winthrop
rockefeller
foundation

FINANCIAL STATEMENTS
December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)

The Winthrop Rockefeller Foundation

TABLE OF CONTENTS

LANDMARK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Winthrop Rockefeller Foundation
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of **The Winthrop Rockefeller Foundation** (the Foundation), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

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Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of **The Winthrop 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.

Emphasis of Matter

As disclosed in Note 2(m) to the financial statements, the Foundation adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, on January 1, 2018. Our opinion is not modified with respect to this matter.

Landmark PLC
Certified Public Accountants

June 7, 2019
Little Rock, Arkansas

Financial Statements

The Winthrop Rockefeller Foundation

STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 6,367,074	$ 2,561,125
Accrued interest receivable and other assets	269,476	204,598
Contributions receivable	-	22,250
Investment securities, at fair value	114,888,556	129,446,381
Other investments, at cost		
Program-related	7,535,605	7,611,695
Mission-related	1,385,223	1,284,068
Property and equipment, net	338,095	77,347
TOTAL ASSETS	$ 130,784,029	$ 141,207,464
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 336,620	$ 116,449
Grants payable	1,142,837	2,225,054
Other liabilities	367,708	248,999
Total Liabilities	1,847,165	2,590,502
NET ASSETS		
Without donor restrictions	128,936,864	138,616,962
With donor restrictions	-	-
Total Net Assets	128,936,864	138,616,962
TOTAL LIABILITIES AND NET ASSETS	$ 130,784,029	$ 141,207,464

See accompanying notes to financial statements.

The Winthrop Rockefeller Foundation

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES, (LOSSES) GAINS AND OTHER SUPPORT		
Investment return, net	$ (7,804,390)	18,453,313
Program-related investment return	249,811	63,425
Grants and contributions	2,269,500	89,000
Total Revenues, (Losses) Gains and Other Support	(5,285,079)	18,605,738
EXPENSES		
Program Activities		
Program administration	2,043,291	2,090,312
Grants	1,181,357	3,578,880
Total Program Activities	3,224,648	5,669,192
Supporting Activities		
Management and general	1,170,371	1,120,653
Total Supporting Activities	1,170,371	1,120,653
Total Expenses	4,395,019	6,789,845
(DECREASE) INCREASE IN NET ASSETS	(9,680,098)	11,815,893
NET ASSETS, BEGINNING OF YEAR	138,616,962	126,801,069
NET ASSETS, END OF YEAR	$ 128,936,864	$ 138,616,962

See accompanying notes to financial statements.

The Winthrop Rockefeller Foundation

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	$ (9,680,098)	$ 11,815,893
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	48,774	54,891
Loss on disposal of property and equipment	3,678	-
Net realized and unrealized losses (gains) on investment securities	8,598,799	(17,705,015)
Changes in operating assets and liabilities:		
Accrued interest receivable and other assets	(64,878)	(33,135)
Contributions receivable	22,250	-
Accounts payable	(35,750)	(20,903)
Grants payable	(1,082,217)	(380,161)
Other liabilities	118,709	37,565
Net Cash Used in Operating Activities	(2,070,733)	(6,230,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(8,538,272)	(43,276,493)
Proceeds from sales of investment securities and principal pay downs	14,573,388	48,323,843
Purchases of program-related investments	-	(1,249,997)
Purchases of mission-related investments, at cost	(100,000)	(1,124,945)
Proceeds from sales of mission-related investments, at cost	-	126,755
Reinvestment of interest on certificates of deposit	(1,155)	(1,150)
Purchases of property and equipment	(57,279)	(10,613)
Net Cash Provided by Investing Activities	5,876,682	2,787,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,805,949	(3,443,465)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,561,125	6,004,590
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,367,074	$ 2,561,125
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Purchases of property and equipment included in accounts payable	$ 255,921	$ -

See accompanying notes to financial statements.

NOTE 1: ORGANIZATION AND NATURE OF OPERATIONS

The Winthrop Rockefeller Foundation (the Foundation) is a private foundation incorporated as a nonprofit organization under the laws of the state of Arkansas, and is dedicated to improving the economic and social well-being of Arkansans. The Foundation is a recipient of contributions from the estate of Winthrop Rockefeller. Since inception, the Foundation has received $50,705,432 from the trust created under the will of Winthrop Rockefeller (the Trust) in order to grow the long-term assets of the Foundation. Support received from the Trust includes grants and other support. During the year ended December 31, 2018, the Trust began the process of dissolution and the Foundation received a final distribution totaling $2,225,000.

