. This strategy invests across global markets, with a focus on structured credit, corporate credit, interest rates and currencies.

4. Liquidity and Availability of Resources

The Foundation's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statements of financial position were as follows for December 31, 2018:

Financial Assets	
Cash and cash equivalents	$ 14,244
Redemptions, dividends, interest, and other receivables	499
Investments	4,362,636
Total Financial Assets	4,377,379
Less:	
Illiquid investments	(2,249,187)
Receivables/security deposits	(111)
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	$ 2,128,082

As part of the Foundation's liquidity management strategy, the Foundation structures its financial assets to be available as its grant payments and other general liabilities come due. The withdrawals are adjusted based on the grants to be disbursed and other factors affecting available cash such as capital calls on investments, investment income and capital distributions, general operating expenses, program costs and other factors affecting available cash. The Foundation also maintains two lines of credit for $200 million with a bank that can be drawn upon as needed during the year.

(Amounts in thousands)

5. Derivative Financial Instruments

Derivative Financial Instruments "Derivatives" used by the Foundation are contracts that derive their value from changes in values of underlying securities, typically, stocks, bonds or other assets. The Foundation directly invests in futures on U.S. Treasury bonds. The U.S. Treasury futures are purchased or sold at minimum transaction cost to adjust desired asset mix. The Foundation also invests in forward contracts to hedge against foreign currency exchange rate risk for its foreign currency denominated assets and liabilities that may result from adverse foreign currency fluctuations against the U.S. dollar.

The Foundation's assets include the initial margin and unrealized gains and losses of the derivative contracts purchased and sold by the Foundation. Fair values of the Foundation's derivative financial instruments generally are determined by quoted market prices. Also, within the Foundation's alternative investments, managers may create additional exposure for the Foundation through short sales of securities, and trading in futures and forward contracts, options, swaps and other derivatives products. However, the Foundation's exposure to derivatives held by its limited partnership investments is restricted to its contributed and committed capital to those limited partnerships.

The full market risk and credit risk of derivative financial instruments are associated with their underlying contract amounts or "notional values" in addition to their fair values. Market risk represents potential loss from the decrease in the value of these financial instruments. Credit risk represents potential loss from possible nonperformance by the counterparties of their contracts.

Upon entering into a derivative contract, the Foundation deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is traded. Pursuant to the contract, the Foundation is to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the contract, also known as the variation margin. The Foundation records daily fluctuations in the variation margin account as realized gains and losses. At December 31, 2018 and 2017, ($913) and $712 was (due from) on deposit with the brokers as collateral for margin requirements on futures, which is included in investments as either U.S. and other government obligations or corporate obligations.

The following table identifies the fair value amounts of derivative instruments included in the consolidated statements of financial position, categorized by primary underlying risk, at December 31. The following table also identifies the net gain and loss amounts included in net realized gain and unrealized (depreciation) appreciation on investments in the consolidated statements of activities, categorized by primary underlying risk for the years ended December 31:

	2018				2017			
Primary underlying risk	Notional Derivative Amount	Number of contracts (actual)	Amount of unrealized gain	Amount of realized (loss)	Notional Derivative Amount	Number of contracts (actual)	Amount of unrealized (loss)	Amount of realized gain (loss)
Interest rate								
US Treasury Bond Futures	$120,919	754	$ 1,500	$ (2,472)	$116,139	747	$ (418)	$ 121
Foreign currency exchange rate								
Forward contracts	-	-	-	-	-	-	-	(361)
Total derivative assets	$120,919		$ 1,500	$ (2,472)	$116,139		$ (418)	$ (240)

(Amounts in thousands)

5. Derivative Financial Instruments *(continued)*

The futures are classified as Level 1 within the portable alpha classification in the fair value hierarchy and the forwards are classified as Level 1 within the developed equity classification in the fair value hierarchy.

