

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2013 AND 2012**

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## Independent Auditor's Report

To the Board of Directors of the  
Amazon Conservation Association and Affiliate  
Washington, D.C.

We have audited the accompanying consolidated financial statements of the Amazon Conservation Association ("ACA") (a nonprofit organization) and its affiliate, the Asociacion para la Conservacion del la Cuenca Amazonica ("ACCA"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We did not audit the financial statements of ACCA, an affiliated entity of ACA under common control and management, which statements reflect total assets of \$2,501,141 and \$2,950,360 as of December 31, 2013 and 2012, respectively, and the total revenue and support of \$2,471,503 and \$2,425,201, for the years ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ACCA, is based solely on the report of the other auditors. 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amazon Conservation Association and affiliate as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Rébis, Jones & Maresca, P.A.*

Columbia, MD  
October 24, 2014

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

	2013	2012
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,944,188	\$ 1,745,038
Accounts receivable	206,555	156,587
Grants receivable	505,989	688,356
Prepaid expenses	5,209	5,207
Total Current Assets	3,661,941	2,595,188
 <b>PROPERTY AND EQUIPMENT</b>		
Property and equipment, net	1,764,040	2,337,948
 <b>OTHER ASSETS</b>		
Grants receivable, net of current portion	75,000	-
Security deposits	250	250
Intangible assets	-	1,478
Total Other Assets	75,250	1,728
 <b>TOTAL ASSETS</b>		
	\$ 5,501,231	\$ 4,934,864
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,271	\$ 245,564
Accrued expenses	10,460	12,271
Accrued taxes	33,365	12,809
Deferred revenue	559,106	399,325
Total Current Liabilities	645,202	669,969
 <b>NET ASSETS</b>		
Unrestricted net assets	2,371,892	2,716,366
Temporarily restricted net assets	2,484,137	1,548,529
Total Net Assets	4,856,029	4,264,895
 <b>TOTAL LIABILITIES AND NET ASSETS</b>		
	\$ 5,501,231	\$ 4,934,864

See independent auditor's report and accompanying notes to consolidated financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 512,956	\$ 3,273,017	\$ 3,785,973
Contracts revenue	104,097	-	104,097
Research facility income	264,585	-	264,585
Program services	47,477	-	47,477
In-kind contributions	107,250	-	107,250
Rental income	13,083	-	13,083
Interest and other income	4,432	-	4,432
Net assets released from restrictions	2,337,409	(2,337,409)	-
<b>Total Revenue and Support</b>	<u>3,391,289</u>	<u>935,608</u>	<u>4,326,897</u>
<b>EXPENSES</b>			
Program services			
Conservation	930,193	-	930,193
Research	703,010	-	703,010
Sustainable livelihoods	820,869	-	820,869
Education and training	490,947	-	490,947
<b>Total program services</b>	<u>2,945,019</u>	<u>-</u>	<u>2,945,019</u>
Support services			
Fundraising	53,779	-	53,779
Management and general	407,749	-	407,749
<b>Total support services</b>	<u>461,528</u>	<u>-</u>	<u>461,528</u>
<b>Total Expenses</b>	<u>3,406,547</u>	<u>-</u>	<u>3,406,547</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(15,258)	935,608	920,350
<b>OTHER CHANGES</b>			
Loss on impairment of fixed assets	(327,868)	-	(327,868)
Realized gain on foreign currency exchange	27,437	-	27,437
Unrealized loss on foreign currency exchange	(28,785)	-	(28,785)
<b>Total Other Changes</b>	<u>(329,216)</u>	<u>-</u>	<u>(329,216)</u>
<b>CHANGE IN NET ASSETS</b>	(344,474)	935,608	591,134
<b>NET ASSETS, beginning of year</b>	<u>2,716,366</u>	<u>1,548,529</u>	<u>4,264,895</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,371,892</u>	<u>\$ 2,484,137</u>	<u>\$ 4,856,029</u>

