Keegan, Linscott & Kenon, PC
Certified Public Accountants
Certified Fraud Examiners
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THE SONORAN INSTITUTE

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Sonoran Institute

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Sonoran Institute (the "Institute") which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of cash flows for the years then ended, and the related consolidated statement of activities and changes in net assets for the year ended June 30, 2018, and the related notes to the consolidated financial statements, collectively, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Institute'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 Institute'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2018 and 2017, and its cash flows for the years then ended and the change in net assets for the year ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidated supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Institute's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keegan, Linscott & Kenon, PC

Tucson, Arizona
January 23, 2019

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 996,840	$ 609,098
Accounts receivable	17,476	81,201
Government grants and contracts receivable, net	40,253	56,141
Unbilled contracts receivable	30,504	342,823
Pledges receivable, net	58,592	58,422
Prepaid expenses	12,072	13,629
Deposits	8,147	8,147
Total current assets	1,163,884	1,169,461
Beneficial interest in assets held by others	1,540,751	1,405,436
Pledges receivable, net	86,262	137,593
Property and equipment, net	56,272	23,994
Total assets	$ 2,847,169	$ 2,736,484
Liabilities		
Current liabilities		
Accounts payable	$ 59,905	$ 104,151
Accrued expenses	145,717	121,644
Deferred revenue	476,020	347,051
Current portion of long-term debt	6,449	6,451
Total current liabilities	688,091	579,297
Long-term debt	-	7,406
Total liabilities	688,091	586,703
Net Assets		
Unrestricted	53,581	146,081
Temporarily restricted	742,832	668,035
Permanently restricted	1,362,665	1,335,665
Total net assets	2,159,078	2,149,781
Total liabilities and net assets	$ 2,847,169	$ 2,736,484

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Summarized Total 2017
Revenues and Other Support					
Operating Revenues					
Contributions	$ 304,090	$ 350,243	$ 27,000	$ 681,333	$ 362,481
Foundation grants	131,924	230,992	-	362,916	365,250
Government grants	206,595	-	-	206,595	349,346
Contract income	1,863,040	-	-	1,863,040	1,896,848
Program service income	505	-	-	505	-
Investment income (loss), net	-	83,053	-	83,053	144,492
Other income	24,431	-	-	24,431	104,323
Total operating revenues	2,530,585	664,288	27,000	3,221,873	3,222,740
Contribution received in acquisition of AC (See Note 3)	24,067	65,228	-	89,295	-
Net assets released from restrictions	654,719	(654,719)	-	-	-
Total revenues and other support	3,209,371	74,797	27,000	3,311,168	3,222,740
Expenses					
Salaries and wages	1,614,488	-	-	1,614,488	1,446,482
Pension contributions	38,966	-	-	38,966	38,801
Other employee benefits	100,478	-	-	100,478	78,937
Payroll taxes	169,959	-	-	169,959	135,391
Consultants	337,047	-	-	337,047	415,086
Accounting and legal	41,115	-	-	41,115	46,267
Outside services	158,083	-	-	158,083	201,170
Insurance	17,323	-	-	17,323	14,184
Office supplies	44,263	-	-	44,263	39,024
Equipment leases	30,913	-	-	30,913	7,042
Field supplies and materials	116,053	-	-	116,053	19,420
Water acquisition	57,428	-	-	57,428	-
Telephone	18,905	-	-	18,905	21,823
Postage and shipping	2,924	-	-	2,924	2,296
Dues and publications	13,073	-	-	13,073	9,666
Printing and photocopying	15,717	-	-	15,717	16,038
Miscellaneous	10,657	-	-	10,657	8,724
Training and seminars	10,174	-	-	10,174	26,046
Travel	145,406	-	-	145,406	142,393
Meetings	57,414	-	-	57,414	26,321
Repairs and maintenance	15,301	-	-	15,301	11,950
Rent	143,883	-	-	143,883	111,349
Utilities	4,178	-	-	4,178	1,379
Subcontracts and grants	116,303	-	-	116,303	100,102
Contributions	7,000	-	-	7,000	9,072
Depreciation	7,477	-	-	7,477	32,694
Bad debt	-	-	-	-	208
Interest expense	532	-	-	532	898
Foreign currency transaction loss	6,811	-	-	6,811	7,330
Total expenses	3,301,871	-	-	3,301,871	2,970,093
Change in net assets	$ (92,500)	$ 74,797	$ 27,000	$ 9,297	$ 252,647
Net assets, beginning of year	146,081	668,035	1,335,665	2,149,781	1,897,134
Net assets, end of year	$ 53,581	$ 742,832	$ 1,362,665	$ 2,159,078	$ 2,149,781