6. Program Related Investments

The Foundation has unfunded PRI commitments totaling $9.9 and $6.9 million at December 31, 2018 and 2017. PRIs are classified as Level 3 within the fair value hierarchy. The following tables include a roll forward of the PRIs for the years ended December 31:

	2018	2017
	Fair Value	Fair Value
Balance, January 1	$24,718	$23,084
New investments	9,968	5,874
Repayments	(2,304)	(1,888)
Write-off of impaired PRI	-	(2,352)
Balance, December 31	$32,382	$24,718

7. Property, Furniture, Fixtures and Equipment

At December 31, property, furniture, fixtures and equipment, net included the following:

	2018	2017
Condominium interest in 420 Fifth Avenue	$16,471	$16,471
Condominium improvements	14,012	13,975
Furniture, fixtures, and equipment	18,112	16,916
	48,595	47,362
Less accumulated depreciation and amortization	39,133	36,528
	$ 9,462	$10,834

During 2018 and 2017, approximately $205 and $199 of depreciation expense was allocated to investment expenses.

8. Pensions and Other Post-Retirement Benefits

The Foundation maintains a defined benefit pension plan (the "Plan") for regular salaried employees who were at least 21 years old and have completed one year of service or had attained the age of 40 prior to July 1, 2000. As of July 1, 2000, the Plan was closed to new employees and to employees hired prior to July 1, 2000, who did not meet the eligibility requirements.

Effective December 31, 2012, the Plan was amended such that Plan benefits were frozen and further accruals of benefits have ceased as of that date. Participants affected by the freeze (18) were eligible to receive a basic contribution under The Retirement Savings Plan for the Employees of the Rockefeller Foundation (the "Retirement Savings Plan") effective January 1, 2013.

The Plan provides retirement benefits based on years of service and final average pay, with benefits after retirement subject to increase under a cost-of-living augmentation formula. The Foundation makes annual contributions to the Plan, as needed, based on actuarial calculations, in amounts sufficient to meet the minimum funding requirements pursuant to the Employee Retirement Income Security Act of 1974. Plan assets are invested in a diversified portfolio of equities, fixed income securities and hedge funds.

In 2000, the Foundation enhanced its 401(k) plan to create the Retirement Savings Plan. Foundation contributions are now made to equal 13% of compensation plus a dollar-for-dollar match of up to an additional 2% of base compensation contributed on a pretax basis by employees up to the compensation cap.

In 2000, then current members of the Plan had the option of remaining in the combined retirement plan consisting of the defined benefit pension plan and the former 401(k) Trustee Savings Plan or moving to the new Retirement Savings Plan. Employees can make additional unmatched pretax contributions which, when combined with employee contributions that are matched, cannot exceed the maximum pretax contribution limit of $19, or for employees who have attained age 50, $25. All contributions are credited to the participants' accounts. The Foundation's contributions to the Retirement Savings Plan were $2.4 million in 2018 and $2.5 million in 2017.

Locally hired staff in the Foundation's foreign offices participate in retirement plans and/or provident funds or other plans that conform to local customs, conditions or law.

The Foundation provides certain health care and life insurance benefits ("Other Post-Retirement Benefits") for retired employees. Employees are eligible for these benefits when they meet the criteria for retirement under the Foundation's pension plan. This plan has a cost sharing feature, which totaled $226 and $221 for 2018 and 2017, respectively. The Foundation accrues the expected cost of providing postretirement benefits over the years that employees render service and pays this portion of the cost of retiree health care benefits.

(Amounts in thousands)

8. Pensions and Other Post-Retirement Benefits *(continued)*

Information as of and for the years ended December 31, regarding the Foundation's defined benefit plans is as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2018	2017	2018	2017
Projected benefit obligation	$ 72,614	$ 80,572	$ 21,404	$ 21,968
Fair value of plan assets	94,798	102,168	-	-
Funded Status	$ 22,184	$ 21,596	$ (21,404)	$ (21,968)
Service cost	$ -	$ -	$ 939	$ 866
Interest cost	2,829	3,175	807	797
Expected return on assets	(5,725)	(6,626)	-	-
Amortization of prior (credit)	-	-	(629)	(751)
Amortization of actuarial losses	1,695	1,982	114	-
Net Periodic (Credit) Cost	$ (1,201)	$ (1,469)	$ 1,231	$ 912
Components of Other Changes in Net Assets				
Actuarial (gains) losses arising in period	$ 2,308	$ (4,243)	$ (1,450)	$ 2,175
Amortization of prior service credit	-	-	629	751
Amortization of prior service cost	-	-	-	-
Amortization of actuarial losses	(1,695)	(1,982)	-	-
Other Change in Net Assets	$ 613	$ (6,225)	$ (821)	$ 2,926
Accumulated benefit obligation	$ 72,614	$ 80,572	$ 21,404	$ 21,968
Amount recognized in the statement of financial position - prepaid benefit (accrued) cost	22,184	21,596	(21,404)	(21,968)
Employer contributions	-	-	974	884
Benefits paid	4,975	4,855	974	884

