SCHOOL FOR ADVANCED RESEARCH

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

SCHOOL FOR ADVANCED RESEARCH
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2023 AND 2022

SCHOOL FOR ADVANCED RESEARCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022

The management of the School for Advanced Research (the School or SAR) offers readers of the School's financial statements this narrative overview of the trends and conditions and financial analysis for the fiscal year ended June 30, 2023.

Trends and Conditions

Founded in 1907, SAR is one of New Mexico's oldest organizations dedicated to research and public education. In 1972, SAR established a permanent home at El Delirio, the architecturally significant 7.5-acre estate of Amelia Elizabeth White on Santa Fe's east side, which finally provided a secure setting for the thousands of objects of Southwestern Native American Art acquired in 1964 from the Indian Arts Fund. Considered to be one of the finest collections of its kind in the nation, this acquisition established SAR's Indian Arts Research Center (IARC), which moved into its own home on the SAR campus in 1978. In 2012, the Board of Directors authorized the purchase of a property adjacent to El Delirio, effectively doubling the size of the campus.

The mission of SAR has evolved over its 115-year history, but it remains a center for innovative research in history, archaeology, anthropology, and related social sciences. A core element of its programming over the years has been an unwavering commitment to the inclusion of diverse voices and perspectives. Over the past several decades SAR's scholarly efforts have expanded to include additional Native American and Latino scholars. Scholars who have visited as resident fellows or participants in our Advanced Seminars have been widely recognized for their groundbreaking research; more than a dozen have been named MacArthur Fellows—recipients of the coveted "genius" award. SAR Press, whose books are distributed by University of New Mexico Press, has more than 200 titles in print and continues to publish three to five books annually.

In 2019, SAR's Board of Directors approved a long-range plan that will allow the organization to reach its full potential, including how best to utilize the newly acquired property. Specifically, the plan maps out SAR's role as a public forum for innovative thinking on topics of broad public concern, as well as an institution that promotes Native American art and culture through close collaboration with the communities whose works of art SAR displays and protects. In June of 2023, work began on revising the plan's original objectives, re-imagining the scope of the plan and modeling both a development plan and related fundraising campaign to support the plan objectives. The revised plan includes project phases of campus development improvements and the supporting fundraising campaign has been revised to support these efforts over a 10 year period.

In July 2022, the IARC opened its first-ever museum exhibition, Grounded in Clay, the Spirit of Pueblo Pottery, at Santa Fe's Museum of Indian Arts and Culture. In July 2023, the exhibit opened at the Metropolitan Museum of Art and the Vilcek Foundation in New York City. A "grand" opening at both the Metropolitan Museum and the Vilcek Foundation is scheduled for October 2023. The exhibit will then travel to Houston in early 2024 and St. Louis in late 2024.

In August of 2022, SAR president, Michael F. Brown notified the board of directors that he would be retiring in August 2024. A search committee of SAR board members was created in the spring of 2023 and recruiting efforts are well underway. The expectation is that the position will be filled sometime in the spring of 2024. During FY2023, SAR employees began working in a hybrid remote and on-site work model as the COVID-19 pandemic waned. Prior to that, almost all employees worked remotely. This hybrid model remained in effect throughout fiscal year 2023 and has continued in fiscal year 2024. In January 2023, SAR for the first time in two plus years, was fully-staffed.

In December 2022, SAR began paying 65% of employee health care plan premium costs provided by Blue Cross/Blue Shield. The school also returned to offering seminars and lectures on site, as well as having visiting scholars return to the Santa Fe campus in fiscal year 2023.

SAR continues to benefit both from generous donors and the support of such major philanthropic organizations as the Margaret A. Cargill Philanthropy, the Mellon Foundation, the Vilcek Foundation, the National Endowment for the Humanities, and the National Science Foundation. Our prompt shift to online presentations during the pandemic of 2020 and 2021 has greatly broadened our audience, which now includes all fifty states and 36 countries. We remain committed to representing the cultural diversity of New Mexico in the composition of our board of directors and staff.

