

AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of the Amazon Conservation Association (ACA) and the Asociacion para la Conservacion de la Cuenca Amazonia (ACCA), collectively referred to as the Association, a nonprofit organization, as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. 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 \$2,526,624 and \$3,349,314 as of December 31, 2011 and 2010, respectively, and total revenue of \$2,136,688 and \$3,596,705 and total expenses of \$2,276,757 and \$2,481,278, for the years ended December 31, 2011 and 2010, respectively. Those statements were audited by other auditors whose unqualified opinion and 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Amazon Conservation Association and Affiliate's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Amazon Conservation Association
Independent Auditors Report
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In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Amazon Conservation Association and the Asociacion para la Conservacion de la Cuenca Amazonica as of December 31, 2011 and 2010, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Ribis, Jones & Maresca, P.A.

July 2, 2012
Columbia, MD

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,113,426	\$ 1,287,555
Accounts receivable	296,666	1,064,953
Grants receivable	782,812	2,221,504
Prepaid expenses	5,384	12,305
Total Current Assets	3,198,288	4,586,317
PROPERTY AND EQUIPMENT		
Property and equipment, net	2,051,814	2,082,745
OTHER ASSETS		
Grants receivable, net of current portion	214,011	586,704
Security deposits	250	250
Intangible assets	1,481	1,507
Total Other Assets	215,742	588,461
TOTAL ASSETS	\$ 5,465,844	\$ 7,257,523
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 378,407	\$ 1,296,351
Accrued expenses	16,825	6,247
Accrued taxes	21,457	125,833
Loan payable	25,000	-
Deferred revenue	255,271	197,441
Total Current Liabilities	696,960	1,625,872
NET ASSETS		
Unrestricted net assets	2,489,879	2,011,400
Temporarily restricted net assets	2,279,005	3,620,251
Total Net Assets	4,768,884	5,631,651
TOTAL LIABILITIES AND NET ASSETS	\$ 5,465,844	\$ 7,257,523

See independent auditors' report and accompanying notes to 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
Research facility income	92,871	-	92,871
Inkind contributions	43,279	-	43,279
Interest and other income	19,545	-	19,545
Rental income	17,230	-	17,230
Net assets released from restrictions	2,319,646	(2,319,646)	-
Total Revenue and Support	<u>3,214,546</u>	<u>(1,341,246)</u>	<u>1,873,300</u>
EXPENSES			
Program services			
Conservation	1,873,014	-	1,873,014
Research	128,293	-	128,293
Sustainable livelihoods	488,946	-	488,946
Education and training	157,451	-	157,451
Total program services	<u>2,647,704</u>	<u>-</u>	<u>2,647,704</u>
Support services			
Fundraising	83,369	-	83,369
Management and general	396,153	-	396,153
Total support services	<u>479,522</u>	<u>-</u>	<u>479,522</u>
Total Expenses	<u>3,127,226</u>	<u>-</u>	<u>3,127,226</u>
CHANGE IN NET ASSETS FROM OPERATIONS	87,320	(1,341,246)	(1,253,926)
OTHER CHANGES			
Realized foreign currency exchange gain	276,571	-	276,571
Unrealized foreign currency exchange gain	114,962	-	114,962
Loss on disposal of fixed assets	(374)	-	(374)
Total Other Changes	<u>391,159</u>	<u>-</u>	<u>391,159</u>
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>
NET ASSETS, end of year	<u>\$ 2,489,879</u>	<u>\$ 2,279,005</u>	<u>\$ 4,768,884</u>