The table below reflects the amounts recognized within net assets arising from the Plan and Other Post-Retirement Benefits at December 31, 2018 and 2017 that have not yet been recognized in net periodic benefit cost and the portion of such amounts that are expected to be recognized in net periodic benefit cost during the year ending December 31, 2019.

	Pension Benefits			Other Post-retirement Benefits		
	2019	2018	2017	2019	2018	2017
Actuarial losses	$ 1,774	$ 43,572	$ 42,959	$ -	$ 1,591	$ 3,041
Prior service (credit)	-	-	-	(623)	(2,945)	(3,574)
	$ 1,774	$ 43,572	$ 42,959	$ (623)	$ (1,354)	$ (533)

(Amounts in thousands)

8. Pensions and Other Post-Retirement Benefits *(continued)*

Weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2018	2017	2018	2017
Discount rate	4.30%	3.66%	4.30%	3.66%
Rate of compensation increase	N/A	N/A	4.00%	4.00%

Weighted-average assumptions used to determine net periodic benefit cost for the years ending December 31 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2018	2017	2018	2017
Discount rate	3.66%	4.16%	3.66%	4.16%
Expected long-term return on plan assets	5.75%	7.25%	N/A	N/A
Rate of compensation increase	N/A	N/A	4.00%	4.00%

The overall expected long-term rate of return on assets assumption was determined based on historical returns (without adjustment) for each asset class.

Assumed health care cost trend rates at December 31 are as follows:

	2018	2017
Health care cost trend rate assumed for next year	6.5%	7.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2025	2025

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	Point Increase	Point Decrease
Effect on total of service and interest costs	$ 394	$ (296)
Effect on postretirement benefit obligation	3,777	(2,974)

The investment policy of the Pension Plan is generally to invest the Plan's assets in the ratio of 30% in equities and 70% in fixed income and cash to minimize the risk that the Plan becomes underfunded. Some of the Plan's investment managers have been selected from among the endowment's managers to achieve savings on asset based management fees and to garner the benefits of consolidated risk management and oversight.

(Amounts in thousands)

8. Pensions and Other Post-Retirement Benefits *(continued)*

The following are the major categories of retirement plan assets at fair value as of December 31 grouped by the fair value hierarchy, for those investments subject to categorization within such hierarchy:

	2018		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Cash equivalents	$ 8,863	$ -	$ 8,863
Equity funds			
Domestic equity funds	-	17,052	17,052
International equity funds	-	12,749	12,749
Fixed income index funds			
Domestic fixed income funds	-	56,039	56,039
Subtotal	$ 8,863	$ 85,840	94,703
Due from broker for investment sold			95
Total			$ 94,798

	2017		
	Level 1	Other Investments Measured at Net Asset Value (*)	Total
Cash equivalents	$ 8,064	$ -	$ 8,064
Equity funds			
Domestic equity funds	-	23,770	23,770
International equity funds	-	15,450	15,450
Fixed income index funds			
Domestic fixed income funds	-	46,841	46,841
Hedge funds	-	4,277	4,277
Subtotal	$ 8,064	$ 90,338	98,402
Due from broker for investment sold			3,766
Total			$102,168

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

(Amounts in thousands)

8. Pensions and Other Post-Retirement Benefits *(continued)*

A portion of the pension assets measured at NAV contain various redemption restrictions with required written notice. The following tables summarize the composition of such investments by the various redemption and lock-up provisions as of December 31:

2018				
Investment Category	Fair Value	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Developed and emerging markets equity funds (a)	$ 29,801	Daily, monthly, and quarterly	1-60 days	$ -
Fixed income index funds (b)	56,039	Daily	2 days	-
Total	$ 85,840			$ -

(a) This category includes investments in funds that invest in common stocks broadly across developed and emerging markets or in specific regions.

(b) This category includes investments in passively managed trust funds that own U.S. Treasury bonds and TIPS.

