

CONSOLIDATED FINANCIAL STATEMENTS



**AMAZON CONSERVATION ASSOCIATION
AND SUBSIDIARY**

FOR THE YEAR ENDED DECEMBER 31, 2022

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Amazon Conservation Association and Subsidiary (the Organizations), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organizations as of December 31, 2022, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page 16 and Consolidating Schedule of Activities and Change in Net Assets on page 17 are presented for purposes of additional analysis and are 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 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.



July 31, 2023

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,893,379
Accounts receivable	259
Contributions and grants receivable	538,599
Loan receivable	84,906
Prepaid expenses and other assets	<u>20,000</u>
Total current assets	<u>3,537,143</u>

FIXED ASSETS

Equipment and furniture	31,719
Website	<u>45,000</u>
	76,719
Less: Accumulated depreciation and amortization	<u>(60,526)</u>
Net fixed assets	<u>16,193</u>

OTHER ASSETS

Right-of-use asset, net	218,441
Deposits	<u>6,558</u>
Total other assets	<u>224,999</u>

TOTAL ASSETS \$ 3,778,335

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 62,262
Accrued salaries and related benefits	19,769
Refundable advances	200,313
Lease liability	<u>92,362</u>
Total current liabilities	374,706

NONCURRENT LIABILITIES

Lease liability, net of current portion	<u>162,817</u>
Total liabilities	<u>537,523</u>

NET ASSETS

Without donor restrictions:	
Undesignated	2,153,703
Board designated	<u>400,000</u>
Without donor restrictions net assets	2,553,703
With donor restrictions	<u>687,109</u>
Total net assets	<u>3,240,812</u>

TOTAL LIABILITIES AND NET ASSETS \$ 3,778,335

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 3,422,745	\$ 919,882	\$ 4,342,627
Sales	290,967	-	290,967
Other revenue	81,800	-	81,800
Net assets released from donor restrictions	<u>1,003,336</u>	<u>(1,003,336)</u>	<u>-</u>
Total support and revenue	<u>4,798,848</u>	<u>(83,454)</u>	<u>4,715,394</u>
EXPENSES			
Program Services:			
Protect Wild Places	917,330	-	917,330
Empower People	825,407	-	825,407
Put Science and Technology to Work	1,226,939	-	1,226,939
Ecotourism	<u>273,775</u>	<u>-</u>	<u>273,775</u>
Total program services	<u>3,243,451</u>	<u>-</u>	<u>3,243,451</u>
Supporting Services:			
Management and General	236,542	-	236,542
Fundraising	<u>416,276</u>	<u>-</u>	<u>416,276</u>
Total supporting services	<u>652,818</u>	<u>-</u>	<u>652,818</u>
Total expenses	<u>3,896,269</u>	<u>-</u>	<u>3,896,269</u>
Change in net assets before other item	902,579	(83,454)	819,125
OTHER ITEM			
Transfer of Amazon Journeys net (deficit) to ACCA	<u>(50,054)</u>	<u>-</u>	<u>(50,054)</u>
Change in net assets	852,525	(83,454)	769,071
Net assets at beginning of year	<u>1,701,178</u>	<u>770,563</u>	<u>2,471,741</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,553,703</u>	<u>\$ 687,109</u>	<u>\$ 3,240,812</u>