Financial Analysis

The operations of the School for Advanced Research (SAR) are accounted for in the financial statements that follow – which include a statement of financial position, a statement of activities and changes in the net assets, a statement of functional expenses, and a statement of cash flows as of June 30, 2023 and 2022. Additionally, there are notes to the financial statements that provide additional information that is essential to understanding the data provided.

Unrelated to the financial statements, it bears noting that SAR's operating budget is based upon a 'year-ahead funding' model in which all funds dedicated to operations are raised in the prior fiscal year. This model is beneficial as it allows SAR to build and manage budgets that are efficient and carefully designed to achieve the school's short- and long-term objectives.

Furthermore, with the full support of its Board of Directors, SAR is making a concerted effort to reduce its annual endowment draw by 15 basis points per year until it reaches a more sustainable draw of 4%.

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of School for Advanced Research (a New Mexico nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School for Advanced Research as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of School for Advanced Research and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about School for Advanced Research's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 School for Advanced Research's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about School for Advanced Research's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
February 23, 2024

SCHOOL FOR ADVANCED RESEARCH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,399,538	$ 1,790,670
Short-Term Investments	1,851,753	2,707,494
Receivables:		
Grants	187,000	1,014,316
Pledges	123,000	55,500
Publications	538	2,885
Other	712	15
Prepaid Expenses	106,954	72,575
Inventory, Net of Allowance	37,809	44,233
Total Current Assets	3,707,304	5,687,688
PROPERTY AND EQUIPMENT, NET	2,786,558	2,784,070
OTHER ASSETS		
Long-Term Investments	13,904,621	11,986,011
Endowed Investments	11,430,687	11,305,910
Right of Use Asset	21,974	-
Total Other Assets	25,357,282	23,291,921
Total Assets	$ 31,851,144	$ 31,763,679
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 50,942	$ 61,209
Accrued Payroll and Related Liabilities	144,397	151,868
Deferred Revenue	101,940	48,030
Lease Liability, Current Portion	4,318	-
Total Current Liabilities	301,597	261,107
LONG-TERM LIABILITIES		
Long-Term Lease Liability	17,833	-
Total Long-Term Liabilities	17,833	-
Total Liabilities	319,430	261,107
NET ASSETS		
Without Donor Restrictions	17,299,220	15,901,570
With Donor Restrictions:		
Specified Purpose and Passage of Time	2,801,807	4,295,092
Perpetual in Nature	11,430,687	11,305,910
Total With Donor Restrictions	14,232,494	15,601,002
Total Net Assets	31,531,714	31,502,572
Total Liabilities and Net Assets	$ 31,851,144	$ 31,763,679

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES			
Grants and Contributions	$ 934,591	$ 609,668	$ 1,544,259
Membership Dues	351,413	-	351,413
Book Sales and Royalties	83,059	-	83,059
Rental	64,627	-	64,627
Public Programs	108,776	-	108,776
Miscellaneous	3,682	-	3,682
Net Assets Released from Restrictions	1,978,176	(1,978,176)	-
Total Revenues	3,524,324	(1,368,508)	2,155,816
EXPENSES			
Program Services	3,166,228	-	3,166,228
Supporting Services:			
Management and General	659,107	-	659,107
Fundraising	912,437	-	912,437
Total Expenses	4,737,772	-	4,737,772
NET OPERATING INCOME	(1,213,448)	(1,368,508)	(2,581,956)
NONOPERATING INCOME			
Investment Returns, Net of Expenses	2,611,098	-	2,611,098
CHANGE IN NET ASSETS	1,397,650	(1,368,508)	29,142
Net Assets - Beginning of Year	15,901,570	15,601,002	31,502,572
NET ASSETS - END OF YEAR	$ 17,299,220	$ 14,232,494	$ 31,531,714

