

SAR Narrative on the Fiscal Year ended June 30, 2015 financial statements, August 3, 2015

The following narrative points out significant changes as well as summary financial information for the past fiscal year. 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 June (Budget):

Annual expenditures are shown in comparison to the annual budget. Funds not spent at year end will be returned to the cash reserve since such a large part of the FY15 budget was funded from the reserve.

Not all June vendor statements have been received and booked at the time these statements were prepared, so audited financial statement expenses are likely to be different, though not significantly so.

Salaries are about at budget and include the separation payments to Elizabeth Brando.

Core Program expenses are at 87% of the annual budget. The Resident Scholar program is at 92% of budget, but the application processing software maintenance fee (~ \$3,750 per year) hasn't been received yet. The Advanced Seminar budget is at 58% of the budgeted expenses for the year due to significant underspending for seminar travel, food and supplies. SAR Press' 94% of budgeted expenses reflects the gradual slowdown in expenses due to the planned move to UNM Press. The Indian Arts Research Center's expenses are below budget and the Staley prize budget remains at 88% because the prize has been awarded and there were no new expenses in May. The Library budget is underspent by 26% because far fewer subscriptions and periodicals were purchased than were budgeted.

Administration (President's office), Business Administration Development, IT and Physical Plant expenses are at budget.

Robert Lujan (not to be confused with our bookkeeper, Bob Lujan) has been hired as the new Physical Plant director. Robert's first day was July 6.

The roof on the IARC vault 2 is was replaced in October and 74% of the annual capital projects budget was spent. The physical plant staff of two did not have time to take on additional projects.

The year end surplus for the year was \$45,764 and these funds will be returned to the cash reserves.

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.

Financial Position (Balance Sheet):

Construction on Work Plaza is complete and the staff will move the physical plant tools and materials into the building after the annual meeting. Total payments to the contractor equal \$427,991 and the project is expected to come in about \$19k over budget due, in large part, to the fact that the plans had to be re-drawn to reduce the size (and price) of the building. The SAR staff is responsible for the landscape planting that will be completed after a new director gets settled. This landscaping will be funded from the FY16 capital projects budget.

Fundraising results:

After a strong effort in June, enough funds were to support the FY16 budget without any draw from the cash reserves.

Investment Performance:

SAR's market alternative investments (36.71% of the total) have beaten the indices for the last twelve months, while SAR's equity investments (41.53% of the total) and the fixed income part of the portfolio (21.76% of the total) have lagged the index for the same period.

School for Advanced Research
Summary Financial Data
Fiscal Year 2015 - UNAUDITED
(in thousands)

	<u>FY 2014</u>	<u>FY 2015</u>		<u>Variance</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Prior Year</u>	<u>Budget</u>
Operating results for the period (see pg 2-3 for detail)					
Sources of funds					
Endowment draw	\$ 1,238	\$ 1,254	\$ 1,254	\$ 16	\$ -
Unrestricted funds					
Received or promised in prior years	727	668	668	(59)	-
Received in current year (budget additions)		9	9	9	-
Restricted funds					
Received or promised in prior years	884	502	340	(544)	(162)
Received in current year (budget additions)	98	188	188	90	-
Sales and fees (net of costs) received in prior year	284	243	243	(41)	-
Carryover from prior year		60	60	60	-
Drawn from reserves, NET OF SURPLUS IN FY15		534	488	488	(46)
	3,231	3,458	3,250	19	(208)
Expenditures					
Salaries	1,867	2,067	2,050	(183)	17
Core program	410	405	352	58	53
Core administration	430	445	438	(8)	7
Funded or special programs	368	339	213	155	126
Budget additions	98	197	197	(99)	-
Other-Contingency		5	-	-	5
	3,173	3,458	3,250	(77)	208
Surplus (deficit) for the period	\$ 58	\$ -	\$ -	\$ (58)	\$ -

