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Certified Fraud Examiners
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THE SONORAN INSTITUTE

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2015)

TABLE OF CONTENTS

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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 financial statements of The Sonoran Institute (the "Institute") which comprise the statements of financial position as of June 30, 2016 and 2015, the related statements of cash flows for the years then ended, and the related statement of activities and changes in net assets for the year ended June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2016 and 2015, and its cash flows for the years then ended and the change in net assets for the year ended June 30, 2016, 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 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 financial statements or to the 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keegan, Linscott & Kenon, PC

Tucson, Arizona
October 24, 2016

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 925,946	$ 1,580,734
Accounts receivable	15,708	13,906
Foundation grants receivable	32,641	591,456
Government grants and contracts receivable, net	27,434	254,778
Unbilled contract receivables	166,378	329,206
Pledges receivable	144,269	76,000
Prepaid expenses	27,882	30,289
Deposits	8,147	11,404
Total current assets	1,348,405	2,887,773
Beneficial interest in assets held by others	1,268,761	-
Investments	-	1,287,449
Pledges receivable, net	48,539	142,808
Property and equipment, net	45,698	84,853
Total assets	$ 2,711,403	$ 4,402,883
Liabilities		
Current liabilities		
Accounts payable	$ 49,216	$ 128,860
Accrued expenses	122,831	159,520
Deferred revenue	621,322	1,556,100
Current portion of obligation under letter of agreement	-	75,317
Current portion of long-term debt	7,042	6,691
Total current liabilities	800,411	1,926,488
Long-term debt	13,858	20,901
Total liabilities	814,269	1,947,389
Net Assets		
Unrestricted (deficit)	140,759	(251,822)
Temporarily restricted	517,455	1,468,879
Permanently restricted	1,238,920	1,238,437
Total net assets	1,897,134	2,455,494
Total liabilities and net assets	$ 2,711,403	$ 4,402,883

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Summarized Total 2015
Revenues and Other Support					
Contributions	$ 629,777	$ 318,346	$ 483	$ 948,606	$ 1,180,862
Foundation grants	201,007	84,313	-	285,320	627,172
Government grants	257,971	-	-	257,971	235,235
Contract income	2,665,755	-	-	2,665,755	2,345,531
Program service income	13,469	-	-	13,469	4,734
Investment loss, net	(17,856)	17,289		(567)	(10,542)
Other income	29,447	-	-	29,447	36,658
Special events	28,189	-	-	28,189	1,705
Gain on release from obligation under letter of agreement	75,317	-	-	75,317	-
Net assets released from restrictions	1,371,372	(1,371,372)	-	-	-
Total revenues and other support	5,254,448	(951,424)	483	4,303,507	4,421,355
Expenses					
Salaries and wages	1,434,198	-	-	1,434,198	1,790,254
Pension contributions	35,204	-	-	35,204	34,134
Other employee benefits	91,142	-	-	91,142	133,579
Payroll taxes	131,065	-	-	131,065	165,424
Consultants	563,368	-	-	563,368	670,789
Accounting and legal	37,032	-	-	37,032	37,528
Outside services	231,095	-	-	231,095	160,236
Insurance	15,752	-	-	15,752	15,638
Office supplies	39,633	-	-	39,633	26,708
Equipment leases	10,001	-	-	10,001	40,510
Field supplies and materials	33,723	-	-	33,723	57,357
Water acquisition	1,075,839	-	-	1,075,839	736,001
Telephone	27,693	-	-	27,693	37,522
Postage and shipping	2,970	-	-	2,970	4,621
Dues and publications	11,868	-	-	11,868	17,853
Printing and photocopying	16,650	-	-	16,650	34,740
Miscellaneous	11,718	-	-	11,718	41,100
Training and seminars	5,445	-	-	5,445	22,759
Travel	151,278	-	-	151,278	143,582
Meetings	37,305	-	-	37,305	62,473
Repairs and maintenance	20,153	-	-	20,153	17,408
Rent	123,127	-	-	123,127	137,307
Utilities	8,911	-	-	8,911	15,895
Subcontracts and grants	205,008	-	-	205,008	133,874
Contributions	337,799	-	-	337,799	8,050
Depreciation	42,151	-	-	42,151	53,222
Bad debt	411	-	-	411	16,708
Interest expense	1,248	-	-	1,248	1,576
Foreign currency transaction loss	160,080	-	-	160,080	14,884
Total expenses	4,861,867	-	-	4,861,867	4,631,732
Change in net assets	392,581	(951,424)	483	(558,360)	(210,377)
Net assets, beginning of year	(251,822)	1,468,879	1,238,437	2,455,494	2,665,871
Net assets, end of year	$ 140,759	$ 517,455	$ 1,238,920	$ 1,897,134	$ 2,455,494

