

## **School for Advanced Research Narrative on December 2014 financial statements February 10, 2015**

The following narrative points out significant changes as well as summary financial information for the past month. We welcome your questions, suggestions or comments as we work to refine this reporting process.

### **Summary Financial Data**

Please note that I continue to use the new presentation of the prior year and budget variance. If the “source of funds” is more than the prior year or the budget, the variance is shown as a positive number. If “expenditures” are more than last year or the budget, the variance is shown as a negative number. Conversely, if the “source of funds” is less than the prior year or budget, the variance is shown as a negative number and if “expenditures” are less than last year or the budget, the variance is shown as a positive number.

### **Operating results for July through December (Budget):**

Year to date expenditures are shown in comparison to 50% (6 months) of annual budget and are not adjusted for seasonal variations. We fully expect to spend the full budgeted amounts by year end.

Salaries are 3% less than budget due to vacancies but the annual budget is expected to be spent by year end.

With 50% of the year completed, Core Program expenses are at 42% of the annual budget. The Resident Scholar program is on target. Two of the three advanced seminars scheduled for FY15 will be held later in the fiscal year, so the Advanced Seminar budget is only at 31%, but the balance will be spent by year end. SAR Press’ exhibit expense (and related travel) is still below budget and the Indian Arts Research Center staff has not yet spent their travel and software maintenance budget.

Administration (President’s office) and Business Administration expenses tend to be more even through the year and are closer to 50% of the annual budget. Heating gas expenses are below budget but will be spent as the weather gets colder.

The Information Technology budget continues to be below budget.

The Development program continues to underspend as the division reorganizes. The annual report printing was paid in January and more membership lecture expenses are scheduled in the spring.

Physical Plant continues to be active catching up on deferred maintenance projects that are possible within the budget.

The roof on the IARC vault 2 is was replaced in October and 74% of the annual capital projects budget has been spent.

The fact that we had fewer expenses than were budgeted allowed us to draw less from the endowment than was budgeted for this point in the year. Draws from the endowment for the full year will be as budgeted.

**Budget Additions:**

The policy for research funds spending for our scholar staff is to allow a maximum of one year's budget to be carried forward into a new year. \$8,865 was carried forward into FY15 from FY14.

Final purchases were made from the ARCT facilities funds, and we did receive the final invoice from Barbara Felix.

**Financial Position (Balance Sheet):**

Construction on Work Plaza continues to progress. Total payments to the contractor equal \$272,745. Leon and Sharon are standing firm with the contractor to resist change orders, especially if the change is due to the contractor's error in bidding the contract. Installation of the stucco color coat and the landscape planting will be delayed until warmer weather, but the balance of the construction is expected to be completed by the end of February.

**Fundraising results:**

Fundraising for FY16 continues to be slow. Through the date of this report (February 9, 2015), annual giving gifts are 9% less that this date last year. Unrestricted board gifts equal \$55K and other unrestricted giving equals \$34K compared to \$73K and \$25K respectively. So board giving is down \$18K and unrestricted public support is up \$9K.

**Investment Performance:**

SAR's equity investments (41.0% of the total) and SAR's market alternative investments (35.0% of the total) have beaten the indices for the last twelve months, while the fixed income part of the portfolio (23.% of the total) have lagged the index for the same period.

**School for Advanced Research**  
**Summary Financial Data**  
**July - December 2014 - UNAUDITED**  
(in thousands)

	July-Dec 2013		July-Dec 2014		Variance	
	Actual	Budget	Actual	Prior Year	Budget	Over (Under)
<b>Operating results for the period (see pg 2-3 for detail)</b>						
Sources of funds						
Endowment draw	\$ 619	\$ 627	\$ 584	\$ (35)	\$ (43)	
Unrestricted funds						
Received or promised in prior years	173	334	311	138	(23)	
Received in current year (budget additions)	191	0	0	(191)	-	
Restricted funds						
Received or promised in prior years	369	251	131	(238)	(120)	
Received in current year (budget additions)	46	111	111	65	-	
Sales and fees (net of costs) received in prior year	142	122	113	(29)	(9)	
Carryover from prior year		39	37	37	(2)	
Drawn from reserves		267	248	248	(19)	
	1,540	1,751	1,535	(5)	(216)	
Expenditures						
Salaries	939	1,035	964	(25)	71	
Core program	194	202	171	23	31	
Core administration	195	223	194	1	29	
Funded or special programs	139	170	88	51	82	
Budget additions	46	118	118	(72)	-	
Other-Contingency	0	3	-	-	3	
	1,513	1,751	1,535	(22)	216	
Surplus (deficit) for the period	\$ 27	\$ -	\$ -	\$ (27)	\$ -	

