

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

Financial Statements

December 31, 2017 and 2016

## **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, 2017 and 2016, 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, 2017 and 2016, 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 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*

April 30, 2018

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

Statements of Financial Position

	December 31	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 532,618	\$ 537,737
Accrued investment income receivable	7,724	9,234
Other receivables	355,207	682,613
Cash pending investment	12,175,000	-
Prepaid expense and deposits	284,867	403,840
Investments	169,259,031	166,763,878
Furniture, equipment, and leasehold improvements, net	89,882	178,606
	\$ 182,704,329	\$ 168,575,908
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable	\$ 1,690,568	\$ 1,634,458
Accounts payable and accrued expenses	299,532	380,369
Post-retirement medical benefits obligation	906,299	715,519
Total Liabilities	2,896,399	2,730,346
 Net assets, unrestricted	179,807,930	165,845,562
	\$ 182,704,329	\$ 168,575,908

See notes to financial statements

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

Statements of Activities

	Year Ended December 31	
	2017	2016
<b>INVESTMENT RETURN AND OTHER INCOME</b>		
Interest and dividends	\$ 1,011,425	\$ 2,081,186
Realized and unrealized gain on investments	22,383,494	9,538,872
	23,394,919	11,620,058
Investment expenses	1,272,984	1,109,159
Net Investment Return	22,121,935	10,510,899
Other	31,466	27,218
Total Investment Return and Other Income	22,153,401	10,538,117
 <b>EXPENSES</b>		
Program Expenses		
Individual research grants	2,730,899	2,490,806
Capacity building and outreach (including grants and fellowships of \$1,655,597 and \$1,941,694)	2,354,922	2,597,125
Program support, planning and development	2,407,331	2,189,734
Total Program Expenses	7,493,152	7,277,665
Operations and governance	697,881	659,607
Total Expenses	8,191,033	7,937,272
Change in Net Assets	13,962,368	2,600,845
 <b>NET ASSETS</b>		
Beginning of year	165,845,562	163,244,717
End of year	\$ 179,807,930	\$ 165,845,562

See notes to financial statements

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

Statements of Cash Flows

	Year Ended	
	December 31	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 13,962,368	\$ 2,600,845
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	102,300	100,273
Realized and unrealized gain on investments	(22,383,494)	(9,538,872)
Changes in operating assets and liabilities		
Accrued investment income receivable	1,510	1,464
Other receivables	327,406	1,320,411
Prepaid expenses and deposits	118,973	(115,100)
Grants payable	56,110	(148,889)
Accounts payable and accrued expenses	(80,837)	(13,389)
Post-retirement medical benefits obligation	190,780	94,153
Net Cash from Operating Activities	(7,704,884)	(5,699,104)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(13,576)	(16,250)
Purchase of investments	(24,298,619)	(29,520,915)
Proceeds from sales of investments and return of capital distributions	44,982,990	36,858,763
Cash pending investment	(12,175,000)	-
Change in short term investments	(796,030)	(1,573,403)
Net Cash from Investing Activities	7,699,765	5,748,195
Net Change in Cash and Cash Equivalents	(5,119)	49,091
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	537,737	488,646
End of year	\$ 532,618	\$ 537,737
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Unrelated business income taxes paid	\$ 23,054	\$ 651

See notes to financial statements

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

Notes to Financial Statements  
December 31, 2017 and 2016

### 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 includes cash balances held in bank accounts and 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, 2017 and 2016

### 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, 2017 and 2016

**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, 2014.

***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, 2018.

**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 \$178,505 in 2017 and \$157,272 in 2016.

**4. Lease Commitment**

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

2018	\$ 406,404
2019	67,885
	<u>\$ 474,289</u>

The Foundation incurred rent expense of \$400,852 in 2017 and \$395,500 in 2016.



