



THE AMAZON CONSERVATION TEAM AND AFFILIATE

Consolidated Financial Statements and Supplemental Information

For the Year Ended December 31, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)



**and
Report Thereon**



THE AMAZON CONSERVATION TEAM AND AFFILIATE

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Amazon Conservation Team (ACT-U.S.) and Affiliate (collectively referred to as ACT), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACT as of December 31, 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited ACT's 2011 consolidated financial statements, and our report dated August 7, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, activities and cash flows are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa, P.C.

Raffa, P.C.

Washington, DC
July 31, 2013

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Summarized Financial Information as of December 31, 2011)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 1,431,171	\$ 1,829,867
Grants and pledges receivable	388,751	489,597
Field operating advances	35,471	198,074
Prepaid expenses	11,906	20,387
Property and equipment, net	151,614	186,959
Security deposit	3,916	4,287
TOTAL ASSETS	\$ 2,022,829	\$ 2,729,171
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 67,773	\$ 45,111
Deferred revenue	45,591	207,496
Deferred rent and lease incentives	147,552	192,638
Other liabilities	1,176	14,487
TOTAL LIABILITIES	262,092	459,732
Net Assets		
Unrestricted	1,070,613	952,717
Temporarily restricted	690,124	1,316,722
TOTAL NET ASSETS	1,760,737	2,269,439
TOTAL LIABILITIES AND NET ASSETS	\$ 2,022,829	\$ 2,729,171

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, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 1,416,363	\$ 56,548	\$ 1,472,911	\$ 1,070,630
Grants	326,680	1,111,062	1,437,742	2,858,165
Investment income	17,442	-	17,442	1,906
Other	4,079	-	4,079	3,234
Net assets released from restrictions:				
Satisfaction of program restrictions	1,774,118	(1,774,118)	-	-
Satisfaction of time restrictions	20,090	(20,090)	-	-
TOTAL REVENUE AND SUPPORT	3,558,772	(626,598)	2,932,174	3,933,935
EXPENSES				
Program Services:				
Biodiversity	1,611,593	-	1,611,593	2,035,783
Culture	688,247	-	688,247	569,386
Health	495,272	-	495,272	432,533
Total Program Services	2,795,112	-	2,795,112	3,037,702
Supporting Services:				
General and administrative	512,478	-	512,478	776,415
Fundraising	133,286	-	133,286	118,323
Total Supporting Services	645,764	-	645,764	894,738
TOTAL EXPENSES	3,440,876	-	3,440,876	3,932,440
CHANGE IN NET ASSETS	117,896	(626,598)	(508,702)	1,495
NET ASSETS, BEGINNING OF YEAR	952,717	1,316,722	2,269,439	2,267,944
NET ASSETS, END OF YEAR	\$ 1,070,613	\$ 690,124	\$ 1,760,737	\$ 2,269,439

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, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	2012 Total	2011 Total
	Biodiversity	Culture	Health		General and Administrative	Fundraising			
Salaries and benefits	\$ 300,116	\$ 356,305	\$ 251,178	\$ 907,599	\$ 284,514	\$ 100,076	\$ 384,590	\$ 1,292,189	\$ 1,816,204
Indigenous support	474,457	100,328	54,777	629,562	-	-	-	629,562	577,959
Subgrants	328,672	-	-	328,672	-	-	-	328,672	55,887
Consulting services	160,712	75,443	35,265	271,420	33,381	807	34,188	305,608	548,002
Project related	185,011	52,124	28,322	265,457	-	-	-	265,457	245,501
Occupancy and equipment	44,482	20,507	19,006	83,995	85,711	-	85,711	169,706	208,755
Travel	53,861	30,980	49,069	133,910	21,811	17,409	39,220	173,130	140,408
Telecommunications and office expense	11,761	12,394	23,103	47,258	17,846	4,819	22,665	69,923	65,152
Technology	6,610	11,497	9,310	27,417	27,775	4,336	32,111	59,528	81,751
Other	5,736	8,955	20,289	34,980	18,124	4,338	22,462	57,442	74,318
Publications	14,388	11,448	37	25,873	4,911	-	4,911	30,784	35,164
Meetings, trainings and workshops	1,637	2,827	4,299	8,763	18,405	1,501	19,906	28,669	31,464
Project and field equipment	14,355	5,439	617	20,411	-	-	-	20,411	36,640
Construction	9,795	-	-	9,795	-	-	-	9,795	15,235
TOTAL EXPENSES	\$ 1,611,593	\$ 688,247	\$ 495,272	\$ 2,795,112	\$ 512,478	\$ 133,286	\$ 645,764	\$ 3,440,876	\$ 3,932,440