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (558,360)	$ (210,377)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	42,151	53,222
Loss on sale of property and equipment	(2,275)	-
Gain on release from obligation under letter of agreement	(75,317)	-
Collections of contributions restricted for permanent endowment	(483)	(55,500)
Net realized and unrealized (gain) loss on investments	(8,447)	48,413
Net realized and unrealized loss on beneficial interest in assets held by others	42,668	-
Changes in operating assets and liabilities		
Accounts receivable	(1,802)	(5,825)
Foundation grants receivable	558,815	397,134
Government grants and contracts receivable, net	227,344	99,721
Unbilled contract receivables	162,828	(329,206)
Pledges receivable, net	26,000	(89,363)
Prepaid expenses	2,407	(3,423)
Deposits	3,257	-
Accounts payable	(79,644)	26,765
Accrued expenses	(36,689)	(18,055)
Deferred revenue	(934,778)	(1,223,517)
Net cash used in operating activities	(632,325)	(1,310,011)
Cash Flows from Investing Activities		
Proceeds on sale of property and equipment	7,810	-
Purchase of property and equipment	(8,531)	(1,045)
Net proceeds from Rincon Institute	-	63,446
Proceeds on sale of investments	1,304,989	45,443
Purchases of investments	(9,093)	(115,886)
Contributions and reinvestments to fund beneficial interest in assets held by others	(1,334,957)	-
Distributions from beneficial interest in assets held by others	23,528	-
Net cash used in investing activities	(16,254)	(8,042)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(6,692)	(6,364)
Collections of contributions restricted for investment in endowment	483	55,500
Net cash (used in) provided by financing activities	(6,209)	49,136
Net change in cash and cash equivalents	(654,788)	(1,268,917)
Cash and cash equivalents, beginning of year	1,580,734	2,849,651
Cash and cash equivalents, end of year	$ 925,946	$ 1,580,734
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,248	$ 1,576

NOTES TO FINANCIAL STATEMENTS

1. Organization

The Sonoran Institute (the "Institute"), founded in 1990, is a nonprofit corporation that works with communities to achieve harmony between the built environment and the natural world. The Institute 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 the Institute'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.

During fiscal year 2016, the Board of Directors adopted a plan authorizing Community Builders, a project of the Institute's Rockies program, to pursue a plan for separate incorporation. During fiscal year 2016, Community Builders was officially incorporated as a stand-alone not-for-profit entity and effective December 31, 2015 Community Builders was no longer a part of the Institute. As part of the separation and per the terms of the separation agreement, the Institute contributed net assets that had a net book value of approximately $310,000 to Community Builders, which is included in contributions expense in the accompanying statement of activities and changes in net assets for the year ending June 30, 2016.

2. Summary of Significant Accounting Policies

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 ("GAAP") that the Institute follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Institute's financial statements have been prepared in accordance with ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Institute is required to provide 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 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 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 15). 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, 2016 and 2015, management considers all accounts receivable and foundation grants receivable to be collectible, therefore, no allowance for doubtful accounts has been provided. Government grants and contracts receivable is presented net of an allowance for doubtful accounts of $12,677 and $15,500 as of June 30, 2016 and 2015, respectively.

