

AMAZON CONSERVATION ASSOCIATION AND AFFILIATE

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

DECEMBER 31, 2012 AND 2011

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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, 2012 and 2011, and the related 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 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 did not audit the financial statements of ACCA, an affiliated entity of ACA under common control and management, which statements reflect total assets of \$2,950,360 and \$2,632,540 as of December 31, 2012 and 2011, respectively, and the total revenue and support of \$2,197,672 and \$2,136,688, 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 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 risk of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, 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, 2012 and 2011, 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.



Columbia, MD
November 15, 2013

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011**

	2012	2011
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,745,038	\$ 2,113,426
Accounts receivable	156,587	296,666
Grants receivable	688,356	782,812
Prepaid expenses	5,207	5,384
Total Current Assets	2,595,188	3,198,288
PROPERTY AND EQUIPMENT		
Property and equipment, net	2,337,948	2,051,814
OTHER ASSETS		
Grants receivable, net of current portion	-	214,011
Security deposits	250	250
Intangible assets	1,478	1,481
Total Other Assets	1,728	215,742
TOTAL ASSETS	\$ 4,934,864	\$ 5,465,844
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 245,564	\$ 378,407
Accrued expenses	12,271	16,825
Accrued taxes	12,809	21,457
Loan payable	-	25,000
Deferred revenue	399,325	255,271
Total Current Liabilities	669,969	696,960
NET ASSETS		
Unrestricted net assets	2,716,366	2,489,879
Temporarily restricted net assets	1,548,529	2,279,005
Total Net Assets	4,264,895	4,768,884
TOTAL LIABILITIES AND NET ASSETS	\$ 4,934,864	\$ 5,465,844

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>
REVENUE AND SUPPORT			
Grants	\$ -	\$ 1,177,940	\$ 1,177,940
Contributions	106,723	424,302	531,025
Program services	523,229	-	523,229
Interest and other income	271,527	-	271,527
In-kind contributions	38,947	-	38,947
Rental income	15,698	-	15,698
Net assets released from restrictions	2,332,718	(2,332,718)	-
Total Revenue and Support	<u>3,288,842</u>	<u>(730,476)</u>	<u>2,558,366</u>
EXPENSES			
Program services			
Conservation	928,262	-	928,262
Research	607,144	-	607,144
Sustainable livelihoods	719,588	-	719,588
Education and training	407,980	-	407,980
Total program services	<u>2,662,974</u>	<u>-</u>	<u>2,662,974</u>
Support services			
Fundraising	70,706	-	70,706
Management and general	472,138	-	472,138
Total support services	<u>542,844</u>	<u>-</u>	<u>542,844</u>
Total Expenses	<u>3,205,818</u>	<u>-</u>	<u>3,205,818</u>
CHANGE IN NET ASSETS FROM OPERATIONS	83,024	(730,476)	(647,452)
OTHER CHANGES			
Unrealized foreign currency exchange gain	143,463	-	143,463
CHANGE IN NET ASSETS	226,487	(730,476)	(503,989)
NET ASSETS , beginning of year	<u>2,489,879</u>	<u>2,279,005</u>	<u>4,768,884</u>
NET ASSETS , 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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants	\$ 149,380	\$ 660,293	\$ 809,673
Contributions	345,541	318,107	663,648
Program services	227,054	-	227,054
Interest and other income	313,346	-	313,346
Research facility income	92,871	-	92,871
In-kind contributions	43,279	-	43,279
Net assets released from restrictions	<u>2,319,646</u>	<u>(2,319,646)</u>	<u>-</u>
Total Revenue and Support	3,491,117	(1,341,246)	2,149,871
EXPENSES			
Program services:			
Conservation	1,873,014	-	1,873,014
Research	128,293	-	128,293
Sustainable livelihoods	488,946	-	488,946
Education and training	<u>157,451</u>	<u>-</u>	<u>157,451</u>
Total program services	2,647,704	-	2,647,704
Support services:			
Fundraising	83,369	-	83,369
Management and general	<u>396,153</u>	<u>-</u>	<u>396,153</u>
Total support services	479,522	-	479,522
Total Expenses	<u>3,127,226</u>	<u>-</u>	<u>3,127,226</u>
CHANGE IN NET ASSETS FROM OPERATIONS	363,891	(1,341,246)	(977,355)
OTHER CHANGES			
Unrealized foreign currency exchange gain	114,962	-	114,962
Loss on disposal of fixed assets	<u>(374)</u>	<u>-</u>	<u>(374)</u>
Total Other Changes	114,588	-	114,588
CHANGE IN NET ASSETS	478,479	(1,341,246)	(862,767)
NET ASSETS:			
Beginning of year	<u>2,011,400</u>	<u>3,620,251</u>	<u>5,631,651</u>
End of year	<u>\$ 2,489,879</u>	<u>\$ 2,279,005</u>	<u>\$ 4,768,884</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, 2012**

