



THE
AMAZON
CONSERVATION
TEAM®

THE AMAZON CONSERVATION TEAM AND AFFILIATE

Consolidated Financial Statements and Supplemental Information

For the Year Ended December 31, 2011

(With Summarized Financial Information for the Year Ended December 31, 2010)



**and
Report Thereon**



THE AMAZON CONSERVATION TEAM AND AFFILIATE

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For the Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Amazon Conservation Team and Affiliate

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying consolidated statement of financial position of The Amazon Conservation Team (ACT-U.S.) and Affiliate (collectively referred to as ACT) as of December 31, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of ACT's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from ACT's December 31, 2010 consolidated financial statements and, in our report dated June 22, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit 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 ACT'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 consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Amazon Conservation Team and Affiliate as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 16 to 18 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the

Continued

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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

RAFFA, P.C.

Washington, DC

August 7, 2012

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2011
(With Summarized Financial Information as of December 31, 2010)

| | 2011 | 2010 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,829,867 | \$ 1,896,269 |
| Grants and pledges receivable | 489,597 | 317,469 |
| Field operating advances | 198,074 | 173,703 |
| Prepaid expenses | 20,387 | 26,299 |
| Property and equipment, net | 186,959 | 128,548 |
| Security deposit | 4,287 | 4,287 |
| TOTAL ASSETS | \$ 2,729,171 | \$ 2,546,575 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 45,111 | \$ 128,743 |
| Deferred revenue | 207,496 | 21,288 |
| Deferred rent and lease incentives | 192,638 | 128,500 |
| Other liabilities | 14,487 | 100 |
| TOTAL LIABILITIES | 459,732 | 278,631 |
| Net Assets | | |
| Unrestricted | 952,717 | 999,739 |
| Temporarily restricted | 1,316,722 | 1,268,205 |
| TOTAL NET ASSETS | 2,269,439 | 2,267,944 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,729,171 | \$ 2,546,575 |

The accompanying notes are an integral part of these consolidated financial statements.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

(With Summarized Financial Information for the Year Ended December 31, 2010)

| | 2011 | | | 2010 |
|--|-------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Contributions | \$ 1,050,540 | \$ 20,090 | \$ 1,070,630 | \$ 1,565,682 |
| Grants | 769,285 | 2,088,880 | 2,858,165 | 1,221,652 |
| Investment income | 1,906 | - | 1,906 | 10,142 |
| Other | 3,234 | - | 3,234 | 8,282 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 2,035,307 | (2,035,307) | - | - |
| Satisfaction of time restrictions | 25,146 | (25,146) | - | - |
| TOTAL REVENUE AND SUPPORT | 3,885,418 | 48,517 | 3,933,935 | 2,805,758 |
| EXPENSES | | | | |
| Program Services: | | | | |
| Biodiversity | 2,035,783 | - | 2,035,783 | 2,195,680 |
| Culture | 569,386 | - | 569,386 | 736,772 |
| Health | 432,533 | - | 432,533 | 498,723 |
| Total Program Services | 3,037,702 | - | 3,037,702 | 3,431,175 |
| Supporting Services: | | | | |
| General and administrative | 776,415 | - | 776,415 | 797,557 |
| Fundraising | 118,323 | - | 118,323 | 135,735 |
| Total Supporting Services | 894,738 | - | 894,738 | 933,292 |
| TOTAL EXPENSES | 3,932,440 | - | 3,932,440 | 4,364,467 |
| CHANGE IN NET ASSETS | (47,022) | 48,517 | 1,495 | (1,558,709) |
| NET ASSETS, BEGINNING OF YEAR | 999,739 | 1,268,205 | 2,267,944 | 3,826,653 |
| NET ASSETS, END OF YEAR | \$ 952,717 | \$ 1,316,722 | \$ 2,269,439 | \$ 2,267,944 |