See independent auditors' report and accompanying notes to financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants	\$ 40,000	\$ 3,173,085	\$ 3,213,085
Contributions	1,597,682	105,914	1,703,596
Program services	70,815	-	70,815
Research facility income	113,537	-	113,537
Other income	13,581	-	13,581
Rental income	16,830	-	16,830
Interest income	576	-	576
Net assets released from restrictions	2,497,344	(2,497,344)	-
Total Revenue and Support	<u>4,350,365</u>	<u>781,655</u>	<u>5,132,020</u>
EXPENSES			
Program services:			
Conservation	1,601,927	-	1,601,927
Research	434,995	-	434,995
Sustainable livelihoods	708,009	-	708,009
Education and training	322,009	-	322,009
Total program services	<u>3,066,940</u>	<u>-</u>	<u>3,066,940</u>
Support services:			
Fundraising	27,518	-	27,518
Management and general	699,460	-	699,460
Total support services	<u>726,978</u>	<u>-</u>	<u>726,978</u>
Total Expenses	<u>3,793,918</u>	<u>-</u>	<u>3,793,918</u>
CHANGE IN NET ASSETS FROM OPERATIONS	556,447	781,655	1,338,102
OTHER CHANGES			
Realized foreign currency exchange gain	139,408	-	139,408
Unrealized foreign currency exchange gain	76,210	-	76,210
Total Other Changes	<u>215,618</u>	<u>-</u>	<u>215,618</u>
CHANGE IN NET ASSETS	772,065	781,655	1,553,720
NET ASSETS:			
Beginning of year	<u>1,239,335</u>	<u>2,838,596</u>	<u>4,077,931</u>
End of year	<u>\$ 2,011,400</u>	<u>\$ 3,620,251</u>	<u>\$ 5,631,651</u>

See independent auditors' report and accompanying notes to financial statements.

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

	PROGRAM SERVICES					SUPPORT SERVICES		
	CONSERVATION	RESEARCH	SUSTAINABLE LIVELIHOOD	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 auditors' report and accompanying notes to financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2010**

	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL
	CONSERVATION	RESEARCH	SUSTAINABLE LIVELIHOOD	EDUCATION AND TRAINING	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL		
Personnel									
Salaries	\$ 268,437	\$ 167,776	\$ 177,572	\$ 90,284	\$ 704,069	\$ 14,518	\$ 248,057	\$ 966,644	
Payroll taxes	3,841	1,331	2,541	1,292	9,005	1,079	3,748	13,832	
Employee benefits	71,176	42,985	47,083	23,939	185,183	1,663	69,460	256,306	
Employer pension expense	19,248	11,400	12,733	6,474	49,855	675	18,783	69,313	
Sub-total personnel	362,702	223,492	239,929	121,989	948,112	17,935	340,048	1,306,095	
Accounting	-	-	-	-	-	-	37,549	37,549	
Bad debt	-	-	-	-	-	-	56,234	56,234	
Business insurance	-	-	-	-	-	-	11,812	11,812	
Depreciation	23,667	14,619	15,656	7,960	61,902	228	23,095	85,225	
Dues and subscriptions	844	32	-	-	876	-	407	1,283	
Finance charges	-	-	-	-	-	-	25,293	25,293	
Grant award	424,577	33,203	92,308	36,960	587,048	2,068	850	589,966	
Licenses and permits	19	-	-	-	19	-	1,204	1,223	
Meetings and conferences	216,675	32,155	46,935	19,908	315,673	492	16,371	332,536	
Miscellaneous	28,835	16,861	17,230	10,566	73,492	1,481	22,047	97,020	
Office expense	11,008	11,008	11,008	11,008	44,032	-	11,119	55,151	
Office supplies and equipment	64,096	36,340	7,239	4,439	112,114	491	9,255	121,860	
Outreach services	-	-	-	1,690	1,690	550	-	2,240	
Phone and communications	15,310	9,521	9,145	5,620	39,596	237	11,701	51,534	
Postage and delivery	3,737	4,406	883	678	9,704	451	4,696	14,851	
Printing and copying	371	-	427	-	798	-	685	1,483	
Professional fees	249,786	1,893	175,127	72,922	499,728	200	72,728	572,656	
Rent	21,450	10,637	14,190	7,214	53,491	2,820	20,931	77,242	
Travel and entertainment	178,631	40,715	77,801	20,976	318,123	538	33,270	351,931	
Website	219	113	131	79	542	27	165	734	
TOTAL EXPENSES	\$ 1,601,927	\$ 434,995	\$ 708,009	\$ 322,009	\$ 3,066,940	\$ 27,518	\$ 699,460	\$ 3,793,918	

