

SCHOOL FOR ADVANCED RESEARCH
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2019 AND 2018



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**SCHOOL FOR ADVANCED RESEARCH
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
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 nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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.

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, 2019 and 2018, 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 through 6 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of net assets are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of net assets have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 22, 2019

**SCHOOL FOR ADVANCED RESEARCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

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, 2019.

Financial Highlights *

- The School's net assets decreased by \$48,510 to \$30,544,726 from June 30, 2018. Revenues decreased by \$260,165, while expenses increased by \$114,838.
- Assets Decreased by \$99,422 to \$30,778,123 from June 30, 2018. Liabilities decreased by \$50,912 to \$233,397 from June 30, 2018.

* 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, 2019 and 2018.

Condensed Comparative Data

	<u>2019</u>	<u>2018</u>
Total Assets (Cash, Investments, Accounts Receivable, Prepaid Expenses, and Property and Equipment)	\$ 30,778,123	\$ 30,877,545
Total Liabilities (Accrued Expenses and Deferred Revenue)	<u>233,397</u>	<u>284,309</u>
Net Assets	<u>\$ 30,544,726</u>	<u>\$ 30,593,236</u>
Revenues:		
Contributions	\$ 2,120,462	\$ 1,943,255
Investment Income	881,184	1,322,725
Membership Income	241,385	226,556
Other	<u>321,965</u>	<u>332,625</u>
Total Revenues	3,564,996	3,825,161
Expenses:		
Program Expenses	2,376,471	2,238,446
Supporting Services	1,084,304	1,113,385
Cost of Sales	<u>152,731</u>	<u>146,837</u>
Total Expenses	<u>3,613,506</u>	<u>3,498,668</u>
Change in Net Assets	(48,510)	326,493
Net Assets - Beginning of Year	<u>30,593,236</u>	<u>30,266,743</u>
Net Assets - End of Year	<u>\$ 30,544,726</u>	<u>\$ 30,593,236</u>

**SCHOOL FOR ADVANCED RESEARCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

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 deferred revenue.

Total revenue decreased by \$260,165 (7%) for the year ended June 30, 2019, solely due to decreases in investment returns in the current year. Overall, investment balances (including cash and cash equivalents) increased by \$105,284 from June 30, 2018 (see investment results below). Contributions, sales, and fees increased by \$148,763 (6%). Total expenses increased by \$114,838 (3%).

Investment Results

During FY2019, SAR liquidated \$105,363 in alternative investments, continuing to reduce exposure related to alternative investments in FY19.

Total cash and investments increased \$105,284 from \$26,926,508 at June 30, 2018 to \$27,031,792 at June 30, 2019. Net investment income, including interest, dividends, and unrealized gains, decreased to a net gain of \$881,184 in fiscal year 2019 from a net gain of \$1,322,726 in fiscal year 2018 primarily due to liquidation of alternative investments in the prior year. SAR paid \$47,632 in investment fees.

Property, Plant, and Equipment

\$38,637 in capital purchases were made during the year, consisting of vehicles and capital improvements.

Current Trends and Conditions

The School for Advanced Research (SAR) continues to build on existing programs and initiatives. This summary provides an overview of the institution's accomplishments during the 2019 fiscal year.

- The Board of Directors approved new mission and vision statements:
 - Mission: to advance creative thought and innovative work in the social sciences, humanities, and Native American arts
 - Vision: to become the preeminent institution that fosters understanding of humankind through scholarly and artistic creativity
- SAR and the Vilcek Foundation entered into a partnership to collaborate on a touring exhibition of pottery from the SAR and Vilcek Foundation collections. The exhibition has a working title of Voices from Pueblo Country and is scheduled to open at the Museum of Indian Arts & Culture in 2022.
- The Indian Arts Research Center (IARC) completed the Acoma Collections review, a several-year process of working with Acoma representatives and IARC staff to collaboratively document 580 items. In April, a community partnership was initiated with Tesuque Pueblo and includes a plan to review 245 items from the pueblo within the IARC collections.
- The final version of SAR's Guidelines for Collaboration, designed to better facilitate working relationships between museums and Native communities, was made available online through an updated website interface (www.guidelinesforcollaboration.info).

