Impactful interactions for success

SCHOOL FOR ADVANCED RESEARCH

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2015 AND 2014

Wealth Advisory

Outsourcing

Audit, Tax, and Consulting

CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
School for Advanced Research
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of School for Advanced Research (the School) (a non-profit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, 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 audits 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.

To the Board of Directors of
School for Advanced Research

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 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.

Other Matters

The management's discussion and analysis on pages 3-5 is presented to supplement the basic financial statements. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis-of-Matter Regarding Investments in Partnerships

As discussed in Note 3, these financial statements include investments in partnerships valued by the general partner of each partnership in the absence of readily ascertainable market values. At June 30, 2015 and 2014, that portion of the School's investment was $9,871,485 and $9,434,425, respectively, which represents 32% and 29%, respectively, of the School's net assets at that date. Because of inherent uncertainty of valuation of these estimates, the estimate by each general partner of these values may differ significantly from values that would have been used had a ready market for those investments existed, and the difference could be material.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 audits 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
January 14, 2016

As management of the School for Advanced Research (the School or SAR), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015.

Financial Highlights *

- The School's net assets decreased by $1,220,633 to $30,887,424 from June 30, 2014. Revenues decreased by $2,571,350, while expenses decreased by $10,914.

- Assets decreased by $1,509,387 to $31,598,161. Liabilities decreased by $288,754 to $710,737 at June 30, 2015.

* See page 4, Financial Analysis and Investment Results for details

Overview of the Financial Statements

The operations of the School are accounted for in the basic financial statements, which include a statement of financial position, a statement of activities and changes in net assets, and are accompanied by a statement of cash flows. Additionally, there are notes to the financial statements that provide additional information that is essential to a full understanding of the data provided in the statements. The statement of financial position is presented as of June 30, 2015 and 2014.

Condensed Comparative Data

	2015	2014
Total Assets (Cash, Investments, Accounts Receivable, Prepaid Expenses, and Property and Equipment)	$ 31,598,161	$ 33,107,548
Total Liabilities (Accounts Payable and Debt)	710,737	999,491
Net Assets	$ 30,887,424	$ 32,108,057
Revenues:		
Contributions	$ 1,525,330	$ 1,449,634
Investment Income	600,841	3,258,290
Other	396,573	386,170
Total Revenues	2,522,744	5,094,094
Expenses:		
Program Expenses	2,328,706	2,490,081
Supporting Services	1,414,671	1,264,211
Total Expenses	3,743,377	3,754,292
Change in Net assets	(1,220,633)	1,339,802
Net Assets, Beginning of Year	32,108,057	30,768,255
Net Assets, End of Year	$ 30,887,424	$ 32,108,057

Financial Analysis of the School

Assets of the School consist primarily of cash, investments and property and equipment. Liabilities consist of accounts payable, accrued expenses and mortgage payable.

Revenue decreased by $2,571,350 (50%) for the year ended June 30, 2015, largely due to significant decreases in investment income as a result of market changes. Overall, investment balances (excluding cash and cash equivalents) decreased by $936,586 from June 30, 2014. Contributions, sales and fees increased by $96,258 (5%) due to strong fundraising efforts to support the fiscal year 2016 budget. Total expenses decreased by $10,915 (.3%). Expenses were intentionally reduced.

Investment Results

Total cash and investments decreased $1,309,935 from $28,331,473 at June 30, 2014 to $27,021,538 at June 30, 2015. Net investment income, including unrealized gains, decreased to $600,841 in fiscal year 2015 from $3,258,290 in fiscal year 2014. This is primarily attributable to decreases in unrealized gains.

Property, Plant and Equipment

The School had no disposals of property, plant and equipment during fiscal year 2015. $521,465 in capital purchases were made during the year, primarily consisting of building and improvements.

Long-term Debt

The School had a mortgage payable balance of $526,745 at June 30, 2015, with $256,324 of that balance due in the upcoming fiscal year. The debt is associated with the purchase of adjacent land.