See independent auditors' report and accompanying notes to financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (862,767)	\$ 1,553,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	145,953	85,225
Loss on disposal of fixed assets	374	-
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	768,287	98,812
Grants receivable	1,811,385	129,890
Prepaid expense	6,921	7,348
Intangible asset	26	438
Increase (decrease) in liabilities:		
Accounts payable	(917,944)	(400,046)
Accrued expenses	10,578	(4,393)
Accrued taxes	(104,376)	9,245
deferred revenue	57,830	(269,135)
Net Cash Provided by Operating Activities	<u>916,267</u>	<u>1,211,104</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(115,396)	(1,271,843)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loan	<u>25,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	825,871	(60,739)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,287,555</u>	<u>1,348,294</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,113,426</u>	<u>\$ 1,287,555</u>

See independent auditors' report and accompanying notes to financial statements.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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. In pursuit of this goal, ACA fosters the sustainable use of natural resources, healthy local communities, ecological understanding, and habitat protection. The 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. These activities are funded primarily through contributions and grants from foundations and individuals. ACA also operates 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 several 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), promoting ecosystem-based land-use planning, and developing and supporting the creation of conservation corridors. ACA currently protects over 1.5 million acres of Amazonian rainforest through these mechanisms.

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. In 2008, ACA, in collaboration with the Amazonian Haramba Queros native community, established the first conservation concession in Peru run by an indigenous community.

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, hosting an average of 27 researchers and assistants per day. In 2005, ACA also created the Wayqecha Cloud Forest Research Center, Peru's only permanent biological station focused on Andean cloud forest ecology and management. Since 2003, ACA has granted more than 150 scholarships to support scientific research in Peru. In the Pampas del Heath ecosystem in northern Bolivia, ACA monitors flora and fauna, studies fire ecology and traditional indigenous management, and works to ensure the long-term survival of savannas in and around Madidi National Park. In 2010, ACA created the Hacienda Villa Carmen Research Station focused on tropical sustainable research and extension programs for surrounding communities.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 supported approximately 500 Brazil nut harvesters in gaining sustainable livelihoods while protecting over 1.5 million acres of rainforest through technical support, training, and certification. ACA also supports conservation-appropriate reforestation and agroforestry, microenterprise, 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 field stations, CICRA, Wayqecha, and Villa Carmen, 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 over 300 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 inter-company 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, 2011 AND 2010**
(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, 2011, and 2010, the Association had no permanently restricted net assets.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, 2011 and 2010, in-kind contributions totaled \$43,279 and \$0, 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, 2011 AND 2010
(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, 2011 and 2010 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 \$78,955 and \$125,833 as of December 31, 2011 and 2010, 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 2008 through 2010 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, 2011 AND 2010
(continued)

NOTE D – GRANTS RECEIVABLE

The following schedule summarizes the grants receivable as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Expected payments from long-term grants receivable:		
Greater than one year	\$ 218,937	\$ 601,748
Less unamortized discount (2.25%)	<u>(4,926)</u>	<u>(15,044)</u>
Total long-term grants receivable	214,011	586,704
Less than one year	<u>782,812</u>	<u>2,221,504</u>
	<u>\$ 996,823</u>	<u>\$ 2,808,208</u>

The Association believes that all amounts will be received when due. Therefore, no allowance for doubtful accounts was established as of December 31, 2011 and 2010.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 772,564	\$ 736,553
Buildings and leasehold improvements	1,273,411	1,214,054
Furniture and equipment	528,287	529,574
Construction in progress	56,295	48,833
Vehicles	<u>116,742</u>	<u>102,890</u>
	2,747,299	2,631,904
Less: accumulated depreciation and amortization	<u>(695,485)</u>	<u>(549,158)</u>
Property and equipment, net	<u>\$ 2,051,814</u>	<u>\$ 2,082,746</u>

Depreciation expense totaled \$145,953 and \$85,225 for the years ended December 31, 2011 and 2010, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Conservation	\$ 977,655	\$ 3,462,727
Sustainable livelihoods	525,817	22,224
Education and training	324,468	5,300
Organizational strengthening	29,923	100,000
Research	401,142	-
Time restrictions	<u>20,000</u>	<u>30,000</u>
Total	<u>\$ 2,279,005</u>	<u>\$ 3,620,251</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, 2011 and 2010 totaled \$76,157 and \$77,242, respectively. The future minimum payments of operating leases under non-cancelable lease agreements exceeding one year are as follows:

December 31, 2012	\$ 74,985
2013	<u>77,021</u>
Total	<u>\$ 152,006</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.