See independent auditor's report and accompanying notes to consolidated financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 106,723	\$ 1,602,242	\$ 1,708,965
Research facility income	117,418	-	117,418
Program services	405,811	-	405,811
Interest and other income	271,527	-	271,527
Rental income	15,698	-	15,698
In-kind contributions	38,947	-	38,947
Net assets released from restrictions	<u>2,332,718</u>	<u>(2,332,718)</u>	<u>-</u>
Total Revenue and Support	3,288,842	(730,476)	2,558,366
<b>EXPENSES</b>			
Program services:			
Conservation	928,262	-	928,262
Research	607,144	-	607,144
Sustainable livelihoods	719,588	-	719,588
Education and training	<u>407,980</u>	<u>-</u>	<u>407,980</u>
Total program services	2,662,974	-	2,662,974
Support services:			
Fundraising	70,706	-	70,706
Management and general	<u>472,138</u>	<u>-</u>	<u>472,138</u>
Total support services	542,844	-	542,844
Total Expenses	<u>3,205,818</u>	<u>-</u>	<u>3,205,818</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	83,024	(730,476)	(647,452)
<b>OTHER CHANGES</b>			
Unrealized gain on foreign currency exchange	<u>143,463</u>	<u>-</u>	<u>143,463</u>
<b>CHANGE IN NET ASSETS</b>	226,487	(730,476)	(503,989)
<b>NET ASSETS:</b>			
Beginning of year	<u>2,489,879</u>	<u>2,279,005</u>	<u>4,768,884</u>
End of year	<u>\$ 2,716,366</u>	<u>\$ 1,548,529</u>	<u>\$ 4,264,895</u>

See independent auditor's report and accompanying notes to consolidated financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**DECEMBER 31, 2013**

	PROGRAM SERVICES					SUPPORT SERVICES			
	CONSERVATION	RESEARCH	SUSTAINABLE LIVELIHOODS	EDUCATION AND TRAINING	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL	
Personnel									
Salaries	\$ 266,563	\$ 192,251	\$ 238,155	\$ 131,808	\$ 828,777	\$ 31,291	\$ 143,398	\$ 1,003,466	
Payroll taxes	114,441	72,743	100,580	49,820	337,584	2,652	46,382	386,618	
Employee benefits	65,529	42,754	57,781	29,288	195,352	2,731	28,264	226,347	
Employer pension expense	2,452	2,688	2,347	1,848	9,335	1,300	2,746	13,381	
Sub-total personnel	448,985	310,436	398,863	212,764	1,371,048	37,974	220,790	1,629,812	
Accounting	-	-	-	-	-	-	34,369	34,369	
Bad debt	-	-	-	-	-	-	7,953	7,953	
Business insurance	3,544	2,964	3,279	2,033	11,820	824	2,471	15,115	
Depreciation	29,256	18,435	26,158	12,614	86,463	49	26,058	112,570	
Dues and subscriptions	768	703	718	483	2,672	248	633	3,553	
Finance charges	1,779	1,196	1,609	819	5,403	79	764	6,246	
Grant award	96,687	65,905	71,081	52,366	286,039	-	-	286,039	
Licenses and permits	1,222	855	1,110	585	3,772	93	580	4,445	
Meetings and conferences	19,652	12,795	17,553	20,690	70,690	192	6,960	77,842	
Miscellaneous	18,449	11,731	16,727	8,026	54,933	-	4,756	59,689	
Office expense	1,037	928	966	637	3,568	311	822	4,701	
Office supplies and equipment	107,091	68,005	96,785	47,005	318,886	395	24,410	343,691	
Outreach services	5,560	3,521	5,004	9,342	23,427	-	2,039	25,466	
Phone and communications	12,266	8,031	11,072	5,497	36,866	300	4,924	42,090	
Postage and delivery	3,894	2,612	3,535	3,331	13,372	700	1,558	15,630	
Printing and copying	3,075	1,953	2,759	4,040	11,827	4,679	1,199	17,705	
Professional fees	103,346	139,249	97,418	72,402	412,415	3,044	37,713	453,172	
Rent	26,432	20,321	24,230	13,932	84,915	4,101	15,513	104,529	
Travel and entertainment	47,150	33,370	42,002	24,381	146,903	790	14,237	161,930	
<b>TOTAL EXPENSES</b>	<b>\$ 930,193</b>	<b>\$ 703,010</b>	<b>\$ 820,869</b>	<b>\$ 490,947</b>	<b>\$ 2,945,019</b>	<b>\$ 53,779</b>	<b>\$ 407,749</b>	<b>\$ 3,406,547</b>	

See independent auditor's report and accompanying notes to consolidated financial statements.



