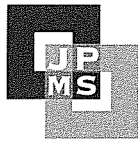


THE WINTHROP ROCKEFELLER FOUNDATION

*Financial Statements for the
Years Ended December 31, 2009 and 2008,
with Independent Auditors' Report*

THE WINTHROP ROCKEFELLER FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Winthrop Rockefeller Foundation:

We have audited the accompanying statements of financial position of The Winthrop Rockefeller Foundation (the "Foundation") as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Winthrop Rockefeller Foundation for the year ended December 31, 2008, were audited by other auditors whose report dated, May 21, 2009, expressed an unqualified opinion on these statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

JPMS Cox, PLLC

June 1, 2010

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENTS OF FINANCIAL POSITION, DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,136,159	\$ 5,561,602
Certificate of deposit	250,010	-
Contributions receivable	22,250	-
Refundable excise taxes	-	205,690
Investment securities	115,983,796	97,589,756
Accrued interest receivable	<u>177,615</u>	<u>270,642</u>
Total current assets	120,569,830	103,627,690
PROPERTY AND EQUIPMENT, NET	339,197	111,725
OTHER ASSETS:		
Program related investments	5,360,043	5,485,129
Other assets	<u>36,176</u>	<u>178,197</u>
Total other assets	<u>5,396,219</u>	<u>5,663,326</u>
TOTAL ASSETS	<u>\$126,305,246</u>	<u>\$109,402,741</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 34,560	\$ 60,281
Grants payable	8,340,761	11,903,768
Other current liabilities	<u>143,858</u>	<u>144,014</u>
Total current liabilities	<u>8,519,179</u>	<u>12,108,063</u>

NET ASSETS:

Unrestricted	117,758,375	97,294,678
Temporarily restricted	<u>27,692</u>	<u>-</u>
Total net assets	<u>117,786,067</u>	<u>97,294,678</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$126,305,246</u>	<u>\$109,402,741</u>
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See Notes to Financial Statements.

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>			<u>2008</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>
REVENUES AND GAINS (LOSSES):				
Grants and contributions	\$ 178,000	\$32,900	\$ 210,900	\$ 333,750
Investment return (loss)	25,596,105	—	25,596,105	(35,863,323)
Impairment loss on program related investments	(71,421)	—	(71,421)	(63,680)
Gain on sale of fixed assets	—	—	—	137,033
Net assets released from restrictions	5,208	(5,208)	—	—
Total revenues and gains (losses)	<u>25,707,892</u>	<u>27,692</u>	<u>25,735,584</u>	<u>(35,456,220)</u>
EXPENSES:				
Program services:				
Grants	2,460,262	—	2,460,262	1,976,471
Program administration	948,851	—	948,851	1,163,458
Total program service expenses	<u>3,409,113</u>	<u>—</u>	<u>3,409,113</u>	<u>3,139,929</u>
Supporting activities:				
Investment management expense	679,657	—	679,657	704,859
Federal excise tax	21,640	—	21,640	81,334
General administration	1,133,785	—	1,133,785	1,166,838
Total supporting activity expenses	<u>1,835,082</u>	<u>—</u>	<u>1,835,082</u>	<u>1,953,031</u>
Total expenses	<u>5,244,195</u>	<u>—</u>	<u>5,244,195</u>	<u>5,092,960</u>
INCREASE (DECREASE) IN NET ASSETS	20,463,687	27,692	20,491,389	(40,549,180)
NET ASSETS, BEGINNING OF YEAR	<u>97,294,678</u>	<u>—</u>	<u>97,294,678</u>	<u>137,843,858</u>
NET ASSETS, END OF YEAR	<u>\$117,758,375</u>	<u>\$27,692</u>	<u>\$117,786,067</u>	<u>\$ 97,294,678</u>

See Notes to Financial Statements.