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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

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, 2016 and 2015, management considered all pledges receivable to be collectible; therefore, no allowance for uncollectible promises has been provided.

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 $1,268,761 and $0 as of June 30, 2016 and 2015, 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 investment loss, net in the accompanying statement of activities and changes in net assets. 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 financial statements.

Investments

Investments are carried at fair value. Prior to the transfer of investments to CFSA, all of the Institute's investments were held in a professionally managed common trust fund. The common trust fund is valued at amounts reported by the investment manager, which are based on the quoted price of the underlying securities held by such funds. Investment income, gains and losses are reported in the statement of activities and changes in net assets as increases or decreases in net assets. The cost of investments sold is determined using the specific identification method. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the gains and income are recognized. Donated investments are recorded at fair value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Investments (continued)
Since there is no readily determinable market for the Institute's common trust fund, the Institute follows the provisions of Accounting Standards Update ("ASU") No. 2011-04, *Fair Value Measurements* ("ASU 2011-04"). ASU 2011-04 allows for the estimation of the fair value of the common trust fund which does not have a readily determined fair value, using net asset value per share (or its equivalent), as provided by the investment managers.

Investments are 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 of investments. If the cost of an investment 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 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-then-temporary, an impairment charge is recorded and a new cost basis in the investment 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.

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, 2016, 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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

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 financial statements.

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 financial statements. During the years ended June 30, 2016 and 2015, the Institute did not recognize any interest and penalties.

Endowment Funds
As of June 30, 2016, the Institute's endowment 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 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 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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)
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 11, 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 GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2016 and 2015.

Use of Estimates
The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts and the useful lives of fixed assets.

Prior Year Information
The 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 GAAP. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Reclassifications
Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation, with no effect on net assets.

3. Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606): An Amendment of the FASB Accounting Standards Codification*. The amendments in this ASU affect 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 revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance, and creates a 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 GAAP when it becomes effective and permits the use of either the full retrospective or retrospective with cumulative effect transition method.

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it 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 financial statements.

In March 2016, the FASB has issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. The amendments relate to when another party, along with the entity, is involved in providing a good or service to a customer. Topic 606 *Revenue from Contracts with Customers* requires an entity to determine whether the nature of its promise is to provide that good or service to the customer (i.e., the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (i.e., the entity is an agent). The amendments amend certain existing illustrative examples and add additional illustrative examples to assist in the application of the guidance. The effective date and transition of these amendments is the same as the effective date and transition of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In April 2016, the FASB has issued Accounting Standards Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments clarify the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. The effective date and transition of these amendments is the same as the effective date and transition of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In May 2016, the FASB has issued Accounting Standards Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The amendments do not change the core revenue recognition principle in Topic 606. The amendments provide clarifying guidance in certain narrow areas and add some practical expedients. The effective date and transition of these amendments is the same as the effective date and transition of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material effect on the Institute's financial statements or disclosures.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The ASU requires the Institute to segregate in tabular form as of the balance sheet date, the aggregate related fair values

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

of investments with unrealized losses, and the aggregate amount of unrealized losses by those investments that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for longer than 12 months. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within the fiscal years beginning after December 15, 2019. The adoption of ASU 2016-01 is not expected to have a material effect on the Institute's financial statement 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 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. The Institute is currently evaluating the effect this standard will have on the 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 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 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 financial statements and disclosures.