The Foundation affirms Winthrop Rockefeller's vision of a thriving and prosperous Arkansas that benefits all Arkansans. During 2018, the Foundation reaffirmed its mission to relentlessly pursue economic, educational, social, ethnic, and racial equity for all Arkansans. For over 40 years, the Foundation has pursued this mission through strategic grant making and partnerships, and using its voice to help close the economic and educational gaps that leave too many Arkansas families in persistent poverty. Understanding that moving Arkansas from poverty to prosperity takes time, the Foundation invests for the long term in efforts that promise a sustained and positive impact for Arkansas. The Foundation believes that building pathways to opportunity requires broad systemic change. This comprehensive approach may take longer to prove impact, but the Foundation believes that this approach has a greater chance to be impactful and sustainable. The Foundation looks for levers that offer the greatest promise to increase prosperity from one generation to the next.

In the fall of 2018, the Foundation adopted AR Equity 2025, a new strategic direction that builds on the work of the Moving the Needle strategic plan adopted in 2008. Moving the Needle included four specific goals to guide the Foundation's efforts through 2013. In 2013, the Board reaffirmed these goals and adopted Moving the Needle 2.0, a continuation of the strategic plan through 2019. During 2018, the Foundation focused its efforts on wrapping up Moving the Needle 2.0 and launching AR Equity 2025.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

(a) Basis of Presentation

The Foundation presents information regarding financial position and activities in accordance with generally accepted accounting principles, which require the distinction between net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the overall purpose and mission of the Foundation. Net assets with donor restrictions are resources that subject to donor imposed limitations on how or when such resources may be used. During the years ended December 31, 2018 and 2017, the Foundation had no net assets subject to donor restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Cash and Cash Equivalents
For purposes of presentation in the statements of cash flows, the Foundation considers all short-term investment funds and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(c) Investment Securities
The Foundation records purchases of investment securities at cost on the transaction trade date. Thereafter, securities are reported at fair value on the statements of financial position, except as discussed in Note 2(d) and Note 2(e), below. Changes in fair values are recorded in the period in which they occur. Realized gains and losses on sales of securities are recognized on the transaction trade dates. Dividend income is recorded on the ex-dividend date, and interest income is accrued as it is earned. Investment return presented on the statements of activities includes dividends, interest, other investment income, as well as realized and unrealized gains and losses, and is net of external and direct internal investment expenses.

(d) Program-Related Investments
Program-related investments represent a strategy that complements traditional grant making by extending the Foundation's ability to accomplish programmatic goals while preserving assets for future use. Program-related investments may be made in four basic forms, which include loans, loan guarantees, linked deposits and equity investments. Interest charged on any program-related investment is less than the then prevailing market rate, generally determined using the London Interbank Offered Rate (LIBOR) plus or minus 1%. The Board of Directors has established guidelines for selection, approval and monitoring of program-related investments. In addition, the amount of funds committed to new program-related investments in any given year may not exceed 30% of budgeted grant payments.

Program-related investments are reported at cost, as no readily determinable fair value is available, and a reasonable estimate of fair value cannot be made without incurring excessive costs. Program-related investments are evaluated annually for impairment. The carrying amounts of the program-related investments are reduced by the amount of any impairment.

(e) Mission-Related Investments
Mission-related investments represent a strategy that aligns the Foundation's investment capital with its mission by proactively cultivating and implementing investment opportunities that improve the lives of Arkansans, or focus on education, foster economic development, achieve positive impact on economic, social or racial justice or promote the environment and sustainability. Mission-related investments may be pursued across asset classes. Certain mission-related investments are reported as investment securities at fair value, while others are reported at cost if no readily determinable fair value is available, and a reasonable estimate of fair value cannot be made without incurring excessive costs. Those mission-related investments that are reported at cost are evaluated annually for impairment, and the carrying amounts of those mission-related investments are reduced by the amount of any impairment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property and Equipment
Property and equipment are reported at historical cost, net of accumulated depreciation. The Foundation capitalizes additions of property and equipment in excess of $1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets, which range from 3 to 10 years.