**SCHOOL FOR ADVANCED RESEARCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

Current Trends and Conditions (continued)

- The annual IARC Speaker Series explored the blurred lines between tradition and innovation. “Rocking the Boat: Tradition as Innovation” was well attended and received very positive responses.
- Anne Ray Foundation interns Felicia Garcia and Samantha Tracy completed their internships at SAR in May. Felicia Garcia continues to work with the IARC as a research assistant associated with SAR’s collaborative partnership with the Vilcek Foundation. Samantha Tracy accepted a position as collections manager for the Santa Fe–based Ralph T. Coe Foundation for the Arts.
- The IARC’s education department continues to build and deliver exciting programs. This year these programs included a storytelling curriculum in partnership with SITE Santa Fe, teacher trainings across Santa Fe and Española, the revival of the IARC partnership with the Santa Fe Detention Center, a workshop at the Botanical Garden in partnership with Santa Fe Preparatory School, workshops for the Sweeney Elementary After-School Program, and a partnership with the City of Santa Fe Summer Youth Program.
- The IARC welcomed 2,097 visitors in FY 2019. From those on research visits to collections tours, visitors represent a wide range of the public that the IARC serves. For example, the number includes 125 Native community members and 220 individuals from museums or universities.
- The IARC hosted three Native American artist fellows in FY 2019: Meghann O’Brien, a Haida/Kwakwaka’wakw weaver (Dobkin Fellow); Nanibaa Beck, a Navajo metalsmith (Dubin Fellow); and Gerry Quotskuyva, a Hopi carver (King Fellow).
- SAR welcomed Thomas Parrie as the 2018 Indigenous Writer in Residence. Parrie is a fiction writer from the Choctaw-Apache Tribe of Ebarb in west Louisiana.
- SAR received over 180 qualified applications for the 2019–2020 resident scholar positions and selected five scholars from this pool to begin at SAR in September 2019: C. J. Alvarez, Patricia Crown, Rashmi Sadana, Fátima Suárez, and Davina Two Bears.
- The J. I. Staley committee selected Matthew Hull’s *Government of Paper: The Materiality of Bureaucracy in Urban Pakistan* (University of California Press, 2012) as the 2019 prizewinner.
- Scholar Programs supported six seminars across FY 2019: *Death Culture in the 21st Century*; *Marital Rape in a Global Context: Social Suffering, Adverse Health Consequences, and Culturally Sensitive Intervention* (sponsored by the Vera R. Campbell Foundation); *The Shifting Terrain of Citizenship among People of Mexican Origin in the United States* (sponsored by The Andrew W. Mellon Foundation); *Ethnographies of Contestation and Resilience in Latinx America* (sponsored by The Andrew W. Mellon Foundation); *Keywords for Indigenized Sound Studies* (sponsored by the Mill Foundation); *Precarious Mobilities: Brazil’s “Previously Poor” in Times of Growth and Crisis* (sponsored by the National Science Foundation).

**SCHOOL FOR ADVANCED RESEARCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

Current Trends and Conditions (continued)

- SAR Press co-published, with UNM Press, three volumes in late 2018: Puebloan Societies: Homology and Heterogeneity in Time and Space (Whiteley, Advanced Seminar series), Exchanging Words: Language, Ritual, and Relationality in Brazil's Xingu Indigenous Park (Ball, Resident Scholar series), and Aztec, Salmon, and the Puebloan Heartland of the Middle San Juan (Reed and Brown, Popular Archaeology series). The press published two volumes in early 2019: Negotiating Structural Vulnerability in Cancer Control (Armin, Burke, and Eichelberger, Advanced Seminar) and Governing Gifts: Faith, Charity, and the Security State (James, Advanced Seminar). SAR Press reprinted four publications over the course of the spring and early summer: Medieval Mississippians: The Cahokian World (Alt and Pauketat, Popular Archaeology), Living the Ancient Southwest (Noble, Popular Archaeology), The Mesa Verde World (Noble, Popular Archaeology), and Cowboys and Cave Dwellers: Basketmaker Archaeology in Utah's Grand Gulch (Blackburn and Williamson, non-series).
- SAR's Creative Thought Forum series launched its second season and continued its mission of bringing exciting, innovative thinkers to the Santa Fe community. Exploring the theme "Tradition and Innovation," the series included five public lectures, five speaker salons, and three summer salons, as well as the annual president's lecture with best-selling author Nicholas Carr. The programs welcomed 1,213 attendees. Of the three summer salons, two took place during FY 2019: Aging in Place: Challenges and Prospects; and Historic Churches as Symbols and the Meanings of Restoration (sponsored by the Ethel-Jane Westfeldt Bunting Foundation).
- SAR's communications department invested in technology to support live streaming to Facebook and YouTube for lectures and events. This transition saves the organization video-editing costs and decreases the delay between live events and videos posted to the school's YouTube channel.
- SAR memberships increased by 91 people, or 12.7 percent, for a total of 809. Of particular note is that many existing members upgraded to a higher membership level. There was a notable increase in the number of President's Circle and Founders' Society memberships resulting in a 14 percent increase in related revenue over FY 2018.
- SAR offered three in-depth courses across FY 2019: Edgar Lee Hewett and the Early Pioneers of Southwestern Archaeology, taught by Jason Shapiro; After the Fall of Chaco Canyon Society: Four Centuries of Consequences, taught by David Stuart and Rory Gauthier; and Pueblo Worlds: An Overview of Pueblo Society and Culture, taught by John Ware.
- Five local field trips attracted a total of 106 participants: Artistry of Hopi, Humanity's Transition into the Atomic Age, Exploring the Tewa World: Posi-Ouinge and The Youngblood Family of Santa Clara Pueblo, Native American Arts and Trading Posts of the Southwest, and Historic Churches of Northern New Mexico.
- SAR provided an international travel experience for fourteen members as Anna Roosevelt, professor of anthropology at the University of Illinois at Chicago and former SAR resident scholar, and SAR president Michael Brown led a week-long exploratory trip to the Amazon rain forest.