4. 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 2%. As of June 30, the amounts of the receivables to be collected as a result of these promises are as follows:

	2016	2015
Receivables (less than one year)	$ 150,000	$ 76,000
Receivables (one to five years)	50,000	150,000
	200,000	226,000
Less discount to net present value	(7,192)	(7,192)
Pledges receivable, net	$ 192,808	$ 218,808

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments consist of the following as of June 30:

	2016	2015
Money market mutual fund	$ -	$ 164,280
Common trust fund	-	1,123,169
	$ -	$ 1,287,449

Included in the investment loss, net:

	2016	2015
Interest and dividends	$ 52,210	$ 55,572
Realized gain (loss)	113,937	(27,196)
Unrealized (loss)	(148,158)	(21,217)
Fees	(18,556)	(17,701)
	$ (567)	$ (10,542)

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 carrying amount of the money market mutual fund approximates their fair value and are classified as Level 1 inputs in the fair value hierarchy.

In accordance with ASC 820-10-35-59, the Institute uses net asset value per share (or its equivalent) as a practical expedient to estimate the fair value of the common trust fund. Classification within the fair value hierarchy depends on whether the Institute has the ability to redeem its investments at net asset value (or its equivalent) and if so, when that redemption can take place. Since the Institute has the ability to redeem the investment at the net asset value per share (or its equivalent) at the measurement date or in the near term, the fair value of the investment is considered as a Level 2 input in the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The assets held at the Community Foundation for Southern Arizona ("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, 2016:

Description	6/30/2016	Level 1	Level 2	Level 3
Beneficial interest in assets held by others	$ 1,268,761	$ -	$ -	$ 1,268,761
Total	$ 1,268,761	$ -	$ -	$ 1,268.761

The following table represents the Institute's financial assets that are measured at fair value on a recurring basis as of June 30, 2015:

Description	6/30/2015	Level 1	Level 2	Level 3
Money market mutual fund	$ 164,280	$ 164,280	$ -	$ -
Common trust fund	1,123,169	-	1,123,169	-
Total	$ 1,287,449	$ 164,280	$ 1,123,169	$ -

The following table presents a reconciliation of the Level 3 beneficial interest in assets held by others measured at fair value for the year ending June 30, 2016:

Description	
Fair value as of July 1	$ -
Contributions and reinvestments to fund beneficial interest in assets held by others	1,334,957
Investment loss included in changes in net assets	(42,668)
Distributions	(23,528)
Fair value as of June 30	$ 1,268,761

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. Only the current year's additions to pledges receivable are included in the fair value hierarchy non-recurring basis table because the Institute's pledges receivable involved fair value measurement only upon initial recognition.

There were no financial assets measured at a fair value on a non-recurring basis as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table represents the Institute's financial assets that are measured at fair value on a non-recurring basis as of June 30, 2015:

Description	6/30/2015	Level 1	Level 2	Level 3
Initially-recognized pledges receivable	$ 50,000	$ -	$ -	$ 50,000
Total	$ 50,000	$ -	$ -	$ 50,000

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:

	2016	2015
Initially recognized pledges receivable	$ -	$ 50,000
Pledges receivable, recognized in prior years	200,000	176,000
Less discount to net present value	(7,192)	(7,192)
Total	$ 192,808	$ 218,808

7. Property and Equipment

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

	2016	2015
Office furniture and equipment	$ 134,704	$ 141,851
Vehicles	140,913	140,913
Leasehold improvements	-	3,125
Software	99,907	99,907
	375,524	385,796
Less accumulated depreciation	(329,826)	(300,943)
	$ 45,698	$ 84,853

8. Revolving Line of Credit

The Institute had a revolving line of credit agreement (the "Agreement") with a financial institution in the amount of $150,000. Interest was computed at an interest rate of prime, 3.25% at June 30, 2015, plus 3.0%. The line of credit was collateralized by asset accounts specified in the Agreement. As of June 30, 2016 and 2015 the Institute had not drawn on the line of credit. This line of credit was closed by the Institute in September of 2015.