The accompanying notes are an integral part of these consolidated financial statements.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011
(With Summarized Financial Information for the Year Ended December 31, 2010)

| | Program Services | | | Total Program Services | Supporting Services | | Total Supporting Services | 2011 Total | 2010 Total |
|---|---------------------|-------------------|-------------------|------------------------------|----------------------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Biodiversity | Culture | Health | | General and Administrative | Fundraising | | | |
| Salaries and benefits | \$ 728,286 | \$ 329,765 | \$ 245,388 | \$ 1,303,439 | \$ 427,641 | \$ 85,124 | \$ 512,765 | \$ 1,816,204 | \$ 2,055,067 |
| Indigenous support | 423,791 | 100,022 | 54,146 | 577,959 | - | - | - | 577,959 | 480,650 |
| Consulting services | 384,073 | 37,694 | 53,434 | 475,201 | 62,801 | 10,000 | 72,801 | 548,002 | 464,952 |
| Project related | 218,680 | 11,900 | 14,921 | 245,501 | - | - | - | 245,501 | 388,317 |
| Occupancy and equipment | 51,608 | 18,876 | 16,789 | 87,273 | 121,482 | - | 121,482 | 208,755 | 159,132 |
| Travel | 56,335 | 29,133 | 18,794 | 104,262 | 25,723 | 10,423 | 36,146 | 140,408 | 282,851 |
| Technology | 16,050 | 5,032 | 3,340 | 24,422 | 57,329 | - | 57,329 | 81,751 | 86,479 |
| Other | 20,650 | 12,695 | 10,454 | 43,799 | 22,504 | 8,015 | 30,519 | 74,318 | 105,388 |
| Telecommunications and office expenses | 14,746 | 9,644 | 11,613 | 36,003 | 26,346 | 2,803 | 29,149 | 65,152 | 98,914 |
| Subgrants | 55,887 | - | - | 55,887 | - | - | - | 55,887 | - |
| Project and field equipment | 31,046 | 4,509 | 1,085 | 36,640 | - | - | - | 36,640 | 72,730 |
| Publications | 20,747 | 2,227 | 1,408 | 24,382 | 10,782 | - | 10,782 | 35,164 | 28,843 |
| Meetings, trainings and workshops | 57 | 6,481 | 1,161 | 7,699 | 21,807 | 1,958 | 23,765 | 31,464 | 86,445 |
| Construction expenses | 13,827 | 1,408 | - | 15,235 | - | - | - | 15,235 | 54,699 |
| TOTAL EXPENSES | \$ 2,035,783 | \$ 569,386 | \$ 432,533 | \$ 3,037,702 | \$ 776,415 | \$ 118,323 | \$ 894,738 | \$ 3,932,440 | \$ 4,364,467 |

The accompanying notes are an integral part of these consolidated financial statements.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

(With Summarized Financial Information for the Year Ended December 31, 2010)

Increase (Decrease) in Cash and Cash Equivalents

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,495 | \$ (1,558,709) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 57,962 | 5,483 |
| Donated stocks | (25,697) | (12,640) |
| Changes in assets and liabilities: | | |
| Grants and pledges receivable | (172,128) | 863,811 |
| Field operating advances | (24,371) | 88,946 |
| Prepaid expenses | 5,912 | 2,224 |
| Security deposit | - | (370) |
| Accounts payable and accrued expenses | (83,632) | 70,905 |
| Deferred revenue | 186,208 | (41,082) |
| Deferred rent and lease incentives | (17,691) | - |
| Other liabilities | 14,387 | (54,900) |
| | <u>(57,555)</u> | <u>(636,332)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of furniture and equipment | (34,544) | (4,440) |
| Proceeds from sales of donated stocks | 25,697 | 12,640 |
| | <u>(8,847)</u> | <u>8,200</u> |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | | |
| | <u>(8,847)</u> | <u>8,200</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | <u>(66,402)</u> | <u>(628,132)</u> |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,896,269</u> | <u>2,524,401</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,829,867</u> | <u>\$ 1,896,269</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Noncash investing transaction: | | |
| Donated stocks | <u>\$ 25,697</u> | <u>\$ 12,640</u> |
| Leasehold improvements acquired under the operating lease | \$ 81,829 | \$ 128,500 |
| Deferred lease incentives included in the operating lease | <u>(81,829)</u> | <u>(128,500)</u> |
| NET CASH OUTLAY | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these consolidated financial statements.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies

Organization

The Amazon Conservation Team (ACT-U.S.) was incorporated under the laws of Virginia in 1998 as a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

ACT-U.S.'s mission is to work in partnership with indigenous people to conserve biodiversity, health and culture in tropical America. It has long been ACT-U.S.'s conviction that the people who best know, use and protect biodiversity are the indigenous people who live in tropical forests. This is reflected in the Amazon, where the most traditional indigenous groups are found within the largest intact expanses of remaining forest. To date, ACT-U.S. has partnered with more than 35 indigenous groups across the Amazon basin in Brazil, Colombia and Suriname.

ACT-Colombia, which is also known as *Equipo para la Conservación de la Amazonia*, is a nonprofit charitable organization registered under Colombia's law as an affiliate of ACT-U.S.

Principles of Consolidation

The consolidated financial statements include the accounts and transactions of ACT-U.S. and ACT-Colombia (collectively referred to as ACT). ACT-U.S. and ACT-Colombia have been consolidated due to the presence of common control and economic interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

ACT considers demand deposits and money market funds to be cash and cash equivalents.

Property and Equipment and Related Depreciation and Amortization

All acquisitions of furniture, property and equipment greater than \$5,000 are capitalized at cost and are being depreciated using the straight-line method over estimated useful lives of three to seven years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining life of the lease. Expenditures for major additions and improvements are capitalized; expenditures for maintenance and repairs are charged to expense when incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses, as appropriate.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

ACT's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for ACT's general support. Unrestricted net assets also include \$609,656 that has been designated by ACT's Board of Directors as a contingency reserve.
- Temporarily restricted net assets represent amounts that are restricted by donors for a specific purpose or use in future periods.

Revenue Recognition

Grants and contributions are recognized as revenue in the period in which they are received or when unconditional promises are made. Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted revenue and support in the accompanying consolidated statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and released from restrictions. Grants and pledges receivable represent amounts unconditionally committed by grantors that ACT has not received as of year-end.

Grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to, or collected from, the awarding agency is included in grants and pledges receivable in the accompanying consolidated statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Foreign Currency Translation

The conversion of financial statement balances into U.S. dollars (USD) follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters*, which permits an entity to present its consolidated financial statements in any currency. If the currency in the financial statements differs from the entity's

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

functional currency, ACT translates all assets and liabilities at the current rate at the date of the statement of financial position. Revenue and expense balances are translated at exchange rates at the transaction date or using an average rate for the period of the transactions.

The balances for ACT-Colombia reported in the consolidated statement of financial position are translated at \$1 USD to 1,943 Colombian Peso (COP) based on the market representative rate, the *Tasa de Cambio Representativa del Mercado*, at December 31, 2011. This is the official exchange rate published by the Central Bank on a daily basis. The balances for ACT-Colombia reported in the consolidated statement of activities are translated at \$1 USD to 1,825 COP.

Estimates

The preparation of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Pledges Receivable

As of December 31, 2011, \$479,597 of grants and pledges receivable are expected to be received in less than one year and the remaining \$10,000 is expected to be received in more than one year. All grants and pledges receivable are deemed fully collectible.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

3. Property and Equipment and Accumulated Depreciation and Amortization

ACT held the following property and equipment as of December 31, 2011:

| | ACT-U.S. | ACT- Colombia | Total |
|---|------------|------------------|------------|
| Leasehold improvements | \$ 210,329 | \$ - | \$ 210,329 |
| Computer equipment | 41,434 | 36,094 | 77,528 |
| Furniture, fixtures and equipment | 29,736 | 8,887 | 38,623 |
| Transportation fleet and equipment | - | 1,951 | 1,951 |
| Total Property and Equipment | 281,499 | 46,932 | 328,431 |
| Less: Accumulated Depreciation and Amortization | (94,540) | (46,932) | (141,472) |
| Property and Equipment, Net | \$ 186,959 | \$ - | \$ 186,959 |

Depreciation and amortization expense was \$57,962 for the year ended December 31, 2011.

