



the
Amazon
Conservation
Team

THE AMAZON CONSERVATION TEAM AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)



**and
Report Thereon**



THE AMAZON CONSERVATION TEAM AND AFFILIATE

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For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' 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, 2018, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Amazon Conservation Team Colombia (ACT-Colombia), which statements reflect total assets of \$206,262 as of December 31, 2018, and total revenue and support of \$3,194,775 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for ACT-Colombia, is based solely on the report of the other auditors. 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 auditors' 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

Continued

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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, based on our audit and the report of the other auditors, the 2018 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Prior Year Summarized Comparative Information

ACT's 2017 consolidated financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated July 17, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities and cash flows shown on pages 18 through 20 are presented for the purpose of additional analysis of the consolidated financial statements 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 supplementary 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 supplementary information, which insofar as it relates to ACT-Colombia, is based on the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Other Information

The combined schedules of financial position and activities shown on pages 21 and 22 have 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.

Marcum LLP

Washington, DC
July 15, 2019

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 5,010,937	\$ 6,421,603
Grants and pledges receivable	346,981	1,466,986
Field operating advances	9,323	42,669
Prepaid expenses	24,772	18,419
Investments	1,470,842	-
Property and equipment, net	174,784	217,418
Security deposit and other	9,056	9,314
	\$ 7,046,695	\$ 8,176,409
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 94,477	\$ 120,881
Deferred revenue	16,621	142,034
Due to related party	-	62,611
Deferred rent and lease incentives	4,387	4,466
	115,485	329,992
TOTAL LIABILITIES		
Net Assets		
Without donor restrictions	5,611,527	4,788,519
With donor restrictions	1,319,683	3,057,898
	6,931,210	7,846,417
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 7,046,695	\$ 8,176,409

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, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 4,231,336	\$ 313,645	\$ 4,544,981	\$ 4,621,642
Grants	383,250	779,004	1,162,254	3,025,142
In-kind contributions	302,132	-	302,132	174,020
Interest and investment income (loss), net	(137)	-	(137)	13,303
Other	750	-	750	3,058
Foreign currency valuation loss	(86,350)	-	(86,350)	(36,451)
Net assets released from restrictions:				
Satisfaction of program restrictions	2,281,484	(2,281,484)	-	-
Satisfaction of time restrictions	549,380	(549,380)	-	-
TOTAL REVENUE AND SUPPORT	7,661,845	(1,738,215)	5,923,630	7,800,714
EXPENSES				
Program Services:				
Biodiversity	4,036,142	-	4,036,142	3,423,653
Culture	801,002	-	801,002	1,349,168
Health	517,583	-	517,583	594,320
Total Program Services	5,354,727	-	5,354,727	5,367,141
Supporting Services:				
General and administrative	1,247,729	-	1,247,729	963,437
Fundraising	234,459	-	234,459	329,741
Total Supporting Services	1,482,188	-	1,482,188	1,293,178
TOTAL EXPENSES	6,836,915	-	6,836,915	6,660,319
CHANGE IN NET ASSETS BEFORE TRANSLATION ADJUSTMENT	824,930	(1,738,215)	(913,285)	1,140,395
Translation adjustment	(1,922)	-	(1,922)	(1,872)
CHANGE IN NET ASSETS	823,008	(1,738,215)	(915,207)	1,138,523
NET ASSETS, BEGINNING OF YEAR	4,788,519	3,057,898	7,846,417	6,707,894
NET ASSETS, END OF YEAR	\$ 5,611,527	\$ 1,319,683	\$ 6,931,210	\$ 7,846,417

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, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)

	Program Services			Supporting Services			2018 Total	2017 Total	
	Biodiversity	Culture	Health	Total Program Services	General and Administrative	Fundraising			Total Supporting Services
Salaries and benefits	\$ 653,039	\$ 227,134	\$ 251,547	\$ 1,131,720	\$ 402,562	\$ 200,491	\$ 603,053	\$ 1,734,773	\$ 1,663,866
Consulting services	319,461	88,829	117,478	525,768	317,882	-	317,882	843,650	836,368
Field transportation and logistics	749,368	64,804	17,692	831,864	-	-	-	831,864	807,743
Field-related consultants and other	734,705	70,126	8,262	813,093	-	-	-	813,093	846,176
Local communities support	434,002	229,301	22,962	686,265	-	-	-	686,265	482,857
Construction and land acquisition	521,776	5,603	25,259	552,638	-	-	-	552,638	1,018,114
Travel	85,468	14,236	13,713	113,417	119,319	19,726	139,045	252,462	153,479
Occupancy and equipment	39,552	35,482	32,852	107,886	105,073	-	105,073	212,959	196,245
Technology	31,237	22,142	3,754	57,133	57,557	5,904	63,461	120,594	94,887
Telecommunications and office expense	24,580	16,681	19,233	60,494	23,498	3,917	27,415	87,909	97,503
Organizational meetings and workshops	7,526	4,380	1,350	13,256	162,201	1,080	163,281	176,537	64,011
Project and field equipment	80,979	6,477	196	87,652	159	-	159	87,811	61,526
Other	24,458	14,623	1,083	40,164	36,255	3,341	39,596	79,760	91,159
Publications	27,859	1,184	2,202	31,245	23,223	-	23,223	54,468	63,630
Subgrants	-	-	-	-	-	-	-	-	8,735
Subtotal	3,734,010	801,002	517,583	5,052,595	1,247,729	234,459	1,482,188	6,534,783	6,486,299
Donated satellite imaging	302,132	-	-	302,132	-	-	-	302,132	174,020
TOTAL EXPENSES	\$ 4,036,142	\$ 801,002	\$ 517,583	\$ 5,354,727	\$ 1,247,729	\$ 234,459	\$ 1,482,188	\$ 6,836,915	\$ 6,660,319

