THE WINTHROP
ROCKEFELLER FOUNDATION

Financial Statements for the
Years Ended December 31, 2012 and 2011,
with Independent Auditors' Report

THE WINTHROP ROCKEFELLER FOUNDATION

TABLE OF CONTENTS

JPMS | COX
ACCOUNTANTS & CONSULTANTS

11300 CANTRELL ROAD • SUITE 301 • LITTLE ROCK, ARKANSAS 72212
PHONE: (501) 227-5800 • FAX: (501) 227-5851 • WEB: WWW.JPMSCOX.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Winthrop Rockefeller Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of The Winthrop Rockefeller Foundation which comprise the balance sheets as of December 31, 2012 and 2011, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Winthrop Rockefeller Foundation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

JPMS Cox, PLLC

May 15, 2013

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENTS OF FINANCIAL POSITION, DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
Cash and cash equivalents	$ 13,974,331	$ 4,074,951
Certificate of deposit	250,010	250,010
Contributions receivable	22,250	197,250
Investment securities	113,162,871	115,580,548
Accrued interest receivable and other assets	183,986	188,007
Program related investments	4,984,000	5,131,934
Property and equipment, net	245,035	314,589
TOTAL ASSETS	$132,822,483	$125,737,289

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES:		
Accounts payable	$ 112,532	$ 38,117
Grants payable	2,215,314	4,141,511
Other liabilities	147,675	145,726
Total liabilities	2,475,521	4,325,354
NET ASSETS:		
Unrestricted	130,346,962	121,061,935
Temporarily restricted	–	350,000
Total net assets	130,346,962	121,411,935
TOTAL LIABILITIES AND NET ASSETS	$132,822,483	$125,737,289

See Notes to Financial Statements.

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES AND GAINS (LOSSES):			
Grants and contributions	$ (138,762)	$ –	$ (138,762)
Investment return	14,772,037	–	14,772,037
Other income	109,287	–	109,287
Net assets released from restrictions	350,000	(350,000)	–
Total revenues and gains (losses)	15,092,562	(350,000)	14,742,562
EXPENSES:			
Program services:			
Grants	2,633,175	–	2,633,175
Program administration	1,212,255	–	1,212,255
Total program service expenses	3,845,430	–	3,845,430
Supporting activities:			
Investment management expense	714,708	–	714,708
Federal excise tax	155,351	–	155,351
General administration	1,092,046	–	1,092,046
Total supporting activity expenses	1,962,105	–	1,962,105
Total expenses	5,807,535	–	5,807,535
INCREASE (DECREASE) IN NET ASSETS	9,285,027	(350,000)	8,935,027
NET ASSETS, BEGINNING OF YEAR	121,061,935	350,000	121,411,935
NET ASSETS, END OF YEAR	$130,346,962	$ –	$130,346,962

See Notes to Financial Statements.

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011 (continued)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES AND GAINS (LOSSES):			
Grants and contributions	$ 89,000	$ 350,000	$ 439,000
Investment return	(338,836)	–	(338,836)
Impairment loss on program related investments	(339,018)	–	(339,018)
Other income	4,485	–	4,485
Net assets released from restrictions	19,845	(19,845)	–
Total revenues and gains (losses)	(564,524)	330,155	(234,369)
EXPENSES:			
Program services:			
Grants	4,054,692	–	4,054,692
Program administration	897,391	–	897,391
Total program service expenses	4,952,083	–	4,952,083
Supporting activities:			
Investment management expense	734,280	–	734,280
Federal excise tax	135,018	–	135,018
General administration	1,135,059	–	1,135,059
Total supporting activity expenses	2,004,357	–	2,004,357
Total expenses	6,956,440	–	6,956,440
INCREASE (DECREASE) IN NET ASSETS	(7,520,964)	330,155	(7,190,809)
NET ASSETS, BEGINNING OF YEAR	128,582,899	19,845	128,602,744
NET ASSETS, END OF YEAR	$121,061,935	$ 350,000	$121,411,935

See Notes to Financial Statements.