**SCHOOL FOR ADVANCED RESEARCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

Current Trends and Conditions (continued)

- In early June, SAR President's Circle members and select board members traveled to Minneapolis to view the Hearts of Our People: Native Women Artists exhibit at the Minneapolis Institute of Art and visit various indigenous sites in the region.
- SAR also offered several public programs that did not fall within a series. Notable programs included a lecture by David Treuer, SAR 2015 Katrin H. Lamon fellow, based on his new book, *The Heartbeat of Wounded Knee*; a private reception and film event at the Violet Crown in conjunction with the world premiere of the *Voices of the Rainforest*, a project of SAR senior scholar Steve Feld and his partners, musician Mickey Hart, filmmaker Jeremiah Richards, and sound editor Dennis Leonard; and "The Hounds of El Delirio," an event co-hosted by SAR to celebrate the eightieth anniversary of the Santa Fe Animal Shelter.
- SAR Now issues 3 and 4, a biannual print newsletter for SAR members, were mailed in October 2018 and May 2019, respectively. Based on the 2019 member survey, we know that SAR Now is one of the main ways members like to hear from the organization. The FY 2019 transition from one annual issue to two has meant that members have more current calendar information to plan their involvement with SAR's programs, and SAR is able to highlight a greater variety of relevant stories.
- SAR's E-News mailing list increased by 762 subscribers since June 2018. Currently, the E-News reaches 5,850 mailboxes monthly.
- With a regular press release schedule and ongoing communications to relevant media sources, SAR received consistent local media coverage over the year.

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 us to meet current financial obligations while achieving the program goals outlined in our strategic plan. The staff is pleased with FY2019's progress and looks ahead to FY2020 based on our solid strategic plan, continued sensible budgeting, and prudent investment strategy.

**SCHOOL FOR ADVANCED RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,232,194	\$ 1,075,586
Short-Term Investments	2,204,373	3,104,112
Pledges Receivable	384,855	281,687
Accounts Receivable:		
Grants	-	249,025
Publications	64,394	65,028
Other	35	-
Prepaid Expenses	77,424	79,587
Inventory, Net of Allowance	182,246	218,000
Total Current Assets	4,145,521	5,073,025
PROPERTY AND EQUIPMENT, Net	2,959,377	3,057,710
OTHER ASSETS		
Long-Term Investments	23,595,225	22,746,810
Long-Term Pledges Receivable, Net of Discount	78,000	-
Total Other Assets	23,673,225	22,746,810
 Total Assets	 \$ 30,778,123	 \$ 30,877,545
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 51,773	\$ 54,305
Accrued Payroll and Related Liabilities	181,624	192,779
Deferred Revenue	-	37,225
Total Current Liabilities	233,397	284,309
NET ASSETS		
Without Donor Restrictions:		
Undesignated	16,832,948	17,313,524
With Donor Restrictions:		
Specified Purpose and Passage of Time	2,405,868	2,007,555
Perpetual in Nature	11,305,910	11,272,157
Total With Donor Restrictions	13,711,778	13,279,712
Total Net Assets	30,544,726	30,593,236
 Total Liabilities and Net Assets	 \$ 30,778,123	 \$ 30,877,545

See accompanying Notes to Financial Statements.

**SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Contributions and Grants	\$ 721,204	\$ 1,399,258	\$ 2,120,462
Membership Dues	241,385	-	241,385
Book Sales and Royalties	103,716	-	103,716
Investment Returns, Net of Expenses	881,184	-	881,184
Rental	61,517	-	61,517
Other	156,732	-	156,732
Net Assets Released from Restrictions	967,192	(967,192)	-
Total Revenues	3,132,930	432,066	3,564,996
EXPENSES			
Program Services	2,376,471	-	2,376,471
Supporting Services:			
Management and General	604,206	-	604,206
Fundraising	480,097	-	480,097
Cost of Sales	152,731	-	152,731
Total Expenses	3,613,506	-	3,613,506
CHANGE IN NET ASSETS	(480,576)	432,066	(48,510)
Net Assets - Beginning of Year	17,313,524	13,279,712	30,593,236
NET ASSETS - END OF YEAR	\$ 16,832,948	\$ 13,711,778	\$ 30,544,726

See accompanying Notes to Financial Statements.

**SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2018**

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Contributions and Grants	\$ 866,560	\$ 1,076,695	\$ 1,943,255
Membership Dues	226,556	-	226,556
Book Sales and Royalties	147,014	-	147,014
Investment Returns, Net of Expenses	1,322,725	-	1,322,725
Rental	42,570	-	42,570
Other	143,041	-	143,041
Net Assets Released from Restrictions	848,299	(848,299)	-
Total Revenues	3,596,765	228,396	3,825,161
EXPENSES			
Program Services	2,238,446	-	2,238,446
Supporting Services:			
Management and General	717,185	-	717,185
Fundraising	396,200	-	396,200
Cost of Sales	146,837	-	146,837
Total Expenses	3,498,668	-	3,498,668
CHANGE IN NET ASSETS	98,097	228,396	326,493
Net Assets - Beginning of Year	17,215,427	13,051,316	30,266,743
NET ASSETS - END OF YEAR	\$ 17,313,524	\$ 13,279,712	\$ 30,593,236

See accompanying Notes to Financial Statements.

**SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services	Management and General	Fundraising	Cost of Goods Sold	Total
Stipends	\$ 277,128	\$ -	\$ -	\$ -	\$ 277,128
Salaries and Wages	1,132,396	379,565	313,037	-	1,824,998
Pension Plan Contributions	37,031	12,412	10,237	-	59,680
Other Employee Benefits	40,319	13,515	11,146	-	64,980
Payroll Taxes	79,348	26,597	21,935	-	127,879
Fees for Accounting Services	18,382	5,494	2,122	-	25,998
Fees for Investment Management Services	17,474	29,794	364	-	47,632
Fees for Other Services	148,621	52,778	30,119	-	231,518
Advertising and Promotion	25,149	952	6,938	-	33,039
Office Expenses	25,088	13,491	10,633	-	49,212
Information Technology	39,102	13,708	15,947	-	68,757
Royalties	4,948	-	-	-	4,948
Travel	38,314	5,875	3,366	-	47,555
Conferences, Conventions, and Meetings	2,221	35	-	-	2,256
Depreciation	112,846	14,046	8,605	-	135,497
Insurance	29,432	8,675	3,399	-	41,505
Cost of Sales	-	-	-	152,731	152,731
Direct Program Expenses	249,089	41,185	39,419	-	329,693
Equipment Purchases and Rental	6,072	134	14	-	6,221
Repairs and Maintenance	56,349	6,543	2,191	-	65,083
Utilities	37,161	27,041	626	-	64,829
Total Expenses by Function	<u>2,376,471</u>	<u>651,838</u>	<u>480,097</u>	<u>152,731</u>	<u>3,661,138</u>
Less: Expenses Included with Revenues on the Statement of Activities:					
Investment Expenses	<u>-</u>	<u>(47,632)</u>	<u>-</u>	<u>-</u>	<u>(47,632)</u>
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 2,376,471</u>	<u>\$ 604,206</u>	<u>\$ 480,097</u>	<u>\$ 152,731</u>	<u>\$ 3,613,506</u>

See accompanying Notes to Financial Statements.

**SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services	Management and General	Fundraising	Cost of Goods Sold	Total
Stipends	\$ 214,000	\$ -	\$ -	\$ -	\$ 214,000
Salaries and Wages	1,024,745	434,825	252,585	-	1,712,155
Pension Plan Contributions	37,301	16,461	9,301	-	63,062
Other Employee Benefits	35,207	15,537	8,779	-	59,523
Payroll Taxes	69,145	30,514	17,241	-	116,900
Fees for Legal Services	221	283	-	-	504
Fees for Accounting Services	20,333	4,730	480	-	25,542
Fees for Investment Management Services	17,764	30,416	-	-	48,180
Fees for Other Services	103,440	110,959	16,286	-	230,686
Advertising and Promotion	18,581	536	697	-	19,814
Office Expenses	27,701	19,146	6,305	-	53,151
Information Technology	58,498	27,196	16,163	-	101,857
Royalties	8,106	-	-	-	8,106
Occupancy	54,674	-	-	-	54,674
Travel	33,965	7,697	2,248	-	43,909
Conferences, Conventions, and Meetings	5,563	35	-	-	5,598
Depreciation	139,109	14,084	-	-	153,193
Insurance	27,555	5,896	3,456	-	36,907
Cost of Sales	-	-	-	146,837	146,837
Direct Program Expenses	244,266	12,114	32,647	-	289,027
Repairs and Maintenance	40,846	9,309	-	-	50,155
Utilities	41,153	25,628	2,213	-	68,994
In-kind	16,274	-	27,800	-	44,074
Total Expenses by Function	<u>2,238,446</u>	<u>765,365</u>	<u>396,200</u>	<u>146,837</u>	<u>3,546,848</u>
Less: Expenses Included with Revenues on the Statement of Activities:					
Investment Expenses	<u>-</u>	<u>(48,180)</u>	<u>-</u>	<u>-</u>	<u>(48,180)</u>
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 2,238,446</u>	<u>\$ 717,185</u>	<u>\$ 396,200</u>	<u>\$ 146,837</u>	<u>\$ 3,498,668</u>

See accompanying Notes to Financial Statements.

**SCHOOL FOR ADVANCED RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from:		
Contributions and Grants	\$ 2,144,034	\$ 1,895,891
Membership Dues	241,385	226,556
Book Sales and Royalties	104,315	165,465
Rents	61,517	42,570
Other	117,007	141,591
Cash Paid to:		
Employees and Fringe Benefits	(2,088,691)	(1,934,974)
Vendors and Suppliers	(1,105,741)	(1,147,714)
Scholars (Stipends)	(277,128)	(214,000)
Net Cash Used by Operating Activities	(803,302)	(824,616)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received for:		
Operating Endowment Draw	800,000	850,000
Sale of Property and Equipment	2,500	1,450
Short-Term Investments Held as Cash Equivalents	162,294	308,640
Cash Paid for:		
Purchases of Property and Equipment	(38,637)	(12,811)
Net Cash Provided by Investing Activities	926,157	1,147,279
 CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for:		
Contributions Restricted for Investment in Perpetual Endowment	33,753	255,000
Net Cash Provided by Investing Activities	33,753	255,000
 NET INCREASE IN CASH AND CASH EQUIVALENTS	156,608	577,663
Cash and Cash Equivalents - Beginning of Year	1,075,586	497,923
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,232,194	\$ 1,075,586

See accompanying Notes to Financial Statements.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

The School for Advanced Research (the School or SAR) advances creative thought and innovative work in the social sciences, humanities, and Native American arts

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, allowance for overstocked inventory, allocation of functional expenses, and valuation of alternative investments. 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue with donor restriction, and released from restriction when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to The School, that is, in substance, unconditional. The School follows Financial Accounting Services Board (FASB) Accounting Standards Codification (ASC) 958-605-25, *Revenue Recognition*. In accordance with the codification standard, contributions received are recorded as with or without donor restriction depending on the existence or nature of any donor restrictions.

Revenue With and Without Donor Restriction

All donor-restricted contributions are reported as increases to net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Use of Net Assets With Donor Restrictions

When The School incurs an expense for which it may use either net assets with or without donor restriction, it uses net assets with restriction first.

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.

Accounts Receivable

Management reviews the collectibility 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, 2019 and 2018.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists primarily of books and publications, and is carried at the lower of cost or net realizable value. 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. SAR also entered into an agreement with UNM Press to co-publish new titles. Under the co-publishing agreement, SAR pays the acquisition costs and author royalties (if any), UNM Press pays all costs related to the book production and marketing. UNM Press pays SAR a 10% royalty on the net sales of these new titles.

Annually, SAR's management reviews the valuation of inventory. The analysis includes a comparison of the five prior year's sales for each title to the current stock of each title. The allowance for excess inventory was \$203,001 and \$211,362 at June 30, 2019 and 2018.

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 \$2,500 that enhance or extend the useful life of property and equipment are capitalized. 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 without donor restriction 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 with donor restrictions.

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, 2019 and 2018.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets without donor restriction in the year in which the items are acquired, or as decreases in net assets with donor restrictions 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.