**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
DECEMBER 31, 2012**

	<b>PROGRAM SERVICES</b>					<b>SUPPORT SERVICES</b>		
	<b>CONSERVATION</b>	<b>RESEARCH</b>	<b>SUSTAINABLE LIVELIHOODS</b>	<b>EDUCATION AND TRAINING</b>	<b>TOTAL PROGRAM SERVICES</b>	<b>FUNDRAISING</b>	<b>MANAGEMENT AND GENERAL</b>	<b>TOTAL</b>
Personnel								
Salaries	\$ 230,818	\$ 160,899	\$ 211,617	\$ 107,734	\$ 711,068	\$ 51,534	\$ 186,361	\$ 948,963
Payroll taxes	103,010	70,052	73,817	36,989	283,868	4,149	40,325	328,342
Employee benefits	62,611	43,116	66,165	32,447	204,339	724	22,760	227,823
Employer pension expense	2,055	1,625	2,974	1,590	8,244	2,528	4,896	15,668
Sub-total personnel	398,494	275,692	354,573	178,760	1,207,519	58,935	254,342	1,520,796
Accounting	11,848	8,013	8,032	4,006	31,899	-	36,274	68,173
Business insurance	2,908	2,073	3,724	1,906	10,611	1,150	3,233	14,994
Depreciation	56,474	38,173	38,293	19,258	152,198	38	18,977	171,213
Dues and subscriptions	264	179	496	253	1,192	72	3,061	4,325
Finance charges	3,094	2,096	2,117	1,057	8,364	33	1,332	9,729
Grant award	50,087	27,099	37,576	22,908	137,670	-	-	137,670
Licenses and permits	2,649	1,795	1,982	990	7,416	33	1,385	8,834
Meetings and conferences	15,033	10,079	11,390	5,306	41,808	589	6,813	49,210
Miscellaneous	17,899	12,076	21,116	10,512	61,603	106	13,041	74,750
Office expense	433	431	886	656	2,406	70	1,230	3,706
Office supplies and equipment	120,136	81,287	81,958	40,900	324,281	550	40,092	364,923
Outreach services	6,499	4,395	4,637	15,649	31,180	-	2,210	33,390
Phone and communications	12,137	8,260	8,847	4,423	33,667	56	3,932	37,655
Postage and delivery	2,544	1,716	2,082	1,176	7,518	213	1,245	8,976
Printing and copying	6,580	4,435	4,479	2,245	17,739	88	5,100	22,927
Professional fees	154,670	83,937	85,871	44,692	369,170	1,195	45,845	416,210
Rent	27,334	19,096	23,809	12,151	82,390	6,544	19,533	108,467
Travel and entertainment	39,131	26,284	27,684	41,100	134,199	1,034	14,481	149,714
Website	48	28	36	32	144	-	12	156
<b>TOTAL EXPENSES</b>	<b>\$ 928,262</b>	<b>\$ 607,144</b>	<b>\$ 719,588</b>	<b>\$ 407,980</b>	<b>\$ 2,662,974</b>	<b>\$ 70,706</b>	<b>\$ 472,138</b>	<b>\$ 3,205,818</b>

See independent auditor's report and accompanying notes to consolidated financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 591,134	\$ (503,989)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	112,570	171,213
Loss on impairment of fixed assets	327,868	-
Unrealized (gain) loss on foreign currency exchange rate	28,785	(143,463)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(49,968)	140,079
Grants receivable	107,367	308,467
Prepaid expense	(2)	177
Intangible asset	1,478	3
Increase (decrease) in liabilities:		
Accounts payable	(203,293)	(132,843)
Accrued expenses	(1,811)	(4,554)
Accrued taxes	20,556	(8,648)
Deferred revenue	159,781	144,054
Net Cash Provided by (Used for) Operating Activities	<u>1,094,465</u>	<u>(29,504)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in property and equipment	104,685	(313,884)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short-term loan	<u>-</u>	<u>(25,000)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,199,150	(368,388)
 <b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>1,745,038</u>	<u>2,113,426</u>
 <b>CASH AND CASH EQUIVALENTS - end of year</b>	<u><u>\$ 2,944,188</u></u>	<u><u>\$ 1,745,038</u></u>

See independent auditor's report and accompanying notes to consolidated financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**NOTE A – NATURE OF ORGANIZATION**

The Amazon Conservation Association (“ACA”) was incorporated as a non-profit organization on December 27, 1999, in the District of Columbia. Its mission is to conserve the biological diversity of the Amazon Basin. This mission is accomplished through the implementation of field-based scientific and socio-economic programs that integrate research with natural resource management, conservation, training, education, and policy development to foster the sustainable use of natural resources, healthy local communities, ecological understanding, and habitat protection. These activities are funded primarily through contributions and grants from foundations and individuals.