4. Temporarily Restricted Net Assets

As of December 31, 2011, temporarily restricted net assets were available for the following purposes:

Program restrictions:

Biodiversity:

| | |
|--------------------------------|------------|
| Land management and protection | \$ 575,263 |
| Program management | 106,259 |
| Land use documentation | 80,000 |
| Total Biodiversity | 761,522 |

Culture:

| | |
|---------------------------------------|---------|
| Educational opportunities | 95,000 |
| Land and intellectual property rights | 66,464 |
| Women's programs | 60,923 |
| Program management | 24,930 |
| Total Culture | 247,317 |

Continued

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

4. Temporarily Restricted Net Assets (continued)

| | | |
|---|----|------------------|
| Health: | | |
| Program management | \$ | 138,706 |
| Integrated health care access | | <u>36,009</u> |
| Total Health | | <u>174,715</u> |
| Other: | | |
| Institutional capacity | | <u>113,078</u> |
| Total Program Restrictions | | <u>1,296,632</u> |
| Time restrictions: | | |
| General support for future periods | | <u>20,090</u> |
| Total Temporarily Restricted Net Assets | \$ | <u>1,316,722</u> |

5. Commitments and Risks

Operating Lease

In June 2006, ACT-U.S. entered into a four-and-a-half-year noncancelable operating lease for its office space in Arlington, Virginia. This noncancelable operating lease expired on December 31, 2010. However, the noncancelable operating lease was amended in March and June 2010, and the noncancelable operating lease's term was extended through December 31, 2015. The base rent increases annually based on scheduled increases provided for in the noncancelable operating lease. Under the terms of the amended noncancelable operating lease, the lessor provided lease incentives to build out and renovate the office space. During the year ended December 31, 2011, ACT-U.S. used all of the lease incentives which totaled \$210,329. Under generally accepted accounting principles (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, are reflected as deferred lease incentives in the accompanying consolidated statement of financial position. Total rent expense attributable to ACT-U.S.'s office space was \$45,234 for the year ended December 31, 2011, and is included in occupancy and equipment in the accompanying consolidated statement of functional expenses.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

5. Commitments and Risks (continued)

Operating Lease (continued)

The future minimum rental payments required under this lease are as follows:

| <u>For the Year Ending</u> <u>December 31,</u> | |
|---|-------------------|
| 2012 | \$ 66,950 |
| 2013 | 68,958 |
| 2014 | 71,027 |
| 2015 | <u>73,158</u> |
| Total | <u>\$ 280,093</u> |

Credit Risk

ACT maintains its cash and cash equivalents with a U.S. commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2011, ACT had approximately \$1,369,000 composed of demand deposits (excluding noninterest-bearing transaction accounts, which are fully insured regardless of their balance), which exceeded the maximum limit insured by FDIC by approximately \$1,119,000. ACT monitors the creditworthiness of this institution and has not experienced any credit losses on its cash and cash equivalents.

Foreign Operations

ACT principally operates in Colombia, Brazil and Suriname. ACT maintains cash accounts in Colombia for program operations, and the field operating advances in the accompanying consolidated statement of financial position represent cash advances to related parties in Suriname and Brazil. The future of these programs can be adversely affected by a number of potential factors, such as currency devaluations, terrorist activities or changes in political climate. As of December 31, 2011, assets in these countries totaled approximately \$430,000, which represents approximately 16% of ACT's total consolidated assets.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

6. Related Party Transactions

ACT works through partnerships with the following organizations: *Equipe de Conservação da Amazônia* (ACT-Brazil), which is located in Brazil, and Stichting Amazon Conservation Team Suriname (ACT-Suriname), which is located in Suriname. These foreign entities are separately incorporated nonprofit organizations. ACT provides significant financial support to these organizations. However, ACT does not have control of these organizations, which requires consolidation under GAAP, as defined in FASB ASC Topic 958-810, *Not-for-Profit Entities – Consolidation*.