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 9,297	$ 252,647
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,477	32,694
Contributions restricted for permanent endowment	(27,000)	(96,745)
Net realized and unrealized (gain) loss on beneficial interest in assets held by others	(60,725)	(128,246)
Contribution received in acquisition of AC	(89,295)	-
Changes in operating assets and liabilities		
Accounts receivable	63,725	(65,493)
Foundation grants receivable	-	32,641
Government grants and contracts receivable, net	15,888	(28,707)
Unbilled contract receivables	312,319	(176,445)
Pledges receivable, net	51,161	(3,207)
Prepaid expenses	1,557	14,253
Accounts payable	(44,246)	54,935
Accrued expenses	24,073	(1,187)
Deferred revenue	(71,072)	(274,271)
Net cash provided by (used in) operating activities	193,159	(387,131)
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(10,990)
Net contributions and reinvestments to fund beneficial interest in assets held by others	(98,690)	(31,957)
Business acquisition, cash acquired	249,581	-
Distributions from beneficial interest in assets held by others	24,100	23,528
Net cash provided by (used in) investing activities	174,991	(19,419)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(7,408)	(7,043)
Collection of contributions restricted for investment in endowment	27,000	96,745
Net cash provided by financing activities	19,592	89,702
Net change in cash and cash equivalents	387,742	(316,848)
Cash and cash equivalents, beginning of year	609,098	925,946
Cash and cash equivalents, end of year	$ 996,840	$ 609,098
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 532	$ 898
Supplemental Schedule of Non-Cash Investing Activities		
Acquisition of AC		
Property and equipment acquired	$ 39,755	
Deferred revenue assumed	200,041	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

The Sonoran Institute ("Sonoran"), founded in 1990, is a nonprofit corporation that works with communities to achieve harmony between the built environment and the natural world. Sonoran works at the nexus of commerce, community, and conservation to help people build the communities they want to live in while preserving the values which brought them to the North American West. The lasting benefits of Sonoran's community stewardship work is a West where civil dialogue and collaboration are hallmarks of decision making, where people and wildlife live in harmony, and where clean water, air, and energy are assured. Primary sources of revenue are foundation grants, contracts, governmental funding, and donations.

Sonoran Institute Mexico, Asociacion Civil ("AC"), a controlled entity of Sonoran, acquired on January 1, 2018, is a Mexican nonprofit civil association that works with communities in the natural resources' management and recovery in Mexico, including wildlife and the cultural values of those lands.

2. Summary of Significant Accounting Policies

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of Sonoran and AC (collectively, the "Institute"). Except where the context otherwise indicates or requires, all references to the "Institute" in these footnotes means the consolidated entity. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation
The Institute follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Institute follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Institute's consolidated financial statements have been prepared in accordance with ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Institute is required to provide consolidated financial statements which are prepared to focus on the Institute as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets having similar characteristics have been combined into similar categories as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

- **Temporarily Restricted** – Net assets whose use by the Institute is subject to donor-imposed stipulations that can be fulfilled by actions of the Institute pursuant to those stipulations or that expire through the passage of time.

- **Permanently Restricted** – Net assets that are subject to donor-imposed stipulations or law that assets be maintained permanently by the Institute. The donors of these assets permit the Institute to use all or part of the investment return of these assets for furthering the Institute's mission through continued operations which may be subject to certain restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Once the Institute has complied with all of the specific restrictions, the contribution is reclassified to the unrestricted net asset group as a net asset released from restrictions. This reclassification increases unrestricted net assets and decreases temporarily restricted net assets. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Institute reports the support as unrestricted. Contributions of long-lived assets not having donor-imposed purpose or time restrictions are reported as unrestricted contributions in amounts equal to the fair value of the contributed assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For financial statement reporting purposes, the Institute considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates their fair values and are classified as Level 1 inputs in the fair value hierarchy. The Institute places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit (see Note 14). The Institute has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk.

Accounts, Grants, and Contracts Receivable

The Institute's funding sources are primarily foundations and governmental agencies. The Institute grants credit to these agencies. The carrying amount of accounts, grants, and contracts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of receivables. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

As of June 30, 2018 and 2017, management considers all accounts receivable to be collectible, therefore, no allowance for doubtful accounts has been provided. As of June 30, 2018 and 2017, government grants and contracts receivable is presented net of an allowance for doubtful accounts of $12,676.