Cash Flows

Contributions—The Foundation does not anticipate making any contributions to its pension plan in 2019.

Estimated Future Benefit Payments—the following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year	Pension Benefits	Other Post-retirement Benefits
2019	$ 5,221	$ 820
2020	5,205	890
2021	5,147	907
2022	5,122	943
2023	5,106	974
2024-2028	24,459	5,559

(Amounts in thousands)

9. Grants Payable

The Foundation has entered into grant commitments with certain organizations. The following summarizes the changes in grants payable as of December 31:

	2018	2017
Balance, January 1	$ 129,914	$ 95,988
Additions		
Grants approved	97,900	200,566
Deductions		
Grant payments	(157,549)	(152,668)
Grants lapsed	(1,932)	(13,972)
Balance, December 31	$ 68,333	$ 129,914

10. Term Loan Payable and Interest Rate Swap Agreement

During October 2011 the Foundation executed a term loan for $20.8 million, the proceeds of which were used to redeem the outstanding principal and pay accrued interest on tax-exempt term bonds issued by the Foundation. The term loan matures on October 13, 2023 and bears interest at a variable rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.53%. As of December 31, 2018, principal payments due under the term loan are payable as follows:

Year	Amount
2019	$ 1,731
2020	1,731
2021	1,731
2022	1,731
2023	1,438
Total	$ 8,362

The Foundation has entered into an interest rate swap agreement with an initial notional amount of $20.8 million to mitigate interest rate risk associated with the variable rate on the term loan. Under the terms of the swap agreement, the Foundation pays a fixed rate of 2.005% and receives a floating rate equal to the one month LIBOR rate (2.52% at December 31, 2018) on the notional amount ($8.36 million at December 31, 2018).

(Amounts in thousands)

10. Term Loan Payable and Interest Rate Swap Agreement *(continued)*

At December 31, 2018 and 2017 the fair value of the interest rate swap was an asset of $93 and $12. The interest rate swap is classified as Level 2 within the fair value hierarchy.

The carrying value of any outstanding borrowing would approximate fair value since advances bear interest at floating rates.

11. Lines of Credit

The Foundation has two unsecured lines of credit with a bank. One line is for $100 million and expires on September 30, 2019 (364-day facility). The second line is also for $100 million and expires on September 30, 2020 (two-year facility). There were no amounts outstanding as of December 31, 2018 and 2017. The agreements provide for a fee of 0.10% on the 364-day facility and 0.15% on the two-year facility on any unused portion of the lines. Subsequent to year end, the Foundation obtained a third line for credit of $100 million. Interest is charged on borrowed funds as follows:

Loan in a Principal Amount Of	Interest on the 364-day facility	Interest on the Two-year facility
Less than $500,000	Higher of the Prime Rate or the Adjusted One Month LIBOR Rate	Higher of the Prime Rate or the Adjusted One Month LIBOR Rate
Equal to or exceeding $500,000	Either the bank's offered money market rate, the LIBOR Rate plus .40%, or the higher of the Prime Rate or the Adjusted One Month LIBOR Rate	Either the bank's offered money market rate, the LIBOR Rate plus .65%, or the higher of the Prime Rate or the Adjusted One Month LIBOR Rate

In addition, the Foundation must maintain a ratio of unrestricted liquidity to total indebtedness of no less than 1.00, tested annually.

12. Investment Risks and Uncertainties

Alternative investments consist of non-traditional, non-readily marketable investments, some of which may be structured as offshore limited partnerships, hedge funds, real asset and private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and may be subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

(Amounts in thousands)

12. Investment Risks and Uncertainties *(continued)*

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

13. Contingent Liabilities

The Foundation has been named as a party in a legal proceeding brought against it and other parties. Foundation management has reviewed this matter with legal counsel and in management's opinion, this action is defensible and management does not expect the ultimate resolution of this action to have a material adverse effect on the Foundation's financial position.

14. Leases

The Foundation leases office space for its Nairobi, Kenya and Bangkok, Thailand regional offices. The lease for the Nairobi office expires on September 30, 2021 and lease for the Bangkok office expires on March 15, 2022. As of December 31, 2018 amount due under these lease agreements are payable as follows:

Year	Amount
2019	$ 127
2020	107
2021	84

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