THE WINTHROP ROCKEFELLER FOUNDATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 20,491,389	\$(40,549,180)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	50,301	31,555
Net realized and unrealized loss (gain) on marketable securities	(22,679,679)	39,364,019
Impairment loss on program related investments	71,421	63,680
Gain on sale of fixed assets	—	(137,033)
Change in:		
Refundable excise taxes	183,440	(205,690)
Accrued interest receivable	93,027	(4,596)
Other assets	142,021	(164,983)
Accounts payable	(25,721)	32,125
Grants payable	(3,563,007)	(5,273,957)
Other current liabilities	(156)	(278,462)
Net cash used in operating activities	<u>(5,236,964)</u>	<u>(7,122,522)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(277,773)	(95,378)
Proceeds from sale of fixed assets	—	189,237
Purchase of certificate of deposit	(250,010)	—
Purchases of marketable securities	(45,823,374)	(63,487,752)
Proceeds from sale of investment securities and principal pay downs	50,109,013	71,578,854
Investment in program related investments	(75,000)	—
Proceeds from program related investments	128,665	126,122
Net cash provided by investing activities	<u>3,811,521</u>	<u>8,311,083</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,425,443)	1,188,561
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,561,602</u>	<u>4,373,041</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,136,159</u>	<u>\$ 5,561,602</u>

See Notes to Financial Statements.

THE WINTHROP ROCKEFELLER FOUNDATION

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 2009 AND 2008

1. ORGANIZATION

The Winthrop Rockefeller Foundation (the “Foundation”) is a private, not-for-profit foundation 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, 2009 and 2008 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. By using its resources to support and strengthen organizations that build and sustain strong communities, the Foundation carries out its missions of education, economic development, and economic, racial, and social justice.

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.

Investment Securities – The Foundation carries its investments at fair value determined primarily by quoted prices. Changes in fair values are included in unrealized gains (losses) 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 included in investment return (loss) in the statement of activities.

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 may or 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 its time working on various charitable programs and supporting activities. The staff's 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 issued new guidance on accounting for uncertainty in income taxes included in the *Income Taxes* topic of the Financial Accounting Standards Codification ("Codification"). The Foundation adopted this new guidance for the year ended December 31, 2009. 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 U.S. federal, state, or local tax authorities for years before 2006.

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 are recorded in grants payable.

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.

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.

Reclassifications – Certain amounts in the 2008 financial statements have been reclassified in order to conform to the 2009 presentation.

Subsequent Events – The Foundation has evaluated events that occurred after December 31, 2009, but prior to June 1, 2010, 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 period ended December 31, 2009.

2. INVESTMENT SECURITIES

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

	<u>2009</u>	<u>2008</u>
Equity securities	\$ 54,990,821	\$39,877,565
Domestic mutual funds	9,396,446	7,091,977
International mutual funds	11,637,824	9,043,702
International global real-estate trusts	5,937,324	4,348,151
Domestic debt mutual funds	<u>34,021,381</u>	<u>37,228,361</u>
Total	<u>\$115,983,796</u>	<u>\$97,589,756</u>

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

	<u>2009</u>	<u>2008</u>
Interest and dividend income	\$ 2,904,048	\$3,500,559
Net realized and unrealized gain on marketable securities	<u>22,679,679</u>	<u>(39,364,019)</u>
Total	<u>\$25,583,727</u>	<u>\$(35,863,460)</u>

3. PROGRAM RELATED INVESTMENTS

At December 31, 2009 and 2008, the program related investment balance includes 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:

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

	<u>2009</u>	<u>2008</u>
Voting common stock	\$ 700,000	\$ 700,000
Nonvoting common stock	<u>3,705,000</u>	<u>3,705,000</u>
Total	<u>\$4,405,000</u>	<u>\$4,405,000</u>

Southern Bancorp Capital Partners (formerly Southern Financial Partners) – Southern Bancorp Capital Partners is a nonprofit entity established for the purpose of economic and community development in rural, disadvantaged areas of Arkansas and Mississippi.

	<u>2009</u>	<u>2008</u>
Note receivable with interest at 2%, receivable in quarterly principal and interest payments of \$33,895, with all unpaid principal and accrued interest due December 1, 2011	\$265,144	\$393,809

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

	<u>2009</u>	<u>2008</u>
Investment in Fund	\$237,965	\$212,413

During the years ended December 31, 2009 and 2008, the Foundation reduced the carrying value by \$49,448 and \$37,587, respectively, due to a permanent decline in value. The Foundation also contributed capital of \$75,000 to the Fund during the year ended December 31, 2009.