Current Trends and Conditions

At the end of fiscal year 2015, President Michael Brown's first year in office, the School had made a number of noteworthy changes in its operations:

• Although the School's development division experienced staffing changes during the year, it had clarified the direction that it needed to move to compete more effectively in the regional and national philanthropic environment. Key strategies include improved public communication through social media and a more focused approach to event advertising; more concerted efforts to move from donor cultivation to solicitation; and a major revision of the School's membership program. At the end of the fiscal year, the School launched a search for a director of development to take charge of these strategies with the expectation that the position would be filled by late summer.

• Mid-year, the School appointed Brian Vallo (Acoma Pueblo) as director of the Indian Arts Research Center's (IARC). Vallo represented Acoma Pueblo for several years in connection with the IARC's innovative program of collaborative collections review, so his transition to the new position was seamless.

• By late in fiscal year 2015, the School had negotiated contracts that shifted SAR Press's production, marketing, and order fulfillment to the University of New Mexico Press. This transition was expected to be substantially completed in the first quarter of fiscal year 2016. Four SAR Press employees were laid off as a result. The partnership will result in approximately $250,000 per year in annual savings while allowing the press to maintain a high-quality list.

• In tandem with the SAR Press layoffs, the School declined to fill several positions vacated by staff members who retired or left to pursue other opportunities. By year-end, the School's staffing level had been reduced by roughly 20 percent. This and other measures were needed to respond to the School's board of directors' directive that the fiscal year 2016 operating budget be reduced by $500,000 in response to a decline in revenues.

• The Advanced Seminar program remains active. In fiscal year 2015, seminars covered a broad range of themes, from challenge of preventing cancer in economically vulnerable populations to the insights to be gained by comparing the historical trajectories of Chaco Canyon and a major Mississippian site, Cahokia.

• Construction of the School's new work plaza, which includes an office, shop, and storage areas for our physical plant staff, was completed on budget near the end of the fiscal year.

Looking toward the future, the School is focusing on several key issues:

• While the School receives welcome support from several large philanthropies, our development team is focusing on broadening support from the general public. This is consistent with national data which show that nearly 85 percent of giving comes from individuals.

• Now that SAR Press has been unburdened of most of the costs of in-house production, the School has begun discussions about what a small academic press can do to survive and thrive amid rapid change in the publishing industry. The School is also exploring various strategies to draw down the backlist inventory, much of which remains on campus. The School has already taken advantage of opportunities to give away excess inventory to members and visitors of the School, which generates good will and saves the School the cost of shredding books that are unlikely to sell.

• The School's endowment has tracked the market during fiscal year 2015. As with the market, returns were significantly lower in fiscal year 2015 than in fiscal year 2014. Nevertheless, the budget cuts instituted for fiscal year 2016 make the School even more dependent on the performance of the investments. The School remains mindful of the need to invest the endowment prudently and strive to reduce the annual draw on the endowment from its current 5.5 percent to 5 percent or less.

Finally, it bears noting that the School remains committed to a "year-ahead funding" model in which all funds needed for operations are raised in the prior fiscal year. This careful planning enables the School to meet current financial obligations while achieving the program goals outlined in the strategic plan. Although fiscal year 2015 was a challenging year due to staff cuts and changes of personnel, the School looks ahead to fiscal year 2016 with a solid strategic plan, continued sensible budgeting, and a prudent investment strategy.