	PROGRAM SERVICES					SUPPORT SERVICES		
	CONSERVATION	RESEARCH	SUSTAINABLE LIVELIHOODS	EDUCATION AND TRAINING	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
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	3,060	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
TOTAL EXPENSES	\$ 928,262	\$ 607,144	\$ 719,588	\$ 407,980	\$ 2,662,974	\$ 70,706	\$ 472,138	\$ 3,205,818

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2011**

	PROGRAM SERVICES					SUPPORT SERVICES			
	CONSERVATION	RESEARCH	SUSTAINABLE LIVELIHOODS	EDUCATION AND TRAINING	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL	
Personnel									
Salaries	\$ 582,937	\$ 39,359	\$ 184,472	\$ 44,481	\$ 851,249	\$ 51,534	\$ 144,146	\$ 1,046,929	
Payroll taxes	3,371	2,666	4,901	2,620	13,558	4,149	5,481	23,188	
Employee benefits	176,949	6,540	55,139	9,521	248,149	10,224	34,417	292,790	
Employer pension expense	51,189	2,235	12,491	1,651	67,566	2,528	10,033	80,127	
Sub-total personnel	814,446	50,800	257,003	58,273	1,180,522	68,435	194,077	1,443,034	
Accounting	24,762	-	5,884	756	31,402	-	40,634	72,036	
Business insurance	935	739	1,471	782	3,927	1,150	1,790	6,867	
Depreciation	102,862	2,944	15,939	527	122,272	98	23,583	145,953	
Dues and subscriptions	124	84	573	292	1,073	72	223	1,368	
Finance charges	5,147	183	1,752	903	7,985	33	2,881	10,899	
Grant award	345,578	22,577	82,457	12,291	462,903	-	24,599	487,502	
Licenses and permits	1,286	21	822	20	2,149	33	51	2,233	
Meetings and conferences	31,107	779	4,351	1,333	37,570	589	4,843	43,002	
Miscellaneous	887	125	4,419	1,511	6,942	106	1,294	8,342	
Office expense	77,520	431	12,955	517	91,423	70	4,755	96,248	
Office supplies and equipment	60,221	782	7,120	2,711	70,834	550	3,265	74,649	
Outreach services	-	-	-	20,153	20,153	153	-	20,306	
Phone and communications	47,051	843	8,576	1,560	58,030	806	3,506	62,342	
Postage and delivery	6,195	100	2,071	245	8,611	413	544	9,568	
Printing and copying	7,094	40	1,024	1,519	9,677	88	201	9,966	
Professional fees	186,129	32,021	50,688	13,779	282,617	3,195	26,548	312,360	
Rent	35,673	4,206	10,573	5,552	56,004	6,544	13,609	76,157	
Travel and entertainment	125,947	11,589	21,224	34,585	193,345	1,034	49,750	244,129	
Website	50	29	44	142	265	-	-	265	
TOTAL EXPENSES	\$ 1,873,014	\$ 128,293	\$ 488,946	\$ 157,451	\$ 2,647,704	\$ 83,369	\$ 396,153	\$ 3,127,226	