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES			
Grants and Contributions	$ 1,487,305	$ 2,514,770	$ 4,002,075
Membership Dues	269,585	-	269,585
Book Sales and Royalties	113,351	-	113,351
Rental	39,179	-	39,179
Public Programs	44,992	-	44,992
In-Kind	19,547	-	19,547
Miscellaneous	6,322	-	6,322
Net Assets Released from Restrictions	986,334	(986,334)	-
Total Revenues	2,966,615	1,528,436	4,495,051
EXPENSES			
Program Services	2,729,164	-	2,729,164
Supporting Services:			
Management and General	552,872	-	552,872
Fundraising	734,450	-	734,450
Total Expenses	4,016,486	-	4,016,486
NET OPERATING INCOME	(1,049,871)	1,528,436	478,565
NONOPERATING INCOME			
Investment Returns, Net of Expenses	(4,102,144)	-	(4,102,144)
CHANGE IN NET ASSETS	(5,152,015)	1,528,436	(3,623,579)
Net Assets - Beginning of Year	21,053,585	14,072,566	35,126,151
NET ASSETS - END OF YEAR	$ 15,901,570	$ 15,601,002	$ 31,502,572

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Stipends	$ 111,740	$ -	$ -	$ 111,740
Salaries and Wages	1,410,075	370,854	444,560	2,225,489
Pension Plan Contributions	37,124	12,119	14,527	63,770
Other Employee Benefits	73,967	24,145	28,944	127,056
Payroll Taxes	17,582	5,739	6,880	30,201
Staff Development	32,306	35	-	32,341
Fees for Accounting Services	-	30,213	-	30,213
Fees for Other Services	699,671	72,105	206,018	977,794
Advertising and Promotion	4,695	43,736	6,450	54,881
Office Expenses	20,048	29,988	19,755	69,791
Information Technology	87,690	16,856	64,283	168,829
Royalties	6,387	-	-	6,387
Travel	41,171	790	1,459	43,420
Depreciation	76,059	4,869	6,643	87,571
Insurance	55,430	12,849	1,499	69,778
Cost of Sales	33,446	-	-	33,446
Field Trips	-	-	75,296	75,296
Direct Program Expenses	232,928	-	-	232,928
Special Events and Projects	112,286	3,475	29,270	145,031
Equipment Purchase/Rental	13,924	-	-	13,924
Repairs and Maintenance	47,419	4,854	2,347	54,620
Occupancy	52,280	26,480	4,506	83,266
Total Expenses by Function	$ 3,166,228	$ 659,107	$ 912,437	$ 4,737,772

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Stipends	$ 227,600	$ -	$ -	$ 227,600
Salaries and Wages	1,112,590	353,848	444,037	1,910,475
Pension Plan Contributions	36,165	11,967	15,017	63,149
Other Employee Benefits	30,906	10,178	12,772	53,856
Payroll Taxes	78,445	24,925	31,278	134,648
Staff Development	24,124	1,296	2,330	27,750
Fees for Accounting Services	-	26,330	-	26,330
Fees for Other Services	392,060	26,628	109,709	528,397
Advertising and Promotion	755	3,546	1,092	5,393
Office Expenses	23,602	9,020	20,231	52,853
Information Technology	89,488	15,669	45,354	150,511
Royalties	6,510	-	-	6,510
Travel	18,407	-	614	19,021
Depreciation	66,377	4,249	5,797	76,423
Insurance	34,982	7,704	1,015	43,701
Cost of Sales	79,388	-	-	79,388
Direct Program Expenses	325,968	-	-	325,968
Special Events and Projects	68,148	7,457	17,579	93,184
Equipment Purchase/Rental	3,947	6,489	-	10,436
Repairs and Maintenance	63,014	10,309	3,964	77,287
Occupancy	46,688	33,257	4,114	84,059
In-Kind	-	-	19,547	19,547
Total Expenses by Function	$ 2,729,164	$ 552,872	$ 734,450	$ 4,016,486

See accompanying Notes to Financial Statements.