The Asociación para la Conservación de la Cuenca Amazónica (“ACCA”) is a non-profit organization incorporated under the laws of Peru, also founded in December 1999. ACCA works with ACA toward the achievement of ACA’s organizational goals and objectives in Peru. ACA’s president and vice president serve on ACCA’s Board of Directors, and another ACCA Board member is a non-officer ACA Board member. ACCA’s programs are largely funded through contributions received from ACA plus a number of grants it has obtained directly.

Through June 30, 2012, ACA also operated a satellite office in Bolivia, enabling it to have a dedicated direct presence in that country. That office formed a new and legally independent Bolivian organization, the *Asociación para la Conservación e Investigación de Ecosistemas Andino Amazónicos*, or ACEAA, that continues to work in partnership with ACA. As a result of the newly formed entity, the Bolivian financial statements were not consolidated with ACA’s financial statements as of and for the year ended December 31, 2013.

Program Services

**Conservation** – ACA protects vital ecosystems by creating and managing alternative conservation areas (such as community or civil society-managed conservation concessions and regional conservation areas), promoting ecosystem-based land-use planning, and developing and supporting the creation of conservation corridors. ACA currently protects nearly one million acres of Amazonian rainforest through these mechanisms.

For example, in 2001, ACA established Los Amigos, the world’s first private conservation concession, which protects 360,000 acres of old-growth Amazonian forest at the base of the Andes in southeastern Peru. Then, in 2008, ACA, in collaboration with the Amazonian Haramba Queros native community, established the first conservation concession in Peru run by an indigenous community. In 2012, ACA supported the creation of four new community-run private conservation areas covering more than 46,700 acres, and is helping to train these communities to patrol and monitor their reserves.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(continued)**

**NOTE A – NATURE OF ORGANIZATION** - continued

Program Services – continued

**Research** – ACA believes the world’s most diverse forests should also be its best-studied forests. Since 2004, ACA’s Los Amigos Biological Station, commonly known as CICRA, has been one of the most active research stations in the Amazon Basin. In 2005, ACA also created the Wayqecha Cloud Forest Biological Station, Peru’s only permanent research center focused on Andean cloud forest ecology and management. In 2010, ACA created the Villa Carmen Research Station focused on tropical sustainable agriculture research and extension programs for surrounding communities. To date, ACA has granted more than 160 research scholarships, and overall, more than 1,000 researchers have conducted scientific studies at ACA’s stations in Peru.

**Sustainable Livelihoods** – ACA works to support communities’ abilities to earn a living while protecting their natural resources. For example, since 1997, ACA’s Brazil nut program has aided more than 500 Brazil nut harvesters, including many indigenous families, in gaining sustainable livelihoods while protecting over 1.8 million acres of rainforest through technical support, training, and certification. ACA also supports conservation-appropriate reforestation and agroforestry, microenterprises such as native fish farming, carbon projects, and community-based ecotourism. ACA is working to mitigate the impacts of infrastructure development in the southwest Amazon through the creation of the Manu-Tambopata Conservation Corridor, composed of a mosaic of conservation areas and sustainable use zones in the Madre de Dios region of Peru.

**Education and Training** – ACA aims to build the technical capacity of local citizens for conservation and sustainable management of natural resources, to strengthen the regional capacity for environmental governance, and to ensure that the scientific results generated in its research stations reach decision-makers and the public. ACA’s three biological stations have become centers for educational trips by local school children as well as leading training sites for local and international university groups. Additionally, ACA has trained teachers and more than 1,000 students a year, beginning in 2012, in 13 schools within the Manu-Tambopata Conservation Corridor. ACA’s focus on training reflects its conviction that saving the greatest forests on earth requires supercharging a new generation of South American scientists and conservationists.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Consolidation

The consolidated financial statements include the accounts of ACA and ACCA (collectively referred to as the "Association"). Because they are under common control, these organizations have been consolidated as required under accounting principles generally accepted in the United States of America. All material intercompany accounts and transactions have been eliminated in the process of consolidation.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(continued)**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded when the related obligations are incurred.