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 8,935,027	$ (7,190,809)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	77,620	79,416
Net realized and unrealized loss (gain) on securities	(12,022,365)	2,944,617
Impairment loss on program related investments	–	339,018
Change in operating assets and liabilities:		
Contributions receivable	175,000	(175,000)
Accrued interest receivable and other assets	4,021	(11,923)
Accounts payable	74,415	8,726
Grants payable	(1,926,197)	(1,597,141)
Other liabilities	1,949	(45,267)
Net cash used in operating activities	(4,680,530)	(5,648,363)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(49,361,416)	(58,684,119)
Proceeds from sale of investment securities and principal pay downs	63,801,458	64,488,992
Investment in program related investments	–	(175,000)
Proceeds from program related investments	147,934	133,885
Purchase of fixed assets	(8,066)	(10,393)
Net cash provided by investing activities	14,579,910	5,753,365
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,899,380	105,002
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,074,951	3,969,949
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 13,974,331	$ 4,074,951

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 2012 AND 2011

1. ORGANIZATION

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 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 $25,550,000 as of December 31, 2012 and 2011 from the trust under the will of Winthrop Rockefeller (the "Trust") in order to grow the long-term assets of the Foundation. Separate grants are provided by the Trust to support the current operations of the Foundation.

The Foundation's vision is Arkansas as a state where economic, racial, and social justice is universally valued and practiced. For over 35 years, the Winthrop Rockefeller Foundation has worked to make a difference by helping to build and sustain the organizations that serve and strengthen Arkansas. In 2008, the Foundation adopted Moving the Needle, a strategic plan that further refined their mission to include four specific goals that would guide their work through the year 2013. Through grant making and strategic partnerships, the Foundation works to help close the economic and educational gaps that leave too many Arkansas families in persistent poverty. The needle can and must move from poverty to prosperity for all Arkansans.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains bank deposit accounts at levels in excess of the FDIC insured limit. Management believes that its policies are adequate to minimize potential credit risk.

Investment Securities – The Foundation carries its investments at fair value determined primarily by quoted prices on the last day of the year. Changes in fair values are included in investment return and are recorded in the period in which they occur. Gains or losses on sales of investments are recognized on the transaction trade dates and are included in investment return in the statement of activities. Investment return includes dividends, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Program Related Investments – Debt or equity investments in closely held entities whose purpose is to assist in relieving poverty, creating jobs, or revitalizing the economy are classified as program related investments in the statement of financial position. These investments are carried at cost, as no readily determinable fair value is available and a reasonable estimate of fair value could not be made without incurring excessive costs. Program related investments are evaluated annually for impairment. The carrying amounts of the investments are reduced by the amount of the impairment.

Property and Equipment – Property and equipment are recorded at 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.

Net Assets Classification – The Foundation classifies net assets as follows:

Unrestricted net assets – Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations. However, donor-restricted contributions whose restrictions are met in the same reporting period are reported as increases in unrestricted net assets.

Temporarily restricted net assets – Net assets are classified as temporarily restricted if they are subject to donor-imposed stipulations that will be met either by action of the Foundation and/or the passage of time.

Allocation of Administration Expenses – The administrative staff of the Foundation spends their time working on various charitable programs and supporting activities. The staff salaries, other compensation-related expenses, and certain other expenses are charged directly to the various functional classifications on the basis of time spent and expenses incurred in support of these functions.

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. However, the Foundation's net investment income is subject to excise taxes.

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes included in the *Income Taxes* topic of the Financial Accounting Standards Codification issued by the Financial Accounting Standards Board (the "Codification"). Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the United States federal, state, or local tax authorities for years before 2009.

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 grants which have not been funded as of the balance sheet date are recorded in grants payable. During 2012, a donor restricted contribution received in 2011 was returned to the donor, resulting in negative total grant revenue for the year ended December 31, 2012.