NOTES TO FINANCIAL STATEMENTS

9. Long-Term Debt

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

	2016	2015
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.	$ 20,900	$ 27,592
Less current portion of long-term debt	(7,042)	(6,691)
Long-term debt	$ 13,858	$ 20,901

The following is a summary of future principal maturities of long-term debt as of June 30, 2016:

Fiscal Year Ending	Amount
2016	$ 7,042
2017	7,407
2018	6,451
Total	$ 20,900

10. Temporarily Restricted Net Assets

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

	2016	2015
Colorado River Delta	$ 281,703	$ 490,253
Sun Corridor	72,594	112,501
Rockies	129	633,816
Western Lands & Communities	-	20,587
Administration	2,901	15,439
Future years operations	35,533	48,000
Unappropriated earnings from endowment funds	124,595	148,283
	$ 517,455	$ 1,468,879

11. Endowment Funds

Permanently restricted net assets consist of the Institute's donor-restricted endowment funds totaling $1,238,920 and $1,238,437 as of June 30, 2016 and 2015, respectively. Endowment funds are included in the beneficial interest in assets held by others, investments and pledges receivable in the accompanying statements of financial position.

NOTES TO FINANCIAL STATEMENTS

Endowment Funds (continued)

Endowment net asset composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 124,595	$ 1,238,920	$ 1,363,515
Total funds	$ -	$ 124,595	$ 1,238,920	$ 1,363,515

Changes in endowment net assets for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ -	$ 148,283	$ 1,238,437	$ 1,386,720
Investment return:				
Investment income	-	51,510	-	51,510
Net depreciation	-	(34,221)	-	(34,221)
Total investment return	-	17,289	-	17,289
Contributions	-	-	483	483
Appropriation of endowment funds for expenditure	(40,977)	-	-	(40,977)
Transfers between funds	40,977	(40,977)	-	-
Endowment net assets, June 30, 2016	$ -	$ 124,595	$ 1,238,920	$ 1,363,515

Endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 148,283	$ 1,238,437	$ 1,386,720
Total funds	$ -	$ 148,283	$ 1,238,437	$ 1,386,720

NOTES TO FINANCIAL STATEMENTS

Endowment Funds (continued)

Changes in endowment net assets for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ -	$ 176,753	$ 1,182,937	$ 1,359,690
Investment return:				
Investment income	-	56,732	-	56,732
Net depreciation	-	(48,413)	-	(48,413)
Total investment return	-	8,319	-	8,319
Contributions	-	-	55,500	55,500
Appropriation of endowment funds for expenditure	(36,789)	-	-	(36,789)
Transfers between funds	36,789	(36,789)	-	-
Endowment net assets, June 30, 2015	$ -	$ 148,283	$ 1,238,437	$ 1,386,720

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, 2016, the Institute had raised approximately $294,600 (in cash) toward the matching requirement.

12. Related Party Transactions

Contributions and Pledges Receivable

The Institute received $401,365 and $298,330 in contributions from board members and other related parties during 2016 and 2015, respectively. Total future amounts due from related parties totaled $100,000 and $150,000 as of June 30, 2016 and 2015, respectively, which are included in pledges receivable in the accompanying statements of financial position.

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, 2016 and 2015, the amount outstanding and due to the Institute was $13,920 and $3,481, respectively, which are included in accounts receivable in the accompanying statements of financial position.

NOTES TO FINANCIAL STATEMENTS

Related Party Transactions (continued)

Consultant & Related Party Expenses
The Institute paid a consultant who is the son of an employee for communication and consulting services. The total fees paid for the years ended June 30, 2016 and 2015 were $0 and $7,650, respectively.

The Institute is partnered with Sonoran Institute Mexico, A. C., a related party and a similar organization for the purpose of collaboration on work to be completed in the Colorado River Delta region of Mexico. The total contributions made to the Sonoran Institute Mexico, A.C. for the years ended June 30, 2016 and 2015 were $6,600 and $5,000, respectively.

13. 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
2017	$ 108,743
2018	105,003
2019	107,146
2020	109,538
2021	84,816

Rental expense for the years ended June 30, 2016 and 2015 totaled $133,128 and $177,817, respectively.

