



The Wenner-Gren Foundation

supporting worldwide research in all branches of anthropology

Financial Statements for 2012



*“Supporting worldwide research
in all branches of Anthropology”*

**The Wenner-Gren Foundation for
Anthropological Research, Inc.**

Financial Statements

December 31, 2012 and 2011

Independent Auditors' Report

**Board of Trustees
The Wenner-Gren Foundation for
Anthropological Research, Inc.**

We have audited the accompanying financial statements of the The Wenner-Gren Foundation for Anthropological Research, Inc. which comprise the statements of financial position 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wenner-Gren Foundation for Anthropological Research, Inc. as of December 31, 2012 and 2011, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor Davies, LLP

New York, New York
May 7, 2013

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Financial Position

	December 31,	
	2012	2011
ASSETS		
Cash	\$ 1,990,994	\$ 2,008,553
Accrued investment income receivable	26,589	7,710
Other receivables	615,138	8,923
Prepaid expense and deposits	392,521	232,256
Investments	159,783,003	152,997,648
Furniture, equipment, and leasehold improvements, net	158,688	214,312
	\$ 162,966,933	\$ 155,469,402
 LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,445,053	\$ 1,756,245
Accounts payable and accrued expenses	372,886	464,643
Post-retirement medical benefits obligation	462,519	323,331
Total Liabilities	2,280,458	2,544,219
Net assets, unrestricted	160,686,475	152,925,183
	\$ 162,966,933	\$ 155,469,402

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Activities

	Year Ended December 31,	
	2012	2011
INVESTMENT AND OTHER INCOME		
Interest and dividends	\$ 1,255,602	\$ 1,236,490
Realized and unrealized gain (loss) on investments	14,562,098	(9,021,467)
	15,817,700	(7,784,977)
Investment expenses	991,664	1,311,243
Net Investment Income (Loss)	14,826,036	(9,096,220)
Contributions	52,000	52,500
Other	3,494	58,816
Total Investment and Other Income (Loss)	14,881,530	(8,984,904)
EXPENSES		
Program		
Individual research grants	2,537,196	3,024,421
Capacity building and outreach (including grants and fellowships of \$1,766,773 and \$1,799,286)	2,129,293	2,202,560
Program support, planning and development	1,867,120	1,772,562
Total Program Expenses	6,533,609	6,999,543
Operations and governance	586,629	544,062
Total Expenses	7,120,238	7,543,605
Change in Net Assets	7,761,292	(16,528,509)
NET ASSETS		
Beginning of year	152,925,183	169,453,692
End of year	\$ 160,686,475	\$ 152,925,183

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Cash Flows

	Year Ended	
	December 31,	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,761,292	\$ (16,528,509)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	55,624	57,926
Realized and unrealized (gain) loss on investments	(14,562,098)	9,021,467
Changes in operating assets and liabilities		
Accrued investment income receivable	(18,879)	(1,707)
Other receivables	(606,215)	138,490
Due from broker	-	1,814,767
Prepaid expenses and deposits	(160,265)	8,042
Grants payable	(311,192)	(121,180)
Accounts payable and accrued expenses	(91,757)	165,925
Post-retirement medical benefits obligation	139,188	53,461
Net Cash from Operating Activities	<u>(7,794,302)</u>	<u>(5,391,318)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(6,550)
Purchase of investments	(10,722,286)	(44,411,775)
Proceeds from sales of investments and return of capital distributions	22,784,634	49,972,499
Change in short term investments	<u>(4,285,605)</u>	<u>1,831,309</u>
Net Cash from Investing Activities	<u>7,776,743</u>	<u>7,385,483</u>
Net Change in Cash and Cash Equivalents	(17,559)	1,994,165
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,008,553</u>	<u>14,388</u>
End of year	<u>\$ 1,990,994</u>	<u>\$ 2,008,553</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

1. Organization

The Wenner-Gren Foundation for Anthropological Research, Inc., (the "Foundation") supports research in all branches of anthropology throughout the world.

The Foundation has qualified as a charitable organization which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended; however, it pays unrelated business income tax on the income from certain limited partnerships. It is an exempt operating foundation as defined in Sections 509(a) and 4940(d)(2) of the Code. Its primary source of revenues is income from its investments.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Fair Value Measurements

The Foundation follows the Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of short-term investments with maturities of three months or less at the time of purchase, except for the short-term investments held by the Foundation as part of its long-term investment strategy.