(g) Functional Allocation of Expenses
The costs of conducting program and supporting activities are summarized on a functional basis in the statements of activities. Functional expenses by natural classification are disclosed in Note 13. Within the program category, costs that are directly related to the Foundation's programmatic initiatives, including grants, consultants working on programmatic initiatives or providing technical assistance to communities or grantees, and costs directly related to program communications are recorded. Program expenses also incorporate all costs directly associated with the program operations of the Foundation, including the salaries and benefits of the program team, their travel, and their professional development. It also contains office expenses, such as printing and mailing, costs specific to the program areas, information technology costs for grants management, and an allocation of occupancy and parking costs, determined based on square footage. Management and general expenses include those expenses that are not directly related to programmatic initiatives, but provide for the overall support and direction of the Foundation.

(h) Federal Income Taxes
The Foundation is a publicly supported organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code on income related to the mission of the Foundation.

Accounting standards require the Foundation to evaluate tax positions and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation has analyzed the tax positions taken and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Foundation may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

(i) Grants
Grants made by the Foundation are recorded when the grants are approved by the Foundation's Board of Directors. All grantees are eligible organizations who are required to use the funds for charitable purposes. Any grant awards that have not been paid to the intended recipient as of the reporting date are reported as grants payable.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Use of Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(k) Financial Instruments and Credit Risk
The Foundation maintains cash and cash equivalent balances in accounts with financial institutions and investment banking firms. The balances in these accounts may exceed applicable insured limits. Management believes that such accounts are maintained with reputable financial institutions and investment banking firms, and the Foundation has not experienced any losses in these accounts to date.

The Board of Directors has adopted a comprehensive investment policy that specifies target portfolio allocations, permissible investment vehicles, as well as monitoring benchmarks and procedures. In addition, the Board of Directors has adopted general policies relevant to performing due diligence on and continuous monitoring of mission-related investments and program-related investments. While risks related to investing, such as market risk and credit risk, cannot be avoided, management and the Board of Directors, working with reputable investment managers and advisors, believe that investment policies are prudent, properly designed and implemented to ensure the longevity of the Foundation.

(l) Recently Issued Accounting Standards
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenues from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard, and subsequently issued amendments, will replace most existing revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The guidance in ASU No. 2014-09 and related amendments will be effective for the Foundation on January 1, 2019. The Foundation does not anticipate that implementation of ASU No. 2014-09, as amended, will have a material effect on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under ASU No. 2016-02, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance in ASU No. 2016-02 will be effective for the Foundation on January 1, 2020. The Foundation is currently evaluating the effect that implementation of this standard will have on the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Recently Issued Accounting Standards *(Continued)*

In June of 2018, the FASB issued ASU No. 2018-08*, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and 2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing of recognition. Resource recipients are required to implement the amendments in ASU No. 2018-08 for annual periods beginning after December 15, 2018, and resource providers are required to implement the amendments for annual periods beginning after December 15, 2019. The Foundation's grant agreements do not specify the right of return of grant funding and there are no barriers for recipients to overcome to be entitled to grant proceeds once an award is approved by the Board of Directors. Therefore, management has determined that the implementation of the amendments in ASU No. 2018-08 will have no impact on the Foundation's financial statements.

In August of 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* to modify the disclosure requirements on fair value measurements. The Foundation is currently evaluating the effect that implementation of this standard will have on note disclosures related to fair value measurements.

(m) Recently Adopted Accounting Standards

In 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 was to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto. The Foundation adopted the provisions of ASU No. 2016-14 as required on January 1, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures regarding functional expenses by natural classification, liquidity and availability of resources are now presented. Certain information previously reported in the Foundation's 2017 financial statements has been reclassified to conform to the 2018 presentation and disclosure requirements of ASU No. 2016-14, as follows:

	As Previously Reported	Reclassification Adjustments	As Reclassified
Investment return, net	$ 19,395,274	$ (941,961)	$ 18,453,313
Program-related investment return	$ -	$ 63,425	$ 63,425
Supporting Activities			
General administration	$ 1,264,809	$ (144,156)	$ 1,120,653
Federal excise tax	$ 166,042	$ (166,042)	$ -
Investment management expense	$ 568,338	$ (568,338)	$ -

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Recently Issued Accounting Standards *(Continued)*

As permitted under ASU No. 2016-14, the Foundation has elected to omit disclosures of functional expenses by natural classification, liquidity and availability of resources for the year ended December 31, 2017.