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, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets before translation adjustment	\$ (913,285)	\$ 1,140,395
Translation adjustment	(1,922)	(1,872)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,997	54,884
Unrealized losses on investments	49,038	-
Changes in assets and liabilities:		
Grants and pledges receivable	1,120,005	(388,173)
Field operating advances	33,346	(42,669)
Prepaid expenses	(6,353)	11,159
Security deposit and other	258	(222)
Accounts payable and accrued expenses	(26,404)	11,574
Deferred revenue	(125,413)	138,067
Due to related party	(62,611)	60,914
Deferred rent and lease incentives	(79)	1,403
Other liabilities	-	(450)
	150,577	985,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,524,908)	-
Proceeds from sales of investments	5,028	-
Purchases of property and equipment	(41,363)	(194,412)
	(1,561,243)	(194,412)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,410,666)	790,598
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,421,603	5,631,005
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,010,937	\$ 6,421,603

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, 2018**

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 (the IRC).

The mission of ACT-U.S. is to partner with indigenous and other local communities to protect the tropical forest and strengthen traditional culture. ACT-US works in Colombia, Suriname and Brazil, where each project is managed in partnership with local communities sharing knowledge and experience.

Amazon Conservation Team Colombia (ACT-Colombia) is a nonprofit charitable organization registered under Colombia’s law as a subsidiary 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.

Basis of Presentation

The consolidated financial statements of ACT have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

ACT considers demand deposits, money market funds and all deposits with original maturities of three months or less to be cash and cash equivalents.

Investments

Investments consist of fixed-income and equity mutual funds and money market funds. The investments are recorded in the accompanying consolidated financial statements at their fair value, with gains and losses included in investment income in the consolidated statement of activities. Fair value is the price that would be received to sell an asset or liability through an orderly transaction between market participants at the measurement date.

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, ACT has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

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

Fair Value Measurement (continued)

Applicable financial assets and liabilities are categorized on the basis of the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that ACT has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2018, only ACT’s investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

All acquisitions of furniture, property and equipment greater than \$5,000 and an estimated useful life in excess of more than a year 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. Building and improvements are recorded at cost and are depreciated using the straight-line method over their useful lives of 45 years. 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.

Classification of Net Assets

ACT’s net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of ACT at the discretion of ACT’s management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes that portion unavailable for use at management’s discretion.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or future time periods. These donor restrictions can be temporary in nature in that they will be met by actions of ACT or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2018, ACT had no net assets with donor restrictions that are required to be maintained in perpetuity.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

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

Revenue Recognition

Grants and contributions are recognized as revenue in the accounting period in which they are received or when unconditional promises to give are made. Grants and contributions are considered available for general 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 revenue and support with donor restrictions 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restrictions. Grants and pledges receivable represent amounts unconditionally committed by grantors that ACT has not received as of year-end.

ACT also has grants and contracts that 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.

Donated Services

ACT received donated services primarily consisting of commercial satellite imagery to strengthen ACT's community-based conservation efforts in the diverse ecosystems of the Amazon rainforest. The value of these donated services is reflected in the accompanying consolidated statement of activities as in-kind contributions and is recorded at their estimated fair value.

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 functional expenses. The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area have been reported as an expense of that function. Direct salaries and benefits are allocated on the basis of time sheets. Costs such as occupancy, depreciation and amortization, and other administrative costs that benefit multiple functions are allocated proportionally on the basis of total direct costs incurred.

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 functional currency, ACT translates all assets and liabilities at the current rate at the date of

THE AMAZON CONSERVATION TEAM AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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

Foreign Currency Translation (continued)

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 3,250 Colombian Peso (COP) on the basis of on the market representative rate, the *Tasa de Cambio Representativa del Mercado*, at December 31, 2018. This is the official exchange rate published by the Central Bank of Colombia on a daily basis. The balances for ACT-Colombia reported in the consolidated statement of activities are translated at \$1 USD to 2,956 COP.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. ACT has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Grants and Pledges Receivable

As of December 31, 2018, \$316,981 of grants and pledges receivable were expected to be received in less than one year and the remaining \$30,000 was expected to be received in one to five years. No discount was recorded on grants and pledges receivable due in future years, as the discount is not significant to the consolidated financial statements taken as a whole. All grants and pledges receivable are deemed fully collectible.