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, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (503,989)	\$ (862,767)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	171,213	145,953
Loss on disposal of fixed assets	-	374
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	140,079	768,287
Grants receivable	308,467	1,811,385
Prepaid expense	177	6,921
Intangible asset	3	26
Increase (decrease) in liabilities:		
Accounts payable	(132,843)	(917,944)
Accrued expenses	(4,554)	10,578
Accrued taxes	(8,648)	(104,376)
deferred revenue	144,054	57,830
Net Cash Provided by Operating Activities	<u>113,959</u>	<u>916,267</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(457,347)	(115,396)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loan	<u>(25,000)</u>	<u>25,000</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (368,388)	 825,871
 CASH AND CASH EQUIVALENTS - beginning of year	 <u>2,113,426</u>	 <u>1,287,555</u>
 CASH AND CASH EQUIVALENTS - end of year	 <u><u>\$ 1,745,038</u></u>	 <u><u>\$ 2,113,426</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, 2012 AND 2011**

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. Through June 30, 2012, ACA also operated an office in Bolivia, enabling it to have a dedicated direct presence in that country.

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.

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.

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 150 research scholarships, and overall, more than 1,000 researchers have conducted scientific studies at ACA’s stations in Peru.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

(continued)

NOTE A – NATURE OF ORGANIZATION - continued

Program Services - continued

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 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.

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.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

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, 2012 and 2011, the Association had no permanently restricted net assets.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Grants and Contributions

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. Contributions to be received after one year are discounted using risk-free interest rates (2.5%) and used in accordance with donor-imposed restrictions, if any, on the contributions. 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.

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, 2012 and 2011, in-kind contributions totaled \$38,947 and \$43,279, 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.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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, 2012 and 2011 since ACA had no taxable income from unrelated business activities.

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. The Association recorded an accrued liability for the estimated tax plus potential interest and penalties that may be assessed totaling approximately \$12,809 and \$21,457 as of December 31, 2012 and 2011, respectively. 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 2009 through 2011 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

(continued)

NOTE D – GRANTS RECEIVABLE

The following schedule summarizes the grants receivable as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Expected payments from long-term grants receivable:		
Greater than one year	\$ -	\$ 218,937
Less unamortized discount (2.25%)	<u>-</u>	<u>(4,926)</u>
Total long-term grants receivable	-	214,011
Less than one year	<u>688,356</u>	<u>782,812</u>
	<u>\$ 688,356</u>	<u>\$ 996,823</u>

The Association believes that all amounts will be received when due. Therefore, no allowance for doubtful accounts was established as of December 31, 2012 and 2011.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 803,969	\$ 772,564
Buildings and leasehold improvements	1,708,839	1,273,411
Furniture and equipment	516,736	528,287
Construction in progress	-	56,295
Vehicles	<u>120,480</u>	<u>116,742</u>
	3,150,024	2,747,299
Less: accumulated depreciation and amortization	<u>(812,076)</u>	<u>(695,485)</u>
Property and equipment, net	<u>\$ 2,337,948</u>	<u>\$ 2,051,814</u>

Depreciation expense totaled \$171,213 and \$145,953 for the years ended December 31, 2012 and 2011, respectively. In addition, the Association incurred a loss on the disposal of fixed assets totaling \$374 for the year ended December 31, 2011.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were designated by donors for the following purposes as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Conservation	\$ 516,498	\$ 977,655
Sustainable livelihoods	566,547	525,817
Education and training	262,699	324,468
Organizational strengthening	-	29,923
Research	202,785	401,142
Time restrictions	<u>-</u>	<u>20,000</u>
Total	<u>\$ 1,548,530</u>	<u>\$ 2,279,005</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

(continued)

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, 2012 and 2011, totaled \$76,157 and \$76,157, respectively. The future minimum payments of operating leases under non-cancelable lease agreements exceeding one year are as follows:

December 31, 2013	\$ 42,202
2014	44,312
2015	<u>36,189</u>
Total	<u>\$ 122,703</u>

NOTE H – SHORT-TERM LOAN

On November 23, 2011, the Association received a \$25,000 loan from the International Conservation Fund of Canada to cover the costs incurred in protecting and administering the Los Amigos Conservation Concession in Peru. The loan is non-interest bearing and is payable upon demand. As of December 31, 2012, the loan had been paid in full.