Endowment Funds

Authoritative guidance includes the following financial statement disclosure requirements for the School for the years ended June 30, 2019 and 2018.

Classification of Net Assets – Endowment funds are used to account for investments in which the principal is subject to appropriation, restricted in perpetuity, 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 net assets with donor restriction – perpetual in nature: (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 with donor restriction, unless otherwise directed by donor, or 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 nonprofit 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 is liable for taxes on unrelated business income. There was no unrelated business income for the years ended June 30, 2019 and 2018.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2019 and 2018.

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.

Support and Revenue

Contributions received, including unconditional promises, are recognized as revenue in the period received and are recorded as with donor restriction or without donor restriction depending on the existence of any donor or time restrictions.

Pledges, if any, 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), net assets with donor restriction are reclassified to net assets without donor restriction 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 nonfinancial 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 cost of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. The School reports its expenses according to three functional classifications: Program Services, Management and General, and Fundraising. Direct costs are recorded to the functional classification that the expense relates to. Allocated costs are primarily made up of payroll and related expenses, information technology, and occupancy, repairs and maintenance, and insurance. These costs are allocated on the basis of estimated time spent, number of computers used, and square footage, respectively.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$27,056 and \$14,295 for the years ended June 30, 2019 and 2018, respectively.

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities include \$104,384 and \$104,131 of accrued vacation as of June 30, 2019 and 2018, respectively.

Subsequent Events

Management evaluated subsequent events through October 22, 2019, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to October 22, 2019, that provided additional evidence about conditions that existed at June 30, 2019 have been recognized in the financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, 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, 2019.

NOTE 2 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.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2019:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Stocks:				
Common Stocks	\$ 14,162,679	\$ -	\$ -	\$ 14,162,679
Exchange Traded Funds:				
Large Value Funds	6,510,566	-	-	6,510,566
Mutual Funds:				
Bond Funds	4,285,662	-	-	4,285,662
Market Alternatives:				
Partnerships	-	-	-	840,691
Total	<u>\$ 24,958,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,799,598</u>

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2018:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Stocks:				
Common Stocks	\$ 13,481,342	\$ -	\$ -	\$ 13,481,342
Exchange Traded Funds:				
Large Value Funds	7,338,974	-	-	7,338,974
Mutual Funds:				
Bond Funds	4,084,552	-	-	4,084,552
Market Alternatives:				
Partnerships	-	-	-	946,054
Total	<u>\$ 24,904,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,850,922</u>

The following information summarizes the difference between cost and the estimated fair value for investments as of June 30, 2019:

	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Stocks:			
Common Stocks	\$ 12,383,129	\$ 14,162,679	\$ 1,779,550
Exchange Traded Funds:			
Large Value Funds	6,290,394	6,510,566	220,172
Mutual Funds:			
Bond Funds	4,193,853	4,285,662	91,809
Market Alternatives:			
Partnerships	346,646	840,691	494,045
Total Assets at Fair Value	<u>\$ 23,214,022</u>	<u>\$ 25,799,598</u>	<u>\$ 2,585,576</u>

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2018:

	<u>Cost</u>	<u>Estimated Fair Value</u>	<u>Market Value Over (Under) Cost</u>
Stocks:			
Common Stocks	\$ 11,430,829	\$ 13,481,342	\$ 2,050,513
Exchange Traded Funds:			
Large Value Funds	7,471,772	7,338,974	(132,798)
Mutual Funds:			
Bond Funds	4,213,070	4,084,552	(128,518)
Market Alternatives:			
Partnerships	380,566	946,054	565,488
Total Assets at Fair Value	<u>\$ 23,496,237</u>	<u>\$ 25,850,922</u>	<u>\$ 2,354,685</u>

The following summarizes information related to investments whose fair value is determined based upon Net Asset Value per Share (NAV) as of June 30, 2019.

	<u>Estimated Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
GoldenTree	\$ 840,691	None	Quarterly	Illiquid

The following summarizes information related to investments whose fair value is determined based upon Net Asset Value per Share (NAV) as of June 30, 2018.

	<u>Estimated Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
GoldenTree	\$ 946,054	None	Quarterly	Illiquid

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

GoldenTree is a group of partnerships (funds) incorporated in the Cayman Islands and registered under Cayman Islands Mutual Funds Law. The funds invest in both U.S. and non-U.S. bank debt, private notes, real estate, common stock, preferred stock, and corporate bonds. The principal investment objective of the funds is to achieve superior risk-adjusted total returns by investing, directly or indirectly through investments in the Master Fund, primarily in public and private noninvestment grade and nonrated debt securities. Investments are listed at approximate fair market value.