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, 2011 and 2010, the amount in excess of the United States FDIC limit was \$1,525,413 and \$719,196, respectively.

As of December 31, 2011 and 2010, the Association maintained a total of \$29,986 and \$390,907 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 Friends of the Osa who leases office space from the Association. The president also leases office space from the Association. Both leases are on a month-to-month basis. For the years ended December 31, 2011 and 2010, rental income totaled \$17,230 and \$16,830, respectively.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(continued)**

NOTE K – RETIREMENT PLAN

The Association has a 403(b) Savings Plan covering 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, 2011 and 2010 totaled \$14,665 and \$8,654, 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 July 2, 2012, 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 Auditors' Report
on Additional Information

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

We have audited the accompanying consolidated statements of financial position of the Amazon Conservation Association (ACA) and the Asociacion para la Conservacion de la Cuenca Amazonia (ACCA), collectively referred to as the Association, a nonprofit organization, as of December 31, 2011 and 2010, and our report thereon dated July 2, 2012, which contained an unqualified 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.

July 2, 2012

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

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	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	(33,236)	105,916	(105,916)	-
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>(1,688)</u>	<u>2,716,487</u>	<u>481,801</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 porti	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>215,742</u>
TOTAL ASSETS	<u><u>\$ 2,933,730</u></u>	<u><u>\$ 5,490</u></u>	<u><u>\$ 2,939,220</u></u>	<u><u>\$ 2,526,624</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	(33,236)	22,098	(22,098)	-
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>(3,607)</u>	<u>273,125</u>	<u>423,835</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>4,768,884</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,933,730</u></u>	<u><u>\$ 5,490</u></u>	<u><u>\$ 2,939,220</u></u>	<u><u>\$ 2,526,624</u></u>	<u><u>\$ 5,465,844</u></u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2010**

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	Consolidated Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 996,311	\$ 53,652	\$ 1,049,963	\$ 237,592	\$ 1,287,555
Accounts receivable	5,178	21,598	26,776	1,038,177	1,064,953
Grants receivable	2,221,504	-	2,221,504	-	2,221,504
Prepaid expenses and taxes	5,678	-	5,678	6,627	12,305
Total Current Assets	<u>3,228,671</u>	<u>75,250</u>	<u>3,303,921</u>	<u>1,282,396</u>	<u>4,586,317</u>
PROPERTY AND EQUIPMENT					
Property, plant and equipment, net	2,964	12,863	15,827	2,066,918	2,082,745
OTHER ASSETS					
Grants receivable, net of current	586,704	-	586,704	-	586,704
Security deposit	250	-	250	-	250
Intangible asset	-	1,507	1,507	-	1,507
Total Other Assets	<u>586,954</u>	<u>1,507</u>	<u>588,461</u>	<u>-</u>	<u>588,461</u>
TOTAL ASSETS	<u><u>\$ 3,818,589</u></u>	<u><u>\$ 89,620</u></u>	<u><u>\$ 3,908,209</u></u>	<u><u>\$ 3,349,314</u></u>	<u><u>\$ 7,257,523</u></u>
CURRENT LIABILITIES					
Accounts payable	\$ 42,118	\$ 59,754	\$ 101,872	\$ 1,194,479	\$ 1,296,351
Due to/from affiliate	32,367	-	32,367	(32,367)	-
Accrued expenses	6,247	-	6,247	-	6,247
Accrued taxes	-	-	-	125,833	125,833
Deferred revenue	10,765	-	10,765	186,676	197,441
Total Current Liabilities	<u>91,497</u>	<u>59,754</u>	<u>151,251</u>	<u>1,474,621</u>	<u>1,625,872</u>
NET ASSETS					
Unrestricted net assets	106,841	29,866	136,707	1,874,693	2,011,400
Temporarily restricted net assets	3,620,251	-	3,620,251	-	3,620,251
Total Net Assets	<u>3,727,092</u>	<u>29,866</u>	<u>3,756,958</u>	<u>1,874,693</u>	<u>5,631,651</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,818,589</u></u>	<u><u>\$ 89,620</u></u>	<u><u>\$ 3,908,209</u></u>	<u><u>\$ 3,349,314</u></u>	<u><u>\$ 7,257,523</u></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
Research facility income	-	-	-	92,871	-	92,871
Inkind contributions	43,279	-	43,279	-	-	43,279
Rental income	17,230	-	17,230	-	-	17,230
Interest and other income	5,695	-	5,695	13,850	-	19,545
Total Revenue and Support	1,730,579	79,511	1,810,090	2,136,688	(2,073,478)	1,873,300
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	2,540,019	111,283	2,651,302	2,069,880	(2,073,478)	2,647,704
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	260,280	12,365	272,645	206,877	-	479,522
Total Expenses	2,800,299	123,648	2,923,947	2,276,757	(2,073,478)	3,127,226
CHANGES IN NET ASSETS FROM OPERATIONS	(1,069,720)	(44,137)	(1,113,857)	(140,069)	-	(1,253,926)
OTHER CHANGES						
Realized foreign currency exchange gain	-	-	-	276,571	-	276,571
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	(374)	23,368	22,994	368,165	-	391,159
CHANGE IN NET ASSETS	(1,070,094)	(20,769)	(1,090,863)	228,096	-	(862,767)
NET ASSETS:						
Beginning of year	3,727,092	29,866	3,756,958	1,874,693	-	5,631,651
End of year	\$ 2,656,998	\$ 9,097	\$ 2,666,095	\$ 2,102,789	\$ -	\$ 4,768,884