	Prior Year End	Current Period End	Variance Prior Yr End
<b>Financial position (see pg 4 for detail)</b>			
Cash	\$ 531	\$ 230	(301)
Investments	27,801	27,134	(667)
Unrestricted net assets	19,040	18,540	(500)
Restricted net assets	13,067	12,273	(794)
<b>Cash Reserve Balance</b>	\$ 1,384	\$ 1,136	\$ (248)

	July-Dec 2013		July-Dec 2014		Variance	
	Actual	Budget	Actual	Prior Year	Budget	Over (Under)
<b>Fund raising results for the period (see pg 5 for detail)</b>						
Unrestricted pledge payments received for current year	18		2	(16)		
New unrestricted gifts received for current year	13		-	(13)		
Restricted pledge/grant payments received for current year	-		76	76		
New restricted gifts received for current year	370		89	(281)		
Sales and fees (net) to be used for next year operations	144		78	(66)		
Unrestricted gifts for future operations	94		36	(58)		
Restricted gifts for future operations received or committed	2,221		1,118	(1,103)		
	\$ 2,860		\$ 1,399	\$ (1,461)		

<b>Investment results for the period (see pg 6 for detail)</b>			
% Rate of Return (trailing 12 months, net of fees)	9.88%	6.22%	
Interest and dividend income	\$ 228	\$ 262	34
Net realized investment gain (loss)	508	21	(487)
Net unrealized investment gain (loss)	1,006	(100)	(1,106)
	\$ 1,742	\$ 183	\$ (1,559)

**SCHOOL for ADVANCED RESEARCH**  
**BUDGET REPORT**  
**July 1, 2014 - December 31, 2014 (UNAUDITED)**  
50% of Year Complete

<b>SOURCES OF CASH</b>	<b>Annual Budget</b>	<b>Additions to FY15 Budget</b>	<b>Actual through 12/31/2014</b>	<b>Percent of Adjusted Budget</b>
Endowment draw	<u>\$1,253,775</u>		<u>\$583,507</u>	47%
Unrestricted funds raised/pledged in previous years				
Annual Giving	667,669		310,733	47%
	<u>667,669</u>	<u>0</u>	<u>310,733</u>	
Donor Restricted				
Anne Ray Charitable Trust (exclusive of mortgage principal)	406,403	74,698	187,525	39%
Paloheimo Foundation	35,000		16,289	47%
NSF for Team Seminars	33,194		0	0%
Cordell Prize	15,359		5	0%
Summer Scholar programs	9,290		786	8%
Library Book Purchase Fund	3,000		1,396	47%
DWS Arroyo Hondo research fund		16,847	16,847	NA
S Foote special projects		10,389	10,389	NA
Board Initiative Fund		4,119	4,119	NA
Chief White Antelope project		2,301	2,301	NA
Dobkin Social Change Initiative		1,450	1,450	NA
Campbell Fellowship		1,009	1,009	NA
Lannan Literary Arts		349	349	NA
	<u>502,246</u>	<u>111,162</u>	<u>242,465</u>	40%
Sales and Fees				
Gross Margin on Book Sales and Royalties	122,497		57,010	47%
Memberships and Lecture Sponsors	60,201		28,018	47%
President's Council, net of costs	30,000		13,962	47%
Rent Income	3,520		1,638	47%
Field Trip income, net of costs	16,492		7,675	47%
IARC Tours and Sales, net of costs	10,672		4,967	47%
	<u>243,382</u>	<u>0</u>	<u>113,270</u>	
FY14 Surplus	60,000	8,865	36,789	53%
Drawn from Reserves	533,753		248,409	47%
<b>TOTAL FUNDS AVAILABLE</b>	<u><u>\$3,260,825</u></u>	<u><u>\$120,027</u></u>	<u><u>\$1,535,173</u></u>	45%