SCHOOL FOR ADVANCED RESEARCH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from:		
Contributions and Grants	$ 2,179,298	$ 4,563,808
Membership Dues	351,413	269,585
Book Sales and Royalties	84,709	120,342
Rents	64,627	38,990
Other	188,519	101,111
Cash Paid to:		
Employees and Fringe Benefits	(2,453,987)	(2,149,843)
Vendors and Suppliers	(2,130,168)	(1,543,228)
Scholars (Stipends)	(111,740)	(208,053)
Net Cash Provided (Used) by Operating Activities	(1,827,329)	1,192,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Received for:		
Operating Endowment Draw	1,065,344	1,076,593
Proceeds from Sale of Investments	786,060	-
Cash Paid for:		
Reinvested Earnings	(427,952)	(925,531)
Purchases of Property and Equipment	(112,032)	(110,752)
Net Cash Provided by Investing Activities	1,311,420	40,310
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for:		
Contributions Restricted for Investment in Perpetual Endowment	124,777	-
Net Cash Provided by Financing Activities	124,777	-
NET INCREASE (DECREASE) IN CASH	(391,132)	1,233,022
Cash and Cash Equivalents - Beginning of Year	1,790,670	557,648
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,399,538	$ 1,790,670

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

The School for Advanced Research (the School or SAR) advances the understanding of human cultural diversity by supporting an alchemy of Native American arts and innovative research in anthropology and related disciplines.

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.

Net Assets With Donor Restrictions – Net assets subject to donor-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. 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.

Revenue and Revenue Recognition

Book Sales and Royalties – Books are distributed to customers (point in time) and payments are due at point of sale.

Public Programs – Payments entitle customers to participation in: Classes, Lectures, Field Trips, and Campus Tours (point in time). Payments are due in advance of public programs (deferred) and are recognized when the respective programming occurs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

Contributions received, including unconditional promises, are recognized as revenue in the period received.

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.

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.

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.

Leases

SAR determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent the SAR's right to use an underlying asset for the lease term and lease liabilities represent the SAR's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that SAR will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. SAR has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the SAR has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The SAR has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conditional Grants

Revenue from conditional grants is deferred and recognized in the period to which conditions are satisfied. The School performs services under cost-reimbursement grants with the National Science Foundation. Revenues from these grants are recognized as the services are performed and related expenses are recorded as incurred. The School has a recurring matching grant (1:2) with a private foundation through June 30, 2024 and 2025 in the amount of $200,000 per year. The School is the beneficiary of one bequest totaling approximately $6,125,000. Revenue will be recognized when the estate is validated by the probate court.

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. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the reporting period in which the revenue is recognized. The School considers membership dues to be a contribution as there are no direct benefits received in exchange.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 collectability of its receivables and, if necessary, records a reserve for its estimate of uncollectible accounts. Historical write-offs and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the reserve. Management has deemed all amounts to be collectible and, accordingly, has not recorded an allowance for uncollectible accounts at June 30, 2023 and 2022.

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 three prior year's sales for each title to the current stock of each title. The allowance for excess inventory was $82,754 and $84,829 at June 30, 2023 and 2022, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

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

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Expenditures exceeding $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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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, 2023 and 2022.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Funds

Authoritative guidance includes the following financial statement disclosure requirements for the School for the years ended June 30, 2023 and 2022.

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 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, 2023 and 2022.

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, 2023 and 2022.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $54,881 and $5,393 for the years ended June 30, 2023 and 2022, respectively.

Accrued Payroll and Related Liabilities

Accrued payroll and related liabilities include $118,498 and $110,367 of accrued vacation as of June 30, 2023 and 2022, respectively.

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.

NOTE 2 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 presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2023:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds:				
Large Value Funds	$ 21,795,426	$ -	$ -	$ 21,795,426
Mutual Funds:				
Bond Funds	3,475,859	-	-	3,475,859
Equity Funds	1,129,964	-	-	1,129,964
Fixed Income:				
U.S. Treasuries	785,812	-	-	785,812
Total	$ 27,187,061	$ -	$ -	$ 27,187,061

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2022:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Exchange Traded Funds:				
Large Value Funds	$ 17,125,149	$ -	$ -	$ 17,125,149
Mutual Funds:				
Bond Funds	3,950,920	-	-	3,950,920
Equity Funds	2,544,944	-	-	2,544,944
Fixed Income:	-	-	-	-
U.S. Treasuries	2,378,402	-	-	2,378,402
Total	$ 25,999,415	$ -	$ -	$ 25,999,415