Cash and Cash Equivalents

The Association considers demand deposits, money market funds and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Foreign Currency Transactions

The Association records transactions of ACCA denominated in a foreign currency at the United States dollar equivalent as of the date of the transaction. Assets and liabilities of ACCA denominated in a foreign currency are revalued by the Association in United States dollars at the current exchange rate as of the consolidated statement of financial position date. Any resulting foreign currency gain or loss is recorded in the accompanying consolidated statement of activities as net unrealized foreign currency exchange gain or loss, as applicable. Realized and unrealized foreign currency exchange gain is considered non-operating and is presented separately in the statements of activities.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of December 31, 2013 and 2012, management believes all receivables are fully collectible; and therefore, no provision for allowance for doubtful accounts is deemed necessary.

Financial Statement Presentation

Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein, are classified and reported as followed:

*Unrestricted Net Assets* - Net assets not subject to donor-imposed restrictions.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Financial Statement Presentation - continued

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed restrictions that may or will be met by either actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. As of December 31, 2013 and 2012, the Association had no permanently restricted net assets.

Property and Equipment

Property and equipment with a useful life greater than one year and are valued in excess of \$1,000 are capitalized and recorded at cost, if purchased, and estimated fair value, if donated. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Computer software	3	years
Furniture and equipment	5 – 7	years
Vehicle	5	years
Building/leasehold improvements	15 – 39	years

Revenue Recognition

Grants and unconditional contributions are recorded when awarded or pledged and classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted grants and contributions whose restrictions are fulfilled in the same period are recorded as unrestricted support in the statements of activities. Allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. Management believes all promises to give are fully collectible and no provision for doubtful promises to give is necessary.

Contracts revenue is treated as exchange transactions, in which revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue.

Research facility revenue is recognized upon the rental of space in the research facility.

Program services revenue is recognized in the year in which the program activity occurs.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

In-kind Contributions

The Association recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are recorded at fair value. For the years ended December 31, 2013 and 2012, in-kind contributions for legal services totaled \$107,250 and \$38,947, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the over-all support and management of the Association.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

**NOTE C – INCOME TAXES**

ACA is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. ACA is, however, subject to tax on business income unrelated to their exempt purpose. No provision for income taxes is reflected in the accompanying financial statements for the years ended December 31, 2013 and 2012 since ACA had no taxable income from unrelated business activities.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

(continued)

**NOTE C – INCOME TAXES** - continued

ACCA is subject to income tax laws in Peru. In 2006, ACCA’s management became aware that ACCA was not covered by certain benefits established by the tax laws of Peru, and that the research facility revenue earned in Peru is subject to general sales tax. Until that date, ACCA had not considered this income as subject to tax, and therefore, sales tax was not paid on such revenue earned for the years 2001 through August 2008. As a result, the estimated tax plus potential interest and penalties that could be assessed totaled approximately \$37,330 as of December 31, 2013. The Peruvian taxing authority has the power to review and, as applicable, make a new determination of the taxes as filed by the Association within four years after the tax returns have been filed.

The tax returns for the 2001 through 2008 period are pending review by the tax authority. It is possible that the estimated tax liability will change and the effect of that change could be material pending the outcome of the review. Management believes that matters arising from the possible tax authority’s review will not have a material effect on the consolidated financial position of the Association.

The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Association's income tax returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Association's Form 990 tax returns for the years 2010 through 2012 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

**NOTE D – GRANTS RECEIVABLE**

The following schedule summarizes the grants receivable as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Expected payments from long-term grants receivable:		
Greater than one year	\$ 75,000	\$ -
Less than one year	<u>505,989</u>	<u>688,356</u>
	<u>\$ 580,989</u>	<u>\$ 688,356</u>

The Association believes that all amounts will be received when due. Therefore, no allowance for doubtful accounts was established as of December 31, 2013 and 2012.



