

The Wenner-Gren Foundation

supporting worldwide research in all branches of anthropology

Financial Statements For 2015



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

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

Financial Statements

December 31, 2015 and 2014

Independent Auditors' Report

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

We have audited the accompanying financial statements of The Wenner-Gren Foundation for Anthropological Research, Inc. which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 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.

PKF O'Connor Davies, LLP

May 3, 2016

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Financial Position

	December 31	
	2015	2014
ASSETS		
Cash	\$ 488,646	\$ 524,611
Accrued investment income receivable	10,698	11,501
Other receivables	2,003,024	531,756
Prepaid expense and deposits	288,740	264,264
Investments	162,989,451	175,220,173
Furniture, equipment, and leasehold improvements, net	<u>262,629</u>	<u>87,229</u>
	<u>\$ 166,043,188</u>	<u>\$ 176,639,534</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,783,347	\$ 1,949,869
Accounts payable and accrued expenses	342,420	340,198
Post-retirement medical benefits obligation	<u>672,704</u>	<u>621,366</u>
Total Liabilities	2,798,471	2,911,433
Net assets, unrestricted	<u>163,244,717</u>	<u>173,728,101</u>
	<u>\$ 166,043,188</u>	<u>\$ 176,639,534</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Activities

	Year Ended December 31	
	2015	2014
INVESTMENT AND OTHER (LOSS) INCOME		
Interest and dividends	\$ 1,376,872	\$ 1,916,355
Realized and unrealized (loss) gain on investments	<u>(2,571,264)</u>	<u>5,576,965</u>
	(1,194,392)	7,493,320
Investment expenses	<u>1,057,359</u>	<u>1,052,151</u>
Net Investment (Loss) Income	(2,251,751)	6,441,169
Other	<u>28,616</u>	<u>19,068</u>
Total Investment and Other (Loss) Income	<u>(2,223,135)</u>	<u>6,460,237</u>
 EXPENSES		
Program Expenses		
Individual research grants	3,069,362	2,926,450
Capacity building and outreach (including grants and fellowships of \$1,950,904 and \$1,968,505)	2,380,998	2,226,780
Program support, planning and development	<u>2,050,664</u>	<u>2,077,425</u>
Total Program Expenses	7,501,024	7,230,655
Operations and governance	<u>759,225</u>	<u>618,786</u>
Total Expenses	<u>8,260,249</u>	<u>7,849,441</u>
Change in Net Assets	(10,483,384)	(1,389,204)
 NET ASSETS		
Beginning of year	<u>173,728,101</u>	<u>175,117,305</u>
End of year	<u>\$ 163,244,717</u>	<u>\$ 173,728,101</u>

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (10,483,384)	\$ (1,389,204)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	41,933	29,085
Realized and unrealized loss (gain) on investments	2,571,264	(5,576,965)
Changes in operating assets and liabilities		
Accrued investment income receivable	803	32,100
Other receivables	(1,471,268)	102,837
Prepaid expenses and deposits	(24,476)	41,748
Grants payable	(166,522)	386,032
Accounts payable and accrued expenses	2,222	(5,777)
Post-retirement medical benefits obligation	51,338	142,299
Net Cash from Operating Activities	(9,478,090)	(6,237,845)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(217,333)	(7,495)
Purchase of investments	(30,804,409)	(17,779,519)
Proceeds from sales of investments and return of capital distributions	35,051,735	27,007,434
Change in short term investments	5,412,132	(2,933,644)
Net Cash from Investing Activities	9,442,125	6,286,776
Net Change in Cash	(35,965)	48,931
 CASH		
Beginning of year	524,611	475,680
End of year	\$ 488,646	\$ 524,611

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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 revenue 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 ("US 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All net assets of the Foundation are considered unrestricted.

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 US GAAP 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.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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

Fair Value Measurements (continued)

During 2015, the Foundation adopted new US GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using NAV as reported by the management of the respective alternative investment. US GAAP 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.

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.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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

Reclassification

Certain fiscal year 2014 amounts have been reclassified to conform with fiscal year 2015 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Furniture, Equipment, and Leasehold Improvements

The Foundation follows the practice of capitalizing all expenditures for furniture, 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 or asset, whichever is shorter.

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 to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial recognition or disclosure. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2012.

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 3, 2016.

3. 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 \$154,561 in 2015 and \$150,602 in 2014.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
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4. Lease Commitment

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

2016	\$ 395,501
2017	400,952
2018	406,404
2019	<u>67,885</u>
	<u>\$ 1,270,742</u>

The Foundation incurred rent expense of \$390,049 in 2015 and \$384,597 in 2014.

5. Fair Value Measurements

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

Description	2015	2014
Marketable Equities		
Materials	\$ -	\$ 310,622
Industrial	189,945	407,087
Consumer	1,567,111	2,870,346
Healthcare	2,650,205	2,855,760
Information technology	3,061,153	1,887,861
Financials	543,426	730,224
International	1,726,900	801,979
Mutual Funds		
Emerging markets	13,980,785	15,812,919
Equities	8,149,060	9,997,320
International equities	9,124,650	10,015,493
Natural resources	<u>3,522,724</u>	<u>5,680,949</u>
Total Level 1 Investments	44,515,959	51,370,560
Commingled fund (1)	9,375,774	9,096,836
Hedge funds (1)	58,566,153	60,794,643
Venture capital/fund of funds (1)	16,582,016	14,901,759
Private equity (1)	5,815,404	7,174,036
Distressed securities funds (1)	3,074,328	1,819,043
Natural resources funds (1)	5,634,095	5,053,755
Real estate funds (1)	<u>4,926,023</u>	<u>5,097,710</u>
Total Investments at Fair Value	148,489,752	155,308,342
Short-term cash investments	<u>14,499,699</u>	<u>19,911,831</u>
Total Investments	<u>\$ 162,989,451</u>	<u>\$ 175,220,173</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