NOTE 2 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, 2023:

	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Exchange Traded Funds:			
Large Value Funds	$ 20,448,057	$ 21,795,426	$ 1,347,369
Mutual Funds:			
Bond Funds	3,893,454	3,475,859	(417,595)
Equity Funds	1,200,453	1,129,964	(70,489)
Fixed Income:			
U.S. Treasuries	798,500	785,812	(12,688)
Total Assets at Fair Value	$ 26,340,464	$ 27,187,061	$ 846,597

The following information summarizes the difference between cost and the estimated fair value for investments as of June 30, 2022:

	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Exchange Traded Funds:			
Large Value Funds	$ 17,208,428	$ 17,125,149	$ (83,279)
Mutual Funds:			
Bond Funds	4,324,229	3,950,920	(373,309)
Equity Funds	2,976,414	2,544,944	(431,470)
Fixed Income:			
U.S. Treasuries	2,392,832	2,378,402	(14,430)
Total Assets at Fair Value	$ 26,901,903	$ 25,999,415	$ (902,488)

NOTE 3 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.

	2023	2022
Expected Cash Collection	$ 123,000	$ 55,500
Less: Discount to Present Value	-	-
Present Value of Pledges Receivables	$ 123,000	$ 55,500

NOTE 3 PLEDGES RECEIVABLE (CONTINUED)

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

Year Ending June 30,	2023	2022
2024	$ 123,000	$ 55,000

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2023	2022
Buildings and Improvements	$ 6,087,441	$ 6,087,442
Land Improvements	401,309	401,309
Equipment	994,470	947,463
Furniture and Fixtures	153,566	153,566
Total	7,636,786	7,589,780
Less: Accumulated Depreciation	(6,925,356)	(6,837,785)
Total	711,430	751,995
Land	2,032,075	2,032,075
Projects in Process	43,053	-
Total	2,075,128	2,032,075
Total Property and Equipment	$ 2,786,558	$ 2,784,070

Depreciation expense for the years ended June 30, 2023 and 2022 was $87,571 and $76,423, respectively.

NOTE 5 NET ASSETS WITH DONOR RESTRICTION – SPECIFIED PURPOSE AND TIME

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

	2023	2022
Specified Purpose:		
Fiscal Sponsorship	$ 814,906	$ 1,359,174
Scholarships and Internship Programs	574,228	725,528
Campus Repairs and Improvements	412,582	412,582
Indian Arts Research Center	358,181	820,017
Program	225,737	476,540
Native Arts Funds	50,000	-
Grounded in Clay	46,523	128,490
Press	9,313	52,945
Passage of Time	310,337	319,816
Total	$ 2,801,807	$ 4,295,092

NOTE 5 NET ASSETS WITH DONOR RESTRICTION – SPECIFIED PURPOSE AND TIME (CONTINUED)

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 year ended June 30:

	2023	2022
Indian Arts Research Center	$ 613,835	$ 726,850
Fiscal Sponsor	544,268	-
Program	378,739	8,150
Scholarships and Internship Programs	242,300	137,967
Grounded in Clay	125,218	-
Collections on Pledges and Grants Receivable	73,816	111,549
Campus Repairs and Improvements	-	1,818
Total	$ 1,978,176	$ 986,334

NOTE 6 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:

	2023	2022
Operating Endowment	$ 3,003,345	$ 3,003,345
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	383,530	258,753
F. Crichton Lecture Endowment	160,000	160,000
Dubin Artist Endowment	145,000	145,000
Retirement and Benefit Endowment	13,908	13,908
Total	$ 11,430,687	$ 11,305,910

NOTE 7 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.

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.

Endowment Net Assets - July 1, 2022	$ 11,305,910
Investment Return	328,293
Contributions, Reversions, and Changes in Donor Restrictions	-
Appropriation of Endowment Assets for Expenditure	(328,293)
Endowment Net Assets - June 30, 2022	11,305,910
Investment Return	480,658
Contributions, Reversions, and Changes in Donor Restrictions	124,777
Appropriation of Endowment Assets for Expenditure	(480,658)
Endowment Net Assets - June 30, 2023	$ 11,430,687

NOTE 8 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 $243,256 and $232,398 for the year ended June 30, 2023 and 2022, respectively for acquisition or maintenance of collection items.