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services				Total Expenses
	Protect Wild Places	Empower People	Put Science and Technology to Work	Ecotourism	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grant awards	\$ 665,381	\$ 559,779	\$ 681,695	\$ -	\$ 1,906,855	\$ -	\$ -	\$ -	\$ 1,906,855
Salaries and benefits	189,477	189,477	402,826	102,774	884,554	63,880	296,378	360,258	1,244,812
Travel and entertainment	-	13,679	13,679	19,364	46,722	85,807	27,842	113,649	160,371
Office supplies and equipment	12,252	12,252	26,047	58,187	108,738	4,136	19,164	23,300	132,038
Professional fees	13,078	13,078	27,804	17,094	71,054	4,409	20,457	24,866	95,920
Occupancy	13,921	13,921	29,597	2,583	60,022	4,693	21,776	26,469	86,491
Accounting	-	-	-	1,133	1,133	46,273	-	46,273	47,406
Office expense	5,212	5,212	11,080	11,346	32,850	1,757	8,152	9,909	42,759
Repairs and maintenance	-	-	-	42,443	42,443	-	-	-	42,443
Meetings and conferences	5,312	5,312	11,294	-	21,918	1,791	8,309	10,100	32,018
Depreciation and amortization	-	-	-	6,593	6,593	20,735	-	20,735	27,328
Printing and copying	3,310	3,310	7,036	320	13,976	1,116	5,177	6,293	20,269
Business insurance	2,886	2,886	6,136	-	11,908	973	4,514	5,487	17,395
Postage and delivery	1,521	1,521	3,233	6,749	13,024	513	2,379	2,892	15,916
Phone and communications	1,360	1,360	2,892	5,189	10,801	459	2,128	2,587	13,388
Field supplies	3,620	3,620	3,620	-	10,860	-	-	-	10,860
TOTAL	\$ 917,330	\$ 825,407	\$ 1,226,939	\$ 273,775	\$ 3,243,451	\$ 236,542	\$ 416,276	\$ 652,818	\$ 3,896,269

See accompanying notes to consolidated financial statements.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 769,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	27,328
Amortization of right-of-use asset	79,548
Transfer of Amazon Journeys fixed assets to ACCA	44,356
Decrease (increase) in:	
Accounts receivable	10,110
Contributions and grants receivable	(233,887)
Prepaid expenses and other assets	1,285
Decrease in:	
Accounts payable and accrued liabilities	(65,949)
Accrued salaries and related benefits	(46,460)
Refundable advances	(126)
Lease liability	<u>(88,583)</u>
Net cash provided by operating activities	<u>496,693</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	(7,735)
Repayments on loan receivable	<u>145,094</u>
Net cash provided by investing activities	<u>137,359</u>
Net increase in cash and cash equivalents	634,052
Cash and cash equivalents at beginning of year	<u>2,259,327</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,893,379</u>

SUPPLEMENTAL INFORMATION:

Right-of-Use Asset	<u>\$ 297,989</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 343,762</u>

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Amazon Conservation Association (the Organization) is a non-profit organization, incorporated and located in the District of Columbia. The Organization's mission is to unite science, innovation and people to protect the western Amazon - the greatest wild forest on earth. This mission is accomplished through the following:

- Empowering people to become champions for conservation while improving their quality of life by education initiatives, building local partnerships and knowledge, and promoting forest-friendly livelihoods;
- Protecting wild places through creating new conservation areas, managing lands and natural resources for a changing climate, and connecting vital areas for species conservation; and
- Putting science and conservation to work by managing premier biological research stations, and using cutting-edge technology to detect, analyze and stop deforestation.

Through employing this holistic approach to conservation, the Organization aims to achieve its vision of a thriving Amazon that sustains the full diversity of life. These activities are funded primarily through contributions and grants from foundations, government agencies, and individuals.

During the year ended December 31, 2021, the Organization increased ownership to 51% interest in Turismo Y Conservacion SAC (Amazon Journeys), a for-profit entity for the management of operations of biological stations in Peru. The ownership was also formalized when the shares were issued by Amazon Journeys. Amazon Journeys' mission is to develop ecotourist activities in the Amazon area in which operates as an alternate source of development and preservation of the natural resources.

During June 2022, the Board of Directors adopted a resolution to transfer the Organization's shareholding in Amazon Journeys to the Asociacion para la Conservacion de la Cuenca Amazonica (ACCA) and authorized management to take such steps and to enter into such agreements as necessary to transfer the shareholding in Amazon Journeys. During August 2022, the Organization entered into an agreement with ACCA to transfer its 51% ownership of Amazon Journeys to ACCA. Accordingly, the Organization transferred Amazon Journeys' accumulated net deficit in the amount of (\$50,054). The total activity for Amazon Journeys has been included from January 1, 2022 through August 2, 2022. Total revenue and expenses attributable to controlling interest was \$148,393 and \$139,625, respectively. There is no remaining controlling interest as of December 31, 2022.

The Organization and Amazon Journeys will collectively be referred to as "the Organizations".

Principles of consolidation -

The accounts of the Organization have been consolidated with Amazon Journeys in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated and under common control organizations be consolidated. All intercompany transactions and balances have been eliminated.