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, 2012

(With Summarized Financial Information for the Year Ended December 31, 2011)

Increase (Decrease) in Cash and Cash Equivalents

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (508,702)	\$ 1,495
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	60,885	57,962
Donated stocks	(14,495)	(25,697)
Changes in assets and liabilities:		
Grants and pledges receivable	100,846	(172,128)
Field operating advances	162,603	(24,371)
Prepaid expenses	8,481	5,912
Security deposit and others	371	-
Accounts payable and accrued expenses	22,662	(83,632)
Deferred revenue	(161,905)	186,208
Deferred rent and lease incentives	(45,086)	(17,691)
Other liabilities	(13,311)	14,387
	<u>(387,651)</u>	<u>(57,555)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(25,540)	(34,544)
Proceeds from sales of donated stocks	14,495	25,697
	<u>(11,045)</u>	<u>(8,847)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(398,696)	(66,402)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,829,867</u>	<u>1,896,269</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,431,171</u>	<u>\$ 1,829,867</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing transaction:		
Donated stocks	<u>\$ 14,495</u>	<u>\$ 25,697</u>
Leasehold improvements acquired under the operating lease	\$ -	\$ 81,829
Deferred lease incentives included in the operating lease	-	(81,829)
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, 2012**

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, 2012**

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 \$627,422 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. Conversely, amounts that have been collected in advance but have not been earned are included in deferred revenue 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, 2012

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 1,768 Colombian Peso (COP) based on the market representative rate, the *Tasa de Cambio Representativa del Mercado*, at December 31, 2012. 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 1,756 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, 2012, \$318,751 of grants and pledges receivable are expected to be received in less than one year and the remaining \$70,000 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, 2012**

3. Property and Equipment and Accumulated Depreciation and Amortization

ACT held the following property and equipment as of December 31, 2012:

	ACT-U.S.	ACT- Colombia	Total
Leasehold improvements	\$ 210,329	\$ -	\$ 210,329
Computer equipment	41,434	37,104	78,538
Furniture, fixtures and equipment	29,736	19,357	49,093
Software and software development	11,395	-	11,395
Transportation fleet and equipment	-	2,144	2,144
Total Property and Equipment	292,894	58,605	351,499
Less: Accumulated Depreciation and Amortization	(141,280)	(58,605)	(199,885)
Property and Equipment, Net	\$ 151,614	\$ -	\$ 151,614

Depreciation and amortization expense was \$60,885 for the year ended December 31, 2012.

4. Temporarily Restricted Net Assets

As of December 31, 2012, temporarily restricted net assets were available for the following purposes:

Program restrictions:		
Biodiversity:		
Land management and protection		\$ 257,597
Program management		50,000
Land use documentation		15,106
Total Biodiversity		322,703
Culture:		
Educational opportunities		166,084
Traditional knowledge and culture preservation		29,394
Women's programs		32,000
Program management		15,106
Land and intellectual property rights		240
Total Culture		242,824

THE AMAZON CONSERVATION TEAM AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012**

4. Temporarily Restricted Net Assets (continued)

Health:		
Integrated health care access	\$	39,255
Program management		16,794
Healthcare knowledge capture and transmission		<u>12,000</u>
Total Health		<u>68,049</u>
Total Program Restrictions		<u>633,576</u>
Time restrictions:		
General support for future periods		<u>56,548</u>
Total Temporarily Restricted Net Assets	\$	<u><u>690,124</u></u>

5. Commitments and Risks

Operating Lease

In June 2006, ACT-U.S. entered into a noncancelable operating lease for its office space in Arlington, Virginia which 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 \$21,864 for the year ended December 31, 2012, and is included in occupancy and equipment in the accompanying consolidated statement of functional expenses.