As of June 30, 2019, outstanding Golden Tree holdings were not eligible for redemption given the long-term nature of underlying investments. Canyon holdings were liquidated in full during the year ended June 30, 2018.

NOTE 4 PLEDGES RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Expected Cash Collection	\$ 462,855	\$ 281,687
Less: Discount to Present Value	-	-
Present Value of Pledges Receivables	<u>\$ 462,855</u>	<u>\$ 281,687</u>

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

<u>Year Ending June 30,</u>	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 281,687
2020	384,855	-
2021	53,000	-
2022	20,000	-
2023	5,000	-
Total Pledges Receivable	<u>\$ 462,855</u>	<u>\$ 281,687</u>

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Buildings and Improvements	\$ 6,055,597	\$ 6,034,747
Land Improvements	401,309	401,309
Equipment	875,603	899,883
Furniture and Fixtures	146,519	146,519
Total	<u>7,479,028</u>	<u>7,482,458</u>
Less: Accumulated Depreciation	<u>(6,551,726)</u>	<u>(6,458,298)</u>
Total	927,302	1,024,160
Land	2,032,075	2,032,075
Projects in Process	-	1,475
Total	<u>2,032,075</u>	<u>2,033,550</u>
Total Property and Equipment	<u>\$ 2,959,377</u>	<u>\$ 3,057,710</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$135,497 and \$153,193, respectively.

NOTE 6 NET ASSETS WITH DONOR RESTRICTION – SPECIFIED PURPOSE AND TIME

Net assets with donor restriction consist of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Specified Purpose:		
Capital Construction	\$ 443,136	\$ 453,794
Indian Arts Research Center	615,636	609,659
Scholarships and Internship Programs	716,137	472,663
Program	168,104	189,754
Passage of Time:		
Pledges Receivable	462,855	281,685
Total	<u>\$ 2,405,868</u>	<u>\$ 2,007,555</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Capital Construction	\$ 10,658	\$ 16,342
Indian Arts Research Center	339,247	474,610
Collections on Pledges and Grants Receivable	328,379	135,697
Program	102,382	133,367
Scholarships and Internship Programs	186,526	88,283
Total	<u>\$ 967,192</u>	<u>\$ 848,299</u>

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL IN NATURE

Net assets with donor restriction perpetual in nature are restricted to investment in perpetuity and consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Operating Endowment	\$ 3,003,345	\$ 2,978,345
Weatherhead Endowment	2,166,000	2,166,000
Centennial Endowment	1,288,800	1,288,800
Indian Arts Research Endowment	1,057,258	1,057,258
J.I. Staley Endowment	925,148	925,148
Lamon Native American Research Endowment	864,762	864,762
King Artist Endowment	500,000	500,000
Annenburg Conversations Program	500,000	500,000
Dobkin Artist Endowment	422,936	422,936
Vortman Endowment	258,753	250,000
F. Crichton Lecture Endowment	160,000	160,000
Dubin Artist Endowment	145,000	145,000
Retirement & Benefit Endowment	13,908	13,908
Total	<u>\$ 11,305,910</u>	<u>\$ 11,272,157</u>

NOTE 8 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 net assets with donor restriction in perpetuity 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.

The School's current spending policy is to distribute a percentage of the rolling five-year average of the fair market value of the endowments, as determined each year by the board of directors. As there are no donor restrictions on the investment earnings this spending policy is utilized to ensure the longevity of the endowments.

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.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 ENDOWMENTS (CONTINUED)

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 net assets with donor restriction – in perpetuity in the accompanying statements of activities and changes in net assets.

NOTE 9 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. Investments include amounts restricted (\$262,902 and \$267,330 for the years ended June 30, 2019 and 2018, respectively) for acquisition or maintenance of collection items.

NOTE 10 COMMITMENTS

Leases

The School leases equipment under a long-term operating lease. The long-term operating lease expires December 2022. Rental expense was \$8,915 and \$10,318 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments required under long-term operating leases follow:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 6,438
2021	6,438
2022	6,438
2023	3,219
Total	<u>\$ 22,533</u>

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 \$59,680 and \$63,062 in 2019 and 2018, respectively. The pension plan is administered by TIAA.

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.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 RELATED PARTY TRANSACTIONS

The School receives contributions, pledges, and bequests from members of the board of directors. During the year ended June 30, 2019, the School received \$430,057 from 22 members of the board of directors. The total pledges receivable balance at June 30, 2019 for three members of the board of directors was \$366,500. During the year ended June 30, 2018, the School received \$381,360 from thirteen members of the board of directors. The total pledges receivable balance at June 30, 2018 for four members of the board of directors was \$260,685. All receivables from the board of directors are considered collectible.