	<u>Prior</u>	<u>Current</u>	<u>Variance</u>
	<u>Year End</u>	<u>Period End</u>	<u>Prior Yr End</u>
Financial position (see pg 4 for detail)			
Cash	\$ 531	\$ 131	(400)
Investments	27,801	26,889	(912)
Unrestricted net assets	19,040	17,989	(1,051)
Restricted net assets	13,067	12,876	(191)
Cash Reserve Balance	\$ 1,384		\$ (1,384)

	<u>FY 2014</u>	<u>FY 2015</u>	<u>Variance</u>	
	<u>Actual</u>	<u>Actual</u>	<u>Prior Year</u>	<u>Budget</u>
Fund raising results for the period (see pg 5-6 for detail)				
Unrestricted pledge payments received for current year	24	103	79	
New unrestricted gifts received for current year	3	6	3	
Restricted pledge/grant payments received for current year	200	75	(125)	
New restricted gifts received for current year	257	63	(194)	
Sales and fees (net) to be used for next year operations	250	218	(32)	
Unrestricted gifts for future operations	658	645	(13)	
Restricted gifts for future operations received or committed	2,626	1,673	(953)	
	\$ 4,018	\$ 2,783	\$ (1,235)	

Investment results for the period (see pg 7 for detail)				
% Rate of Return (trailing 12 months, net of fees)	12.16%	1.93%		
Interest and dividend income	\$ 440	\$ 465	25	
Net realized investment gain (loss)	619	437	(182)	
Net unrealized investment gain (loss)	2,124	(307)	(2,431)	
	\$ 3,183	\$ 595	\$ (2,588)	

SCHOOL for ADVANCED RESEARCH
BUDGET REPORT
July 1, 2014 - June 30, 2015 (UNAUDITED)
100% of Year Complete

SOURCES OF CASH	Annual Budget	Additions to FY15 Budget	Actual through 5/31/2015	Percent of Adjusted Budget
Endowment draw	<u>\$1,253,775</u>		<u>\$1,253,775</u>	100%
Unrestricted funds raised/pledged in previous years				
Annual Giving	667,669		667,669	100%
	<u>667,669</u>	<u>0</u>	<u>667,669</u>	
Donor Restricted				
Anne Ray Charitable Trust (exclusive of mortgage principal)	406,403		259,803	64%
Paloheimo Foundation	35,000		35,000	100%
NSF for Team Seminars	33,194		22,465.9	68%
Cordell Prize	15,359		12,079	79%
Summer Scholar programs	9,290		7,414	80%
Library Book Purchase Fund	3,000		3,000	100%
ARCT FY14 Facilities project directs		98,141	98,141	NA
S Foote special projects		34,294	34,294	NA
DWS Arroyo Hondo research fund		23,143	23,143	NA
DWS/Linton project		11,046	11,046	NA
Board Initiative Fund		5,306	5,306	NA
Arroyo Grant program		3,890	3,890	NA
Chief White Antelope project		2,556	2,556	NA
Lannan Literary Arts		5,295	5,295	NA
Dobkin Social Change Initiative		3,690	3,690	NA
Campbell Fellowship		1,009	1,009	NA
	<u>502,246</u>	<u>188,371</u>	<u>528,133</u>	76%
Sales and Fees				
Gross Margin on Book Sales and Royalties	122,497		122,497	100%
Memberships and Lecture Sponsors	60,201		60,201	100%
President's Council, net of costs	30,000		30,000	100%
Rent Income	3,520		3,520	100%
Field Trip income, net of costs	16,492		16,492	100%
IARC Tours and Sales, net of costs	10,672		10,672	100%
	<u>243,382</u>	<u>0</u>	<u>243,382</u>	
FY14 Surplus	60,000	8,865	68,865	100%
Drawn from Reserves	533,753		533,753	100%
Surplus to be returned to Reserves			(45,764)	NA
TOTAL FUNDS AVAILABLE	<u><u>\$3,260,825</u></u>	<u><u>\$197,236</u></u>	<u><u>\$3,249,813</u></u>	94%