**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

(continued)

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 740,113	\$ 803,969
Buildings and leasehold improvements	1,611,546	1,708,839
Furniture and equipment	352,502	516,736
Vehicles	97,080	120,480
Impairment of assets	<u>(337,695)</u>	<u>-</u>
	2,463,546	3,150,024
Less: accumulated depreciation and amortization	<u>(699,506)</u>	<u>(812,076)</u>
Property and equipment, net	<u>\$ 1,764,040</u>	<u>\$ 2,337,948</u>

Depreciation expense totaled \$112,570 and \$171,213 for the years ended December 31, 2013 and 2012, respectively.

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were designated by donors for the following purposes as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Conservation	\$ 1,449,790	\$ 516,498
Sustainable livelihoods	147,447	566,547
Education and training	322,744	262,699
Research	<u>564,156</u>	<u>202,785</u>
Total	<u>\$ 2,484,137</u>	<u>\$ 1,548,530</u>

**NOTE G – OPERATING LEASES**

The Association leases facilities in the United States, Bolivia and Peru with varying lease terms. Rent expense for the years ended December 31, 2013 and 2012 totaled \$104,529 and \$108,467, respectively. The future minimum payments of operating leases under non-cancelable lease agreements exceeding one year are as follows:

December 31, 2014	\$ 58,972
2015	21,268
2016	<u>12,848</u>
Total	<u>\$ 93,088</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

(continued)

**NOTE H – CONCENTRATION OF RISK**

The Association's cash is comprised of amounts in accounts at various financial institutions both in the United States and Peru. Although the amount at a United States bank may exceed the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) at times, the Association has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2013 and 2012, the amount in excess of the United States FDIC limit was \$2,157,227 and \$1,053,286, respectively.

As of December 31, 2013 and 2012, the Association maintained a total of \$536,961 and \$441,752 in foreign financial institutions, respectively, which is not insured and is subject to foreign currency fluctuations and potential bank failure. The Association periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

**NOTE I – RELATED PARTY TRANSACTIONS**

ACA's president is also the Vice President of Programs for the Blue Moon Fund ("Blue Moon"), one of the Association's major funders. ACA's president does not derive any personal benefit from this relationship, and does not exert any unfair influence on the allocation of funds received from Blue Moon.

**NOTE J – RETIREMENT PLAN**

The Association has a 403(b) Savings Plan covering eligible employees. The Association matches dollar for dollar of up to five percent of deferred compensation on behalf of each participant subject to the limitations established by the Internal Revenue Code. The Association's matching contributions for the years ended December 31, 2013 and 2012, totaled \$13,381 and \$15,668, respectively.

**NOTE K – SUBSEQUENT EVENTS**

In preparing these financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through October 24, 2014, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

## **SUPPLEMENTAL INFORMATION**



Independent Auditor's Report  
on Additional Information

To the Board of Directors of the  
Amazon Conservation Association and Affiliate  
Washington, D.C.

We have audited the consolidated financial statements of Amazon Conservation Association (ACA) and its affiliate, collectively referred to as the Association, a nonprofit organization, as of and for the year ended December 31, 2013, and our report thereon dated October 24, 2014, which expressed an unmodified opinion on those financial statements, appears on page 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the four schedules on pages 18 through 21 are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements as a whole.

*Ribis, Jones & Maresca, P.A.*

Columbia, MD  
October 24, 2014

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
DECEMBER 31, 2013**

	<u>ACA</u>	<u>ACCA</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,407,227	\$ 536,961	\$ -	\$ 2,944,188
Accounts receivable	30,999	175,556	-	206,555
Due from/to affiliate	2,026	26,369	(28,395)	-
Grants receivable	505,989	-	-	505,989
Prepaid expenses	5,209	-	-	5,209
Total Current Assets	<u>2,951,450</u>	<u>738,886</u>	<u>(28,395)</u>	<u>3,661,941</u>
<b>PROPERTY AND EQUIPMENT</b>				
Property, plant and equipment, net	1,785	1,762,255	-	1,764,040
<b>OTHER ASSETS</b>				
Grants receivable, net of current portion	75,000	-	-	75,000
Security deposit	250	-	-	250
Total Other Assets	<u>75,250</u>	<u>-</u>	<u>-</u>	<u>75,250</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,028,485</u>	<u>\$ 2,501,141</u>	<u>\$ (28,395)</u>	<u>\$ 5,501,231</u>
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 19,947	\$ 22,324	\$ -	\$ 42,271
Accrued expenses	10,460	-	-	10,460
Due to/from affiliate	26,369	2,026	(28,395)	-
Accrued taxes	-	33,365	-	33,365
Deferred revenue	-	559,106	-	559,106
Total Current Liabilities	<u>56,776</u>	<u>616,821</u>	<u>(28,395)</u>	<u>645,202</u>
<b>NET ASSETS</b>				
Unrestricted net assets	487,572	1,884,320	-	2,371,892
Temporarily restricted net assets	2,484,137	-	-	2,484,137
Total Net Assets	<u>2,971,709</u>	<u>1,884,320</u>	<u>-</u>	<u>4,856,029</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,028,485</u>	<u>\$ 2,501,141</u>	<u>\$ (28,395)</u>	<u>\$ 5,501,231</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
DECEMBER 31, 2012**