SCHOOL FOR ADVANCED RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 466,296	$ 839,645
Current Pledges Receivable	355,138	119,305
Accounts Receivable:		
Grants	-	764,420
Publications	16,953	15,752
Other	579	2,443
Prepaid Expenses	26,682	46,846
Inventory	610,091	626,846
Total Current Assets	1,475,739	2,415,257
PROPERTY AND EQUIPMENT, Net	3,557,503	3,191,468
OTHER ASSETS		
Investments	26,555,242	27,491,828
Long-Term Pledges Receivable, Net of Discount	9,677	8,995
Total Other Assets	26,564,919	27,500,823
Total Assets	$ 31,598,161	$ 33,107,548
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 34,905	$ 74,308
Accrued Payroll and Related Liabilities	120,116	123,727
Accrued Interest Payable	28,971	31,750
Current Maturities of Long-Term Debt	256,324	242,961
Total Current Liabilities	440,316	472,746
LONG-TERM DEBT, Less Current Maturities	270,421	526,745
Total Liabilities	710,737	999,491
NET ASSETS		
Unrestricted	17,923,344	19,040,713
Temporarily Restricted	1,946,923	2,050,187
Permanently Restricted	11,017,157	11,017,157
Total Net Assets	30,887,424	32,108,057
Total Liabilities and Net Assets	$ 31,598,161	$ 33,107,548

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions and Grants	$ 411,265	$ 1,114,065	$ -	$ 1,525,330
Membership Dues	114,840	-	-	114,840
Book Sales and Royalties	218,406	-	-	218,406
Interest and Dividend	471,003	-	-	471,003
Net Realized and Unrealized Gain on Investment	129,838	-	-	129,838
Rental	18,192	-	-	18,192
Other	45,135	-	-	45,135
Net Assets Released from Restrictions	1,217,329	(1,217,329)	-	-
Total Revenues	2,626,008	(103,264)	-	2,522,744
EXPENSES				
Program Services	2,328,706	-	-	2,328,706
Supporting Services:				
Management and General	852,171	-	-	852,171
Membership Programming	248,579	-	-	248,579
Fundraising	313,921	-	-	313,921
Total Expenses	3,743,377	-	-	3,743,377
CHANGE IN NET ASSETS	(1,117,369)	(103,264)	-	(1,220,633)
Net Assets - Beginning of Year	19,040,713	2,050,187	11,017,157	32,108,057
NET ASSETS - END OF YEAR	$ 17,923,344	$ 1,946,923	$ 11,017,157	$ 30,887,424

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Contributions and Grants	$ 452,877	$ 996,757	$ -	$ 1,449,634
Membership Dues	84,215	-	-	84,215
Book Sales and Royalties	228,469	-	-	228,469
Interest and Dividend	440,272	-	-	440,272
Net Realized and Unrealized Gain on Investment	2,818,018	-	-	2,818,018
Rental	4,800	-	-	4,800
Other	68,686	-	-	68,686
Net Assets Released from Restrictions	1,888,637	(1,888,637)	-	-
Total Revenues	5,985,974	(891,880)	-	5,094,094
EXPENSES				
Program Services	2,490,081	-	-	2,490,081
Supporting Services:				
Management and General	797,381	-	-	797,381
Membership Programming	275,124	-	-	275,124
Fundraising	191,706	-	-	191,706
Total Expenses	3,754,292	-	-	3,754,292
CHANGE IN NET ASSETS	2,231,682	(891,880)	-	1,339,802
Net Assets - Beginning of Year	16,809,031	2,942,067	11,017,157	30,768,255
NET ASSETS - END OF YEAR	$ 19,040,713	$ 2,050,187	$ 11,017,157	$ 32,108,057

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (1,220,633)	$ 1,339,802
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized Gain on Investments	(436,935)	(618,689)
Net Unrealized (Gain) Loss on Investments	307,097	(2,199,329)
Reinvested Gains and Interest	(342,618)	(312,063)
Depreciation	155,430	152,473
Effects of Changes in Operating Assets and Liabilities:		
Pledges Receivable	(236,515)	506,702
Accounts Receivable	765,083	34,974
Prepaid Expenses	20,164	(45,820)
Inventory	16,755	14,150
Accounts Payable	(39,403)	107,389
Accrued Payroll and Related Liabilities	(3,611)	(8,112)
Accrued Interest Payable	(2,779)	45,833
Net Cash Used by Operating Activities	(1,017,965)	(982,690)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	12,132,544	8,239,987
Purchases of Investments	(10,723,502)	(5,379,554)
Purchases of Property and Equipment	(521,465)	(31,892)
Net Cash Provided by Investing Activities	887,577	2,828,541
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Long-Term Debt	(242,961)	(230,294)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(373,349)	1,615,557
Cash and Cash Equivalents, Beginning of Year	839,645	1,163,574
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 466,296	$ 839,645
CASH PAID FOR		
Interest	$ 42,334	$ 55,000