NOTE 3: PROGRAM-RELATED INVESTMENTS, AT COST

At December 31, 2018 and 2017, the Foundation's program-related investments include the following:

	2018	2017
Southern Bancorp, Inc.[a]		
Common stock, voting	$ 246,832	$ 246,832
Common stock, nonvoting	5,157,347	5,157,347
Total Southern Bancorp, Inc.	5,404,179	5,404,179
Hope Enterprise Corp., note receivable[b]	1,000,000	1,000,000
Diamond State Ventures II, LP[c]	60,375	105,434
Communities Unlimited, Inc., note receivable[d]	24,304	32,700
Financing Ozarks Rural Growth and Economy, note receivable[e]	46,747	69,382
Southern Community Partners, note receivable[f]	1,000,000	1,000,000
Total program-related investments	$ 7,535,605	$ 7,611,695

[a] Southern Bancorp, Inc. is a bank holding company established for the purpose of conducting rural economic development activities in Arkansas. The Foundation held 128,000 shares of common stock, voting, and 1,853,546 shares of common stock, nonvoting, at December 31, 2018 and 2017.

[b] Hope Enterprise Corp. provides financial services in Arkansas, Louisiana, Mississippi and the Greater Memphis area of Tennessee for small businesses, homebuyers and community development in low-income communities. The note receivable was noninterest bearing for the first year. Beginning April 1, 2016, interest began accruing at 1%, and quarterly interest only payments became due commencing June 30, 2016, with all unpaid principal and accrued interest due March 31, 2025.

[c] Diamond State Ventures II, LP is a venture capital fund established to make equity and subordinated debt investments in early and expansion stage businesses in Arkansas and very selectively in surrounding states.

[d] Communities Unlimited, Inc. is a multi-state community development organization and community development financial institution established in 1975 to move people and communities in persistently poor counties in the south toward prosperity. The note receivable originally required interest at LIBOR plus 1%, but was amended in 2018 and now bears interest at a fixed rate of 2.74%. The note requires quarterly principal and interest payments, with all unpaid principal and accrued interest due October 1, 2021.

NOTE 3: PROGRAM-RELATED INVESTMENTS, AT COST (Continued)

[e] Financing Ozarks Rural Growth and Economy (FORGE) is a community based revolving loan fund established to help build sustainable small communities. The note receivable originally required interest at LIBOR plus 1%, but was amended in 2018 and now bears interest at a fixed rate of 2.74%. The note requires quarterly principal and interest payments, with all unpaid principal and accrued interest due December 1, 2020.

[f] Southern Community Partners is a community development financial institution that provides lending, financial development services and public policy advocacy in economically distressed communities. The note receivable required no interest for the first year and began to accrue interest at 1% on February 1, 2018. The note requires quarterly interest only payments commencing January 31, 2019, with all unpaid principal and accrued interest due January 31, 2027.

NOTE 4: MISSION-RELATED INVESTMENTS

At December 31, 2018 and 2017, mission-related investments include the following:

	2018	2017
At cost:		
Diamond State Ventures III, LP[a]	$ 925,000	$ 825,000
Certificates of deposit[b]	460,223	459,068
	1,385,223	1,284,068
At fair value:		
Domestic bond mutual funds	5,795,933	5,755,271
Domestic equities mutual funds	5,843,847	5,586,658
Municipal bond mutual funds	5,937,590	5,904,594
Domestic hedge funds	3,227,773	3,030,626
International equities mutual funds	25,082,492	29,539,167
International hedge funds	4,730,445	4,986,779
Bain Capital Double Impact Fund, LP[c]	371,213	163,771
Material Impact Fund I, LP[d]	287,720	345,000
Owl Ventures II, LP[e]	587,895	355,627
SJF Ventures IV, LP[f]	520,278	154,384
Elevar Equity IV[g]	193,986	-
Illumen Capital[h]	297,014	-
Impact America Fund II, LP[i]	121,129	-
	52,997,315	55,821,877
Total mission-related investments	$ 54,382,538	$ 57,105,945

[a] Diamond State Ventures III, LP (Diamond III) is a venture capital fund established to make equity and subordinated debt investments in early and expansion stage businesses in Arkansas and very selectively in surrounding states. As of December 31, 2018 and 2017, unfunded commitments to Diamond III totaled $75,000 and $175,000, respectively.

NOTE 4: MISSION-RELATED INVESTMENTS (Continued)

(b) Two certificates of deposit are considered to be mission-related investments. One certificate of deposit in the amount of $202,617 is pledged as security for a bank loan to Better Community Development that matures in May 2020. The second certificate of deposit in the amount of $257,606 is invested with an affiliate of Hope Enterprise Corp. and is structured so the Foundation receives half the interest earned and half the interest earned is reinvested in the communities in which Hope Enterprise Corp. operates.