14. Retirement Plan

Effective October 1, 1997, the Institute adopted a Savings Incentive Match Plan (the "Plan"). The Plan covers all employees earning at least $5,000 in a calendar year. Eligible employees may contribute a maximum amount of $12,000 to the Plan in any one year, with a $5,500 catch-up provision for eligible employees age fifty or over. The Institute contributes a discretionary match of up to 3% of the employee's compensation for the calendar year. The Institute match for the years ended June 30, 2016 and 2015 was $14,993 and $34,134, respectively.

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 $18,000 to the Plan in 2016, with a $6,000 catch-up provision for eligible employees age fifty or over in 2016. 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 year ended June 30, 2016 was $20,211.

NOTES TO FINANCIAL STATEMENTS

15. 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.

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, 2016 and 2015, the Institute had approximately $604,000 and $1,223,000 in excess of FDIC insured limits, respectively.

16. Commitments and Contingencies

Obligation under Letter of Agreement

In November 2012, the Commissioners of the U.S. and Mexican sections of the International Boundary and Water Commission executed Minute No. 319 (“Minute 319”). The Institute was a key advocate for Minute 319, which amended the treaty between the U.S. and Mexico governing the Colorado River to provide significant resources that will advance the Institute’s efforts to restore the Colorado River Delta.

As part of Minute 319, the Institute and other non-governmental organizations (collectively the “NGOs”) in the U.S. and Mexico estimate that it will cost about $4.5 million to acquire the additional water rights needed to permanently support habitat restoration and meet the NGO’s water delivery obligations in connection with the Minute 319. Using these funds, the NGOs also agreed to meet specific restoration goals over the next five years. The Nature Conservancy was able to secure a program-related investment (“PRI”) from the David and Lucile Packard Foundation (“Packard Foundation”) that allows the NGOs to move quickly to acquire water so that the restoration goals can be met. The PRI is a low interest loan that must be repaid in full in five years. The NGOs, including The Sonoran Institute, agreed to assist The Nature Conservancy in raising funds to repay the PRI.

In February 2013, the Institute and the NGOs executed a “Letter of Agreement” to commit to a joint fundraising effort related to the protection and restoration of the Colorado River Delta ecosystem. The joint fundraising effort is intended to raise funds to (1) support the acquisition of water rights by the Colorado River Delta Water Trust (“Delta Water Trust”) and (2) repay the PRI.

The NGOs will join together to seek to raise no less than $1.328 million (plus interest owed to the Packard Foundation under the terms of the PRI), as necessary to ensure timely repayment of the PRI. Each NGO will be responsible for raising 25% of the total fundraising goal. In the event that the NGOs are unable to raise funds sufficient to repay the entire amount of the PRI by March 31, 2016, the Institute will be responsible to provide The Nature Conservancy the lesser of the remaining amount of the Institute’s individual obligation, or $100,000. As such, as of June 30, 2013, the Institute accrued a liability of $100,000 for the full amount of the potential payment that the Institute would be required to make under the Letter of Agreement.

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (continued)

During 2016, based on the combined funds raised by the NGO's, the Institute's remaining obligation to The Nature Conservancy was reduced to $0, which resulted in a $75,317 release from obligation under letter of agreement. The release from obligation under letter of agreement is reported as a gain in the accompanying statement of activities and changes in net assets for the year ended June 30, 2016. As of June 30, 2016, the aggregate remaining balance of the obligation under letter of agreement was $0.