Investments Valuation

Investments are stated at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment. FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein and their classification within Level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

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

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Investment Risks and Uncertainties

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

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

Furniture, Equipment, and Leasehold Improvements

The Foundation follows the practice of capitalizing all expenditures for furniture, office equipment, and leasehold improvements with a cost in excess of \$5,000. Furniture, equipment, and leasehold improvements are stated at cost. Furniture and equipment are depreciated on the straight-line method over their estimated useful lives of 3 to 10 years, leasehold improvements are amortized over the life of the lease.

Grants

Grants are recorded as an expense when approved by the President of the Foundation and the recipient is notified.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial recognition. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2009.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

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

Reclassification

Certain amounts from the 2011 financial statements were reclassified to conform to the 2012 presentation.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 7, 2013.

3. Fair Value Measurements

The following are major categories of investments measured at fair value categorized by the fair value hierarchy at December 31:

Description	2012			Total
	Level 1	Level 2	Level 3	
Short-term investments	\$16,735,737	\$ -	\$ -	\$ 16,735,737
Marketable Equities				
Energy	194,036	-	-	194,036
Materials	731,683	-	-	731,683
Industrial	1,180,151	-	-	1,180,151
Consumer	1,921,488	-	-	1,921,488
Healthcare	1,337,261	-	-	1,337,261
Information technology	2,038,538	-	-	2,038,538
International	512,722	-	-	512,722
Mutual Funds				
Emerging markets	12,453,936	-	-	12,453,936
Equities	9,715,997	-	-	9,715,997
International equities	11,648,280	9,021,478	-	20,669,758
Natural resources	5,102,474	-	-	5,102,474
Hedge Funds	-	14,503,869	42,234,242	56,738,111
Venture Capital/Fund of Funds	-	-	11,875,304	11,875,304
Private Equity	-	-	6,608,988	6,608,988
Distressed Securities Funds	-	-	4,411,200	4,411,200
Natural Resources Funds	-	-	3,336,277	3,336,277
Real Estate Funds	-	-	4,219,342	4,219,342
	<u>\$ 63,572,303</u>	<u>\$ 23,525,347</u>	<u>\$ 72,685,353</u>	<u>\$ 159,783,003</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

3. Fair Value Measurements (continued)

Description	2011			
	Level 1	Level 2	Level 3	Total
Short-term investments	\$12,450,132	\$ -	\$ -	\$ 12,450,132
Marketable Equities				
Energy	489,223	-	-	489,223
Materials	365,574	-	-	365,574
Industrial	718,629	-	-	718,629
Consumer	1,604,050	-	-	1,604,050
Healthcare	1,142,360	-	-	1,142,360
Financials	105,666	-	-	105,666
Information technology	1,751,839	-	-	1,751,839
International	511,369	-	-	511,369
Mutual Funds				
Emerging markets	10,315,664	-	-	10,315,664
Equities	8,674,812	-	-	8,674,812
International equities	9,952,387	7,629,609	-	17,581,996
Natural resources	4,790,109	-	-	4,790,109
Hedge Funds	-	17,602,809	46,854,958	64,457,767
Venture Capital/Fund of Funds	-	-	11,209,226	11,209,226
Private Equity	-	-	6,662,185	6,662,185
Distressed Securities Funds	-	-	5,443,623	5,443,623
Natural Resources Funds	-	-	1,729,699	1,729,699
Real Estate Funds	-	-	2,993,725	2,993,725
	<u>\$ 52,871,814</u>	<u>\$ 25,232,418</u>	<u>\$ 74,893,416</u>	<u>\$ 152,997,648</u>

The following is a reconciliation of the beginning and ending balances of Level 3 investments:

	2012					Balance December 31, 2012
	Balance January 1, 2012	Transfers in/(out)	Purchases	Sales	Total realized and unrealized gain/(loss)	
Hedge Funds	\$ 46,854,958	\$ -	\$ 180,021	\$ (8,417,948)	\$ 3,617,211	\$ 42,234,242
Venture Capital/Fund of Funds	11,209,226	-	1,457,317	(1,415,203)	623,964	11,875,304
Private Equity	6,662,185	-	398,106	(1,337,545)	886,242	6,608,988
Distressed Securities Funds	5,443,623	-	65,125	(1,975,194)	877,646	4,411,200
Natural Resources Funds	1,729,699	-	1,666,229	(91,780)	32,129	3,336,277
Real Estate Funds	<u>2,993,725</u>	-	<u>1,565,539</u>	<u>(431,704)</u>	<u>91,782</u>	<u>4,219,342</u>
Total	<u>\$ 74,893,416</u>	<u>\$ -</u>	<u>\$ 5,332,337</u>	<u>\$ (13,669,374)</u>	<u>\$ 6,128,974</u>	<u>\$ 72,685,353</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements December 31, 2012 and 2011