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.

	<u>2009</u>	<u>2008</u>
Investment in Fund	\$451,934	\$473,907

During the years ended December 31, 2009 and 2008, the Foundation reduced the carrying value by \$21,973 and \$26,093, respectively, due to a permanent decline in value.

	<u>2009</u>	<u>2008</u>
Total program related investments	\$5,360,043	\$5,485,129

4. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Office equipment and furnishings	\$ 250,857	\$111,455
Tenant improvements	100,291	–
Computer software and hardware	<u>99,607</u>	<u>64,085</u>
	450,755	175,540
Less accumulated depreciation and amortization	<u>(111,558)</u>	<u>(63,815)</u>
Total	<u>\$ 339,197</u>	<u>\$111,725</u>

5. GRANTS PAYABLE

Grants payable are due to be paid for years subsequent to December 31, 2009, as follows:

2010	\$4,106,814
2011	2,980,079
2012	<u>1,253,868</u>
Total	<u>\$8,340,761</u>

6. RELATED PARTIES

Certain of the Foundation's employees and members of the Foundation's Board of Directors serve on the boards of or are employed by various grantees. The Foundation awarded grants of \$122,350 and \$520,500 during the years ended December 31, 2009 and 2008, respectively, to grantees which had relationships with employees or members of the Foundation's Board of Directors.

The Foundation received operating support grants from the Trust of \$178,000 and \$333,750 in 2009 and 2008, respectively. Operating support grant receipts were expended for operations in the year received.

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 \$73,461 and \$80,144 for the years ended December 31, 2009 and 2008, respectively.

8. DISTRIBUTION REQUIREMENT

The Internal Revenue Code of 1986, as amended, 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, 2008, the Foundation has made qualifying distributions in excess of the required distributable amount, resulting in excess distribution carryover of \$3,298,216, with \$61,490 expiring in 2009, \$519,313 expiring in 2012, and \$2,717,413 expiring in 2013. The Foundation is currently assessing the qualifying distributions made during the year ended December 31, 2009 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. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements – Effective January 1, 2008, the Foundation adopted Statement No. 157, *Fair Value Measurements*, which is now included in the *Fair Value Measurements and Disclosures* topic of the Codification. This topic provides a framework for measuring fair value under generally accepted accounting principles 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, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

- 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, 2009 and 2008, 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 market prices provided by recognized broker dealers. For the years ended December 31, 2009 and 2008, securities held by the Foundation are classified as Level 1 and Level 2 securities.

Certificate of Deposit – This investment is carried at face value, which approximates fair value of the investment.

Fair Value on a Recurring Basis

The balances of assets measured at fair value on a recurring basis for the years ended December 31, 2009 and 2008, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2009				
Assets:				
Investment securities	\$89,746,716	\$26,237,080	\$ –	\$115,983,796
Certificates of deposit	<u>250,010</u>	<u>–</u>	<u>–</u>	<u>250,010</u>
Total	<u>\$89,996,726</u>	<u>\$26,237,080</u>	<u>\$ –</u>	<u>\$116,233,806</u>
December 31, 2008				
Assets:				
Investment securities	<u>\$67,493,922</u>	<u>\$30,095,834</u>	<u>\$ –</u>	<u>\$ 97,589,756</u>

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. Redemptions other than rebalancing requests are restricted on the commingled fund invested in domestic fixed income securities,

which accounts for 64% of the value of the Level 2 investments. Two redemption requests are allowed per month from this fund, each limited to the greater of 15% of the fund holdings or \$1,000,000. Each redemption request is also subject to approval by the commingled fund manager based on liquidity of the underlying investments. The Foundation has not requested any redemptions as of December 31, 2009 which were not fully approved and obtained.

10. 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 Foundation moved its operations to the new facilities in February 2009.

The following is a schedule of future minimum rental payments required under the above operating lease as of December 31, 2009:

2010	\$ 97,140
2011	100,066
2012	103,057
2013	106,178
2014	109,884
Thereafter	<u>482,838</u>
Total	<u>\$999,163</u>