17. Subsequent Events

The Institute evaluated subsequent events through October 24, 2016, which represents the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTAL SCHEDULES

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAMS					
	Colorado River Delta	Rockies	Western Lands & Communities	Sun Corridor	Communications	Total Programs
Salaries and wages	$ 443,933	$ 195,010	$ 249,684	$ 264,792	$ 24,113	$ 1,177,532
Pension contributions	7,161	3,488	7,489	7,621	578	26,337
Other employee benefits	19,053	15,870	15,145	22,642	1,536	74,246
Payroll taxes	54,179	14,524	19,312	20,457	2,077	110,549
Consultants	186,896	145,971	91,202	66,636	33,345	524,050
Accounting and legal	7,487	3,200	-	-	-	10,687
Outside services	94,803	32,700	9,535	9,147	1,458	147,643
Insurance	4,664	-	-	-	-	4,664
Office supplies	16,697	975	2,450	4,949	243	25,314
Equipment leases	3,438	966	39	78	-	4,521
Field supplies and materials	29,315	-	-	2	-	29,317
Water acquisition	1,075,839	-	-	-	-	1,075,839
Telephone	7,106	4,706	1,847	5,185	164	19,008
Postage and shipping	999	115	56	140	-	1,310
Dues and publications	2,372	109	2,871	1,279	2,687	9,318
Printing and photocopying	5,431	438	2,083	1,306	527	9,785
Miscellaneous	4,070	70	-	-	-	4,140
Training and seminars	106	-	3,506	760	-	4,372
Travel	57,158	7,664	46,799	18,660	18	130,299
Meetings	3,943	11,743	11,854	2,960	-	30,500
Repairs and maintenance	9,885	-	-	-	-	9,885
Rent	39,077	17,526	6,139	21,385	-	84,127
Utilities	3,440	1,142	389	1,184	-	6,155
Subcontracts and grants	179,054	-	10,000	15,954	-	205,008
Contributions	4,758	309,539	-	3,550	-	317,847
Depreciation	40,459	-	-	-	-	40,459
Bad debt	411	-	-	-	-	411
Interest expense	-	-	-	-	-	-
Foreign currency transaction loss	160,080	-	-	-	-	160,080
Total expenses	$ 2,461,814	$ 765,756	$ 480,400	$ 468,687	$ 66,746	$ 4,243,403

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL SCHEDULE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016 (CONTINUED)

	SUPPORT SERVICES			
	Administration	Fundraising	Total Support	Total
Salaries and wages	$ 151,070	$ 105,596	$ 256,666	$ 1,434,198
Pension contributions	6,131	2,736	8,867	35,204
Other employee benefits	11,212	5,684	16,896	91,142
Payroll taxes	12,877	7,639	20,516	131,065
Consultants	10,532	28,786	39,318	563,368
Accounting and legal	26,345	-	26,345	37,032
Outside services	78,443	5,009	83,452	231,095
Insurance	11,088	-	11,088	15,752
Office supplies	11,141	3,178	14,319	39,633
Equipment leases	5,480	-	5,480	10,001
Field supplies and materials	4,406	-	4,406	33,723
Water acquisition	-	-	-	1,075,839
Telephone	5,891	2,794	8,685	27,693
Postage and shipping	1,248	412	1,660	2,970
Dues and publications	2,223	327	2,550	11,868
Printing and photocopying	408	6,457	6,865	16,650
Miscellaneous	7,253	325	7,578	11,718
Training and seminars	1,043	30	1,073	5,445
Travel	3,727	17,252	20,979	151,278
Meetings	5,164	1,641	6,805	37,305
Repairs and maintenance	6,676	3,592	10,268	20,153
Rent	26,363	12,637	39,000	123,127
Utilities	2,248	508	2,756	8,911
Subcontracts and grants	-	-	-	205,008
Contributions	99	19,853	19,952	337,799
Depreciation	1,692	-	1,692	42,151
Bad debt	-	-	-	411
Interest expense	1,248	-	1,248	1,248
Foreign currency transaction loss	-	-	-	160,080
Total expenses	$ 394,008	$ 224,456	$ 618,464	$ 4,861,867