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

For the Year Ending		
<u>December 31,</u>		
2013	\$	68,958
2014		71,027
2015		<u>73,158</u>
Total	\$	<u><u>213,143</u></u>

THE AMAZON CONSERVATION TEAM AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012**

5. Commitments and Risks (continued)

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, 2012, ACT had approximately \$1,280,000 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 \$780,000. 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 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. 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, 2012, assets in these countries totaled approximately \$109,000, which represents approximately 5% of ACT's total consolidated assets.

6. Related Party Transactions

ACT works through partnerships with Stichting Amazon Conservation Team Suriname (ACT-Suriname), which is located in Suriname. This foreign entity is a separately incorporated nonprofit organization. ACT provides significant financial support to this organization. However, ACT does not have control of ACT Suriname, 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 Act Suriname, which shares a similar mission and philosophy. The purpose of this MOA is for ACT and its related party to collaborate with indigenous people in conserving biodiversity, health and culture in tropical America. Under the MOA, ACT provides a majority of the foreign nonprofit organization's financial resources and technical assistance. This MOA also indicates that ACT, in collaboration with its partner, 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.

For the year ended December 31, 2012, ACT provided \$515,981 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, 2012, ACT-Suriname had outstanding

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

6. Related Party Transactions (continued)

field operating advances of \$35,471. The outstanding balance corresponds to restricted funds advanced to the country program for activities that were delayed until 2013 and are included in field operating advances in the accompanying consolidated statement of financial position.

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 (ACT-Brazil) until December 31, 2011. In 2012, the relationship between ECAM and ACT-U.S. was 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. In 2012, after receiving approval from the donor, ACT-U.S. transferred the remaining balance of the first year of this grant to ECAM. In addition, an agreement was reached with the Skoll Foundation such that the Foundation would 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. In relation to the Gordon and Betty Moore Foundation grant, ACT-U.S. and ECAM signed a one-year sub-grant agreement to fulfill the terms of the grant. During 2012, ACT-U.S. transferred the corresponding balance to ECAM, and the portion of the project funded by this grant containing Brazil-based activities also concluded in that year.

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. ACT-U.S.'s total pension expense was \$9,477 for the year ended December 31, 2012, and is included in salaries and benefits in the accompanying consolidated statement of functional expenses.

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).

Continued

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

7. Pension Plans (continued)

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 \$22,393 for the year ended December 31, 2012.

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, 2012, 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, 2012, 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, 2012, the statute of limitations for tax years 2009 through 2011 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, 2012, ACT-U.S. had no accruals for interest and/or penalties.

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, 2011, from which the summarized information was derived.

Continued

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

10. Subsequent Events

ACT's management has evaluated subsequent events through July 31, 2013 the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition of, or disclosure in, these consolidated financial statements.

SUPPLEMENTAL INFORMATION

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2012

	ACT-U.S.	ACT-Colombia	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 1,371,807	\$ 59,364	\$ -	\$ 1,431,171
Grants and pledges receivable	374,416	14,335	-	388,751
Field operating advances	50,014	-	(14,543)	35,471
Prepaid expenses	11,906	-	-	11,906
Property and equipment, net	151,614	-	-	151,614
Security deposit	3,916	-	-	3,916
	TOTAL ASSETS	\$ 73,699	\$ (14,543)	\$ 2,022,829
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 54,208	\$ 13,565	\$ -	\$ 67,773
Deferred revenue	-	60,134	(14,543)	45,591
Deferred rent and lease incentives	147,552	-	-	147,552
Other liabilities	1,176	-	-	1,176
	TOTAL LIABILITIES	73,699	(14,543)	262,092
Net Assets				
Unrestricted	1,070,613	-	-	1,070,613
Temporarily restricted	690,124	-	-	690,124
	TOTAL NET ASSETS	-	-	1,760,737
	TOTAL LIABILITIES AND NET ASSETS	\$ 73,699	\$ (14,543)	\$ 2,022,829