5. Fair Value Measurements *(continued)*

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy. The fair value amounts presented in the total column of this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Information regarding investments valued at NAV using the practical expedient at December 31, 2015 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled fund see "a" below	\$ 9,375,774	\$ -	Monthly	5 days
Hedge funds see "b" below	58,566,153	1,300,000	Quarterly - N/A	14 days - N/A
Venture capital/fund of funds see "c" below	16,582,016	5,881,999	N/A *	N/A *
Private equity see "d" below	5,815,404	3,559,375	N/A *	N/A *
Distressed securities funds see "e" below	3,074,328	809,583	N/A *	N/A *
Natural resources funds see "f" below	5,634,095	5,148,387	N/A *	N/A *
Real estate funds see "g" below	<u>4,926,023</u>	<u>2,726,669</u>	N/A *	N/A *
Total	<u>\$ 103,973,793</u>	<u>\$ 19,426,013</u>		

* These investments are illiquid investments.

- a. This category includes a commingled fund investment in international growth equity securities of issuers from developed markets located in Europe, Australasia and the Far East. Redemptions can be made monthly from the commingled fund with 5 business days prior notice.
- b. This category includes hedge fund investments in long/short strategies in a variety of areas such as US and global equities, event-driven situations and distressed securities. Most investments in this category can be redeemed on a quarterly basis. Investments representing approximately 30% of this category provide liquidity on an annual basis or are subject to acquisition lock-ups in excess of 12-months.
- c. 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.
- d. 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, 2015 and 2014

5. Fair Value Measurements *(continued)*

- e. 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.
- f. 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.
- g. 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.

6. Furniture, Equipment, and Leasehold Improvements

Furniture, equipment and leasehold improvements of the Foundation were as follows at December 31:

	<u>2015</u>	<u>2014</u>
Furniture and office equipment	\$ 449,224	\$ 414,615
Leasehold improvements	318,875	318,875
Website development costs	<u>158,769</u>	<u>-</u>
	926,868	733,490
Less: accumulated depreciation and amortization	<u>664,239</u>	<u>646,261</u>
	<u>\$ 262,629</u>	<u>\$ 87,229</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 Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

7. Post-Retirement Medical Benefits Obligation (continued)

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

	<u>2015</u>	<u>2014</u>
Retirees	\$ 106,400	\$ 109,683
Active employees	<u>566,304</u>	<u>511,683</u>
	<u>\$ 672,704</u>	<u>\$ 621,366</u>

A 4.28% and 3.74% discount rate was used to determine benefit obligations at December 31, 2015 and 2014.

During the 2015 and 2014, the Foundation paid \$11,005 and \$10,662 for post-retirement medical benefits. The expected payments to be made over the next nine years are as follows:

2016	\$ 23,476
2017	23,239
2018	23,733
2019	23,039
2020	22,248
2021 to 2025	<u>117,058</u>
	<u>\$ 232,793</u>

8. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and investments. At times cash balances held at financial institutions may be in excess of federally insured limits. The Foundation has not experienced any losses on its cash deposits. Investments are managed by professional investment management firms and are monitored by the Investment and Budget Committee and an investment consultant engaged by the Foundation.

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Supplementary Information

The Wenner-Gren Foundation for Anthropological Research, Inc.

Schedule of Functional Expenses
Year Ended December 31, 2015

(with summarized information for year ended December 31, 2014)

	Investment	Program Support, Planning and Development	Operations and Governance	2015	2014
Salaries	\$ 189,738	\$ 965,809	\$ 271,054	\$ 1,426,601	\$ 1,384,001
Payroll taxes	11,932	60,734	17,045	89,711	87,578
Employee benefits	61,336	312,212	87,622	461,170	522,574
Equipment purchases, repairs and maintenance	8,401	42,765	12,002	63,168	50,743
Office services purchased	9,399	47,845	13,428	70,672	75,727
Rent, electricity and office maintenance	66,168	336,810	94,526	497,504	495,543
Warehouse and storage	3,280	16,695	4,685	24,660	24,211
Travel and meetings	3,778	19,230	5,397	28,405	28,257
Staff expenses	781	3,977	1,116	5,874	5,920
Stationery and office supplies	749	3,814	1,071	5,634	4,930
Postage	258	1,313	369	1,940	1,448
Telecommunications and website	3,438	17,500	4,912	25,850	62,773
Insurance	3,603	18,339	5,147	27,089	25,890
Directly reported investment management fees	183,072	-	-	183,072	211,567
Investment consulting fee	261,174	-	-	261,174	248,384
Partnership interest expense	192,648	-	-	192,648	163,749
Unrelated business income tax and other	3,369	-	-	3,369	12,330
Bank custodian fees	20,960	-	-	20,960	22,446
Audit fee	-	-	47,396	47,396	45,818
Research library	1,329	6,767	1,900	9,996	2,645
Board of Trustees	7,739	15,478	7,738	30,955	50,224
Legal	17,749	-	63,200	80,949	17,622
Dues and memberships	567	2,888	810	4,265	4,341
Advisory council	-	26,349	-	26,349	27,205
Program consultants	-	122,150	-	122,150	140,779
Presidential search	-	-	111,390	111,390	-
Depreciation and amortization	5,577	28,389	7,967	41,933	29,085
Miscellaneous	314	1,600	450	2,364	2,572
Total	\$ 1,057,359	\$ 2,050,664	\$ 759,225	\$ 3,867,248	\$ 3,748,362