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	PROGRAMS					
	Colorado River Delta	Rockies	Western Lands & Communities	Sun Corridor	Communications	Total Programs
Salaries and wages	$ 356,193	$ 414,002	$ 326,282	$ 250,243	$ 41,804	$ 1,388,524
Pension contributions	2,832	6,339	6,929	6,031	1,287	23,418
Other employee benefits	13,751	39,423	26,872	20,747	5,065	105,858
Payroll taxes	51,023	33,103	26,502	19,713	3,309	133,650
Consultants	220,995	286,638	71,963	53,319	25,804	658,719
Accounting and legal	6,918	-	-	-	-	6,918
Outside services	80,549	28,709	3,214	2,106	1,800	116,378
Insurance	4,535	-	-	-	-	4,535
Office supplies	10,680	1,594	5,265	1,837	112	19,488
Equipment leases	27,147	1,577	495	947	146	30,312
Field supplies and materials	52,264	2,254	1,239	-	-	55,757
Water acquisition	736,001	-	-	-	-	736,001
Telephone	5,978	12,026	3,263	4,433	145	25,845
Postage and shipping	1,259	188	76	118	-	1,641
Dues and publications	3,012	1,873	5,638	567	4,257	15,347
Printing and photocopying	1,497	6,828	1,146	8,582	6,886	24,939
Miscellaneous	31,789	845	1,903	-	-	34,537
Training and seminars	16,097	420	5,750	305	-	22,572
Travel	54,968	24,976	30,758	13,783	-	124,485
Meetings	3,707	32,021	16,183	3,647	199	55,757
Repairs and maintenance	10,957	393	-	-	-	11,350
Rent	27,845	35,826	8,198	15,636	-	87,505
Utilities	4,785	1,872	868	1,418	-	8,943
Subcontracts and grants	105,874	-	20,000	8,000	-	133,874
Contributions	4,530	-	805	250	-	5,585
Depreciation	-	-	-	-	-	-
Bad debt	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Foreign currency transaction loss	14,884	-	-	-	-	14,884
Total expenses	$ 1,850,070	$ 930,907	$ 563,349	$ 411,682	$ 90,814	$ 3,846,822

SEE ACCOMPANYING NOTES TO SUPPLEMENTAL SCHEDULE

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015 (CONTINUED)

	SUPPORT SERVICES			
	Administration	**Fundraising**	**Total Support**	**Total**
Salaries and wages	$ 218,085	$ 183,645	$ 401,730	$ 1,790,254
Pension contributions	6,141	4,575	10,716	34,134
Other employee benefits	12,615	15,106	27,721	133,579
Payroll taxes	17,149	14,625	31,774	165,424
Consultants	10,538	1,532	12,070	670,789
Accounting and legal	30,610	-	30,610	37,528
Outside services	43,548	310	43,858	160,236
Insurance	11,103	-	11,103	15,638
Office supplies	6,042	1,178	7,220	26,708
Equipment leases	10,198	-	10,198	40,510
Field supplies and materials	1,600	-	1,600	57,357
Water acquisition	-	-	-	736,001
Telephone	11,212	465	11,677	37,522
Postage and shipping	2,100	880	2,980	4,621
Dues and publications	1,333	1,173	2,506	17,853
Printing and photocopying	777	9,024	9,801	34,740
Miscellaneous	6,263	300	6,563	41,100
Training and seminars	187	-	187	22,759
Travel	5,514	13,583	19,097	143,582
Meetings	5,064	1,652	6,716	62,473
Repairs and maintenance	6,035	23	6,058	17,408
Rent	49,802	-	49,802	137,307
Utilities	6,952	-	6,952	15,895
Subcontracts and grants	-	-	-	133,874
Contributions	1,934	531	2,465	8,050
Depreciation	53,222	-	53,222	53,222
Bad debt	15,409	1,299	16,708	16,708
Interest expense	1,576	-	1,576	1,576
Foreign currency transaction loss	-	-	-	14,884
Total expenses	$ 535,009	$ 249,901	$ 784,910	$ 4,631,732

NOTES TO SUPPLEMENTAL SCHEDULES

1. Basis of Presentation

The accompanying 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.