Program services -

Protect Wild Places - The Organization protects critical ecosystems and biodiversity in Peru and Bolivia by creating and strengthening protected areas; ensuring landscape connectivity essential for species survival and climate adaptation; and directly addressing threats to local habitats.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Program services (continued) -

Protect Wild Places (continued) - The Organization further helps protect the entire Amazon basin by employing the latest in remote sensing technologies to identify, analyze, and report threats to the forest across all nine Amazonian countries in real-time. Examples of this work include support in the creation of over 24 conservation areas protecting 9 million acres of irreplaceable ecosystems across Peru and Bolivia, providing indigenous federations real-time satellite data on incursions into their ancestral territories, and helping local communities and governments develop "life plans" to ensure enduring conservation efforts and continued protection in protected areas.

Empower People - The Organizations empower local people and governments by building sustainable and resilient livelihoods that protect standing forests; strengthening the environmental governance that improves the long-term protection and management of natural resources; and educating and inspiring citizens of all countries on the importance, needs, and threats to the Amazon. Examples of this work include providing environmental prosecutors training and technology tools to combat forest crimes, giving local producer groups tools to sustainably market forest products like açai berries and Brazil nuts as an alternative to destructive livelihoods like logging, and developing workshops and training for local communities on a wide variety of conservation-related topics, such as fire prevention, human-wildlife conflict mitigation, climate change adaptation, and more.

Put Science and Technology to Work - The Organizations develop innovative conservation solutions through science and technology by employing their network of conservation hubs in Peru and Bolivia as living laboratories where they carry out and host robust scientific research, develop and test cutting-edge technologies to be used to advance understanding and protection of the Amazon, and facilitate learning and education of the next generation of scientists and conservationists. Furthermore, their real-time remote sensing program utilizes the latest in satellite, radar, and drone technology to detect and report deforestation and fires across the Amazon in real-time. Examples of this work include monitoring biodiversity health with camera traps, hosting scientists and students from around the world to conduct studies on the impacts of climate change in the Andean Amazon at their premier biological stations, and developing a fire monitoring app that can be used by the public and media to track fires happening in any Amazonian nation in real-time.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net asset are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net assets categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

During 2022, the Organizations adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. The Organizations applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 6 for further details.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Accounts, contributions and grants receivable -

Accounts, contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Receivables from contracts with customers and deferred revenue were \$10,369 and \$0, respectively, as of December 31, 2021.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2022 totaled \$27,328.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Organization is not a private foundation.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

Amazon Journeys is incorporated as a private limited company in Peru. Amazon Journeys is subject to income taxes under the Peruvian tax code. Amazon Journeys did not generate income during the year ended December 31, 2022; accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the year ended December 31, 2022, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Contributions and grants -

The Organization receives contributions, including unconditional promises to give, from many sources as well as grants from foundations, corporations and other private entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Support is recognized when the condition or conditions are satisfied. Most grants and awards from foundations, corporations and other private entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when they become unconditional. The Organization recognizes support for these conditional contributions when the related barrier has been overcome.

Funds received in advance of satisfying conditions are recorded as refundable advances which totaled \$200,313 as of December 31, 2022. For contributions and grants treated as contributions, the Organization had \$1,415,172 in unrecognized conditional awards as of December 31, 2022.

Sales revenue -

Sales revenue is classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*. Sales revenue is mostly comprised of facilities fees and ecotourism programs.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Sales revenue (continued) -

Facilities fees are recorded as revenue as the users complete their utilization of the facilities. Ecotourism program fees are recorded as revenue when the related courses and trainings are completed. The Organizations have elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is determined based on the contracted/agreed-upon sales price. Amounts received in advance, if any, would be recorded as deferred revenue.

Use of estimates -

The preparation of the consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organizations are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated based on actual time spent.

Foreign operations -

A significant portion of the Organizations' activities and programs is in foreign operating environments, and any disruption in these geographic locations could adversely affect the Organizations.

Foreign currency translation -

The U.S. Dollar is the functional currency for the Organizations' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position.

New accounting pronouncement not yet adopted -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Organizations for the year ending December 31, 2023. The ASU can be applied at the beginning of the period of adoption using a modified retrospective approach.