**SCHOOL for ADVANCED RESEARCH
BUDGET REPORT
July 1, 2014 - June 30, 2015 (UNAUDITED)
(continued)**

EXPENDITURES	Annual Budget	Additions to FY15 Budget	Actual through 5/31/2015	Percent of Adjusted Budget
Salaries (net of direct book production costs)	<u>\$2,045,163</u>	_____	<u>\$2,028,757</u>	99%
Core Program				
Resident Scholar (RS)	191,630	1,781	176,973	92%
Advanced Seminar (AS)	44,995		26,132	58%
IARC	34,464		28,885	84%
SAR Press (royalties excluded)	82,371		77,164	94%
JI Staley	33,700		29,610	88%
Library	<u>17,377</u>		<u>12,763</u>	73%
	404,537	1,781	351,527	87%
Core Admin				
President/Executive Services	27,650	7,084	32,503	94%
Business Admin	185,484		183,957	99%
Development	78,350		79,751	102%
Information Technology	22,815		22,780	100%
Guest Services	15,775		10,359	66%
Physical Plant	90,040		89,827	100%
Capital Projects	<u>25,000</u>		<u>18,620</u>	74%
	445,114	7,084	437,798	97%
Funded or Special Programs				
ARCT Museum Professional project directs	142,186		77,686	55%
ARCT IARC Conservation project directs	70,723		61,366	87%
IARC fellows (direct costs)	33,650		31,335	93%
NSF Short Seminar directs	29,200		18,472	63%
Howell property taxes	15,423		15,423	100%
Cordell prize directs	15,359		12,079	79%
ARCT property direct expenses	15,000		1,406	9%
President's moving allowance	12,000		0	0%
Summer fellows	5,940		4,064	68%
ARCT FY14 Facilities project directs		98,141	98,141	NA
DWS Arroyo Hondo research fund		23,143	23,143	NA
S Foote special projects		34,294	34,294	NA
DWS/Linton project		11,046	11,046	NA
Board Initiative Fund		5,306	5,306	NA
Chief White Antelope project		2,556	2,556	NA
Arroyo Grant program		3,890	3,890	NA
Lannan Literary Art program		5,295	5,295	NA
Dobkin Social Change Initiative		3,690	3,690	NA
Campbell fellowship (carry over from FY14)		1,009	1,009	NA
	<u>339,481</u>	188,370	<u>410,201</u>	78%
President's bonus pool	21,530		21,530	100%
SAR-wide contingency	<u>5,000</u>		<u>0</u>	0%
TOTAL FUNDS EXPENDED	<u><u>\$3,260,825</u></u>	<u><u>\$197,235</u></u>	<u><u>\$3,249,813</u></u>	94%
SURPLUS/(DEFICIT) - \$45,764 surplus returned to reserves	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	

SCHOOL for ADVANCED RESEARCH
BALANCE SHEET
(UNAUDITED)

	6/30/2014	6/30/2015		6/30/2014	6/30/2015
ASSETS			LIABILITIES & FUND BALANCES		
Cash:			Liabilities:		
Checking FNBSF	\$ 75,932	\$ 124,656	Accounts Payable	74,308	31,961
Payroll FNBSF	16,751	5,276	Accrued Expenses	17,721	31,308
Money Market FNBSF	414,096	289	Accrued Benefits	106,388	78,608
Deferred Comp escrow FNBSF	22,899		Deferred Revenue	(380)	
Petty Cash	900	900	Accrued Mortgage Interest	31,750	28,971
			Mortgage Payable	769,706	526,745
Total Cash	530,578	131,121			
Investments: (@ market)			Total Liabilities	999,492	697,592
Smith Barney:					
Endowment	24,949,228	24,225,576	Net Assets:		
Invested Cash	2,776,665	1,978,066	Unrestricted	19,040,237	17,978,659
ARCT funds in \$ Mkt	75,002	685,405	Temporarily Restricted	2,050,187	1,859,033
			Permanently Restricted	11,017,157	11,017,157
Total Investments	27,800,895	26,889,047	Total Net Assets	32,107,581	30,854,849
Other Assets:					
Accounts/Grants Receivable	782,616	17,507			
Pledges Receivable	123,164	385,415			
Book Inventory	631,506	561,671			
Prepaid Expenses	46,846	27,950			
Plant & Equipment	3,191,470	3,539,730			
Total Other Assets	4,775,601	4,532,274			
TOTAL ASSETS	\$ 33,107,073	\$ 31,552,441	TOTAL LIABILITIES		
			& FUND BALANCES	\$ 33,107,073	\$ 31,552,441