3. Fair Value Measurements *(continued)*

	2011					Balance December 31, 2011
	Balance January 1, 2011	Transfers in/(out)	Purchases	Sales	Total realized and unrealized gain/(loss)	
Hedge Funds	\$ 64,490,487	\$ (11,843,154)	16,241,435	(18,713,749)	(3,320,061)	\$ 46,854,958
Venture Capital/Fund of Funds	8,769,764	-	2,391,721	(1,418,795)	1,466,536	11,209,226
Private Equity	6,532,785	-	768,803	(1,632,834)	993,431	6,662,185
Distressed Securities Funds	5,656,846	-	46,364	(443,109)	183,522	5,443,623
Natural Resources Funds	1,348,166	-	598,071	(149,018)	(67,520)	1,729,699
Real Estate Funds	2,928,491	-	1,325,854	(920,942)	(339,678)	2,993,725
Total	<u>\$ 89,726,539</u>	<u>\$ (11,843,154)</u>	<u>\$ 21,372,248</u>	<u>\$ (23,278,447)</u>	<u>\$ (1,083,770)</u>	<u>\$ 74,893,416</u>

Unrealized gain (loss) on alternative investments held at year-end was \$6,131,912 and \$(6,199,909) for 2012 and 2011, respectively.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2012 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds see "a" below	\$ 56,738,111	\$ -	Monthly - N/A	20 - N/A
Venture capital/Fund of funds see "b" below	11,875,304	1,456,515	N/A *	N/A *
Private equity see "c" below	6,608,988	867,883	N/A *	N/A *
Distressed securities funds see "d" below	4,411,200	759,895	N/A *	N/A *
Natural resources funds see "e" below	3,336,277	2,631,052	N/A *	N/A *
Real estate funds see "f" below	<u>4,219,342</u>	<u>10,016,263</u>	N/A *	N/A *
Total	<u>\$ 87,189,222</u>	<u>\$ 15,731,608</u>		

* These investments are illiquid investments.

- a. This category includes hedge fund investments in long/short strategies in a variety of areas such as US and global equities, event-driven situations, distressed securities, and energy and natural resources securities. Most investments in this category can be redeemed on a quarterly basis. Investments representing approximately 40% of this category provide liquidity on an annual basis or are subject to acquisition lock-ups in excess of 12-months.
- b. This category includes venture capital/fund of funds investments primarily in early stage growth startup companies. These are long-term investments that cannot be redeemed at the discretion of the Foundation. Instead, distributions are received through the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 5 to 10 years.
- c. This category includes private equity investments in domestic and international equity securities, leveraged buy-outs and growth capital situations. These are long-term investments that cannot be redeemed at the discretion of the Foundation. Instead, distributions are received through the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 5 to 10 years.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

3. Fair Value Measurements (continued)

- d. This category includes private investments in credit and distressed securities and other special situations. These are long-term investments that cannot be redeemed at the discretion of the Foundation. Instead, distributions are received through the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 5 to 10 years.
- e. This category includes private investments in the energy and natural resources sector. These are long-term investments that cannot be redeemed at the discretion of the Foundation. Instead, distributions are received through the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 5 to 10 years.
- f. This category includes private real estate investments in land and commercial real estate properties throughout the United States. These are long-term investments that cannot be redeemed at the discretion of the Foundation. Instead, distributions are received through the liquidation of the underlying assets of the funds. Management has estimated that the underlying assets of the funds will be liquidated over 5 to 15 years.

4. Pension Plan

The Foundation has a defined contribution 401(k) retirement plan covering all full-time employees. Contributions are 10% of each participant's salary within the social security earnings base and 15.7% for salaries above the base subject to ceilings. Pension expense was \$147,788 in 2012 and \$141,606 in 2011.