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLES

The School changed accounting policies related to presentation of financial statements and notes about liquidity and financial performance by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

NOTE 13 ACCOUNTING STANDARDS CHANGES

In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for SAR for annual periods beginning after December 15, 2018. Management is currently evaluating the impact of the amended revenue recognition guidance on its consolidated financial statements.

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities-Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purposes or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for SAR the year ending December 31, 2019.

**SCHOOL FOR ADVANCED RESEARCH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 14 LIQUIDITY AND AVAILABILITY OF RESOURCES

The School utilizes a “year-ahead” funding model in which funds raised in the prior year complement a draw from endowment and other investment funds to meet annual expenditures of approximately \$3.5 million.

As of June 30, financial assets available for general expenditure within one year of the statement of financial position date are comprised of the following:

	<u>2019</u>	<u>2018</u>
Financial Assets, as of June 30		
Cash and Cash Equivalents	1,232,194	1,075,586
Protective Investments	2,204,373	3,104,112
Pledges Receivable, Net	384,855	281,687
Accounts Receivable, Net	<u>64,429</u>	<u>314,053</u>
Financial Assets Available Within One Year to Meet		
Cash Needs for General Expenditures Within One Year	<u>3,885,851</u>	<u>4,775,438</u>
Less: Annual Operating Budget (Year-Ahead)	<u>3,452,146</u>	<u>3,261,231</u>
Excess Financial Assets Available	<u>433,705</u>	<u>1,514,207</u>

The School has historically drawn on endowment funds for one third of the operating budget.

If cash and cash equivalent balances exceed year-ahead funding commitments, the School invests funds to generate unrestricted investment income for additional reserves.

The School has not historically carried long-term debt, and as such, has no long-term commitments.

**SCHOOL FOR ADVANCED RESEARCH
UNAUDITED SCHEDULES OF NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

	2019	2018
Operating Endowment	\$ 10,638,017	\$ 10,832,829
Invested in Plant Fund	2,959,380	2,978,408
Weatherhead Endowment	2,759,260	2,801,886
Indian Arts Research Endowment	2,425,736	2,424,274
Lamon Endowment	1,380,375	1,402,504
Operating Funds	1,250,703	1,167,385
Retirement & Benefit Endowment	1,148,963	1,200,609
Centennial Endowment	989,688	1,005,470
Cash Reserves	864,191	964,191
J.I. Staley Endowment	860,106	873,838
Lambert House Fund	740,956	717,316
Annenberg Conversations Endowment	558,054	566,691
Dobkin Artist Endowment	524,291	530,049
King Artist Endowment	522,530	527,851
Mellon Resident Fellowship	480,143	260,000
ARF Native Museum Professionals Training Grant	303,863	259,289
B. & L. Vortman Endowment	263,948	250,000
IARC Collections Endowment	244,386	248,815
ARF Conservation and Collections Grant	229,306	204,955
President's Circle	194,452	200,821
Dubin Artist Endowment	193,652	188,863
Adams Scholar Fund	191,796	179,079
F. Crichton Lecture Endowment	145,126	147,492
Bunting Summer Scholar Fund	121,914	120,975
Indian Arts Fund Endowment	118,798	115,489
V. Campbell Resident Scholar Fund	81,201	113,431
Linda S. Cordell Book Award	52,188	51,944
ARF Protecting IARC Collection Grant	48,000	38,603
Paloheimo Annual Report Fund	35,600	35,600
White Antelope Blanket Fund	32,131	31,017
Paloheimo Communication Grant	30,320	27,554
J.I. Staley Program	26,561	24,473
DWS Memorial Fund	23,438	23,341
Library Book Purchase Fund	18,758	18,515
IARC Collections Fund	18,515	14,942
Website Redesign Project	15,049	14,813
Frost Foundation Grant	9,942	11,071
Feld Bosavi Digital Project	8,012	7,667
Archaeology Grant Program	7,667	6,902
DWS Senior Scholar Fund	6,902	3,916
IARC Education Program	6,540	368
NM Historical Archive Grant	5,855	-
ARF CEO Directed Grant	5,194	-
Lannan Literary Art Program	2,874	-
NM Humanities Council Grant	347	-
NSF Research Team Seminar Grant	249	-
	<u>249</u>	<u>-</u>
Total Net Assets	<u>\$ 30,544,726</u>	<u>\$ 30,593,236</u>