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

The School for Advanced Research (formerly The School for Advanced Research on the Human Experience) (the School) provides a dynamic environment for the advanced study and communication of knowledge about human culture, evolution, history and creative expression.

The School draws upon its century-deep roots in the American Southwest, anthropology, and indigenous arts to present programs, publications and initiatives that impart the learning of social scientists, humanists, and artists to inform the thoughts and actions of scholars, artists, educators, and the interested public.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the methods and lives used to compute depreciation expense. Actual results could differ from those estimates.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the School is required to report information regarding its financial position and activities according to three classes of net assets.

Unrestricted Net Assets

These assets represent sources whose use is not limited to or restricted by donors. Unrestricted net assets have arisen from exchange transactions, receipt of unrestricted contributions and expirations or satisfaction of existing restrictions.

The School treats restricted contributions whose restrictions are satisfied during the same fiscal year as unrestricted support. All contributions made to the School are considered to be available for unrestricted use unless specifically restricted by the donor.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

These assets result from (a) contributions and other inflows of assets whose use by the School is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations; (b) other assets enhancements and diminishments subject to the same kinds of stipulations; and (c) imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the School pursuant to those stipulations.

Permanently Restricted Net Assets

These assets have donor-imposed restrictions that stipulate that resources be maintained permanently but permit the School to use up or expend part or all of the income or economic benefits derived from the donated assets.

Cash and Cash Equivalents

For purposes of preparing the statements of cash flows, the School considers all cash and financial instruments with original maturities of three months or less as cash and cash equivalents. Cash and cash equivalents include cash on hand, cash in banks, and money market accounts held with a brokerage firm.

The School maintains its depository accounts with various financial institutions. Balances in these accounts periodically exceed federally insured limits. The School has not experienced any losses from, and believes it is not exposed to, significant credit risk from these deposits.

Investments

Investments include marketable equity, corporate and government debt securities that are carried at current market value based on year end quoted stock market prices. Market alternatives include ownership of funds and single manager funds carried at estimated value as determined in good faith by the general partner of each investment. The general partners of these limited partnerships determine market value based upon fair value of the underlying investments of the limited partnerships, as there is no ready market for these investments. Realized gains and losses are recorded on a specific identification method upon the sale or write-off of investment assets of the limited partnerships. Investment valuation adjustments are determined by general partners based on an increase or impairment in value in underlying investments during the investment-holding period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Management Policy

Preservation of Capital

Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

Risk Aversion

Understanding that risk is present in all types of securities and investment styles, the Finance Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Institutional Fund's objectives. However, the investment managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

Adherences to Investment Discipline

Investment managers are expected to adhere to the investment management styles for which they were hired. Managers are evaluated regularly for adherence to investment discipline. Evaluation is ongoing and based on results in quarterly reports and over market cycles, usually three to five years.

Accounts Receivable

Management reviews the collectability of its receivables and, if necessary, records a reserve for its estimate of uncollectible accounts. Historical write-offs and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the reserve. Management has deemed all amounts to be collectible and, accordingly, has not recorded an allowance for uncollectible accounts at June 30, 2015 and 2014.