NOTE 9 COMMITMENTS

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 $63,770 and $63,1478 in 2023 and 2022, 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.

NOTE 10 RELATED PARTY TRANSACTIONS

The School receives contributions, pledges, and bequests from members of the board of directors. During the year ended June 30, 2023, the School reported revenue of $466,364 from 34 members of the board of directors. The total pledges receivable balance at June 30, 2023 included $25,000 from 1 member of the board of directors. During the year ended June 30, 2022, the School received $417,003 from 25 members of the board of directors. The total pledges receivable balance at June 30, 2022 included $37,500 from two members of the board of directors.

See Note 13 for disclosure of fiscal sponsorship of a member of the board of directors.

NOTE 11 LEASES – ASC 842

The School leases three copy machines from Pacific Office Automation in a financing lease. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease. The lease is paid monthly and will expire February 2028.

The following tables provide quantitative information concerning the Organization's leases for the year ended December 31, 2022:

Lease Cost:		
Finance Lease Cost	$	1,570
Interest on Lease Liabilities		388
Short-Term Lease Cost		5,722
Total Lease Cost	$	7,680
Other Information:		
Net (Gain) Loss from Sale/Leaseback Transactions		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	$	388
Financing Cash Flows from Finance Leases	$	1,392
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	$	23,543
Weighted-Average Remaining Lease Term - Finance Leases		4.3 Years
Weighted-Average Discount Rate - Finance Leases		5.05%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Years Ended June 30,		Amount
2024	$	5,338
2025		5,338
2026		5,338
2027		5,338
2028		3,559
Undiscounted Cash Flows		24,911
Less: Imputed interest		(2,760)
Total Present Value	$	22,151
Short-Term Lease Liabilities	$	(4,318)
Long-Term Lease Liabilities		(17,833)
Total	$	(22,151)

NOTE 12 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 $4.286 million.

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

	2023	2022
Financial Assets, as of June 30:		
Cash and Cash Equivalents	$ 1,399,538	$ 1,790,670
Protective Investments	1,851,753	2,707,494
Grants Receivable	187,000	1,014,316
Pledges Receivable	123,000	55,500
Accounts Receivable	1,250	2,900
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	3,562,541	5,570,880
Less: Annual Operating Budget (Year-Ahead)	4,286,000	4,268,000
Excess Financial Assets Available	$ (723,459)	$ 1,302,880

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 investment income without donor restriction for additional reserves.

The School has not historically carried long-term debt.

NOTE 13 FISCAL SPONSORSHIP

During the year ended June 30, 2022, the School began serving as the Fiscal Sponsor for a $1.5 million research project related to its mission. The project manager is former New Mexico state historian, and currently serves as a member of the School’s Board of Directors.

As the fiscal sponsor, The School takes responsibility to accept funding and ensuring all funds are spent in accordance with any restrictions accompanying related funds. The related activity summarized below is recorded in the financial statements. Fiscal sponsorship funds are recognized as with donor restriction, and expenses incurred are reported as released restrictions.

	2023	2022
Beginning Restricted Net Assets	$ 1,359,174	$ -
Grants	-	1,500,000
Program Expenses	(544,268)	(140,826)
Ending Restricted Net Assets	$ 814,906	$ 1,359,174

NOTE 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through February 23, 2024, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2021, but prior to February 23, 2024, that provided additional evidence about conditions that existed at June 30, 2023 have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023 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, 2023.

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among Schools by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The School adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The School has elected to adopt the package of practical expedients available in the year of adoption. The School has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the School's ROU assets.

The School has elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

NOTE 16 RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the previously reported results. Endowed investments were segregated on the Statements of Financial Position and Net Investment Returns were reclassified to the nonoperating section of the Statements of Activities and Changes in Net Assets.