Fair Value of Financial Instruments – The estimated fair values of the Foundation's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events – The Foundation has evaluated events that occurred after December 31, 2012, but prior to May 15, 2013, the date the financial statements were issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements for the year ended December 31, 2012.

2. INVESTMENT SECURITIES

Investment securities at estimated fair value are as follows as of December 31:

	2012	2011
Common stock	$ 37,513,816	$ 50,466,093
Domestic mutual fund	15,351,937	8,355,777
International mutual funds	21,762,584	19,490,423
International global real-estate fund	6,293,832	5,880,213
Domestic bond mutual fund	10,325,798	9,812,359
Municipal bond fund	12,054,231	11,886,540
Government agency mutual fund	9,860,673	9,689,143
Total	$113,162,871	$115,580,548

Investment return (loss) consisted of the following for the years ended December 31:

	2012	2011
Interest and dividend income	$ 2,749,672	$ 2,605,781
Net realized and unrealized gain (loss) on investment securities	12,022,365	(2,944,617)
Total	$ 14,772,037	$ (338,836)

3. PROGRAM RELATED INVESTMENTS

At December 31, 2012 and 2011, the program related investment balance included funds invested in entities whose primary activities include promoting entrepreneurship and strengthening local economies in Arkansas. These entities and the related investment amounts are as follows:

	2012	2011
(A) Southern Bancorp, Inc.:		
Common stock, voting	$ 700,000	$ 700,000
Common stock, nonvoting	3,705,000	3,705,000
Total	4,405,000	4,405,000
(B) Diamond State Ventures II	326,934	451,934
(C) alt.Consulting, note receivable	72,970	75,000
(D) Financing Ozarks Rural Growth and Economy, note receivable	179,096	200,000
(E) Fund for Arkansas' Future	–	–
Total program related investments	$4,984,000	$5,131,934

(A) Southern Bancorp, Inc. – Southern Bancorp, Inc. is a bank holding company established for the purpose of conducting rural economic development activities in Arkansas.

(B) Diamond State Ventures II ("Diamond") – Diamond 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.

(C) alt.Consulting – alt.Consulting supports small business owners in the Arkansas Delta by providing loans to encourage small business creation and growth.

The note receivable bears no interest for the first year and interest at one year LIBOR plus 1% thereafter, receivable in quarterly principal and interest payments beginning December 1, 2012, with all unpaid principal and accrued interest due October 1, 2021.

(D) Financing Ozarks Rural Growth and Economy ("FORGE") – FORGE is a community based revolving loan fund established to help build sustainable small communities.

The note receivable bears no interest for the first year and interest at LIBOR plus 1% thereafter, receivable in quarterly principal and interest payments beginning March 1, 2012, with all unpaid principal and accrued interest due December 1, 2020.

(E) Fund for Arkansas' Future ("Fund") – The Fund is a venture capital group established for the purpose of developing Arkansas entrepreneurship.

During the year ended December 31, 2011, the Foundation reduced the carrying value by $289,928 due to a permanent decline in value.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements – The Foundation accounts for investment securities in accordance with the *Fair Value Measurements and Disclosures* topic of the Codification. This topic provides a framework for measuring fair value under accounting principles generally accepted in the United States of America and applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the *Fair Value Measurements and Disclosures* topic, 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. In determining fair value, the Foundation uses various methods including market, income, and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques 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.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuation methodology utilizes inputs other than quotes prices included with Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities 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 liability, or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset or liability has a specified (contractual) term, the input must be observable for substantially the full term of the asset or liability.

- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and 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 or liabilities.

For the years ended December 31, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

Investment Securities – The fair value of investment securities is the market value based on quoted market prices, when available, or the net asset value of the fund. For the years ended December 31, 2012 and 2011, investment securities held by the Foundation are classified as Level 1 and Level 2 securities.