Unbilled Contracts Receivable

Unbilled contracts receivable represent the contract revenue recognized to date from expenses incurred by the Institute, but not yet invoiced due to contract terms or the timing of the accounting invoicing cycle.

Pledges Receivable

The Institute accounts for pledges receivable to be made in future years as unconditional promises to give in the year the promise is made. Pledges to be received after one year are presented at their discounted present value at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. The fair value amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. All pledges deemed to be uncollectible are written off. As of June 30, 2018 and 2017, management considered all pledges receivable to be collectible; therefore, no allowance for uncollectible promises has been provided.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Beneficial Interest in Assets Held by Others

In August 2015, the Institute's investments were transferred to the Community Foundation for Southern Arizona ("CFSA") to be managed as agency designated funds for the Institute's permanent endowment fund. Under the terms of the agency designated funds agreement, the Institute named itself as the beneficiary and all assets held by CFSA will be subject to the articles of incorporation and bylaws of CFSA, including the powers contained therein, as defined by the agreement. The CFSA Board may not use their variance power to remove the endowment restriction imposed on the Institute's agency designated funds. Distributions from the agency designated funds will be made available to the Institute at least annually in accordance with the current spending policy of CFSA. In the event that the annual distribution calculated by CFSA is greater than the amount allowed per the Institute's investment spending policy, the remaining amount will be reinvested back into the endowment fund. The fair value of beneficial interest in assets held by others totaled $1,540,751 and $1,405,436 as of June 30, 2018 and 2017, respectively.

In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Institute measures the fair value of agency designated funds held at CFSA using the fair value of the underlying assets. Subsequent changes in the fair value of the underlying assets are reported as a component of temporarily restricted investment income (loss), net of fees in the accompanying statement of activities and changes in net assets until amounts are appropriated for expenditure by the board of directors. CFSA on behalf of the Institute invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying consolidated financial statements.

The beneficial interest in assets held by others is considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Institute employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment. If the cost of the agency designated fund exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the underlying investment. The Institute also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis is established.

Property and Equipment

Property and equipment are stated at cost if purchased or at fair value at date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method, ranging from three to seven years.

The Institute's policy is to capitalize expenditures for property and equipment and donated property and equipment received that exceed $2,000 and have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities and changes in net assets. Repairs and maintenance for normal upkeep are charged to expense as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The Institute periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2018, the Institute had not experienced impairment losses on its long-lived assets.

Revenue Recognition

The Institute accounts for its government funded grant and contract revenues as exchange transactions. Revenue under cost reimbursement grants and contracts are recognized when costs are incurred or agreed-upon work is performed in accordance with the applicable agreements. Foundation grants are accounted for as either exchange transactions or as contributions depending on the nature of the grant. A receivable is recorded to the extent revenue recognized exceeds payment received; conversely, advances in excess of costs incurred or work performed under government funded grants and contracts are deferred and recognized as revenue when the related cost is incurred.

Contributions are recorded upon the Institute receiving notification of an unconditional promise to give.

Donated Goods, Facilities and Services

Donated goods and facilities are recognized as contributions at fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Institute reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Although the Institute may utilize the services of outside volunteers, the fair value of these services is not recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Income Taxes

The Institute is exempt from federal and state income taxes under the Federal Internal Revenue Code ("IRC") Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under IRC Section 509(a)(1). The Institute also qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a).

Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Institute's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed. Furthermore, in the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to the Institute's non-taxable status is not expected to have a material effect on the Institute's financial position or results of operations. Accordingly, no provision is made for uncertain income tax positions in the accompanying consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Should the Institute ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in miscellaneous expenses and accrued expenses in the accompanying consolidated financial statements. During the years ended June 30, 2018 and 2017, the Institute did not recognize any interest and penalties.

Endowment Funds

As of June 30, 2018 and 2017, the Institute's endowment corpus is held and managed by CFSA and is comprised of an agency designated fund. Agency designated funds represent assets transferred by the Institute to CFSA to establish an endowment fund and future cash contributions made to the endowment for the benefit of the Institute (i.e., the Institute has specified themselves as the beneficiary). The Institute also has endowment funds that are held and managed internally and consist of pledges receivable in the accompanying consolidated statements of financial position.

The Institute has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or "UPMIFA"), which underlies the Institute's net asset classification of donor-restricted endowment funds, as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Institute classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent 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 that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by the law.

Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity or for donor-specified periods. To satisfy its long-term objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) while assuming a moderate level of investment risk. The Institute is subject to CFSA's investment policies for endowment assets.

The Institute expects its endowment funds, over time, to provide an average rate of return that exceeds inflation. Actual returns in any given year may vary from that amount. The Institute's spending policy for its endowment assets attempt to provide a predictable stream of funding by appropriating for distribution each year 4% of its endowment value; however, as discussed in Note 10, the Institute's appropriation for distribution is currently restricted until matching funds for the original donor gift are raised.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Institute to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2018 and 2017.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Prior Year Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

3. Acquisition of AC

On January 1, 2018 (acquisition date), Sonoran obtained control of AC through a majority voting interest in the board of AC. In addition, Sonoran has the ability to appoint individuals that together constitute a majority of the votes of the fully constituted AC board. As a result, AC is financially interrelated with Sonoran as defined by U.S. GAAP, and consequently is consolidated in Sonoran's financial statements. The AC operates in Mexico under a similar mission to Sonoran. The acquisition will assist Sonoran in its binational restoration efforts primarily for work to be completed in the Colorado River Delta region of Mexico. The acquisition will be recorded as a business combination under ASC 805, *Business Combinations* with identifiable assets acquired and liabilities assumed recorded at their estimated fair values on the acquisition date. Under the acquisition method of accounting, Sonoran was treated as the accounting acquirer and AC was treated as the acquired entity for financial reporting purposes.

The following presents a summary of the assets acquired and liabilities assumed based on their respective fair values:

	January 1, 2018
Current assets	$ 249,581
Property and equipment	39,755
Current liabilities	(200,041)
Total identifiable net assets acquired	89,295
Consideration transferred	-
Contribution received in acquisition of AC	$ 89,295

The fair value of the identifiable net assets acquired exceeded the fair value of the purchase price of the business by $89,295. Accordingly, the acquisition has been accounted for as an inherent contribution received and, as a result, Sonoran recognized a contribution of $89,295 associated with the acquisition. The contribution is included in the line item Contribution received in acquisition of AC in the 2018 consolidated statement of activities and changes in net assets. Based on donor restrictions on AC's net assets at the acquisition date, net assets with a fair value of $65,228 were classified as temporarily restricted net assets with the remaining $24,067 classified as unrestricted net assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Recent Accounting Pronouncements

Not Adopted as of June 30, 2018

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance, and creates Topic 606 *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the full retrospective or retrospective with cumulative effect transition method. Subsequent amendments have been issued for technical corrections (ASU No. 2016-20); narrow scope improvements and practical expedients (ASU No. 2016-12); identifying performance obligations and licensing arrangements (ASU No. 2016-10); and gross versus net revenue reporting (ASU No. 2016-08). ASU No. 2014-09 (and subsequent amendments) is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted with certain restrictions. The Institute has not yet selected a transition method and is currently evaluating the effect this standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in ASU No. 2016-14 change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes; Investment Return; Expenses; Liquidity and Availability of Resources; and Presentation of Operating Cash Flows. ASU No. 2016-14 is effective for not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. The Institute is currently evaluating the effect that implementation of the new standard will have on its consolidated financial statements and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required (See ASU No. 2018-11 below for optional transition method) for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. This ASU is intended to reduce costs and ease implementation of the leases standard for financial statement preparers. ASU 2018-11 provides a new transition method and a practical expedient for separating components of a contract. The amendments ASU 2018-11 provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Not Adopted as of June 30, 2018 (continued)

new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current U.S. GAAP in Topic 840, *Leases*. The amendments in ASU 2018-11 also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). The effective date and transition requirements for the amendments in this update related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02 (i.e., fiscal years beginning after December 15, 2019). All entities, including early adopters, that elect the practical expedient related to separating components of a contract in this ASU must apply the expedient, by class of underlying asset, to all existing lease transactions that qualify for the expedient at the date elected. The Institute is currently evaluating the effect these standards will have on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018, and interim periods with fiscal years beginning after December 15, 2019. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. The Institute is currently evaluating the effect that implementation of the new standard will have on the consolidated financial statements and disclosures.