NOTE I – CONCENTRATION OF RISK

The Association's cash is comprised of amounts in accounts at various financial institutions both in the United States, Peru and Bolivia. 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, 2012 and 2011, the amount in excess of the United States FDIC limit was \$1,053,286 and \$1,525,413, respectively.

As of December 31, 2012 and 2011, the Association maintained a total of \$441,752 and \$29,986 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 J – RELATED PARTY TRANSACTIONS

The Association's president is also the president of Osa Conservation, a non-profit organization that leases office space from the Association. The president also leased office space from the Association on January 1, 2012, through May 31, 2013. Both leases are on a month-to-month basis. For the years ended December 31, 2012 and 2011, rental income totaled \$17,498 and \$17,230, respectively.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(continued)**

NOTE K – 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, 2012 and 2011, totaled \$15,668 and \$14,665, respectively.

NOTE L – SUBSEQUENT EVENTS

In preparing these financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through November 15, 2013, 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, 2012, and have issued our report thereon dated November 15, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules of financial position and statements of activities on pages 18 through 21 are presented for the 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 audit 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.

Ribis, Jones & Maresca, P.A.

Columbia, MD
November 15, 2013

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

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	Eliminations	Consolidated Total
CURRENT ASSETS						
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>
PROPERTY AND EQUIPMENT						
Property, plant and equipment, net	746	4,145	4,891	2,333,057	-	2,337,948
OTHER ASSETS						
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>1,728</u>
TOTAL ASSETS	<u><u>\$ 2,026,388</u></u>	<u><u>\$ 27,342</u></u>	<u><u>\$ 2,053,730</u></u>	<u><u>\$ 2,950,360</u></u>	<u><u>\$ (69,226)</u></u>	<u><u>\$ 4,934,864</u></u>
CURRENT LIABILITIES						
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>
NET ASSETS						
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>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,026,388</u></u>	<u><u>\$ 27,342</u></u>	<u><u>\$ 2,053,730</u></u>	<u><u>\$ 2,950,360</u></u>	<u><u>\$ (69,226)</u></u>	<u><u>\$ 4,934,864</u></u>

AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2011

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	Eliminations	Consolidated Total
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,780,556	\$ 31,173	\$ 1,811,729	\$ 301,697	\$ -	\$ 2,113,426
Accounts receivable	10,271	375	10,646	286,020	-	296,666
Due from/to affiliate	139,152	-	139,152	-	(139,152)	-
Grants receivable	782,812	-	782,812	-	-	782,812
Prepaid expenses and taxes	5,384	-	5,384	-	-	5,384
Total Current Assets	<u>2,718,175</u>	<u>31,548</u>	<u>2,749,723</u>	<u>587,717</u>	<u>(139,152)</u>	<u>3,198,288</u>
PROPERTY AND EQUIPMENT						
Property, plant and equipment, net	1,294	5,697	6,991	2,044,823	-	2,051,814
OTHER ASSETS						
Grants receivable, net of current portion	214,011	-	214,011	-	-	214,011
Security deposit	250	-	250	-	-	250
Intangible asset	-	1,481	1,481	-	-	1,481
Total Other Assets	<u>214,261</u>	<u>1,481</u>	<u>215,742</u>	<u>-</u>	<u>-</u>	<u>215,742</u>
TOTAL ASSETS	<u><u>\$ 2,933,730</u></u>	<u><u>\$ 38,726</u></u>	<u><u>\$ 2,972,456</u></u>	<u><u>\$ 2,632,540</u></u>	<u><u>\$ (139,152)</u></u>	<u><u>\$ 5,465,844</u></u>
CURRENT LIABILITIES						
Accounts payable	\$ 136,599	\$ 29,629	\$ 166,228	\$ 212,179	\$ -	\$ 378,407
Accrued expenses	9,799	-	9,799	7,026	-	16,825
Due to/from affiliate	55,334	-	55,334	83,818	(139,152)	-
Accrued taxes	-	-	-	21,457	-	21,457
Deferred revenue	50,000	-	50,000	205,271	-	255,271
Loan payable	25,000	-	25,000	-	-	25,000
Total Current Liabilities	<u>276,732</u>	<u>29,629</u>	<u>306,361</u>	<u>529,751</u>	<u>(139,152)</u>	<u>696,960</u>
NET ASSETS						
Unrestricted net assets	377,993	9,097	387,090	2,102,789	-	2,489,879
Temporarily restricted net assets	2,279,005	-	2,279,005	-	-	2,279,005
Total Net Assets	<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>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,933,730</u></u>	<u><u>\$ 38,726</u></u>	<u><u>\$ 2,972,456</u></u>	<u><u>\$ 2,632,540</u></u>	<u><u>\$ (139,152)</u></u>	<u><u>\$ 5,465,844</u></u>

