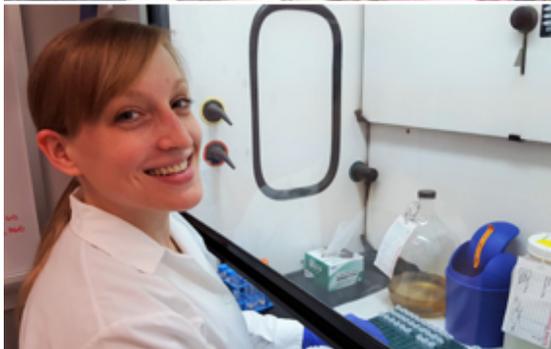




Wenner-Gren Foundation
supporting anthropology for **75** years

Financial Statements For 2016



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

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

Financial Statements

December 31, 2016 and 2015



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, 2016 and 2015, 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, 2016 and 2015, 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 4, 2017

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Financial Position

	December 31	
	2016	2015
ASSETS		
Cash	\$ 537,737	\$ 488,646
Accrued investment income receivable	9,234	10,698
Other receivables	682,613	2,003,024
Prepaid expense and deposits	403,840	288,740
Investments	166,763,878	162,989,451
Furniture, equipment, and leasehold improvements, net	<u>178,606</u>	<u>262,629</u>
	<u>\$ 168,575,908</u>	<u>\$ 166,043,188</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 1,634,458	\$ 1,783,347
Accounts payable and accrued expenses	380,369	342,420
Post-retirement medical benefits obligation	<u>715,519</u>	<u>672,704</u>
Total Liabilities	2,730,346	2,798,471
Net assets, unrestricted	<u>165,845,562</u>	<u>163,244,717</u>
	<u>\$ 168,575,908</u>	<u>\$ 166,043,188</u>

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Activities

	Year Ended December 31	
	2016	2015
INVESTMENT RETURN AND OTHER INCOME		
Interest and dividends	\$ 2,081,186	\$ 1,376,872
Realized and unrealized gain (loss) on investments	9,538,872	(2,571,264)
	11,620,058	(1,194,392)
Investment expenses	1,109,159	1,057,359
Net Investment Return	10,510,899	(2,251,751)
Other	27,218	28,616
Total Investment Return and Other Income	10,538,117	(2,223,135)
 EXPENSES		
Program Expenses		
Individual research grants	2,490,806	3,069,362
Capacity building and outreach (including grants and fellowships of \$1,941,694 and \$1,950,904)	2,597,125	2,380,998
Program support, planning and development	2,189,734	2,050,664
Total Program Expenses	7,277,665	7,501,024
Operations and governance	659,607	759,225
Total Expenses	7,937,272	8,260,249
Change in Net Assets	2,600,845	(10,483,384)
 NET ASSETS		
Beginning of year	163,244,717	173,728,101
End of year	\$ 165,845,562	\$ 163,244,717

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Statements of Cash Flows

	Year Ended	
	December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,600,845	\$ (10,483,384)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	100,273	41,933
Realized and unrealized (gain) loss on investments	(9,538,872)	2,571,264
Changes in operating assets and liabilities		
Accrued investment income receivable	1,464	803
Other receivables	1,320,411	(1,471,268)
Prepaid expenses and deposits	(115,100)	(24,476)
Grants payable	(148,889)	(166,522)
Accounts payable and accrued expenses	37,949	2,222
Post-retirement medical benefits obligation	42,815	51,338
Net Cash from Operating Activities	(5,699,104)	(9,478,090)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(16,250)	(217,333)
Purchase of investments	(29,520,915)	(30,804,409)
Proceeds from sales of investments and return of capital distributions	36,858,763	35,051,735
Change in short term investments	(1,573,403)	5,412,132
Net Cash from Investing Activities	5,748,195	9,442,125
Net Change in Cash	49,091	(35,965)
 CASH		
Beginning of year	488,646	524,611
End of year	\$ 537,737	\$ 488,646

See notes to financial statements

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015

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

Fair Value Measurements (continued)

Pursuant to US GAAP guidance, alternative investments where fair value is measured using the Net Asset Value (“NAV”) per share as a practical expedient are not categorized within the fair value hierarchy.

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, 2016 and 2015

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

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, equipment and website development costs 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, 2013.

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 4, 2017.

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 \$157,272 in 2016 and \$154,561 in 2015.