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

July 1, 2014 - June 30, 2015

Revenues recorded this year are in **BOLD**

Revenues recorded in previous years are in **PLAIN**

Revenues committed but not recorded are in *ITALICS*

	Unrestricted	Restricted	Current Year Total
GIFTS for CURRENT YEAR (FY2015)			
Pledge payment for FY15 Operational Support	\$100,000		
FY14 Federal grants payments		\$72,722	
New gift for D Schwartz Arroyo Hondo project		20,000	
S Foote for annual meeting events		15,000	
Lannan Foundation for writer program		15,000	
Work plaza pledge payment		2,000	
New current year operational support	5,910		
President's Council pledge payment	2,500		
Donation to support Bostron event		2,500	
Subventions for book projects		3,700	
Pledge payment for Linda S. Cordell Book Award	\$100		
Total Gifts for Current Year	108,510	130,922	239,432
GIFTS FOR BOARD INITIATIVE FUND (including in kind donations)			
		7,516	7,516
SALES, FEES and GIFTS FOR NEXT YEAR (FY2016)			
Sales and Fees:			
Book Sales and Royalties	222,170		
Cost of Sales	(133,407)	88,762	
Scholar, Seminar and IARC Facilities Rental Income (Net of costs)		18,192	
Indian Arts Tours and Collection-related net income		8,016	
Membership Services			
Memberships and Lecture receipts		58,166	
President's Council (net of FY15 costs)		53,696	
Field Trip revenues (net of costs, including cancelled trip losses)		(8,899)	
Total Sales and Fees	217,933	-	217,933
Gifts			
Operational Support			
New gifts received - board		227,645	
Commitments made at March board meeting (unpaid as of 6/30)		320,461	
New gifts received - non-board		93,691	
New gifts for campus maintenance		3,100	
Restricted Gifts			
ARCT for FY16 Howell property payment		306,553	
ARCT for FY16 Intern program		230,780	
ARCT for FY16 Conservation/Consulting program		148,071	
Paloheimo for FY16 annual report		35,000	
B Vortman for Advanced Seminar		6,000	
Total Gifts	644,897	726,404	1,371,301
Total Revenue for Next Year (FY2016)			1,589,233

SCHOOL for ADVANCED RESEARCH
CUMULATIVE FUND RAISING RESULTS (continued)
 July 1, 2014 - June 30, 2015

GIFTS FOR CAMPUS EXPANSION (in addition to amounts recorded in prior years)

ARCT for FY17 final Howell Property mortgage payment (committed)

<u>885,883</u>	
<u><u>885,883</u></u>	<u>885,883</u>

GIFTS FOR FUTURE YEARS

New gifts for Linda S. Cordell Book Award
New pledge for Linda S. Cordell Book Award
 Bunting Summer Fellow

31,082	
<i>25,000</i>	
5,000	
<u>61,082</u>	<u>61,082</u>

Total gifts for FY2016 and beyond

<u>862,829</u>	<u>1,673,369</u>	<u>2,536,198</u>
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GRAND TOTAL