	<b>ACA DC Office</b>	<b>ACA Bolivia Office</b>	<b>Total ACA</b>	<b>ACCA</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	1,303,286	\$ 21,651	\$ 1,324,937	\$ 420,101	\$ -	\$ 1,745,038
Accounts receivable	28,543	68	28,611	127,976	-	156,587
Due from/to affiliate	-	-	-	69,226	(69,226)	-
Grants receivable	688,356	-	688,356	-	-	688,356
Prepaid expenses and taxes	5,207	-	5,207	-	-	5,207
Total Current Assets	<u>2,025,392</u>	<u>21,719</u>	<u>2,047,111</u>	<u>617,303</u>	<u>(69,226)</u>	<u>2,595,188</u>
<b>PROPERTY AND EQUIPMENT</b>						
Property, plant and equipment, net	746	4,145	4,891	2,333,057	-	2,337,948
<b>OTHER ASSETS</b>						
Security deposit	250	-	250	-	-	250
Intangible asset	-	1,478	1,478	-	-	1,478
Total Other Assets	<u>250</u>	<u>1,478</u>	<u>1,728</u>	<u>-</u>	<u>-</u>	<u>76,728</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,026,388</u>	<u>\$ 27,342</u>	<u>\$ 2,053,730</u>	<u>\$ 2,950,360</u>	<u>\$ (69,226)</u>	<u>\$ 4,934,864</u>
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 8,337	\$ 2,366	\$ 10,703	\$ 234,861	\$ -	\$ 245,564
Accrued expenses	9,931	2,340	12,271	-	-	12,271
Due to/from affiliate	69,226	-	69,226	-	(69,226)	-
Accrued taxes	-	12,809	12,809	-	-	12,809
Deferred revenue	10,690	-	10,690	388,635	-	399,325
Total Current Liabilities	<u>98,184</u>	<u>17,515</u>	<u>115,699</u>	<u>623,496</u>	<u>(69,226)</u>	<u>669,969</u>
<b>NET ASSETS</b>						
Unrestricted net assets	379,675	9,827	389,502	2,326,864	-	2,716,366
Temporarily restricted net assets	1,548,529	-	1,548,529	-	-	1,548,529
Total Net Assets	<u>1,928,204</u>	<u>9,827</u>	<u>1,938,031</u>	<u>2,326,864</u>	<u>-</u>	<u>4,264,895</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,026,388</u>	<u>\$ 27,342</u>	<u>\$ 2,053,730</u>	<u>\$ 2,950,360</u>	<u>\$ (69,226)</u>	<u>\$ 4,934,864</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2013**