4. Lease Commitment

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

2017	\$ 400,952
2018	406,404
2019	67,885
	<u>\$ 875,241</u>

The Foundation incurred rent expense of \$395,500 in 2016 and \$390,049 in 2015.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

5. Fair Value Measurements *(continued)*

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding investments valued at NAV using the practical expedient at December 31, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds see "a" below	\$ 71,263,968	\$ 800,000	Quarterly - Triennially	14 - 90 days
Venture capital/fund of funds see "b" below	15,940,977	5,054,240	N/A *	N/A *
Private equity see "c" below	5,123,501	2,424,637	N/A *	N/A *
Distressed securities funds see "d" below	3,072,182	709,583	N/A *	N/A *
Natural resources funds see "e" below	8,917,605	4,632,039	N/A *	N/A *
Real estate funds see "f" below	4,714,408	2,042,193	N/A *	N/A *
Total	<u>\$ 109,032,641</u>	<u>\$ 15,662,692</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 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.
- 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.
- 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.

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

5. Fair Value Measurements (continued)

- 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.

6. Furniture, Equipment, and Leasehold Improvements

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

	<u>2016</u>	<u>2015</u>
Furniture and office equipment	\$ 449,224	\$ 449,224
Leasehold improvements	318,875	318,875
Website development costs	<u>175,019</u>	<u>158,769</u>
	943,118	926,868
Less: accumulated depreciation and amortization	<u>764,512</u>	<u>664,239</u>
	<u>\$ 178,606</u>	<u>\$ 262,629</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>2016</u>	<u>2015</u>
Retirees	\$ 105,254	\$ 106,400
Active employees	<u>610,265</u>	<u>566,304</u>
	<u>\$ 715,519</u>	<u>\$ 672,704</u>

The Wenner-Gren Foundation for Anthropological Research, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

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

A 4.05% and 4.28% discount rate was used to determine benefit obligations at December 31, 2016 and 2015.

During the 2016 and 2015, the Foundation paid \$11,127 and \$11,005 for post-retirement medical benefits. The expected payments to be made over the next ten years are as follows:

2017	\$ 24,521
2018	25,291
2019	24,763
2020	24,042
2021	23,211
2022 to 2026	<u>138,147</u>
	<u>\$ 259,975</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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**The Wenner-Gren Foundation for
Anthropological Research, Inc.**

Supplementary Information

Year Ended
December 31, 2016
(with summarized information for
year ended December 31, 2015)

The Wenner-Gren Foundation for Anthropological Research, Inc.

Schedule of Functional Expenses
Year Ended December 31, 2016

(with summarized information for year ended December 31, 2015)

	<u>Investment</u>	<u>Program Support, Planning and Development</u>	<u>Operations and Governance</u>	<u>2016 Total</u>	<u>2015 Total</u>
Salaries	\$ 194,133	\$ 997,135	\$ 279,433	\$ 1,470,701	\$ 1,426,601
Payroll taxes	11,970	61,481	17,229	90,680	89,711
Employee benefits	61,970	318,299	89,199	469,468	461,170
Equipment purchases, repairs and maintenance	7,108	36,508	10,230	53,846	63,168
Office services purchased	8,802	45,208	12,669	66,679	70,672
Rent, electricity and office maintenance	67,142	344,865	96,644	508,651	497,504
Warehouse and storage	3,398	17,452	4,891	25,741	24,660
Travel and meetings	2,981	15,312	4,291	22,584	28,405
Staff expenses	898	4,613	1,293	6,804	5,874
Stationery and office supplies	1,181	6,067	1,701	8,949	5,634
Postage	300	1,539	431	2,270	1,940
Telecommunications and website	3,540	18,181	5,095	26,816	25,850
Insurance	4,512	23,177	6,495	34,184	27,089
Directly reported investment management fees	131,837	-	-	131,837	183,072
Investment consulting fee	238,009	-	-	238,009	261,174
Partnership interest expense	294,169	-	-	294,169	192,648
Unrelated business income tax and other	4,538	-	-	4,538	3,369
Bank custodian fees	17,538	-	-	17,538	20,960
Audit fee	-	-	50,406	50,406	47,396
Research library	380	1,951	547	2,878	9,996
Board of Trustees	18,639	37,279	18,639	74,557	30,955
Legal	22,029	-	17,102	39,131	80,949
Dues and memberships	554	2,846	798	4,198	4,265
Advisory council	-	41,372	-	41,372	26,349
Program consultants	-	146,950	-	146,950	122,150
Presidential search	-	-	23,038	23,038	111,390
Depreciation and amortization	13,236	67,985	19,052	100,273	41,933
Miscellaneous	295	1,514	424	2,233	2,364
Total	<u>\$ 1,109,159</u>	<u>\$ 2,189,734</u>	<u>\$ 659,607</u>	<u>\$ 3,958,500</u>	<u>\$ 3,867,248</u>

See independent auditors' report