**SCHOOL for ADVANCED RESEARCH**  
**BUDGET REPORT**  
**July 1, 2014 - December 31, 2014 (UNAUDITED)**  
(continued)

EXPENDITURES	Annual Budget	Additions to FY15 Budget	Actual through 12/31/2014	Percent of Adjusted Budget
Salaries (net of direct book production costs)	<u>\$2,045,163</u>		<u>\$963,746</u>	47%
Core Program				
Resident Scholar (RS)	191,630	1,781	85,283	44%
Advanced Seminar (AS)	44,995		13,785	31%
IARC	34,464		13,229	38%
SAR Press (royalties excluded)	82,371		35,871	44%
JI Staley	33,700		16,806	50%
Library	<u>17,377</u>		<u>6,312</u>	36%
	404,537	1,781	171,286	42%
Core Admin				
President/Executive Services	27,650	7,084	14,819	43%
Business Admin	185,484		79,789	43%
Development	78,350		24,783	32%
Information Technology	22,815		4,521	20%
Guest Services	15,775		4,920	31%
Physical Plant	90,040		53,806	60%
Capital Projects	<u>25,000</u>		<u>18,620</u>	74%
	445,114	7,084	201,257	45%
Funded or Special Programs				
ARCT Museum Professional project directs	142,186		33,714	24%
ARCT IARC Conservation project directs	70,723		21,431	30%
IARC fellows (direct costs)	33,650		16,259	48%
NSF Short Seminar directs	29,200			0%
Howell property taxes	15,423		15,724	102%
Cordell prize directs	15,359		5	0%
ARCT property direct expenses	15,000			0%
President's moving allowance	12,000			0%
Summer fellows	5,940		564	9%
ARCT FY14 Facilities project directs		74,698	74,698	NA
DWS Arroyo Hondo research fund		16,847	16,847	NA
S Foote special projects		10,389	10,389	NA
Board Initiative Fund		4,119	4,119	NA
Chief White Antelope project		2,301	2,301	NA
Dobkin Social Change Initiative		1,450	1,450	NA
Campbell fellowship		1,009	1,009	NA
Lannan Literary Art program		349	349	NA
	<u>339,481</u>	<u>111,162</u>	<u>198,858</u>	44%
President's bonus pool	21,530			0%
SAR-wide contingency	<u>5,000</u>		<u>0</u>	0%
<b>TOTAL FUNDS EXPENDED</b>	<u><u>\$3,260,825</u></u>	<u><u>\$120,027</u></u>	<u><u>\$1,535,146</u></u>	45%
<b>SURPLUS/(DEFICIT)</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$27</u></u>	

**SCHOOL for ADVANCED RESEARCH**  
**BALANCE SHEET**  
(UNAUDITED)

	6/30/2014	12/31/2014		6/30/2014	12/31/2014
<b>ASSETS</b>			<b>LIABILITIES &amp; FUND BALANCES</b>		
Cash:			Liabilities:		
Checking FNBSF	\$ 75,932	\$ 131,231	Accounts Payable	74,308	14,062
Payroll FNBSF	16,751	11,331	Accrued Expenses	17,721	5,757
Money Market FNBSF	414,096	86,421	Accrued Benefits	106,388	54,979
Deferred Comp escrow FNBSF	22,899		Deferred Revenue	(380)	540
Petty Cash	900	900	Accrued Mortgage Interest	31,750	7,243
			Mortgage Payable	769,706	526,745
Total Cash	530,578	229,883			
			Total Liabilities	999,492	609,326
Investments: (@ market)					
Smith Barney:			Net Assets:		
Endowment	24,949,228	24,131,958	Unrestricted	19,040,237	18,540,110
Invested Cash	2,776,665	2,524,471	Temporarily Restricted	2,050,187	1,255,768
ARCT funds in \$ Mkt	75,002	478,014	Permanently Restricted	11,017,157	11,017,157
Total Investments	27,800,895	27,134,443			
Other Assets:			Total Net Assets	32,107,581	30,813,035
Accounts/Grants Receivable	782,616	29,483			
Pledges Receivable	123,164	123,954			
Book Inventory	631,506	547,938			
Prepaid Expenses	46,846	25,965			
Plant & Equipment	3,191,470	3,330,695			
Total Other Assets	4,775,601	4,058,035			
<b>TOTAL ASSETS</b>	<b>\$ 33,107,073</b>	<b>\$ 31,422,360</b>	<b>TOTAL LIABILITIES</b>		
			<b>&amp; FUND BALANCES</b>	<b>\$ 33,107,073</b>	<b>\$ 31,422,360</b>