In August 2018, the FASB has issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU applies the provisions of recently released Chapter 8, *"Notes to Financial Statements,"* of the FASB's *Conceptual Framework for Financial Reporting*, resulting in the removal, modification and addition of certain disclosure requirements. The ASU also clarifies that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Institute is currently evaluating the effect that implementation of the new standard will have on the consolidated financial statements and disclosures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Pledges Receivable

Pledges receivable are recorded at their estimated fair value. Amounts due more than one year are recorded at the present value of the estimated future cash flows discounted at an adjusted risk-free rate applicable to the year in which the promises were received of 3% and 2%, for the year ended June 30, 2018 and 2017, respectively. As of June 30, the amounts of the receivables to be collected as a result of these promises are as follows:

	2018	2017
Receivables (less than one year)	$ 60,350	$ 58,100
Receivables (one to five years)	93,950	147,000
	154,300	205,100
Less discount to net present value	(9,446)	(9,085)
Pledges receivable, net	$ 144,854	$ 196,015

6. Fair Value Measurements

The Institute utilizes the fair value hierarchy required by ASC 820 which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Institute has the ability to access at the measurement date.

Level 2 Valuations based on quoted prices in markets that are not active or for which significant inputs are observable, directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Institute defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The Institute defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

The assets held at the CFSA are categorized as Level 3 due to the lack of a market in which the Institute's units of participation in CFSA's pooled investments could be bought or sold. The Institute measures the fair value of its beneficial interest by taking its proportionate share of the fair value of the underlying assets.

The following table represents the Institute's financial assets that are measured at fair value on a recurring basis as of June 30:

	Level 3	
Description	2018	2017
Beneficial interest in assets held by others	$ 1,540,751	$ 1,405,436

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents a reconciliation of the Level 3 beneficial interest in assets held by others measured at fair value for the years ended June 30:

Description	2018	2017
Fair value as of July 1	$ 1,405,436	$ 1,268,761
Contributions and reinvestments to fund beneficial interest in assets held by others	116,398	47,924
Investment fees	(17,708)	(15,967)
Net realized/unrealized gains (losses) in changes in net assets	60,725	128,246
Distributions	(24,100)	(23,528)
Fair value as of June 30	$ 1,540,751	$ 1,405,436

The following table presents the Institute's financial assets and liabilities that are measured at fair value on a nonrecurring basis as of and for the year ended June 30, 2018:

Description	6/30/2018	Level 1	Level 2	Level 3	Total Revenue For the Year Ended 6/30/2018
Initially-recognized Pledges receivable, net	$ 124,300	$ -	$ -	$ 124,300	$ 124,300
	$ 124,300	$ -	$ -	$ 124,300	$ 124,300

The Institute's long-term pledges receivable are classified within Level 3 of the fair value hierarchy because the inputs are unobservable and are generated by the Institute itself, using the Institute s own data. The fair value of the pledges receivable is measured using the income approach valuation technique. The key inputs for the fair value measurements of the Institute's pledges receivable are the schedule of expected future cash flows for each contribution and the discount rate used to convert the expected future cash flows associated with the contributions to a present value amount per the income approach. The determined discount rate is developed based on the notion of an exit price, the price that would be received to sell the asset in the most advantageous market. Only the current year's additions to pledges receivable are included in the fair value hierarchy nonrecurring basis table because the Institute's pledges receivable involved fair value measurement only upon initial recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurements (continued)

Reconciliation of initially-recognized pledges receivable, which are included in fair value hierarchy, to total pledges receivable in the consolidated statements of financial position is as follows:

	2018	2017
Initially-recognized pledges receivable	$ 124,300	$ 55,100
Pledges receivable, recognized in prior years	30,000	150,000
Less discount to net present value	(9,446)	(9,085)
Total	$ 144,854	$ 196,015

7. Property and Equipment

A summary of the property and equipment and related accumulated depreciation consists of the following as of June 30:

	2018	2017
Office furniture and equipment	$ 145,694	$ 145,694
Vehicles	180,669	140,913
Software	99,907	99,907
	426,270	386,514
Less accumulated depreciation	(369,998)	(362,520)
	$ 56,272	$ 23,994

8. Long-Term Debt

Long-term debt as of June 30 is summarized as follows:

	2018	2017
Note payable to bank with monthly payments of $662, including interest at 5.00% per annum, until maturity in April 2019. Collateralized by a vehicle.	$ 6,449	$ 13,857
Less current portion of long-term debt	(6,449)	(6,451)
Long-term debt	$ -	$ 7,406

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	2018	2017
Colorado River Delta	$ 237,567	$ 226,679
Sun Corridor	137,686	126,914
Western Lands & Communities	656	13,454
Mexicali	34,548	-
Future years operations	27,864	55,429
Unappropriated earnings from endowment funds	304,511	245,559
	$ 742,832	$ 668,035

10. Endowment Funds

Permanently restricted net assets consist of the Institute's donor-restricted endowment funds totaling $1,362,665 and $1,335,665 as of June 30, 2018 and 2017, respectively. Endowment funds are included in the beneficial interest in assets held by others and pledges receivable in the accompanying consolidated statements of financial position.