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Unrestricted		Temporarily	Eliminations	Total
	ACT-U.S.	ACT-Colombia	Restricted		
REVENUE AND SUPPORT					
Contributions	\$ 1,409,952	\$ 6,411	\$ 56,548	\$ -	\$ 1,472,911
Grants	-	1,386,520	1,111,062	(1,059,840)	1,437,742
Investment income	7,637	9,805	-	-	17,442
Other	4,079	-	-	-	4,079
Net assets released from restrictions:					
Satisfaction of program restrictions	1,774,118	-	(1,774,118)	-	-
Satisfaction of time restrictions	20,090	-	(20,090)	-	-
TOTAL REVENUE AND SUPPORT	<u>3,215,876</u>	<u>1,402,736</u>	<u>(626,598)</u>	<u>(1,059,840)</u>	<u>2,932,174</u>
EXPENSES					
Program Services:					
Biodiversity	1,275,108	878,862	-	(542,377)	1,611,593
Culture	681,836	455,120	-	(448,709)	688,247
Health	495,272	68,754	-	(68,754)	495,272
Total Program Services	<u>2,452,216</u>	<u>1,402,736</u>	<u>-</u>	<u>(1,059,840)</u>	<u>2,795,112</u>
Supporting Services:					
General and administrative	512,478	-	-	-	512,478
Fundraising	133,286	-	-	-	133,286
Total Supporting Services	<u>645,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,764</u>
TOTAL EXPENSES	<u>3,097,980</u>	<u>1,402,736</u>	<u>-</u>	<u>(1,059,840)</u>	<u>3,440,876</u>
CHANGE IN NET ASSETS	117,896	-	(626,598)	-	(508,702)
NET ASSETS, BEGINNING OF YEAR	<u>952,717</u>	<u>-</u>	<u>1,316,722</u>	<u>-</u>	<u>2,269,439</u>
NET ASSETS, END OF YEAR	<u>\$ 1,070,613</u>	<u>\$ -</u>	<u>\$ 690,124</u>	<u>\$ -</u>	<u>\$ 1,760,737</u>

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ (508,702)	\$ -	\$ -	\$ (508,702)
Adjustments to reconcile change in net assets to net used in operating activities:				
Depreciation and amortization	46,740	14,145	-	60,885
Donated stocks	(14,495)	-	-	(14,495)
Changes in assets and liabilities:				
Grants and pledges receivable	82,752	18,094	-	100,846
Field operating advances	157,188	-	5,415	162,603
Prepaid expenses	8,481	-	-	8,481
Security deposit and others	371	-	-	371
Accounts payable and accrued expenses	24,825	(2,163)	-	22,662
Deferred revenue	-	(156,490)	(5,415)	(161,905)
Deferred lease incentives	(45,086)	-	-	(45,086)
Other liabilities	(13,311)	-	-	(13,311)
NET CASH USED IN OPERATING ACTIVITIES	<u>(261,237)</u>	<u>(126,414)</u>	<u>-</u>	<u>(387,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of furniture and equipment	(11,395)	(14,145)	-	(25,540)
Proceeds from sales of donated stocks	14,495	-	-	14,495
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>3,100</u>	<u>(14,145)</u>	<u>-</u>	<u>(11,045)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(258,137)	(140,559)	-	(398,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,629,944</u>	<u>199,923</u>	<u>-</u>	<u>1,829,867</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,371,807</u>	<u>\$ 59,364</u>	<u>\$ -</u>	<u>\$ 1,431,171</u>
SUPPLEMENTAL CASH FLOW INFORMATION				
Noncash investing transaction:				
Donated stocks	<u>\$ 14,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,495</u>



Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

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

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, 2012, and our report thereon dated July 31, 2013, which expressed an unmodified 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 supplementary 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
July 31, 2013