Inventory

Inventory consists primarily of books and publications, and is carried at the lower of cost or market. Cost is determined by specific identification. On June 25, 2015, the School entered into a distribution agreement with The University of New Mexico Press (UNM Press). Under the agreement, UNM Press warehouses, distributes, and markets in-print titles previously published by the School. In return, the School pays UNM Press a commission equal to 32% of net receipts of each print and/or electronic book distributed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The School owns and occupies a campus that encompasses approximately 16 acres. The School has 11 buildings with over 51,900 square feet which are home to all of the activities of the School.

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Expenditures exceeding $1,000 that enhance or extend the useful life of property and equipment are capitalized. In addition, all computers are capitalized in the year purchased. Maintenance and repair costs are expensed as incurred. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 39 years.

The School reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of

The School reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amounts of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported as the lower of the carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at June 30, 2015 and 2014.

Collection and Library

The collections, which were acquired through purchases and contributions since the School's inception, are not recognized as assets on the statements of financial position. The School adheres to the policies of the American Association of Museums, which discourages the assignment of dollar values to collections not intended for sale in the marketplace. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions are reflected as increases in the appropriate net asset classes and are designated for collection acquisition and care.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently Restricted Net Assets

Authoritative guidance includes the following financial statement disclosure requirements for the School for the years ended June 30, 2015 and 2014.

Classification of Net Assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board-designated for a specific purpose.

Interpretation of Relevant Law

The School has interpreted the Uniform Prudent Management of Institutions Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanent restricted net assets: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the School, and (7) the School investment policies.

Income Taxes

The School is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation. As such, their normal activities do not result in any income tax liability. The School pays taxes on unrelated business income.

The School would recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no such interest or penalties recorded for the years ended June 30, 2015 and 2014.

The School files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the School is subject to examination by federal, state, local and foreign jurisdictions, where applicable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

Contributions received, including unconditional promises, are recognized as revenue in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor or time restrictions.

Pledges are recorded at the net present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. The School believes pledges receivable are presented at net realizable value.

The School reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations on the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions of services are recognized only if the services received create or enhance non-financial assets, require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Grants

The School performs services under reciprocal contracts with the National Science Foundation. Revenues from these contracts are recognized as the services are performed and related expenses are recorded as incurred.

Functional Allocation of Expense

The School reports its expenses according to four functional classifications: Program Services, Management and General, Membership Programming and Fundraising. Direct costs are recorded to the functional classification that the expense relates to. All other expenses are allocated among these classifications on the basis of programs and services benefited.

Advertising Costs

The School incurs certain advertising costs in connection with the promotion of its mission. Advertising costs are expensed as incurred. Advertising expense totaled $11,815 and $17,483 for the years ended June 30, 2015 and 2014, respectively.

Accrued Expenses

Accrued expenses include $78,453 and $79,715 of accrued vacation as of June 30, 2015 and 2014, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2014 balances to conform with the 2015 presentation.

Subsequent Events

Management evaluated subsequent events through January 14, 2016, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to January 14, 2016, that provided additional evidence about conditions that existed at June 30, 2015 have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2015.

NOTE 2 CONDITIONAL PROMISE TO GIVE

The School is the beneficiary of a bequest totaling $5,880,000. There are no restrictions for use associated with the bequest. Associated revenue will be recognized when the estate is validated by the probate court.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the School uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value:

Marketable securities traded in active markets are measured at fair value using Level 1 inputs. The fair values are based on quoted market prices at the reporting date.

Market alternatives are classified within Level 3 of the valuation hierarchy and are valued at market value as determined in good faith by the general partner of each fund, in accordance with Cooperative Agreements. The general partners of these limited partnerships determine market value based upon fair value of the underlying investments of the limited partnerships, as there is no ready market for these investments. Realized gains and losses are recorded on a specific identification method upon the sale or write off of investment assets of the limited partnerships.