Endowment net asset composition by type of fund as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 304,511	$ 1,362,665	$ 1,667,176
Total funds	$ -	$ 304,511	$ 1,362,665	$ 1,667,176

Changes in endowment net assets for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2017	$ -	$ 245,559	$ 1,335,665	$ 1,581,224
Investment return				
Investment income, net	-	22,328	-	22,328
Net appreciation	-	60,725	-	60,725
Total investment return	-	83,053	-	85,053
Contributions	-	-	27,000	27,000
Appropriation of endowment funds for expenditure	(24,100)	-	-	(24,100)
Transfers between funds	24,100	(24,100)	-	-
Endowment net assets, June 30, 2018	$ -	$ 304,512	$ 1,362,665	$ 1,667,177

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 245,559	$ 1,335,665	$ 1,581,224
Total funds	$ -	$ 245,559	$ 1,335,665	$ 1,581,224

Changes in endowment net assets for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ -	$ 124,595	$ 1,238,920	$ 1,363,515
Investment return				
Investment income	-	16,246	-	16,246
Net depreciation	-	128,246	-	128,246
Total investment return	-	144,492	-	144,492
Contributions	-	-	96,745	96,745
Appropriation of endowment funds for expenditure	(23,528)	-	-	(23,528)
Transfers between funds	23,528	(23,528)	-	-
Endowment net assets, June 30, 2017	$ -	$ 245,559	$ 1,335,665	$ 1,581,224

The original contribution to the endowment fund was a single endowment gift of $850,000, received on December 5, 2010, with a donor stipulation that the Institute raise a one-to-one match of the $850,000 within two years following the date of the endowment gift. For the two years following the date of the endowment gift the Institute may use the investment earnings from the endowment gift for general institutional support. If after the two year period the Institute has not raised the required match, then earnings will be held in the endowment and not available for distribution to the Institute; except that the earnings from the percentage of the endowment for which the Institute has raised matching funds is eligible for distribution, while earnings from the balance of the endowment will be held until the Institute raises the additional matching funds. The initial two year period following the original endowment gift ended on December 5, 2012. As of June 30, 2018, the Institute had raised approximately $365,139 (in cash) toward the matching requirement.

11. Related Party Transactions

Contributions and Pledges Receivable

The Institute received $87,296 and $220,316 in contributions from board members and other related parties during 2018 and 2017, respectively. Total future amounts due from related parties totaled $121,300 and $155,100 as of June 30, 2018 and 2017, respectively, which are included in pledges receivable in the accompanying consolidated statements of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transactions (continued)

Rincon Institute Receivable

The Institute leases 100% of one employee to perform services for the Rincon Institute on a month to month basis. The services performed by the leased employee are at the sole discretion of the Rincon Institute. The Institute bills the Rincon Institute monthly for the previous month's services. As of June 30, 2018 and 2017, the amount outstanding and due to the Institute was $15,951 and $0, respectively, which are included in accounts receivable in the accompanying consolidated statements of financial position.

12. Operating Leases

The Institute leases office space in Arizona and Mexico. The leases have various terms, monthly payment amounts, and expiration dates. For certain leases, the Institute is responsible for certain occupancy costs including electricity and janitorial services as well as a proportionate share of the property's common costs. The Institute also leases office equipment. The future minimum annual lease payments due under the leases are as follows:

Fiscal Year Ending	Amount
2019	$ 129,516
2020	119,111
2021	39,832
2022	10,909
2023	9,840

Rental expense for the years ended June 30, 2018 and 2017 totaled $174,796 and $118,391, respectively.

13. Retirement Plan

Effective January 1, 2016, the Institute adopted a 401(k) Plan. Each employee who has attained at least 21 years of age and 1 month of service is eligible to participate in the 401(k) Plan. Employees are eligible for Safe Harbor matching contributions after 12 months of service. Eligible employees may contribute a maximum amount of $18,500 to the 401(k) Plan in 2018, with a $6,000 catch-up provision for eligible employees age fifty or over in 2018. The Institute matches contributions at a rate of 100% on the first 3% eligible employees contribute, then 50% on the next 2% eligible employees contribute with a maximum 4% match. The Institute match for the years ended June 30, 2018 and 2017 was $38,966 and $38,801, respectively.