	ACA	ACA Bolivia Office	Total ACA	ACCA	Eliminations	Consolidated Total
<b>REVENUE AND SUPPORT</b>						
Grants and contributions	\$ 3,734,779	\$ -	\$ 3,734,779	\$ 51,194	\$ -	\$ 3,785,973
Grants and contributions received from ACA	-	-	-	2,368,196	(2,368,196)	-
Contracts revenue	104,097	-	104,097	-	-	104,097
Research facility income	235,880	-	235,880	28,705	-	264,585
Program services	24,069	-	24,069	23,408	-	47,477
In-kind contributions	107,250	-	107,250	-	-	107,250
Rental income	13,083	-	13,083	-	-	13,083
Interest and other income	4,432	-	4,432	-	-	4,432
Total Revenue and Support	4,223,590	-	4,223,590	2,471,503	(2,368,196)	4,326,897
<b>EXPENSES</b>						
Program services						
Conservation	126,992	9,827	136,819	793,374	-	930,193
Research	217,932	-	217,932	485,078	-	703,010
Sustainable livelihoods	130,676	-	130,676	690,193	-	820,869
Education and training	158,949	-	158,949	331,998	-	490,947
Grants paid to affiliates	2,368,196	-	2,368,196	-	(2,368,196)	-
Total program services	3,002,745	9,827	3,012,572	2,300,643	(2,368,196)	2,945,019
Support services						
Fundraising	53,779	-	53,779	-	-	53,779
Management and general	123,561	-	123,561	284,188	-	407,749
Total support services	177,340	-	177,340	284,188	-	461,528
Total Expenses	3,180,085	9,827	3,189,912	2,584,831	(2,368,196)	3,406,547
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	1,043,505	(9,827)	1,033,678	(113,328)	-	920,350
<b>OTHER CHANGES</b>						
Loss on impairment of fixed assets	-	-	-	(327,868)	-	(327,868)
Realized foreign currency exchange gain	-	-	-	27,437	-	27,437
Unrealized foreign currency exchange loss	-	-	-	(28,785)	-	(28,785)
Total Other Changes	-	-	-	(329,216)	-	(329,216)
<b>CHANGE IN NET ASSETS</b>	1,043,505	(9,827)	1,033,678	(442,544)	-	591,134
<b>NET ASSETS:</b>						
Beginning of year	1,928,204	9,827	1,938,031	2,326,864	-	4,264,895
End of year	\$ 2,971,709	\$ -	\$ 2,971,709	\$ 1,884,320	\$ -	\$ 4,856,029

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012**

	<b>ACA DC Office</b>	<b>ACA Bolivia Office</b>	<b>Total ACA</b>	<b>ACCA</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>REVENUE AND SUPPORT</b>						
Grants and contributions	\$ 2,125,393	\$ 106,015	\$ 2,231,408	\$ 1,893,407	\$ (2,415,850)	\$ 1,708,965
Program services	221,270	-	221,270	301,959	-	523,229
Interest and other income	16,672	25,020	41,692	229,835	-	271,527
Inkind contributions	38,947	-	38,947	-	-	38,947
Rental income	15,698	-	15,698	-	-	15,698
Total Revenue and Support	<u>2,417,980</u>	<u>131,035</u>	<u>2,549,015</u>	<u>2,425,201</u>	<u>(2,415,850)</u>	<u>2,558,366</u>
<b>EXPENSES</b>						
Program services						
Conservation	146,775	-	146,775	781,487	-	928,262
Research	78,626	-	78,626	528,518	-	607,144
Sustainable livelihoods	131,152	58,655	189,807	529,781	-	719,588
Education and training	115,868	27,919	143,787	264,193	-	407,980
Grants paid to affiliates	2,415,850	-	2,415,850	-	(2,415,850)	-
Total program services	<u>2,888,271</u>	<u>86,574</u>	<u>2,974,845</u>	<u>2,103,979</u>	<u>(2,415,850)</u>	<u>2,662,974</u>
Support services						
Fundraising	70,706	-	70,706	-	-	70,706
Management and general	187,797	23,263	211,060	261,078	-	472,138
Total support services	<u>258,503</u>	<u>23,263</u>	<u>281,766</u>	<u>261,078</u>	<u>-</u>	<u>542,844</u>
Total Expenses	<u>3,146,774</u>	<u>109,837</u>	<u>3,256,611</u>	<u>2,365,057</u>	<u>(2,415,850)</u>	<u>3,205,818</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	(728,794)	21,198	(707,596)	60,144	-	(647,452)
<b>OTHER CHANGES</b>						
Unrealized foreign currency exchange gain (loss)	-	(20,468)	(20,468)	163,931	-	143,463
			-			
<b>CHANGE IN NET ASSETS</b>	(728,794)	730	(728,064)	224,075	-	(503,989)
<b>NET ASSETS:</b>						
Beginning of year	<u>2,656,998</u>	<u>9,097</u>	<u>2,666,095</u>	<u>2,102,789</u>	<u>-</u>	<u>4,768,884</u>
End of year	<u>\$ 1,928,204</u>	<u>\$ 9,827</u>	<u>\$ 1,938,031</u>	<u>\$ 2,326,864</u>	<u>\$ -</u>	<u>\$ 4,264,895</u>