**SCHOOL for ADVANCED RESEARCH**  
**CUMULATIVE FUND RAISING RESULTS**

July 1, 2014 - December 31, 2014

Funds recorded this year are in **BOLD**

Funds recorded in previous years are in PLAIN

Funds committed but not recorded are in *ITALICS*

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
<b>GIFTS for CURRENT YEAR (FY2015)</b>			
Pledge payment for FY15 Operational Support	1,500		
FY14 Federal grants payments		72,722	
New gifts for Linda S. Cordell Book Award		33,950	
<i>New pledge for Linda S. Cordell Book Award</i>		<i>25,000</i>	
S Foote for annual meeting events		15,815	
New gift for D Schwartz Arroyo Hondo project		20,000	
Work plaza pledge payment		3,000	
Subventions for Simonelli book project		700	
Pledge payment for Linda S. Cordell Book Award		100	
Total Gifts for Current Year	1,500	171,287	172,787
<b>GIFTS FOR BOARD INITIATIVE FUND (including in kind donations)</b>			
		2,000	2,000
<b>SALES, FEES and GIFTS FOR NEXT YEAR (FY2016)</b>			
<b>Sales and Fees:</b>			
Book Sales and Royalties	112,744		
Cost of Sales	(73,238)	39,507	
Scholar, Seminar and IARC Facilities Rental Income (Net of costs)		17,376	
Indian Arts Tours and Collection-related net income		3,396	
Membership Services			
Memberships and Lecture receipts	21,799		
President's Council	22,384		
Field Trip revenues (net of costs)	(15,317)		
Total Sales and Fees	89,146	-	89,146
<b>Gifts</b>			
Operational Support			
New gifts received - board	43,235		
New gifts received - non-board	33,435		
Total Gifts	76,670	-	76,670
Total Revenue for Next Year (FY2016)			165,816
<b>GIFTS FOR CAMPUS EXPANSION (in addition to amounts recorded in prior years)</b>			
<i>ARCT for Howell Property mortgage payment (committed)</i>		<i>885,883</i>	
		<i>885,883</i>	<i>885,883</i>
<b>GIFTS FOR FUTURE YEARS</b>			
<i>ARCT for FY16 Museum Training grant (committed)</i>		<i>230,780</i>	
		<i>230,780</i>	<i>230,780</i>
Total gifts for FY2016 and beyond	165,816	1,116,663	1,282,479
<b>GRAND TOTAL</b>	\$ 167,316	\$ 1,289,950	\$ 1,457,266