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

	ACA DC Office	ACA Bolivia Office	Total ACA	ACCA	Eliminations	Consolidated Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 3,936,485	\$ -	\$ 3,936,485	\$ 980,196	\$ -	\$ 4,916,681
Grants and contributions received from ACA	-	234,432	234,432	2,500,689	(2,735,121)	-
Program services	70,815	-	70,815	-	-	70,815
Research facility income	-	-	-	113,537	-	113,537
Rental income	16,830	-	16,830	-	-	16,830
Interest income	7,423	-	7,423	576	-	7,999
Other income	4,451	-	4,451	1,707	-	6,158
Total Revenue and Support	4,036,004	234,432	4,270,436	3,596,705	(2,735,121)	5,132,020
EXPENSES						
Program services						
Conservation	579,206	81,171	660,377	941,550	-	1,601,927
Research	64,666	27,974	92,640	342,355	-	434,995
Sustainable livelihoods	142,565	69,498	212,063	495,946	-	708,009
Education and training	50,059	46,001	96,060	225,949	-	322,009
Grants paid to affiliates	2,735,121	-	2,735,121	-	(2,735,121)	-
Total program services	3,571,617	224,644	3,796,261	2,005,800	(2,735,121)	3,066,940
Support services						
Fundraising	27,518	-	27,518	-	-	27,518
Management and general	190,261	33,721	223,982	475,478	-	699,460
Total support services	217,779	33,721	251,500	475,478	-	726,978
Total Expenses	3,789,396	258,365	4,047,761	2,481,278	(2,735,121)	3,793,918
CHANGES IN NET ASSETS FROM OPERATIONS	246,608	(23,933)	222,675	1,115,427	-	1,338,102
OTHER CHANGES						
Realized foreign currency exchange gain	-	-	-	139,408	-	139,408
Unrealized foreign currency exchange gain	-	45,752	45,752	30,458	-	76,210
Total Other Changes	-	45,752	45,752	169,866	-	215,618
CHANGE IN NET ASSETS	246,608	21,819	268,427	1,285,293	-	1,553,720
NET ASSETS:						
Beginning of year	3,480,484	8,047	3,488,531	589,400	-	4,077,931
End of year	\$ 3,727,092	\$ 29,866	\$ 3,756,958	\$ 1,874,693	\$ -	\$ 5,631,651