14. Risks and Uncertainties

Foundation and Government Grant and Contract Funding

The Institute receives the majority of its funding through various foundation and government grants and contracts. A majority of grants involve one-time contributions to support program activities for a period of two years or less. A significant reduction in this funding, if this were to occur, would have a material effect on the programs and activities of the Institute.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Risks and Uncertainties (continued)

Concentration of Credit Risk for Cash Deposits at Banks

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to $250,000. As of June 30, 2018 and 2017, the Institute had approximately $662,000 and $336,000 in excess of FDIC insured limits, respectively.

15. Subsequent Events

The Institute evaluated subsequent events through January 23, 2019, which represents the date the consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

SUPPLEMENTAL SCHEDULES

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	PROGRAMS				
	Colorado River Delta	Mexicali	Western Lands & Communities	Sun Corridor	Total Programs
Salaries and wages	$ 365,040	$ 201,988	$ 276,988	$ 400,414	$ 1,244,430
Pension contributions	9,757	-	8,417	11,165	29,339
Other employee benefits	20,818	-	20,896	34,962	76,676
Payroll taxes	33,150	56,345	21,170	30,552	141,217
Consultants	68,182	73,284	91,182	46,978	279,626
Accounting and legal	450	12,522	-	-	12,972
Outside services	41,625	60,860	5,428	9,982	117,895
Insurance	-	4,484	-	-	4,484
Office supplies	14,044	1,687	2,630	3,258	21,619
Equipment leases	2,377	22,949	222	1,385	26,933
Field supplies and materials	13,570	94,958	-	7,332	115,860
Water acquisition	-	57,428	-	-	57,428
Telephone	9,396	2,691	3,177	9,722	24,986
Postage and shipping	349	399	9	162	919
Dues and publications	1,260	537	2,745	2,211	6,753
Printing and photocopying	93	1,344	2,603	4,616	8,656
Miscellaneous	1,189	391	-	-	1,580
Training and seminars	2,852	666	3,157	3,222	9,897
Travel	33,489	22,296	29,141	16,015	100,941
Meetings	1,771	6,503	30,482	1,910	40,666
Repairs and maintenance	2,878	12,270	-	-	15,148
Rent	31,789	13,312	10,929	30,394	86,424
Utilities	516	3,662	-	-	4,178
Subcontracts and grants	61,303	23,000	20,000	12,000	116,303
Contributions	-	-	-	-	-
Depreciation	-	-	-	-	-
Interest expense	532	0	-	-	532
Foreign currency transaction loss	593	6,218	-	-	6,811
Total expenses	$ 717,023	$ 679,794	$ 529,176	$ 626,280	$ 2,552,273

SEE ACCOMPANYING NOTES TO CONSOLIDATED SUPPLEMENTAL SCHEDULE

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018 (CONTINUED)

	SUPPORT SERVICES			
	Administration	Fundraising	Total Support	Total
Salaries and wages	$ 249,181	$ 120,877	$ 370,058	$ 1,614,488
Pension contributions	6,976	2,651	9,627	38,966
Other employee benefits	13,881	9,921	23,802	100,478
Payroll taxes	18,954	9,788	28,742	169,959
Consultants	1,805	55,616	57,421	337,047
Accounting and legal	28,143	-	28,143	41,115
Outside services	29,884	10,304	40,188	158,083
Insurance	12,839	-	12,839	17,323
Office supplies	17,438	5,206	22,644	44,263
Equipment leases	3,158	822	3,980	30,913
Field supplies and materials	-	193	193	116,053
Water acquisition	-	-	-	57,428
Telephone	(10,159)	4,078	(6,081)	18,905
Postage and shipping	1,205	800	2,005	2,924
Dues and publications	5,505	815	6,320	13,073
Printing and photocopying	146	6,915	7,061	15,717
Miscellaneous	9,102	(25)	9,077	10,657
Training and seminars	(1,406)	1,683	277	10,174
Travel	17,139	27,326	44,465	145,406
Meetings	14,117	2,631	16,748	57,414
Repairs and maintenance	153	-	153	15,301
Rent	43,510	13,949	57,459	143,883
Utilities	-	-	-	4,178
Subcontracts and grants	-	-	-	116,303
Contributions	7,000	-	7,000	7,000
Depreciation	7,477	-	7,477	7,477
Interest expense	-	-	-	532
Foreign currency transaction loss	-	-	-	6,811
Total expenses	$ 476,048	$ 273,550	$ 749,598	$ 3,301,871