	Market Value (\$)	%	1 Month	YTD	1 Year	3 Year	5 Year	7 Year	Since Inc	Inception Date
<b>SAR Combined</b>	<b>27,129,458</b>	<b>100.00</b>	<b>-0.32</b>	<b>6.22</b>	<b>6.22</b>	<b>10.49</b>	<b>8.96</b>	<b>3.82</b>	<b>7.78</b>	<b>05/01/2003</b>
SAR Combined Equity	11,128,643	41.02	-1.00	7.04	7.04	16.76	13.00	3.16	8.15	05/01/2003
<i>MSCI ACWI Net</i>			<i>-1.93</i>	<i>4.15</i>	<i>4.15</i>	<i>14.11</i>	<i>9.17</i>	<i>2.72</i>	<i>8.88</i>	
SAR Fixed Income	6,483,202	23.90	-0.04	3.51	3.51	6.36	6.64	N/A	7.21	05/01/2009
<i>BC Aggregate</i>			<i>0.09</i>	<i>5.96</i>	<i>5.96</i>	<i>2.66</i>	<i>4.45</i>	<i>N/A</i>	<i>4.87</i>	
SAR Hedge Funds	9,517,613	35.08	0.29	7.43	7.43	11.34	9.26	6.98	7.81	05/01/2003
<i>HFR1 FoF Composite</i>			<i>0.32</i>	<i>3.35</i>	<i>3.35</i>	<i>5.67</i>	<i>3.29</i>	<i>0.43</i>	<i>3.95</i>	
<b>Domestic Equity</b>										
NFJ Div Value	4,725,626	17.42	-0.24	11.04	11.04	18.11	N/A	N/A	13.63	04/01/2011
<i>Russell 1000 VI</i>			<i>0.61</i>	<i>13.46</i>	<i>13.46</i>	<i>20.90</i>	<i>N/A</i>	<i>N/A</i>	<i>14.59</i>	
SDY	3,065,234	11.30	0.40	14.92	14.92	N/A	N/A	N/A	18.14	06/01/2013
<b>International Equity</b>										
NFJ Intl Value	2,526,732	9.31	-3.39	-4.79	-4.79	9.94	N/A	N/A	3.97	04/01/2011
<i>MSCI EAFE VI</i>			<i>-3.41</i>	<i>-4.91</i>	<i>-4.91</i>	<i>11.65</i>	<i>N/A</i>	<i>N/A</i>	<i>4.40</i>	
<i>MSCI ACWI Ex-US</i>			<i>-3.57</i>	<i>-3.43</i>	<i>-3.43</i>	<i>9.43</i>	<i>N/A</i>	<i>N/A</i>	<i>2.51</i>	
William Blair - Int Growth	811,051	2.99	-2.86	-2.87	-2.87	12.75	8.79	-0.90	2.98	07/01/2006
<i>MSCI EAFE Gr Net</i>			<i>-3.49</i>	<i>-4.42</i>	<i>-4.42</i>	<i>11.03</i>	<i>6.19</i>	<i>0.02</i>	<i>3.18</i>	
<i>MSCI ACWI Ex-US</i>			<i>-3.57</i>	<i>-3.43</i>	<i>-3.43</i>	<i>9.43</i>	<i>4.85</i>	<i>-0.19</i>	<i>3.46</i>	
<b>Market Alternatives</b>										
Golden Tree	5,640,821	20.79	0.67	9.95	9.95	12.37	11.95	9.22	9.29	07/01/2005
<i>BC Aggregate</i>			<i>0.09</i>	<i>5.96</i>	<i>5.96</i>	<i>2.66</i>	<i>4.45</i>	<i>4.77</i>	<i>4.69</i>	
<i>HFRX Event Driven</i>			<i>-0.47</i>	<i>-4.07</i>	<i>-4.07</i>	<i>4.99</i>	<i>2.33</i>	<i>0.27</i>	<i>2.10</i>	
Canyon	3,876,792	14.29	-0.16	4.32	4.32	11.90	8.67	7.51	7.51	09/01/2007
<i>BC Aggregate</i>			<i>0.09</i>	<i>5.96</i>	<i>5.96</i>	<i>2.66</i>	<i>4.45</i>	<i>4.77</i>	<i>5.08</i>	
<i>HFRX Event Driven</i>			<i>-0.47</i>	<i>-4.07</i>	<i>-4.07</i>	<i>4.99</i>	<i>2.33</i>	<i>0.27</i>	<i>0.10</i>	
<b>Fixed Income</b>										
Met West Total Return	4,590,317	16.92	0.14	N/A	N/A	N/A	N/A	N/A	1.13	10/01/2014
<i>BC Aggregate</i>			<i>0.09</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>1.78</i>	
PIMCO Low Duration	1,417,871	5.23	-0.63	0.77	0.77	2.16	2.43	N/A	3.92	05/01/2009
<i>90-Day T-Bills</i>			<i>0.00</i>	<i>0.03</i>	<i>0.03</i>	<i>0.05</i>	<i>0.07</i>	<i>N/A</i>	<i>0.08</i>	
Western Asset US Treasuries	475,014	1.75	0.00	N/A	N/A	N/A	N/A	N/A	0.01	05/01/2014
<i>90-Day T-Bills</i>			<i>0.00</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>0.02</i>	