ACT has entered into memoranda of agreement (MOA) with these organizations, which share similar missions and philosophies. The purpose of these MOAs is for ACT and its related parties to collaborate with indigenous people in conserving biodiversity, health and culture in tropical America. Under the MOAs, ACT provides a majority of the foreign nonprofit organizations' financial resources and technical assistance. These MOAs also indicate that ACT, in collaboration with its partners, will execute a majority of the fundraising activities and that those fundraising activities are subject to modification at any time by both parties' mutual consent. See Note 11, which describes a subsequent event related to ACT-Brazil.

For the year ended December 31, 2011, ACT provided \$657,370 to ACT-Brazil and \$468,115 to ACT-Suriname for program and operational expenses. These expenses were covered with a combination of restricted and unrestricted funds and are shown in the accompanying supplemental combined statement of activities. ACT records the amounts transferred as field operating advances until the affiliate provides documentation to show that the advances were used in accordance with the applicable grant agreements. As of December 31, 2011, ACT-Brazil and ACT-Suriname had outstanding field operating advances of \$154,003 and \$44,071, respectively, which aggregated \$198,074. The outstanding balance corresponds to restricted funds advanced to the country programs for activities that were delayed until 2012 and are included in field operating advances in the accompanying consolidated statement of financial position.

7. Pension Plans

ACT-U.S. sponsors a 403(b) pension plan (the 403(b) Plan). Employees are eligible to participate in the 403(b) Plan immediately after employment and may contribute up to the limits established by the IRC. ACT-U.S. matches employee contributions up to a maximum of 5% of each employee's salary. Employer contributions are 50% vested on the one-year anniversary of the employee's start date and are 100% vested on the second-year anniversary of the employee's start date. Effective October 1, 2010 and until December 31, 2011, ACT-U.S.'s Board of Directors suspended the employer matching contribution to the 403(b) Plan, due to budgetary constraints.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

7. Pension Plans (continued)

The privatized and fully funded pension system in Colombia is controlled by the national government through the Ministry of Social Welfare. The current system is regulated by Law 100, which was issued in December 1993. Under the defined-contribution system, individuals have a choice of six private pension providers with which to open an account and make mandatory contributions (obligatory pensions). Contributions are made jointly by the employee (25% of the contribution) and the employer (75% of the contribution). Currently, the total pension contribution is 16% of an employee's gross salary. The employee's portion is 4% and the employer's contribution is 12%. Employers are required by law to enroll and to make the contributions on behalf of the employees and themselves. ACT-Colombia's total pension expense was \$38,767 for the year ended December 31, 2011.

8. Income Taxes

ACT-U.S. is exempt from income taxes under Section 501(c)(3) of the IRC, and is only taxed on net unrelated business income. No provision for income taxes has been made in the consolidated financial statements for the year ended December 31, 2011, as there was no significant net unrelated business income.

ACT-Colombia is a taxpayer under the special tax regime laws in Colombia and is not subject to the presumptive income regime. The net earnings or surplus, if any, that is not exempt in nature will be levied at a 20% rate. The net earnings or surplus will be exempt when the maximum corporate body designates it (directly or indirectly) to programs developing its corporate objective in the year following the year in which the earnings or surplus is obtained.

ACT-U.S. follows the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ACT-U.S. performed an evaluation of uncertain tax positions for the year ended December 31, 2011, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2011, the statute of limitations for tax years 2008 through 2010 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which ACT-U.S. files tax returns. It is ACT-U.S.'s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2011, ACT-U.S. had no accruals for interest and/or penalties.

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

9. Prior Year Summarized Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ACT's consolidated financial statements for the year ended December 31, 2010, from which the summarized information was derived.

10. Reclassifications

Certain reclassifications have been made to the 2010 consolidated financial statement balances to conform to the 2011 consolidated financial statement presentation.

11. Subsequent Events

ACT's management has evaluated subsequent events through August 7, 2012, the date the consolidated financial statements were available to be issued.

Effective January 1, 2012, ACT-U.S. ended its partnership with and financial support to the Equipe de Conservação da Amazônia (ECAM), which was separately incorporated in 2002 and operated as Amazon Conservation Team's Brazil Program, which was also known as ACT-Brazil. Since then, the relationship between ECAM and ACT-U.S. has been limited to fulfilling the terms of grants received in 2011 from the Skoll Foundation and the Gordon and Betty Moore Foundation.