THE AMAZON CONSERVATION TEAM AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2012

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>ACT-Suriname</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,371,807	\$ 59,364	\$ 114,133	\$ -	\$ 1,545,304
Grants and pledges receivable	374,416	14,335	18,476	-	407,227
Field operating advances	50,014	-	-	(50,014)	-
Prepaid expenses	11,906	-	7,777	-	19,683
Property and equipment, net	151,614	-	8,100	-	159,714
Security deposit	3,916	-	-	-	3,916
	<u>1,963,673</u>	<u>73,699</u>	<u>148,486</u>	<u>(50,014)</u>	<u>2,135,844</u>
TOTAL ASSETS	\$ 1,963,673	\$ 73,699	\$ 148,486	\$ (50,014)	\$ 2,135,844
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 54,208	\$ 13,565	\$ 52,991	\$ -	\$ 120,764
Deferred revenue	-	60,134	-	(50,014)	10,120
Deferred lease incentives	147,552	-	-	-	147,552
Other liabilities	1,176	-	-	-	1,176
	<u>202,936</u>	<u>73,699</u>	<u>52,991</u>	<u>(50,014)</u>	<u>279,612</u>
TOTAL LIABILITIES	202,936	73,699	52,991	(50,014)	279,612
Net Assets					
Unrestricted	1,070,613	-	-	-	1,070,613
Temporarily restricted	690,124	-	95,495	-	785,619
	<u>1,760,737</u>	<u>-</u>	<u>95,495</u>	<u>-</u>	<u>1,856,232</u>
TOTAL NET ASSETS	1,760,737	-	95,495	-	1,856,232
TOTAL LIABILITIES AND NET ASSETS	\$ 1,963,673	\$ 73,699	\$ 148,486	\$ (50,014)	\$ 2,135,844

THE AMAZON CONSERVATION TEAM AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>ACT-Suriname</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT					
Contributions	\$ 1,466,500	\$ 6,411	\$ -	\$ -	\$ 1,472,911
Grants	1,111,062	1,386,520	515,981	(1,575,821)	1,437,742
Investment income	7,637	9,805	911	-	18,353
Other	4,079	-	63,645	-	67,724
	<u>2,589,278</u>	<u>1,402,736</u>	<u>580,537</u>	<u>(1,575,821)</u>	<u>2,996,730</u>
TOTAL REVENUE AND SUPPORT					
	<u>2,589,278</u>	<u>1,402,736</u>	<u>580,537</u>	<u>(1,575,821)</u>	<u>2,996,730</u>
EXPENSES					
Program Services:					
Biodiversity	1,275,108	878,862	184,875	(710,869)	1,627,976
Culture	681,836	455,120	101,770	(314,473)	924,253
Health	495,272	68,754	249,833	(550,479)	263,380
	<u>2,452,216</u>	<u>1,402,736</u>	<u>536,478</u>	<u>(1,575,821)</u>	<u>2,815,609</u>
Total Program Services					
	<u>2,452,216</u>	<u>1,402,736</u>	<u>536,478</u>	<u>(1,575,821)</u>	<u>2,815,609</u>
Supporting Services:					
General and administrative	512,478	-	-	-	512,478
Fundraising	133,286	-	-	-	133,286
	<u>645,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,764</u>
Total Supporting Services					
	<u>645,764</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,764</u>
TOTAL EXPENSES	<u>3,097,980</u>	<u>1,402,736</u>	<u>536,478</u>	<u>(1,575,821)</u>	<u>3,461,373</u>
CHANGE IN NET ASSETS	(508,702)	-	44,059	-	(464,643)
NET ASSETS, BEGINNING OF YEAR	<u>2,269,439</u>	<u>-</u>	<u>51,436</u>	<u>-</u>	<u>2,320,875</u>
NET ASSETS, END OF YEAR	<u>\$ 1,760,737</u>	<u>\$ -</u>	<u>\$ 95,495</u>	<u>\$ -</u>	<u>\$ 1,856,232</u>