The following table present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2015:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Stocks:				
Common Stocks	$ 7,904,189	$ -	$ -	$ 7,904,189
Exchange Traded Funds:				
Large Value Funds	2,998,857	-	-	2,998,857
Mutual Funds:				
Bond Funds	5,780,711	-	-	5,780,711
Market Alternatives:				
Partnerships	-	-	9,871,485	9,871,485
Total	$ 16,683,757	$ -	$ 9,871,485	$ 26,555,242

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table present assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Stocks:				
Common Stocks	$ 7,048,915	$ -	$ -	$ 7,048,915
Preferred Stocks	71,973	-	-	71,973
Exchange Traded Funds:				
Large Value Funds	2,873,420	-	-	2,873,420
Mutual Funds:				
Bond Funds	7,201,856	-	-	7,201,856
International Growth Funds	861,239	-	-	861,239
Market Alternatives:				
Partnerships	-	-	9,434,425	9,434,425
Total	$ 18,057,403	$ -	$ 9,434,425	$ 27,491,828

The following information summarizes the difference between cost and the estimated fair value for investments as of June 30, 2015:

	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Stocks:			
Common Stocks	$ 7,273,851	$ 7,904,189	$ 630,338
Exchange Traded Funds:			
Large Value Funds	2,820,745	2,998,857	178,112
Mutual Funds:			
Bond Funds	4,601,676	5,780,711	1,179,035
Market Alternatives:			
Partnerships	4,895,968	9,871,485	4,975,517
Total Assets at Fair Falue	$ 19,592,240	$ 26,555,242	$ 6,963,002

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following information summarizes the difference between cost and the estimated fair value for investments as of June 30, 2014:

	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Stocks:			
Common Stocks	$ 5,718,969	$ 7,048,915	$ 1,329,946
Preferred Stocks	67,325	71,973	4,648
Exchange Traded Funds:			
Large Value Funds	2,676,158	2,873,420	197,262
Mutual Funds:			
Bond Funds	7,185,831	7,201,856	16,025
International Growth Funds	784,682	861,239	76,557
Market Alternatives:			
Partnerships	4,945,114	9,434,425	4,489,311
Total Assets at Fair Falue	$ 21,378,079	$ 27,491,828	$ 6,113,749

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2015 and 2014.

	2015	2014
Beginning Balance	$ 9,434,425	$ 10,739,986
Sales at Cost	(49,145)	(2,458,459)
Realized Gain	11,581	427,414
Net Change in Unrealized Gains and Losses	474,624	725,484
Ending Balance	$ 9,871,485	$ 9,434,425

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the combined statements of activities for the years ended June 30, 2015 and 2014.

The following summarizes information related to Level 3 investments whose fair value is determined based upon Net Asset Value per Share (NAV).

	Estimated Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Partnerships (a)	$ 9,871,485	None	Quarterly	60-95 Days

(a) This class includes investments in several partnerships incorporated in the Cayman Islands and registered under Cayman Islands Mutual Funds Law. The fair values of the investments in this class have been estimated using the net asset value per share of the investments, and applying that to the number of shares held by the School. The partnerships invest in both U.S. and non-U.S. bank debt, private notes, real estate, common stock, preferred stock, and corporate bonds.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable are discounted and recorded at the net present value of estimated future cash flows. The School believes that all pledges receivable will be fully collectible when due and, therefore, has not recorded an allowance on pledges receivable.

	2015	2014
Expected Cash Collection	$ 365,139	$ 133,600
Less Discount to Present Value	(324)	(5,300)
Present Value of Pledges Receivables	$ 364,815	$ 128,300

The amount of pledges receivable expected to be collected in the next five years follows:

2016	$ 355,138
2017	9,677
Total contribution receivable	$ 364,815

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2015	2014
Buildings and Improvements	$ 6,001,169	$ 5,331,472
Land Improvements	401,309	401,319
Equipment	892,636	879,396
Furniture and Fixtures	133,843	132,315
Total	7,428,957	6,744,502
Less Accumulated Depreciation	(5,968,163)	(5,812,735)
	1,460,794	931,767
Land	2,015,744	2,015,744
* Project in Process	80,965	243,957
	2,096,709	2,259,701
Total Property and Equipment	$ 3,557,503	$ 3,191,468

* Projects in process consist of projects for the master campus and the Kidder Garage remodel.