In 2011, ACT-U.S. received a three-year grant from the Skoll Foundation to fund projects in Brazil. The first payment of this grant, which totaled \$525,920, was received in 2011. As of December 31, 2011, \$246,620 of this grant is included in temporarily restricted net assets. In June 2012, ACT-U.S. transferred the remaining balance of the first year of the grant to ECAM. In addition, an agreement was reached with the Skoll Foundation that the Foundation will assign scheduled payments associated with the second and third years of the grant to an institution or institutions other than ACT-U.S. As a result, the scheduled second and third year payments for this grant were not recognized as revenue in the accompanying consolidated statement of activities.

SUPPLEMENTAL INFORMATION

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2011

| | <u>ACT-U.S.</u> | <u>ACT-Colombia</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,629,944 | \$ 199,923 | \$ - | \$ 1,829,867 |
| Grants and pledges receivable | 457,168 | 32,429 | - | 489,597 |
| Field operating advances | 207,202 | - | (9,128) | 198,074 |
| Prepaid expenses | 20,387 | - | - | 20,387 |
| Property and equipment, net | 186,959 | - | - | 186,959 |
| Security deposit | 4,287 | - | - | 4,287 |
| | <u>\$ 2,505,947</u> | <u>\$ 232,352</u> | <u>\$ (9,128)</u> | <u>\$ 2,729,171</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 29,383 | \$ 15,728 | \$ - | \$ 45,111 |
| Deferred revenue | - | 216,624 | (9,128) | 207,496 |
| Deferred rent and lease incentives | 192,638 | - | - | 192,638 |
| Other liabilities | 14,487 | - | - | 14,487 |
| | <u>236,508</u> | <u>232,352</u> | <u>(9,128)</u> | <u>459,732</u> |
| Net Assets | | | | |
| Unrestricted | 952,717 | - | - | 952,717 |
| Temporarily restricted | 1,316,722 | - | - | 1,316,722 |
| | <u>2,269,439</u> | <u>-</u> | <u>-</u> | <u>2,269,439</u> |
| TOTAL NET ASSETS | <u>2,269,439</u> | <u>-</u> | <u>-</u> | <u>2,269,439</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,505,947</u> | <u>\$ 232,352</u> | <u>\$ (9,128)</u> | <u>\$ 2,729,171</u> |

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

| | Unrestricted | | Temporarily Restricted | Eliminations | Total |
|--|-------------------|------------------|---------------------------|------------------|---------------------|
| | ACT-U.S. | ACT-Colombia | ACT-U.S. | | |
| REVENUE AND SUPPORT | | | | | |
| Contributions | \$ 1,042,498 | \$ 8,042 | \$ 20,090 | \$ - | \$ 1,070,630 |
| Grants | 21,150 | 1,460,209 | 2,088,880 | (712,074) | 2,858,165 |
| Investment income | 1,415 | 491 | - | - | 1,906 |
| Other | 3,234 | - | - | - | 3,234 |
| Net assets released from restrictions: | | | | | |
| Satisfaction of program restrictions | 2,035,307 | - | (2,035,307) | - | - |
| Satisfaction of time restrictions | 25,146 | - | (25,146) | - | - |
| TOTAL REVENUE AND SUPPORT | 3,128,750 | 1,468,742 | 48,517 | (712,074) | 3,933,935 |
| EXPENSES | | | | | |
| Program Services: | | | | | |
| Biodiversity | 1,287,158 | 1,039,780 | - | (291,155) | 2,035,783 |
| Culture | 561,343 | 371,462 | - | (363,419) | 569,386 |
| Health | 432,533 | 57,500 | - | (57,500) | 432,533 |
| Total Program Services | 2,281,034 | 1,468,742 | - | (712,074) | 3,037,702 |
| Supporting Services: | | | | | |
| General and administrative | 776,415 | - | - | - | 776,415 |
| Fundraising | 118,323 | - | - | - | 118,323 |
| Total Supporting Services | 894,738 | - | - | - | 894,738 |
| TOTAL EXPENSES | 3,175,772 | 1,468,742 | - | (712,074) | 3,932,440 |
| CHANGE IN NET ASSETS | (47,022) | - | 48,517 | - | 1,495 |
| NET ASSETS, BEGINNING OF YEAR | 999,739 | - | 1,268,205 | - | 2,267,944 |
| NET ASSETS, END OF YEAR | \$ 952,717 | \$ - | \$ 1,316,722 | \$ - | \$ 2,269,439 |