(c) Bain Capital Double Impact Fund, LP (Bain Capital) is a venture capital fund whose strategy is to develop differential insights and drive meaningful change for mission-driven companies seeking growth capital or middle market private equity. As of December 31, 2018 and 2017, unfunded commitments to Bain Capital totaled $1,533,455 and $1,796,810, respectively.

(d) Material Impact Fund I, LP (Material Impact) is a venture capital fund dedicated to investing in companies that provide high-value products enabled by material innovation. As of December 31, 2018 and 2017, unfunded commitments to Material Impact totaled $1,155,000.

(e) Owl Ventures II, LP (Owl II) is a venture capital fund that invests in leading education technology companies, with a focus on entrepreneurs that seek to meaningfully improve student achievement. As of December 31, 2018 and 2017, unfunded commitments to Owl II totaled $400,000 and $620,000, respectively.

(f) SJF Venture IV, LP (SJF IV) is a venture capital fund that invests in companies concerned with making a difference across a range of sectors, including the environment and education. As of December 31, 2018 and 2017, unfunded commitments to SJF IV totaled $1,400,000 and $1,800,000, respectively.

(g) Elevar Equity Fund IV, LP (Elevar) is a venture capital fund that seeks to provide investors with risk-adjusted long-term capital appreciation through privately negotiated investments. Elevar focuses principally on entrepreneurial, high growth companies that provide essential products or services to underserved customers in low-income communities in India and across Latin America. As of December 31, 2018, unfunded commitments to Elevar totaled $1,256,215.

(h) Illumen Capital, LP (Illumen) is a private equity fund of funds that targets investments across a range of impact sectors including education technology, health and wellness, renewable energy, sustainability, financial inclusion, and opportunity communities. As of December 31, 2018, unfunded commitments to Illumen totaled $1,586,802.

(i) Impact America Fund II, LP (Impact America), is a venture capital fund that invests in early-stage technology-enabled companies providing economic inclusion solutions to low and moderate income communities, with a strong interest in supporting diverse entrepreneurs. As of December 31, 2018, unfunded commitments to Impact America totaled $1,333,650.

NOTE 5: FAIR VALUE MEASUREMENTS

(a) Fair Value Measurements

Generally accepted accounting principles provide a framework for measuring fair value that applies to all financial instruments that are being measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes valuation techniques to determine fair values that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values, as follows:

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

(a) Fair Value Measurements (*Continued)*

Level 1 – Fair values are determined based on unadjusted quoted prices for identical assets in active markets that the Foundation has the ability to access.

Level 2 – Fair values are determined based on inputs other than quoted prices that are observable for the asset, either directly or indirectly. These might include quoted prices for similar assets in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset, or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset has a specified (contractual) term, the input must be observable for substantially the full term of the asset.

Level 3 – Fair values are determined based on valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Not Classified – Certain investments for which there is no readily determinable fair value are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient. These investments are not classified in the fair value hierarchy.

The application of valuation techniques used to determine the fair values of investment securities has not changed during the years ended December 31, 2018 or 2017. The following is a description of the valuation methodologies used by the Foundation:

Domestic Common Stock, International Common Stock and International Real Estate Trusts – The fair values of these investments are based on the closing price reported on the active market on which the individual securities are traded.

Domestic Equities Mutual Funds, International Equities Mutual Funds, Municipal Bond Mutual Funds and Government Agency Mutual Funds – The fair values of these investments are based on the net asset values per share of the funds as of the close of business on the reporting date. Those classified as level 1 are open-ended mutual funds that have an active market on which the shares are traded. Those classified as level 2 are closed funds that do not have an active market on which the shares are traded.

International Hedge Funds, Domestic Hedge Funds, the Domestic Hedge Fund of Funds and Venture Capital Funds – The fair values of these investments are determined based on the net asset value of the units held, as reported by the fund advisor. These securities are not readily marketable. Net asset value is used as a practical expedient as permitted under generally accepted accounting principles.

