



The Wenner-Gren Foundation

supporting worldwide research in all branches of anthropology

# Financial Statements for 2013



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

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

Financial Statements

December 31, 2013 and 2012

## 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, 2013 and 2012, 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.

O'CONNOR DAVIES, LLP

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***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, 2013 and 2012, 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*

April 30, 2014

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

Statements of Financial Position

	December 31,	
	2013	2012
<b>ASSETS</b>		
Cash	\$ 475,680	\$ 1,990,994
Accrued investment income receivable	43,601	26,589
Other receivables	634,593	615,138
Prepaid expense and deposits	306,012	392,521
Investments	175,937,479	159,783,003
Furniture, equipment, and leasehold improvements, net	108,819	158,688
	<b>\$ 177,506,184</b>	<b>\$ 162,966,933</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable	\$ 1,563,837	\$ 1,445,053
Accounts payable and accrued expenses	345,975	372,886
Post-retirement medical benefits obligation	479,067	462,519
Total Liabilities	2,388,879	2,280,458
Net assets, unrestricted	175,117,305	160,686,475
	<b>\$ 177,506,184</b>	<b>\$ 162,966,933</b>

See notes to financial statements

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

Statements of Activities

	Year Ended December 31,	
	2013	2012
<b>INVESTMENT AND OTHER INCOME</b>		
Interest and dividends	\$ 1,301,920	\$ 1,255,602
Realized and unrealized gain on investments	21,513,019	14,562,098
	22,814,939	15,817,700
Investment expenses	1,004,483	991,664
Net Investment Income	21,810,456	14,826,036
Contributions	-	52,000
Other	4,059	3,494
Total Investment and Other Income	21,814,515	14,881,530
<b>EXPENSES</b>		
Program		
Individual research grants	2,811,242	2,537,196
Capacity building and outreach (including grants and fellowships of \$1,782,877 and \$1,766,773)	2,058,263	2,025,543
Program support, planning and development	1,907,837	1,970,870
Total Program Expenses	6,777,342	6,533,609
Operations and governance	606,343	586,629
Total Expenses	7,383,685	7,120,238
Change in Net Assets	14,430,830	7,761,292
<b>NET ASSETS</b>		
Beginning of year	160,686,475	152,925,183
End of year	\$ 175,117,305	\$ 160,686,475

See notes to financial statements

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

Statements of Cash Flows

	Year Ended December 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,430,830	\$ 7,761,292
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	49,869	55,624
Realized and unrealized gain on investments	(21,513,019)	(14,562,098)
Changes in operating assets and liabilities		
Accrued investment income receivable	(17,012)	(18,879)
Other receivables	(19,455)	(606,215)
Prepaid expenses and deposits	86,509	(160,265)
Grants payable	118,784	(311,192)
Accounts payable and accrued expenses	(26,911)	(91,757)
Post-retirement medical benefits obligation	16,548	139,188
Net Cash from Operating Activities	(6,873,857)	(7,794,302)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(23,487,307)	(10,722,286)
Proceeds from sales of investments and return of capital distributions	29,088,300	22,784,634
Change in short term investments	(242,450)	(4,285,605)
Net Cash from Investing Activities	5,358,543	7,776,743
Net Change in Cash and Cash Equivalents	(1,515,314)	(17,559)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,990,994	2,008,553
End of year	\$ 475,680	\$ 1,990,994

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

Notes to Financial Statements  
December 31, 2013 and 2012

### 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S.GAAP") requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

#### ***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.

#### ***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.

#### ***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, 2013 and 2012

### 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, 2010.

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

Notes to Financial Statements  
December 31, 2013 and 2012

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

***Reclassification***

Certain amounts from the 2012 financial statements were reclassified to conform to the 2013 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

***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 April 30, 2014.

**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	2013			Total
	Level 1	Level 2	Level 3	
Short-term investments	\$ 16,978,187	\$ -	\$ -	\$ 16,978,187
Marketable Equities				
Materials	745,820	-	-	745,820
Industrial	239,677	-	-	239,677
Consumer	2,989,173	-	-	2,989,173
Healthcare	1,678,589	-	-	1,678,589
Information technology	1,639,223	-	-	1,639,223
Financials	569,328	-	-	569,328
International	1,031,778	-	-	1,031,778
Mutual Funds				
Emerging markets	16,121,912	-	-	16,121,912
Equities	8,886,371	-	-	8,886,371
International equities	13,578,882	9,863,231	-	23,442,113
Natural resources	5,087,458	-	-	5,087,458
Hedge Funds	-	16,442,835	47,493,990	63,936,825
Venture Capital/Fund of Funds	-	-	13,236,963	13,236,963
Private Equity	-	-	7,541,832	7,541,832
Distressed Securities Funds	-	-	2,952,057	2,952,057
Natural Resources Funds	-	-	3,837,498	3,837,498
Real Estate Funds	-	-	5,022,675	5,022,675
	<u>\$ 69,546,398</u>	<u>\$ 26,306,066</u>	<u>\$ 80,085,015</u>	<u>\$ 175,937,479</u>

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

Notes to Financial Statements  
December 31, 2013 and 2012

**3. Fair Value Measurements (continued)**

Description	2012			
	Level 1	Level 2	Level 3	Total
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 following is a reconciliation of the beginning and ending balances of Level 3 investments:

	2013					Balance December 31, 2013
	Balance January 1, 2013	Transfers in/(out)	Purchases	Sales	Total realized and unrealized gain/(loss)	
Hedge Funds	\$ 42,234,242	\$ -	\$ 7,082,309	\$ (8,243,781)	\$ 6,421,220	\$ 47,493,990
Venture Capital/Fund of Funds	11,875,304	-	1,128,136	(1,705,124)	1,938,647	13,236,963
Private Equity	6,608,988	-	1,137,065	(1,666,630)	1,462,409	7,541,832
Distressed Securities Funds	4,411,200	-	-	(2,341,511)	882,368	2,952,057
Natural Resources Funds	3,336,277	-	721,139	(95,916)	(124,002)	3,837,498
Real Estate Funds	4,219,342	-	1,024,175	(692,831)	471,989	5,022,675
Total	<u>\$ 72,685,353</u>	<u>\$ -</u>	<u>\$ 11,092,824</u>	<u>\$ (14,745,793)</u>	<u>\$ 11,052,631</u>	<u>\$ 80,085,015</u>

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

### Notes to Financial Statements December 31, 2013 and 2012

#### 3. Fair Value Measurements *(continued)*

	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	2,993,725	-	1,565,539	(431,704)	91,782	4,219,342
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>

Unrealized gain on alternative investments held at year-end was \$7,261,316 and \$5,856,261 for 2013 and 2012, respectively.

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2013 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds see "a" below	\$ 63,936,825	\$ -	Monthly - N/A	20 - N/A
Venture capital/Fund of funds see "b" below	13,236,963	5,231,948	N/A *	N/A *
Private equity see "c" below	7,541,832	6,008,128	N/A *	N/A *
Distressed securities funds see "d" below	2,952,057	72,711	N/A *	N/A *
Natural resources funds see "e" below	3,837,498	3,664,763	N/A *	N/A *
Real estate funds see "f" below	5,022,675	2,558,921	N/A *	N/A *
Total	<u>\$ 96,527,850</u>	<u>\$ 17,536,471</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, 2013 and 2012

### 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 \$146,917 in 2013 and \$147,788 in 2012.

### 5. Lease Commitment

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

2014	\$ 384,597
2015	390,049
2016	395,501
2017	400,952
2018	406,404
2019	<u>67,885</u>
	<u>\$ 2,045,388</u>

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

Notes to Financial Statements  
December 31, 2013 and 2012

### 6. Furniture, Equipment, and Leasehold Improvements

At December 31, 2013 and 2012, furniture, equipment and leasehold improvements of the Foundation were as follows:

	<u>2013</u>	<u>2012</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>638,865</u>	<u>588,996</u>
	<u>\$ 108,819</u>	<u>\$ 158,688</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>2013</u>	<u>2012</u>
Retirees	\$ 108,579	\$ 110,393
Active employees	<u>370,488</u>	<u>352,126</u>
	<u>\$ 479,067</u>	<u>\$ 462,519</u>

A 4.71% and 4.10% discount rate was used to determine benefit obligations at December 31, 2013 and 2012, respectively.

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

Notes to Financial Statements  
December 31, 2013 and 2012

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

During the 2013 and 2012, the Foundation paid \$10,671 and \$10,016 for post-retirement medical benefits. The expected payments to be made over the next ten years are as follows:

2014	\$ 9,444
2015	20,509
2016	20,004
2017	19,359
2018	19,500
2019 to 2023	<u>88,425</u>
	<u>\$ 177,241</u>

Plan benefits are funded by purchase of insurance.

\* \* \* \* \*

## **Supplementary Information**



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

Schedule of Functional Expenses  
Year Ended December 31, 2013  
(with summarized financial information for 2012)

	Investment	Program Support, Planning and Development	Operations and Governance	2013	2012
Salaries	\$ 178,686	\$ 888,054	\$ 276,761	\$ 1,343,501	\$ 1,347,326
Payroll taxes	11,272	56,019	17,459	84,750	92,476
Employee benefits	51,544	256,168	79,834	387,546	501,207
Equipment purchases, repairs and maintenance	6,963	34,605	10,785	52,353	50,315
Office services purchased	9,920	49,300	15,365	74,585	61,934
Rent, electricity and office maintenance	64,249	319,311	99,514	483,074	452,464
Warehouse and storage	2,860	14,211	4,429	21,500	21,588
Travel and meetings	6,496	32,287	10,062	48,845	39,545
Staff expenses	876	4,353	1,357	6,586	4,862
Stationery and office supplies	1,644	8,172	2,547	12,363	19,673
Postage	214	1,064	332	1,610	162
Telecommunications and website	3,640	18,091	5,638	27,369	26,204
Insurance	3,375	16,771	5,227	25,373	24,520
Directly reported investment management fees	194,338	-	-	194,338	224,352
Investment consulting fee	233,301	-	-	233,301	223,319
Partnership interest expense	144,577	-	-	144,577	134,464
Unrelated business income tax and other	29,668	-	-	29,668	30,967
Bank custodian fees	22,284	-	-	22,284	19,298
Audit fee	-	-	43,310	43,310	41,175
Research library	408	2,028	632	3,068	2,828
Board of Trustees	9,997	19,992	9,997	39,986	34,151
Legal	20,701	-	11,525	32,226	7,124
Dues and memberships	518	2,573	802	3,893	4,136
Advisory council	-	27,279	-	27,279	21,278
Program consultants	-	123,011	-	123,011	103,750
Depreciation and amortization	6,633	32,963	10,273	49,869	55,624
Miscellaneous	319	1,585	494	2,398	4,421
<b>Total</b>	<b>\$ 1,004,483</b>	<b>\$ 1,907,837</b>	<b>\$ 606,343</b>	<b>\$ 3,518,663</b>	<b>\$ 3,549,163</b>