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

Increase (Decrease) in Cash and Cash Equivalents

| | <u>ACT-U.S.</u> | <u>ACT-Colombia</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Change in net assets | \$ 1,495 | \$ - | \$ - | \$ 1,495 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 52,984 | 4,978 | - | 57,962 |
| Donated stocks | (25,697) | - | - | (25,697) |
| Changes in assets and liabilities: | | | | |
| Grants and pledges receivable | (190,487) | 18,359 | - | (172,128) |
| Field operating advances | (33,499) | - | 9,128 | (24,371) |
| Prepaid expenses | 5,912 | - | - | 5,912 |
| Accounts payable and accrued expenses | (32,474) | (51,158) | - | (83,632) |
| Deferred revenue | (8,650) | 203,986 | (9,128) | 186,208 |
| Deferred lease incentives | (17,691) | - | - | (17,691) |
| Other liabilities | 14,387 | - | - | 14,387 |
| | <u>(233,720)</u> | <u>176,165</u> | <u>-</u> | <u>(57,555)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases of furniture and equipment | (29,566) | (4,978) | - | (34,544) |
| Proceeds from sales of donated stocks | 25,697 | - | - | 25,697 |
| | <u>(3,869)</u> | <u>(4,978)</u> | <u>-</u> | <u>(8,847)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | | | | |
| NET INCREASE (DECREASE) IN CASH CASH EQUIVALENTS | (237,589) | 171,187 | - | (66,402) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,867,533 | 28,736 | - | 1,896,269 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,629,944</u> | <u>\$ 199,923</u> | <u>\$ -</u> | <u>\$ 1,829,867</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | | |
| Leasehold improvements acquired under the operating lease | \$ 81,829 | \$ - | \$ - | \$ 81,829 |
| Deferred lease incentives included in the operating lease | (81,829) | - | - | (81,829) |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| NET CASH OUTLAY | | | | |



RAFFA

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
The Amazon Conservation Team and Affiliate

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the consolidated financial statements of The Amazon Conservation Team (ACT-U.S.) and Affiliate (collectively referred to as ACT) as of and for the year ended December 31, 2011, and our report thereon dated August 7, 2012 which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental combined information on pages 20 and 21, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Raffa, P.C.

RAFFA, P.C.

Washington, DC
August 7, 2012

THE AMAZON CONSERVATION TEAM AND AFFILIATE

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2011

| | <u>ACT-U.S.</u> | <u>ACT-Colombia</u> | <u>ACT-Suriname</u> | <u>ACT-Brazil</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,629,944 | \$ 199,923 | \$ 139,481 | \$ 346,736 | \$ - | \$ 2,316,084 |
| Grants and pledges receivable | 457,168 | 32,429 | 26,428 | 15,288 | (275) | 531,038 |
| Field operating advances | 207,202 | - | - | - | (207,202) | - |
| Prepaid expenses | 20,387 | - | 8,721 | - | - | 29,108 |
| Property and equipment, net | 186,959 | - | - | 56,763 | - | 243,722 |
| Security deposit | 4,287 | - | 5,500 | - | - | 9,787 |
| | <u>2,505,947</u> | <u>232,352</u> | <u>180,130</u> | <u>418,787</u> | <u>(207,477)</u> | <u>3,129,739</u> |
| TOTAL ASSETS | \$ 2,505,947 | \$ 232,352 | \$ 180,130 | \$ 418,787 | \$ (207,477) | \$ 3,129,739 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 29,383 | \$ 15,728 | \$ 121,166 | \$ 85,896 | \$ (275) | \$ 251,898 |
| Deferred revenue | - | 216,624 | 7,528 | - | (207,202) | 16,950 |
| Deferred lease incentives | 192,638 | - | - | - | - | 192,638 |
| Other liabilities | 14,487 | - | - | - | - | 14,487 |
| | <u>236,508</u> | <u>232,352</u> | <u>128,694</u> | <u>85,896</u> | <u>(207,477)</u> | <u>475,973</u> |
| TOTAL LIABILITIES | 236,508 | 232,352 | 128,694 | 85,896 | (207,477) | 475,973 |
| Net Assets | | | | | | |
| Unrestricted | 952,717 | - | - | - | - | 952,717 |
| Temporarily restricted | 1,316,722 | - | 51,436 | 332,891 | - | 1,701,049 |
| | <u>2,269,439</u> | <u>-</u> | <u>51,436</u> | <u>332,891</u> | <u>-</u> | <u>2,653,766</u> |
| TOTAL NET ASSETS | 2,269,439 | - | 51,436 | 332,891 | - | 2,653,766 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,505,947 | \$ 232,352 | \$ 180,130 | \$ 418,787 | \$ (207,477) | \$ 3,129,739 |