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

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	Eliminations	Consolidated Total
REVENUE AND SUPPORT						
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>
EXPENSES						
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>
CHANGES IN NET ASSETS FROM OPERATIONS	(728,794)	21,198	(707,596)	60,144	-	(647,452)
OTHER CHANGES						
Unrealized foreign currency exchange gain (loss)	-	(20,468)	(20,468)	163,931	-	143,463
			-			
CHANGE IN NET ASSETS	(728,794)	730	(728,064)	224,075	-	(503,989)
NET ASSETS:						
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>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	Eliminations	Consolidated Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 1,437,321	\$ -	\$ 1,437,321	\$ 36,000	\$ -	\$ 1,473,321
Grants and contributions received from ACA	-	79,511	79,511	1,993,967	(2,073,478)	-
Program services	227,054	-	227,054	-	-	227,054
Interest and other income	22,925	-	22,925	290,421	-	19,545
Research facility income	-	-	-	92,871	-	92,871
In-kind contributions	43,279	-	43,279	-	-	43,279
Total Revenue and Support	<u>1,730,579</u>	<u>79,511</u>	<u>1,810,090</u>	<u>2,413,259</u>	<u>(2,073,478)</u>	<u>1,856,070</u>
EXPENSES						
Program services						
Conservation	119,477	-	119,477	1,753,537	-	1,873,014
Research	80,430	-	80,430	47,863	-	128,293
Sustainable livelihoods	152,093	74,189	226,282	262,664	-	488,946
Education and training	114,541	37,094	151,635	5,816	-	157,451
Grants paid to affiliates	2,073,478	-	2,073,478	-	(2,073,478)	-
Total program services	<u>2,540,019</u>	<u>111,283</u>	<u>2,651,302</u>	<u>2,069,880</u>	<u>(2,073,478)</u>	<u>2,647,704</u>
Support services						
Fundraising	83,369	-	83,369	-	-	83,369
Management and general	176,911	12,365	189,276	206,877	-	396,153
Total support services	<u>260,280</u>	<u>12,365</u>	<u>272,645</u>	<u>206,877</u>	<u>-</u>	<u>479,522</u>
Total Expenses	<u>2,800,299</u>	<u>123,648</u>	<u>2,923,947</u>	<u>2,276,757</u>	<u>(2,073,478)</u>	<u>3,127,226</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(1,069,720)	(44,137)	(1,113,857)	136,502	-	(977,355)
OTHER CHANGES						
Unrealized foreign currency exchange gain	-	23,368	23,368	91,594	-	114,962
Loss on disposal of fixed assets	(374)	-	(374)	-	-	(374)
Total Other Changes	<u>(374)</u>	<u>23,368</u>	<u>22,620</u>	<u>91,594</u>	<u>-</u>	<u>391,159</u>
			-			
CHANGE IN NET ASSETS	(1,070,094)	(20,769)	(1,090,863)	228,096	-	(862,767)
NET ASSETS:						
Beginning of year	<u>3,727,092</u>	<u>29,866</u>	<u>3,756,958</u>	<u>1,874,693</u>	<u>-</u>	<u>5,631,651</u>
End 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>