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

(a) Fair Value Measurements (Continued)

The methods described above may result in reported fair value amounts that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets measured at fair value on a recurring basis at December 31, 2018 and 2017:

	Fair Value Measurements at Report Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Classified	Total
December 31, 2018					
Domestic common stock	$ 4,256,566	$ -	$ -	$ -	$ 4,256,566
International common stock	193,870	-	-	-	193,870
Domestic equities mutual funds	5,843,847	20,849,597	-	-	26,693,444
International equities mutual funds	43,337,546	-	-	-	43,337,546
Domestic bond mutual funds	5,795,933	-	-	-	5,795,933
Municipal bond mutual funds	5,937,590	-	-	-	5,937,590
Government agency mutual funds	-	5,609,534	-	-	5,609,534
International hedge funds	-	-	-	17,457,063	17,457,063
Domestic hedge funds	-	-	-	3,227,775	3,227,775
Venture capital funds	-	-	-	2,379,235	2,379,235
Total	$ 65,365,352	$ 26,459,131	$ -	$ 23,064,073	$ 114,888,556

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

(a) Fair Value Measurements *(Continued)*

	Fair Value Measurements at Report Date Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Classified	Total
December 31, 2017					
Domestic common stock	$ 4,677,129	$ -	$ -	$ -	$ 4,677,129
International common stock	214,507	-	-	-	214,507
Domestic equities mutual funds	5,586,658	24,106,883	-	-	29,693,541
International equities mutual funds	51,522,797	-	-	-	51,522,797
International real estate trust	24	-	-	-	24
Domestic bond mutual funds	5,755,271	-	-	-	5,755,271
Municipal bond mutual funds	5,904,594	-	-	-	5,904,594
Government agency mutual funds	-	7,647,825	-	-	7,647,825
International hedge funds	-	-	-	17,555,114	17,555,114
Domestic hedge funds	-	-	-	5,456,797	5,456,797
Venture capital funds	-	-	-	1,018,782	1,018,782
Total	$ 73,660,980	$ 31,754,708	$ -	$ 24,030,693	$ 129,446,381

There were no transfers into or out of Level 3 investments during the years ended December 31, 2018 or 2017.

(b) Fair Value Using Net Asset Value per Share as Practical Expedient

The table on the following page presents information to help the readers of the financial statements understand the nature, characteristics and risks of the investments which are measured at fair value using net asset value per share as a practical expedient at December 31, 2018 and 2017, including any limitations on liquidity.

NOTE 5: FAIR VALUE MEASUREMENTS (Continued)

(c) Fair Value Using Net Asset Value per Share as Practical Expedient (*Continued)*

		Market Value		Exit Without Fees		
Fund Name	Investment Strategy	12/31/2018	12/31/2017	Exit Frequency	Next Available Redemption	Notice (days)
Domestic Hedge Funds						
CIM Enterprise Loan Fund, LP	Credit Opportunities, Direct Lending, U.S. Sector	$ 3,227,773	$ 3,030,624	Monthly	1/31/2019	30
Renaissance Institutional Equities Fund	U.S. Equity ex Small Cap	-	2,426,171	Calendar Quarter	N/A	45
International Hedge Funds						
Coatue Offshore Fund, Ltd.	Long/short equity, Sector-Specific Fund, TMT Sector, Global Sector	1,633,987	1,680,132	Annually - Anniversary of Purchase	9/28/2019	60
Lakewood Capital Offshore Fund, Ltd. [(a)]	Long/Short Equity, Value Hedge Fund, Global Sector	1,454,779	1,702,876	Calendar Quarter	3/31/2019	60
SDP Flagship Offshore Fund, Ltd. [(a)]	Multi-strategy, Event Driven, Global Sector	1,753,137	1,730,414	25% Calendar	3/31/2019	90
Long Pond Offshore, Ltd.	Long/short Equity, Sector-Specific Fund, Real Estate Sector, Global Sector	2,681,156	3,265,972	12.5% Calendar	3/31/2019	60
Complus Asia Macro Fund Ltd. [(d)]	Global Macro, Discretionary, Asia Pacific Sector Hedge Fund, Pan-Asia Sector Hedge Fund	1,678,073	1,615,599	Calendar Quarter	3/31/2019	63
Fort Global Offshore Fund, SPC	Managed Futures, Global Sector	1,947,396	1,039,976	Daily	1/2/2019	2
Hollis Park Opportunities Fund Ltd. [(b)]	Credit opportunities, Structured Credit, Global Sector	1,508,264	1,608,885	25% Calendar	3/31/2019	30
Newtyn TE Partners, LP [(b)]	Long/Short Equity, Value Hedge Fund, U.S. Sector	1,578,092	1,533,368	Annually - December	12/31/2019	184
Varadero International, Ltd. [(c)]	Credit Opportunities, Structured Credit, U.S. Sector	1,780,851	1,677,894	25% Calendar	9/30/2019	90
Elizabeth Park Capital Master Fund [(f)]	Long/short Equity, Sector-Specific Fund, Financials Sector, U.S. Sector	1,441,330	1,700,000	Monthly	12/31/2019	90
Venture Capital Funds						
Bain Capital Double Impact Fund, LP [(e)]	Hybrid Buyout and Growth Fund	371,213	163,771	None	n/a	n/a
Elevar Equity Fund IV, LP	Equity Investments, Specific Focus Investments in India and Latin America	193,986	-	None	n/a	n/a
Illumen Capital, LP	Fund of Funds, Equity Investments, Specific Focus Investments, Venture, Growth, Private Equity and Other 20% Emerging Markets, 80% Domestic	297,014	-	None	n/a	n/a
Impact America Fund II, LP	Equity Investments, Specific Focus Investments in low-moderate income communities	121,129	-	None	n/a	n/a
Material Impact Fund I, LP [(e)]	Equity Investments, Specific Focus Investments	287,720	345,000	None	n/a	n/a
Owl Ventures II, LP [(e)]	Technology and Tech-enabled Services Investments	587,895	355,627	None	n/a	n/a
SJF Ventures IV, LP [(e)]	Diversified, Expansion Stage Venture Investments	520,278	154,384	None	n/a	n/a
Total		$ 23,064,073	$ 24,030,693			