<u>\$ 971,339</u>	<u>\$ 1,811,807</u>	<u>\$ 2,783,146</u>
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	Market Value (\$)	%	1 Month	YTD	1 Year	3 Year	5 Year	7 Year	Since Inc	Inception Date
SAR Combined	26,889,080	100.00	-1.51	1.53	1.93	8.18	7.42	4.02	7.18	05/01/2003
SAR Net of Consulting Fees			-1.53	1.40	1.67	7.91	7.12	3.70		
SAR Combined Equity	11,166,699	41.53	-2.15	0.35	0.02	13.71	14.06	4.49	7.82	05/01/2003
<i>MSCI ACWI Net</i>			-2.35	2.67	0.72	13.02	11.93	4.79	8.74	
SAR Fixed Income	5,850,896	21.76	-0.88	-0.10	0.45	2.00	3.23	N/A	4.61	05/01/2009
<i>BC Aggregate</i>			-1.09	-0.10	1.85	1.82	3.35	N/A	4.45	
SAR Hedge Funds	9,871,485	36.71	-1.21	3.74	4.93	10.88	8.73	7.71	7.80	05/01/2003
<i>HFRF FoF Composite</i>			-1.16	2.60	3.86	6.24	4.08	1.16	4.00	
Domestic Equity										
NFJ Div Value Gross	3,683,686	13.70	-1.20	-0.98	1.06	15.71	N/A	N/A	12.82	04/01/2011
NFJ Div Value	3,683,686	13.70	-1.20	-1.19	0.61	15.20	N/A	N/A	12.41	04/01/2011
<i>Russell 1000 VI</i>			-2.00	-0.62	4.14	17.35	N/A	N/A	12.60	
SDY	2,998,857	11.15	-2.24	-2.16	4.37	N/A	N/A	N/A	11.33	06/01/2013
International Equity										
NFJ Intl Value Gross	4,484,157	16.68	-2.86	3.08	-6.41	9.12	N/A	N/A	5.79	04/01/2011
NFJ Intl Value	4,484,157	16.68	-2.86	2.84	-6.84	8.62	N/A	N/A	5.39	04/01/2011
<i>MSCI EAFE VI</i>			-3.05	4.51	-6.63	12.38	N/A	N/A	4.95	
<i>MSCI ACWI Ex-US</i>			-2.75	4.36	-4.83	9.86	N/A	N/A	3.24	
Market Alternatives										
Golden Tree	5,912,588	21.99	-0.92	4.92	7.66	12.57	10.12	10.56	9.31	07/01/2005
<i>BC Aggregate</i>			-1.09	-0.10	1.85	1.82	3.35	4.59	4.44	
<i>HFRX Event Driven</i>			-1.00	1.43	-6.81	4.46	2.78	1.07	2.14	
Canyon	3,958,897	14.72	-1.63	2.03	1.10	9.49	8.17	7.99	7.30	09/01/2007
<i>BC Aggregate</i>			-1.09	-0.10	1.85	1.82	3.35	4.59	4.73	
<i>HFRX Event Driven</i>			-1.00	1.43	-6.81	4.46	2.78	1.07	0.28	
Fixed Income										
Met West Total Return	4,592,122	17.08	-0.92	0.04	N/A	N/A	N/A	N/A	1.17	10/01/2014
<i>BC Aggregate</i>			-1.09	-0.10	N/A	N/A	N/A	N/A	1.68	
PIMCO Low Duration	573,369	2.13	-0.08	0.77	0.36	1.54	2.34	N/A	3.75	05/01/2009
<i>90-Day T-Bills</i>			0.00	0.01	0.02	0.05	0.06	N/A	0.07	
Western Assets US Treasuries	685,405	2.55	0.00	0.00	0.01	N/A	N/A	N/A	0.01	05/01/2014
<i>90-Day T-Bills</i>			0.00	0.01	0.02	N/A	N/A	N/A	0.02	
<p>"SAR Combined" is net of manager fees but gross of consulting fees "SAR Net of Consulting Fees" is net of both manager fees and consulting fees Manager returns marked "Gross" are gross of manager fees All manager returns not marked "Gross" are net of manager fees</p>										