Depreciation expense for the years ended June 30, 2015 and 2014, was $155,430 and $152,473, respectively.

NOTE 6 LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	2015	2014
5.50% note with certain individuals, due in four annual installments of $285,294, including interest, commencing September 7, 2013 and continuing through September 7, 2016, when the remaining balance is due. Property is pledged as collateral.	$ 526,745	$ 769,706
Less Current Maturities	(256,324)	(242,961)
Total Long-Term Debt, Net of Current Maturities	$ 270,421	$ 526,745

Aggregate maturities on long-term debt subsequent to June 30, 2014 are as follows:

Year Ending June 30,	Amount
2016	$ 256,324
2017	270,421
Total	$ 526,745

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	2015	2014
Capital Construction	$ 751,189	$ 982,242
Indian Arts Research Center	419,990	416,308
Scholarships and Internship Programs	347,599	360,118
Discounted Value of Unconditional Promises to Give	365,137	132,990
Program	57,008	158,529
Seminars	6,000	-
Total	$ 1,946,923	$ 2,050,187

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets are released from restrictions by incurring expenses satisfying the restricted purposes. Net assets released from restrictions were comprised of the following:

	2015	2014
Capital Construction	$ 539,107	$ 732,610
Indian Arts Research Center	390,169	492,950
Collections on Pledges	120,313	244,000
Program	150,221	218,575
Scholarships and Internship Programs	17,519	125,502
Seminars	-	75,000
Total	$ 1,217,329	$ 1,888,637

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following at June 30, 2015 and 2014:

General Operations	$ 2,978,344
Weatherhead Scholarship Program	2,166,000
Centennial Endowment	1,288,800
Indian Arts Research Center Operations	1,057,258
Staley Anthropology Award	925,148
Lamon Native American Research and Art	864,762
Artist in Residence Endowment - King	500,000
Annenburg Conservation Program	500,000
Artist in Residence Endowment - Dobkin	422,936
Crichton Membership Lecture	155,000
Dubin Scholarship Program	145,000
Employee Retirement Plan Contributions	13,909
Total	$ 11,017,157

NOTE 9 ENDOWMENTS

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to the School. The State of New Mexico adopted UPMIFA effective July 1, 2009. The School's Board of Directors has determined that all permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Endowment Investment and Spending Policies

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowments while seeking to maintain the purchasing power of the endowments.

In determining the prudent amount to distribute in a given year, the School considers the donor's intent that the fund continues in perpetuity, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The School's current spending policy is to distribute a percentage of the rolling three-year average of the fair market value of the endowments, as determined each year by the Board of Directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of investment fees. To satisfy its long-term rate of return objectives, the School relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Changes in Endowment Net Assets

The composition of the School's endowments by net asset class, and a reconciliation of beginning and ending balances, are reflected in permanently restricted net assets in the accompanying statements of activities and changes in net assets.

NOTE 10 COLLECTIONS

The School's collection of Native American pottery, art, artifacts, library of research materials and scholarly works is maintained for research and educational purposes in furtherance of its mission and public service. Each of the items is cataloged, preserved and cared for, and activities verifying its existence and assessing its condition are performed continuously. Proceeds from the disposition of collection and library items, if any, are designated for collection acquisition and care. Proceeds from collection deaccessions was $-0- in 2015 and 2014. Investments include amounts restricted ($258,278 in 2015 and $285,855 in 2014) for acquisition or maintenance of collection items.