[(a)] Liquidity is partially subject to a soft lock-up period of 12 months, with no months remaining at December 31, 2018.
[(b)] Liquidity was subject to a hard lock-up period of 12 months, which expired as of December 31, 2017.
[(c)] Liquidity is subject to a hard lock-up period of 36 months, with 8 months remaining at December 31, 2018.
[(d)] Liquidity is subject to a hard lock-up period of 24 months, which expired in September 2018.
[(e)] Withdrawal permitted only if certain conditions are present, as specified in the related partnership agreement.
[(f)] Liquidity is subject to a hard lock-up period of 24 months, with 12 months remaining at December 31, 2018.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2018	2017
Office equipment and furnishings	$ 272,294	$ 256,646
Tenant improvements	315,431	122,625
Computer software and hardware	53,961	109,012
	641,686	488,283
Less accumulated depreciation and amortization	(303,591)	(410,936)
Property and equipment, net	$ 338,095	$ 77,347

NOTE 7: GRANTS PAYABLE

Amounts reported as grants payable in the 2018 statement of financial position totaling $1,142,837 are all due to be paid during the year ended December 31, 2019.

NOTE 8: EMPLOYEE BENEFIT PLAN

The Foundation provides a defined contribution retirement plan pursuant to section 403(b) of the Internal Revenue Code (the 403(b) plan) and a supplemental retirement annuity plan (SRA) to all employees. The Foundation contributes to the 403(b) plan an amount equal to 5% of each employee’s salary for each pay period, regardless of whether or not the employee is making salary deferrals. Employees may defer any amount from 2% to 6% of earnings, and the Foundation will match 100% of employee contributions up to 6% of earnings. Employees may choose to make contributions over 6% into the SRA, subject to maximum amounts imposed by the Internal Revenue Code. During the years ended December 31, 2018 and 2017, the Foundation’s retirement expense totaled $151,477 and $156,419, respectively.

NOTE 9: EXCISE TAXES AND DISTRIBUTION REQUIREMENTS

The Foundation is subject to a 2% excise tax on its taxable investment income, which includes income from investments plus net realizable gains. The Foundation reported excise tax (benefit) expense totaling ($13,533) and $166,042 during the years ended December 31, 2018 and 2017, respectively.

NOTE 9: EXCISE TAXES AND DISTRIBUTION REQUIREMENTS (Continued)

The Internal Revenue Code provides for additional taxes, which may be imposed upon private foundations for failure to make qualifying distributions equal to minimum investment return reduced by excise taxes within the year of receipt and the succeeding taxable year. Minimum investment return is equal to 5% of the aggregate fair market value of assets not directly used in carrying out the organization's exempt purpose. The additional taxes are 30% of the undistributed minimum investment return and 100% of such minimum investment return if it is not distributed by the earlier of the date of mailing a notice of deficiency with respect to the 30% tax or the date on which the 30% tax is assessed.