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

Notes to Financial Statements  
December 31, 2017 and 2016

**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, 2017 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds see "a" below	\$ 71,127,726	\$ -	Quarterly - Triennially	14 - 90 days
Commingled funds see "b" below	15,559,019	-	Weekly - Monthly	3-30 days
Venture capital/fund of funds see "c" below	15,217,081	9,725,000	N/A *	N/A *
Private equity see "d" below	6,306,584	1,822,529	N/A *	N/A *
Distressed securities funds see "e" below	2,767,241	73,043	N/A *	N/A *
Natural resources funds see "f" below	10,619,463	4,552,286	N/A *	N/A *
Real estate funds see "g" below	4,415,444	3,228,110	N/A *	N/A *
Total	<u>\$ 126,012,558</u>	<u>\$ 19,400,968</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 long-only investments in commingled funds with an investment strategy in global equity funds. Investments in this category can be redeemed on a weekly to monthly basis.
- 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, 2017 and 2016

### 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>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 449,224	\$ 449,224
Leasehold improvements	318,875	318,875
Website development costs	<u>188,595</u>	<u>175,019</u>
	956,694	943,118
Less: accumulated depreciation and amortization	<u>866,812</u>	<u>764,512</u>
	<u>\$ 89,882</u>	<u>\$ 178,606</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, 2017 and 2016

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

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

	<u>2017</u>	<u>2016</u>
Retirees	\$ 103,222	\$ 105,254
Active employees	<u>803,077</u>	<u>610,265</u>
	<u>\$ 906,299</u>	<u>\$ 715,519</u>

A 3.55% and 4.05% discount rate was used to determine benefit obligations at December 31, 2017 and 2016.

During the 2017 and 2016, the Foundation paid \$11,344 and \$11,127 for post-retirement medical benefits. The expected payments to be made over the next ten years are as follows:

2018	\$ 27,699
2019	27,453
2020	26,991
2021	26,300
2022	26,393
2023 to 2027	<u>212,401</u>
	<u>\$ 347,237</u>

**8. Concentration of Credit Risk**

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and cash equivalents 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, 2017  
(with summarized information for  
year ended December 31, 2016)

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

Schedule of Expenses  
Year Ended December 31, 2017  
(with summarized information for year ended December 31, 2016)

	<u>Investment</u>	<u>Program Support, Planning and Development</u>	<u>Operations and Governance</u>	<u>2017 Total</u>	<u>2016 Total</u>
Salaries	\$ 184,753	\$ 1,062,330	\$ 292,525	\$ 1,539,608	\$ 1,470,701
Payroll taxes	12,693	72,983	20,096	105,772	90,680
Employee benefits	82,225	472,791	130,189	685,205	469,468
Equipment purchases, repairs and maintenance	7,850	45,138	12,430	65,418	53,846
Office services purchased	9,346	53,742	14,799	77,887	66,679
Rent, electricity and office maintenance	62,429	358,968	98,846	520,243	508,651
Warehouse and storage	3,181	18,289	5,036	26,506	25,741
Travel and meetings	2,553	14,678	4,041	21,272	22,584
Staff expenses	1,003	5,768	1,588	8,359	6,804
Stationery and office supplies	382	2,195	604	3,181	8,949
Postage	229	1,317	362	1,908	2,270
Telecommunications and website	3,885	22,339	6,152	32,376	26,816
Insurance	4,072	23,414	6,448	33,934	34,184
Directly reported investment management fees	195,848	-	-	195,848	131,837
Investment consulting fee	238,618	-	-	238,618	238,009
Partnership interest expense	344,044	-	-	344,044	294,169
Unrelated business income tax and other	58,486	-	-	58,486	4,538
Bank custodian fees	21,196	-	-	21,196	17,538
Audit fee	-	-	57,256	57,256	50,406
Research library	199	1,143	314	1,656	2,878
Board of Trustees	9,440	18,880	9,440	37,760	74,557
Legal	17,485	-	6,712	24,197	39,131
Dues and memberships	435	2,503	690	3,628	4,198
Advisory council	-	25,934	-	25,934	41,372
Program consultants	-	132,285	-	132,285	146,950
Presidential search	-	-	10,352	10,352	23,038
Depreciation and amortization	12,276	70,587	19,437	102,300	100,273
Miscellaneous	356	2,047	564	2,967	2,233
<b>Total</b>	<b><u>\$ 1,272,984</u></b>	<b><u>\$ 2,407,331</u></b>	<b><u>\$ 697,881</u></b>	<b><u>\$ 4,378,196</u></b>	<b><u>\$ 3,958,500</u></b>

See independent auditors' report