NOTE 11 COMMITMENTS

Leases

The School leases equipment under a long-term operating lease. The long-term operating lease expires September 2019. Rental expense was $6,520 and $7,090 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments required under long-term operating leases follow:

Year Ending June 30,	Amount
2016	$ 8,565
2017	8,565
2018	7,128
2019	6,840
2020 and thereafter	1,710
Total	$ 32,808

Retirement Plans

The School has a Defined Contribution Retirement Plan that covers all eligible employees. The plan includes provisions for mandatory participation beginning after one year of employment and the attainment of age 21, with required participation at three years and age 30. Contributions are based on percentages of regular salary, and total 2% by the School and 4% by the participant. The expense related to this plan was $78,457 and $76,802 in 2015 and 2014, respectively. The pension plan is administered by TIAA CREF.

The School offers all employees the option of participating in a Tax Deferred Annuity Plan through the fund sponsors of the Teachers Insurance and Annuity Association or the College Retirement Equities Fund. Employees are eligible to participate beginning on the first of the month following employment. Employees contribute to this plan according to a salary reduction agreement. There are no employer contributions under this plan.

NOTE 12 RELATED PARTY TRANSACTIONS

The School receives contributions, pledges, and bequests from members of the Board of Directors. During the year ended June 30, 2015, the School received $588,938 from 22 members of the Board of Directors. The total pledges receivable balance at June 30, 2015, for 11 members of the Board of Directors was $320,683. During the year ended June 30, 2014, the School received $500,006 from 23 members of the Board of Directors. The total pledges receivable balance at June 30, 2014, for 5 members of the Board of Directors was $107,500. All receivables from the Board of Directors are considered collectible.

SCHOOL FOR ADVANCED RESEARCH
SCHEDULES OF NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Operating Endowment	$ 11,283,817	$ 12,147,105
Weatherhead Endowment	2,923,430	2,938,989
Indian Arts Research Endowment	2,401,289	2,418,473
Invested in Plant Fund	2,268,447	1,064,306
Operating Funds	1,946,883	3,110,980
Lamon Endowment	1,449,742	1,578,416
Retirement & Benefit Endowment	1,207,027	1,234,552
Cash Reserves	1,126,779	1,274,532
Centennial Endowment	1,039,101	302,685
J.I. Staley Endowment	903,197	932,128
Lambert House Fund	634,552	623,080
Annenberg Conversations Endowment	585,700	583,073
King Artist Endowment	525,527	515,879
Dobkin Artist Endowment	486,120	455,026
ARCT grant for Tract 6B purchase	282,000	306,823
IARC Collections Endowment	257,151	253,653
ARCT Native Museum Professionals Training Grant	230,780	235,654
Dubin Artist Endowment	178,143	176,766
V. Campbell Resident Scholar fund	173,011	165,571
Adams Scholar Fund	166,973	166,971
ARCT Collections Improvement & Dissemination Grant	148,071	159,566
F. Crichton Lecture Endowment	147,229	147,437
Indian Arts Fund Endowment	126,333	124,850
Bunting Summer Scholar Fund	104,542	100,308
Linda S. Cordell book award	63,831	15,459
President's Circle	52,985	29,289
J.I. Staley Program	36,587	62,079
Paloheimo Annual Report Fund	35,000	35,000
White Antelope Blanket Fund	27,123	28,828
Archaeology Grant Program	19,175	23,741
Dobkin Social Change Initiative Projects Fund	18,284	4,646
Schwartz Arroyo Hondo fund	13,881	28,070
Lannan Literary Art Program	12,052	3,633
Library book purchase fund	7,842	4,100
Indian Arts Fund	4,438	4,437
Native Arts Forum	382	382
Second Century Capital Campaign/Work Plaza	-	606,354
ARCT for Facilities Improvement	-	96,203
SAR Press Book Projects	-	92,163
IARC Collections Fund	-	27,765
Cotsen Summer Scholar Fund	-	18,155
President's Cultivation Fund	-	7,353
Native American Artist Collaboration Program	-	3,577
TOTAL NET ASSETS	$ 30,887,424	$ 32,108,057