The Organizations plan to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on their accompanying consolidated financial statements.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

2. LOAN RECEIVABLE

During December 2021, the Organization entered into a loan receivable agreement with The Asociacion para la Conservacion e Investigacion de Ecosistemas Andino Amazonicos (ACEAA), a related party (Note 8), whereby ACEAA borrowed \$230,000 on an interest-free, unsecured basis. As of December 31, 2022, the total sum of \$84,906 is due to the Organization. Loan receivable is recorded at fair value.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specified purpose:	
Protect Wild Places	\$ 231,286
Empower People	217,035
Put Science and Technology to Work	<u>238,788</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 687,109</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Protect Wild Places	\$ 250,753
Empower People	271,855
Put Science and Technology to Work	<u>480,728</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,003,336</u>

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,893,379
Accounts receivable	259
Contributions and grants receivable	538,599
Loan receivable	<u>84,906</u>
Subtotal financial assets available within one year	3,517,143
Less: Donor restricted funds	(687,109)
Less: Board designated funds	<u>(400,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,430,034</u>

The Organizations have a policy to structure their financial assets to be available and liquid as their obligations become due. As of December 31, 2022, the Organizations had financial assets equal to approximately seven months of operating expenses. The Organizations' Board designated funds can be released to meet the financial needs of the Organizations upon Board approval. In addition, the Organizations have a line of credit agreement (as further discussed in Note 5) which allows for additional available borrowings up to \$150,000.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. LINE OF CREDIT

During January 2021, the Organization obtained a \$150,000 bank line of credit which matures January 14, 2024. Amounts borrowed under this agreement bear interest at the Wall Street Journal prime rate (8.25% at December 31, 2022) plus 1.50%. The line is secured by cash held in accounts at the same financial institution. There was no outstanding balance on this line of credit as of December 31, 2022.

6. LEASE COMMITMENTS

The Organization leases office space in Washington, D.C. The lease commenced during February 2015 and will expire in August 2025. Base monthly rent is \$6,308, increasing by a factor of 2.75% each lease year.

On November 1, 2021, Amazon Journeys also entered into a twelve month agreement to lease office space in Puerto Maldonado, Peru. The agreement began in November 2021 and expired in October 2022. Base rent was 900 Soles per month without an increasing factor.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. The Organizations elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Organizations adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, the Organizations recorded a right-of-use asset in the amount of \$297,989. The Organizations recorded an operating lease liability in the amount of \$343,762 by calculating the present value using the discount rate of 1.37%.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2023	\$ 95,153
2024	97,770
2025	<u>66,822</u>
	259,745
Less: Discount to present value	<u>(4,566)</u>
LONG-TERM PORTION	<u>\$ 255,179</u>

Lease expense for the year ended December 31, 2022 totaled \$83,570, which is included in Occupancy in the Consolidated Statement of Functional Expenses.

7. RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a defined contribution plan covering all employees working twenty or more hours per week and after three months of service. The Organization provides a 100% match of each eligible employee's contribution, up to 5% of covered compensation. Contributions to the Plan during the year ended December 31, 2022 totaled \$37,567.

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. RELATED PARTIES

ACCA is a non-profit civil association incorporated under the laws of Peru. It was founded in 1999. ACCA works with the Organization toward the achievement of the Organization's goals and objectives in Peru. The Organization provides some funding to ACCA to support its programs. The Organizations do not have any control over ACCA.

ACEAA is a non-profit organization incorporated under the laws of Bolivia. It was founded in 2011. ACEAA works with the Organizations toward the achievement of the Organizations' goals and objectives in Bolivia. The Organizations provide some funding to ACEAA to support its programs. The Organizations do not have any control over ACEAA.

During the year ended December 31, 2022, the Organization made payments of \$980,619 and \$622,391 to ACCA and ACEAA, respectively. The Organization also charged \$84,858 to ACCA for services performed. As of December 31, 2022, there is an amount of \$37,382 due from the Organization to ACCA. ACEAA owed \$84,906 to the Organization at December 31, 2022, under the loan receivable referred to in Note 2.

9. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through July 31, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022**

ASSETS

	The Organization	Amazon Journeys	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,893,379	\$ -	\$ -	\$ 2,893,379
Accounts receivable	259	-	-	259
Contribution and grants receivable	538,599	-	-	538,599
Loan receivable	84,906	-	-	84,906
Prepaid expenses and other assets	20,000	-	-	20,000
Total current assets	<u>3,537,143</u>	<u>-</u>	<u>-</u>	<u>3,537,143</u>
FIXED ASSETS				
Equipment and furniture	31,719	-	-	31,719
Website	45,000	-	-	45,000
	<u>76,719</u>	<u>-</u>	<u>-</u>	<u>76,719</u>
Less: Accumulated depreciation and amortization	(60,526)	-	-	(60,526)
Net fixed assets	<u>16,193</u>	<u>-</u>	<u>-</u>	<u>16,193</u>
OTHER ASSETS				
Right-of-use asset, net	218,441	-	-	218,441
Deposits	6,558	-	-	6,558
Total other assets	<u>224,999</u>	<u>-</u>	<u>-</u>	<u>224,999</u>
TOTAL ASSETS	<u>\$ 3,778,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,778,335</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 62,262	\$ -	\$ -	\$ 62,262
Accrued salaries and related benefits	19,769	-	-	19,769
Refundable advances	200,313	-	-	200,313
Lease liability	92,362	-	-	92,362
Total current liabilities	<u>374,706</u>	<u>-</u>	<u>-</u>	<u>374,706</u>
NONCURRENT LIABILITIES				
Lease liability, net of current portion	162,817	-	-	162,817
Total liabilities	<u>537,523</u>	<u>-</u>	<u>-</u>	<u>537,523</u>
NET ASSETS				
Without donor restrictions:				
Undesignated	2,153,703	-	-	2,153,703
Board designated	400,000	-	-	400,000
Without donor restriction net assets	<u>2,553,703</u>	<u>-</u>	<u>-</u>	<u>2,553,703</u>
With donor restrictions	687,109	-	-	687,109
Total net assets	<u>3,240,812</u>	<u>-</u>	<u>-</u>	<u>3,240,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,778,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,778,335</u>

AMAZON CONSERVATION ASSOCIATION AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	The Organization			Amazon Journeys			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
SUPPORT AND REVENUE								
Contributions and grants	\$ 3,422,745	\$ 919,882	\$ 4,342,627	\$ -	\$ -	\$ -	\$ -	\$ 4,342,627
Sales	-	-	-	290,967	-	290,967	-	290,967
Other revenue	81,800	-	81,800	-	-	-	-	81,800
Net assets released from donor restrictions	1,003,336	(1,003,336)	-	-	-	-	-	-
Total support and revenue	4,507,881	(83,454)	4,424,427	290,967	-	290,967	-	4,715,394
EXPENSES								
Program Services:								
Protect Wild Places	917,330	-	917,330	-	-	-	-	917,330
Empower People	825,407	-	825,407	-	-	-	-	825,407
Put Science and Technology to Work	1,226,939	-	1,226,939	-	-	-	-	1,226,939
Ecotourism	-	-	-	273,775	-	273,775	-	273,775
Total program services	2,969,676	-	2,969,676	273,775	-	273,775	-	3,243,451
Supporting Services:								
Management and General	236,542	-	236,542	-	-	-	-	236,542
Fundraising	416,276	-	416,276	-	-	-	-	416,276
Total supporting services	652,818	-	652,818	-	-	-	-	652,818
Total expenses	3,622,494	-	3,622,494	273,775	-	273,775	-	3,896,269
Change in net assets before other items	885,387	(83,454)	801,933	17,192	-	17,192	-	819,125
OTHER ITEMS								
Loss on disposal of investment in subsidiary	(320,000)	-	(320,000)	-	-	-	320,000	-
Transfer of Amazon Journeys net (deficit) to ACCA	-	-	-	(50,054)	-	(50,054)	-	(50,054)
Total other items	(320,000)	-	(320,000)	(50,054)	-	(50,054)	320,000	(50,054)
Change in net assets	565,387	(83,454)	481,933	(32,862)	-	(32,862)	320,000	769,071
Net assets at beginning of year	1,988,316	770,563	2,758,879	32,862	-	32,862	(320,000)	2,471,741
NET ASSETS AT END OF YEAR	\$ 2,553,703	\$ 687,109	\$ 3,240,812	\$ -	\$ -	\$ -	\$ -	\$ 3,240,812