Fair Value on a Recurring Basis

The balances of assets measured at fair value on a recurring basis are as follows as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Common stock	$37,513,816	$ –	$ –	$ 37,513,816
Domestic mutual fund	–	15,351,937	–	15,351,937
International mutual funds	21,762,584	–	–	21,762,584
International global real-estate fund	6,293,832	–	–	6,293,832
Domestic bond mutual fund	10,325,798	–	–	10,325,798
Municipal bond fund	12,054,231	–	–	12,054,231
Government agency mutual fund	–	9,860,673	–	9,860,673
Total	$87,950,261	$25,212,610	$ –	$113,162,871

The balances of assets measured at fair value on a recurring basis are as follows as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Common stock	$50,466,093	$ –	$ –	$ 50,466,093
Domestic mutual fund	–	8,355,777	–	8,355,777
International mutual funds	19,490,423	–	–	19,490,423
International global real-estate trusts	5,880,213	–	–	5,880,213
Domestic bond mutual funds	9,812,359	–	–	9,812,359
Municipal bond funds	11,886,540	–	–	11,886,540
Government agency mutual funds	–	9,689,143	–	9,689,143
Total	$97,535,628	$18,044,920	$ –	$115,580,548

Investment securities shown above as Level 2 investments are comprised of investments in commingled funds. The commingled funds invest in domestic equities and domestic fixed income securities. The fair values of the investments in the Level 2 category have been estimated using the net asset value per share of the investments, which is based on the underlying investments of the funds.

5. PROPERTY AND EQUIPMENT

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

	2012	2011
Office equipment and furnishings	$ 244,812	$ 239,859
Tenant improvements	100,291	100,291
Computer software and hardware	85,095	85,401
Website	71,584	71,584
	501,782	497,135
Less accumulated depreciation and amortization	(256,747)	(182,546)
Property and equipment, net	$ 245,035	$ 314,589

6. GRANTS PAYABLE

Grants payable are due to be paid for years subsequent to December 31, 2012, as follows:

2013	$1,820,389
2014	394,925
Total	$2,215,314

7. EMPLOYEE BENEFIT PLAN

Under the Winthrop Rockefeller Foundation Retirement Plan (the "Plan"), all employees are eligible to participate in the Plan and can contribute up to the maximum percentage of compensation allowed by the Internal Revenue Code with the Foundation matching 100% of the first 6% of compensation contributed by each participant. Additionally, the Foundation contributes 5% of each participant's compensation to the Plan. Such contributions are invested in variable life tax-sheltered annuities. The amount contributed to the Plan by the Foundation totaled $91,895 and $93,825 for the years ended December 31, 2012 and 2011, respectively.

8. DISTRIBUTION REQUIREMENT

The Internal Revenue Code provides for additional taxes, which may be imposed upon a private foundation, such as the Foundation, if it fails to make qualifying distributions equal to its 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 all of the Foundation's assets not directly used in carrying out the Foundation'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 December 31, 2012, the Foundation has made qualifying distributions in excess of the required distributable amount, resulting in excess distribution carryover of $7,761,929 with $2,717,413 expiring in 2013, $2,272,839 expiring in 2014, $1,380,544 expiring in 2015, and $1,391,133 expiring in 2016. The Foundation is currently assessing the qualifying distributions made during the year ended December 31, 2012 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.

9. LEASE AGREEMENTS

In September 2008, the Foundation entered into an operating lease agreement for office facilities from which to conduct its operations. These facilities are leased under a ten year operating lease expiring in 2019. There is an option to renew the lease for two additional five year periods at an increased monthly rental.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2012:

2013	$105,916
2014	109,575
2015	113,404
2016	117,354
2017	123,052
Thereafter	138,191
Total	$707,492

10. RELATED PARTIES

Certain Foundation employees and members of the Foundation's board of directors serve on the boards of or are employed by grantees of the Foundation. The Foundation awarded grants of $378,200 and $1,204,500 and made grant payments of $1,449,668 and $2,602,235 during the years ended December 31, 2012 and 2011, respectively, to grantees which had employees or members of the Foundation's board of directors serving as employees or directors.

The Foundation received operating support grants from the Trust of $89,000 in 2012 and 2011. Operating support grant receipts were expended for operations in the year received.