THE AMAZON CONSERVATION TEAM AND AFFILIATE

COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

| | <u>ACT-U.S.</u> | <u>ACT-Colombia</u> | <u>ACT-Suriname</u> | <u>ACT-Brazil</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| REVENUE AND SUPPORT | | | | | | |
| Contributions | \$ 1,062,588 | \$ 8,042 | \$ - | \$ - | \$ - | \$ 1,070,630 |
| Grants | 2,110,030 | 1,460,209 | 546,978 | 1,746,312 | (1,837,558) | 4,025,971 |
| Investment income | 1,415 | 491 | 159 | 5,743 | - | 7,808 |
| Other | 3,234 | - | 9,433 | 8,130 | - | 20,797 |
| | <u>3,177,267</u> | <u>1,468,742</u> | <u>556,570</u> | <u>1,760,185</u> | <u>(1,837,558)</u> | <u>5,125,206</u> |
| TOTAL REVENUE AND SUPPORT | | | | | | |
| EXPENSES | | | | | | |
| Program Services: | | | | | | |
| Biodiversity | 1,287,158 | 1,039,780 | 226,020 | 1,675,093 | (1,100,664) | 3,127,387 |
| Culture | 561,343 | 371,462 | 91,951 | - | (430,342) | 594,414 |
| Health | 432,533 | 57,500 | 272,723 | - | (306,552) | 456,204 |
| Total Program Services | <u>2,281,034</u> | <u>1,468,742</u> | <u>590,694</u> | <u>1,675,093</u> | <u>(1,837,558)</u> | <u>4,178,005</u> |
| Supporting Services: | | | | | | |
| General and administrative | 776,415 | - | - | - | - | 776,415 |
| Fundraising | 118,323 | - | - | - | - | 118,323 |
| Total Supporting Services | <u>894,738</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>894,738</u> |
| TOTAL EXPENSES | <u>3,175,772</u> | <u>1,468,742</u> | <u>590,694</u> | <u>1,675,093</u> | <u>(1,837,558)</u> | <u>5,072,743</u> |
| CHANGE IN NET ASSETS | 1,495 | - | (34,124) | 85,092 | - | 52,463 |
| NET ASSETS, BEGINNING OF YEAR BEFORE FOREIGN EXCHANGE TRANSLATION | 2,267,944 | - | 85,560 | 276,171 | - | 2,629,675 |
| Foreign exchange translation loss | - | - | - | (28,372) | - | (28,372) |
| NET ASSETS, BEGINNING OF YEAR | <u>2,267,944</u> | <u>-</u> | <u>85,560</u> | <u>247,799</u> | <u>-</u> | <u>2,601,303</u> |
| NET ASSETS, END OF YEAR | <u>\$ 2,269,439</u> | <u>\$ -</u> | <u>\$ 51,436</u> | <u>\$ 332,891</u> | <u>\$ -</u> | <u>\$ 2,653,766</u> |