The Foundation anticipates making the required distributions in the time frame necessary to avoid additional taxes. As of January 1, 2018, the Foundation made qualifying distributions in excess of the required distributable amount, resulting in an excess distribution carryover of $5,499,318 with $1,847,793 expiring in 2020, $1,698,611 expiring in 2021 and $1,952,914 expiring in 2022. The Foundation is currently assessing the qualifying distribution made during the year ended December 2018 to determine the amount of excess contributions made or the use of any distribution carryovers. The Foundation does not anticipate any tax liability related to the minimum distribution requirements.

NOTE 10: LEASE AGREEMENTS

The Foundation leases its office space under an operating lease agreement. The original lease was initially scheduled to expire in 2019, and included an option to renew the lease for two additional five-year periods. Effective August 1, 2018, the Foundation renegotiated the terms and executed an extension of the lease for an additional ten-year period.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2018:

2019	$ 97,673
2020	113,684
2021	115,958
2022	118,277
2023	81,631
2024-2028	584,244
	$ 1,111,467

Rent expense for the years ended December 31, 2018 and 2017 totaled $110,244 and $109,344, respectively.

The Winthrop Rockefeller Foundation

NOTE 11: RELATED PARTIES

Certain Foundation employees and members of the Foundation's Board of Directors serve on the boards of or are employed by organizations that receive grants from the Foundation. The Foundation has implemented policies to ensure that the approval or denial of grant requests is in no way directly influenced by individual Foundation employees or individual members of the Foundation's Board of Directors who have affiliations with those entities requesting consideration for award. The Foundation awarded grants of $507,100 and $2,811,493 and made grant payments of $921,272 and $1,841,493 to such entities during the years ended December 31, 2018 and 2017, respectively.

NOTE 12: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Foundation's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of the balance sheet date.

Financial assets, at December 31, 2018	$130,445,934
Less those unavailable for general expenditures within one year:	
Prepaid federal excise tax included in acccrued interest receivable and other assets	(74,129)
Program-related investments not readily convertible to cash	(7,535,605)
Mission-related investments not readily convertible to cash	(1,385,223)
Financial assets available to meet cash needs for general expenditures within one year	$121,450,977

The operations of the Foundation are primarily funded by income generated through its investment portfolio. Grants from the Trust were available to support operations and were not restricted as to purpose or time. As indicated in Note 5(c) to the financial statements, certain investments have restrictions on liquidity. As part of its liquidity management practices, the Foundation has a policy to maintain a minimum balance equal to the amount necessary to meet one month's general expenditures and liabilities in a local depository institution. As a practical matter, the Foundation usually transfers three to four months' estimated cash requirements from the investment portfolio to the operating cash accounts when cash balances fall to roughly one month's needs. The Foundation does not have a line of credit, as more than 30% of the investment portfolio could be liquidated within one business day, and an additional 28% would be available within three business days.

NOTE 13: FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

The Foundation's functional expenses by natural classification are as follows for the year ended December 31, 2018.

	Program Activities	Supporting Activities	Total Expenses
Grants	$ 1,181,357	$ -	$ 1,181,357
Consulting fees and expense reimbursements:			
Grantee technical assistance and leadership development	151,568	-	151,568
Knowledge and strategy development	243,383	-	243,383
Outcome assessment	10,626	-	10,626
Grant related conferences and meetings	27,300	-	27,300
Publications	4,583	-	4,583
Communications	154,345	-	154,345
Annual report	77,196	-	77,196
Website	22,640	-	22,640
Salaries and employee benefits	1,038,755	783,020	1,821,775
Professional fees	8,167	74,803	82,970
Travel expenses	62,550	76,679	139,229
Professional development	28,010	29,417	57,427
Occupancy	96,653	124,344	220,997
Insurance	-	9,025	9,025
Information technology expenses	23,350	50,970	74,320
Memberships	78,019	6,395	84,414
Office expenses	14,539	15,718	30,257
Unrelated business income tax	1,607	-	1,607
TOTAL EXPENSES	$ 3,224,648	$ 1,170,371	$ 4,395,019

NOTE 14: SUBSEQUENT EVENTS

The Foundation has evaluated events that occurred after December 31, 2018, but prior to June 7, 2019, the date the financial statements were available to be issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements as of and for the year ended December 31, 2018.