5. Lease Commitment

The Foundation leases office space located at 470 Park Avenue South, New York City. Future minimum lease payments are as follows:

2013	\$ 381,417
2014	386,869
2015	392,321
2016	397,772
2017	403,224
2018	305,484
	<u>\$ 2,267,087</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

6. Furniture, Equipment, and Leasehold Improvements

At December 31, 2012 and 2011, furniture, equipment and leasehold improvements of the Foundation were as follows:

	<u>2012</u>	<u>2011</u>
Furniture and office equipment	\$ 428,809	\$ 428,809
Leasehold improvements	<u>318,875</u>	<u>318,875</u>
	747,684	747,684
Less: accumulated depreciation and amortization	<u>588,996</u>	<u>533,372</u>
	<u>\$ 158,688</u>	<u>\$ 214,312</u>

7. Post-Retirement Medical Benefits Obligation

The Foundation provides non-contributory post-retirement medical benefits to senior management and long-serving staff. To qualify for post-retirement medical benefits employees must be eligible for Medicare and meet years of service requirements. The Foundation will pay an annual maximum of \$1,100 towards either the cost of Medicare B coverage or supplemental Medicare coverage. The annual dollar maximum is waived for persons who served as senior management. The Foundation funds its postretirement benefits costs on a pay as you go basis.

The accumulated post-retirement medical benefit obligation at December 31 is as follows:

	<u>2012</u>	<u>2011</u>
Retirees	\$ 110,393	\$ 116,086
Active employees	<u>352,126</u>	<u>207,244</u>
	<u>\$ 462,519</u>	<u>\$ 323,330</u>

A 4.10% and 6% discount rate was used to determine benefit obligations at December 31, 2012 and 2011, respectively.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

7. Post-Retirement Medical Benefits Obligation (*continued*)

During the 2012 and 2011, the Foundation paid \$10,016 and \$10,046 for post-retirement medical benefits. The expected payments to be made over the next ten years are as follows:

2013	\$ 9,427
2014	8,992
2015	19,493
2016	18,948
2017	18,323
2018 to 2022	<u>85,447</u>
	<u>\$ 160,630</u>

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Supplementary Information

**The Wenner-Gren Foundation for
Anthropological Research, Inc.**

Schedule of Functional Expenses
Year Ended December 31, 2012
(with summarized financial information for 2011)

	Investment	Program Support, Planning and Development	Operations and Governance	2012	2011
Salaries	\$ 172,458	\$ 909,445	\$ 265,423	\$ 1,347,326	\$ 1,284,549
Payroll taxes	11,837	62,421	18,218	92,476	90,353
Employee benefits	64,154	338,315	98,738	501,207	399,883
Equipment purchases, repairs and maintenance	6,440	33,963	9,912	50,315	56,123
Office services purchased	7,928	41,805	12,201	61,934	75,837
Rent, electricity and office maintenance	57,915	305,413	89,136	452,464	435,995
Warehouse and storage	2,763	14,572	4,253	21,588	24,802
Travel and meetings	5,062	26,693	7,790	39,545	26,583
Staff expenses	622	3,282	958	4,862	3,589
Stationery and office supplies	2,518	13,279	3,876	19,673	9,789
Postage	21	109	32	162	35
Telecommunications and website	3,354	17,688	5,162	26,204	27,264
Insurance	3,139	16,551	4,830	24,520	22,868
Directly reported investment management fees	224,352	-	-	224,352	441,970
Investment consulting fee	223,319	-	-	223,319	235,822
Partnership interest expense	134,464	-	-	134,464	177,620
Unrelated business income tax and other	30,967	-	-	30,967	72,455
Bank custodian fees	19,298	-	-	19,298	26,022
Audit fee	-	-	41,175	41,175	38,289
Research library	362	1,909	557	2,828	2,547
Board of Trustees	8,538	17,075	8,538	34,151	39,216
Legal	3,938	-	3,186	7,124	31,817
Dues and memberships	529	2,792	815	4,136	4,850
Advisory council	-	21,278	-	21,278	28,084
Depreciation and amortization	7,120	37,546	10,958	55,624	57,926
Miscellaneous	566	2,984	871	4,421	13,579
Total	<u>\$ 991,664</u>	<u>\$ 1,867,120</u>	<u>\$ 586,629</u>	<u>\$ 3,445,413</u>	<u>\$ 3,627,867</u>