SEE ACCOMPANYING NOTES TO CONSOLIDATED SUPPLEMENTAL SCHEDULE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAMS					
	Colorado River Delta	Rockies	Western Lands & Communities	Sun Corridor	Communications	Total Programs
Salaries and wages	$ 510,449	$ -	$ 272,684	$ 380,830	$ 38,059	$ 1,202,022
Pension contributions	10,253	-	10,001	13,269	359	33,882
Other employee benefits	18,224	-	15,571	31,817	3,541	69,153
Payroll taxes	63,925	-	20,728	29,167	3,292	117,112
Consultants	258,892	-	40,009	26,838	48,878	374,617
Accounting and legal	5,660	-	-	15,000	-	20,660
Outside services	117,909	19	12,158	25,441	5,498	161,025
Insurance	3,536	-	-	-	-	3,536
Office supplies	5,518	-	6,586	6,642	2,363	21,109
Equipment leases	4,689	-	145	235	-	5,069
Field supplies and materials	17,996	-	-	14	-	18,010
Telephone	6,841	-	2,479	6,170	870	16,360
Postage and shipping	399	-	382	90	118	989
Dues and publications	2,951	-	1,548	1,538	614	6,651
Printing and photocopying	2,741	-	736	6,619	3,002	13,098
Miscellaneous	3,178	10	10	-	-	3,198
Training and seminars	11,820	-	5,222	3,456	790	21,288
Travel	39,755	-	49,944	22,084	1,078	112,861
Meetings	8,357	-	2,218	3,140	9	13,724
Repairs and maintenance	11,080	-	-	-	-	11,080
Rent	41,213	-	6,030	27,584	5,717	80,544
Utilities	1,379	-	-	-	-	1,379
Subcontracts and grants	67,200	-	5,774	34,000	-	106,974
Contributions	-	-	500	1,500	-	2,000
Depreciation	6,473	-	-	-	-	6,473
Bad debt	-	-	-	-	-	-
Interest expense	898	-	-	-	-	898
Foreign currency transaction loss	7,330	-	-	-	-	7,330
Total expenses	$ 1,228,666	$ 29	$ 452,725	$ 635,434	$ 114,188	$ 2,431,042

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 (CONTINUED)

	SUPPORT SERVICES			
	Administration	Fundraising	Total Support	Total
Salaries and wages	$ 158,522	$ 85,938	$ 244,460	$ 1,446,482
Pension contributions	3,684	1,235	4,919	38,801
Other employee benefits	4,274	5,510	9,784	78,937
Payroll taxes	11,511	6,768	18,279	135,391
Consultants	8,048	32,421	40,469	415,086
Accounting and legal	25,607	-	25,607	46,267
Outside services	26,782	13,363	40,145	201,170
Insurance	10,648	-	10,648	14,184
Office supplies	13,209	4,706	17,915	39,024
Equipment leases	1,829	144	1,973	7,042
Field supplies and materials	1,410	-	1,410	19,420
Telephone	3,332	2,131	5,463	21,823
Postage and shipping	881	426	1,307	2,296
Dues and publications	2,945	70	3,015	9,666
Printing and photocopying	1,144	1,796	2,940	16,038
Miscellaneous	5,526	-	5,526	8,724
Training and seminars	4,673	85	4,758	26,046
Travel	11,959	17,573	29,532	142,393
Meetings	10,855	1,742	12,597	26,321
Repairs and maintenance	870	-	870	11,950
Rent	17,600	13,205	30,805	111,349
Utilities	-	-	-	1,379
Subcontracts and grants	-	-	-	106,974
Contributions	200	-	200	2,200
Depreciation	26,221	-	26,221	32,694
Bad debt	208	-	208	208
Interest expense	-	-	-	898
Foreign currency transaction loss	-	-	-	7,330
Total expenses	$ 351,938	$ 187,113	$ 539,051	$ 2,970,093

NOTES TO SUPPLEMENTAL SCHEDULES

1. Basis of Presentation

The accompanying consolidated schedules of functional expenses are presented on the accrual basis of accounting.

2. Functional Allocation of Expenses

Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods, primarily based on direct labor costs.