During the year ended December 31, 2017, ACT was awarded a multiyear grant totaling \$1,000,000. \$500,000 of the total grant was contingent upon ACT meeting certain conditions. During the year ended December 31, 2018, ACT met the condition and recognized the remaining revenue of \$500,000. The full grant amount had been collected as of December 31, 2018.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

3. Investments and Fair Value Measurement

The following table summarizes ACT's investments measured at fair value on a recurring basis as of December 31, 2018, aggregated by the fair value hierarchy level with which those measurements were made:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed-income mutual funds ^(a)	\$ 1,165,596	\$ 1,165,596	\$ -	\$ -
Equity mutual funds ^(a)	269,933	269,933	-	-
Money market funds ^(b)	<u>35,313</u>	<u>35,313</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,470,842</u>	<u>\$ 1,470,842</u>	<u>\$ -</u>	<u>\$ -</u>

(a) *Mutual funds* – Level 1 investments include mutual funds and are valued at the net asset value of shares held at year-end. The funds have readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

(b) *Money market funds* – These funds are held in accounts that are actively traded, are priced using independent market prices in the primary trading market and are classified as Level 1 on the basis of the availability of quotes for identical assets.

For the year ended December 31, 2018, investment income consisted of the following:

Interest and dividends, net	\$ 48,901
Unrealized losses	<u>(49,038)</u>
Investment Loss, Net	<u>\$ (137)</u>

4. Property and Equipment and Accumulated Depreciation and Amortization

ACT held the following property and equipment as of December 31, 2018:

	<u>ACT-U.S.</u>	<u>ACT- Colombia</u>	<u>Total</u>
Leasehold improvements	\$ 210,329	\$ -	\$ 210,329
Building	-	150,804	150,804
Computer equipment	15,712	34,557	50,269
Furniture, fixtures and equipment	-	19,024	19,024
Software and software development	<u>137,361</u>	<u>-</u>	<u>137,361</u>
Total Property and Equipment	363,402	204,385	567,787
Less: Accumulated Depreciation and Amortization	<u>(335,202)</u>	<u>(57,801)</u>	<u>(393,003)</u>
Property and Equipment, Net	<u>\$ 28,200</u>	<u>\$ 146,584</u>	<u>\$ 174,784</u>

Continued

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

4. Property and Equipment and Accumulated Depreciation and Amortization (continued)

Depreciation and amortization expense was \$83,997 for the year ended December 31, 2018.

5. Net Assets

Net Assets Without Donor Restrictions

ACT’s net assets without donor restrictions are composed of undesignated amounts and board-designated amounts for a strategic reserve fund. As of December 31, 2018, ACT’s net assets without donor restrictions were as follows:

Undesignated – ACT-U.S.	\$ 4,574,467
Undesignated – ACT-Colombia	146,559
Board-designated strategic reserve fund	<u>890,501</u>
Total Net Assets Without Donor Restrictions	<u>\$ 5,611,527</u>

The board-designated strategic reserve fund was created to secure ACT’s long-term financial viability and address unforeseen adverse business events. In addition, the reserve may be used for one-time, nonrecurring expenses related to arising new programmatic initiatives that can build long-term capacity for ACT.

Net Assets With Donor Restrictions

As of December 31, 2018, net assets with donor restrictions were available as follows:

Subject to expenditure for specified purpose:	
Biodiversity	\$ 912,487
Culture	<u>93,551</u>
Total Subject to Expenditure for Specified Purpose	<u>1,006,038</u>
Subject to the passage of time:	
General support for future periods	<u>313,645</u>
Total Subject to the Passage of Time	<u>313,645</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,319,683</u>

6. Commitments and Risks

Operating Lease

In June 2006, ACT-U.S. entered into a noncancelable operating lease for its office space in Arlington, Virginia. The lease was amended several times and currently is set to expire on December 31, 2020. The amended lease also provides ACT-U.S. with an option to extend the lease term for an additional 48 months through December 31, 2024. The base rent increases annually based on scheduled increases provided for in the noncancelable operating lease.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6. Commitments and Risks (continued)

Operating Lease (continued)

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 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, is reflected as deferred rent and lease incentives in the accompanying consolidated statement of financial position.

Future minimum lease payments required under this lease are as follows:

<u>For the Year Ending December 31,</u>	
2019	\$ 77,572
2020	<u>79,124</u>
Total	<u>\$ 156,696</u>

Total rent expense attributable to ACT-U.S.'s office space was \$76,093 for the year ended December 31, 2018, and is included in occupancy and equipment in the accompanying consolidated statement of functional expenses.

Credit Risk

ACT-U.S. maintains its cash and cash equivalents with several U.S. commercial financial institutions, 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, 2018, ACT-U.S. had approximately \$4,978,000 composed of demand deposits, which exceeded the maximum limit insured by FDIC by approximately \$4,217,000. ACT-U.S. monitors the creditworthiness of these institutions 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. 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, 2018, assets in these countries totaled approximately \$209,450 which represented approximately 3% of ACT's total consolidated assets.

Concentration of Revenue Risk

For the year ended December 31, 2018, ACT recognized revenue of \$4,352,500 from four donors, which represents approximately 72% of ACT's total consolidated revenue and support, excluding the foreign currency valuation loss.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

7. Availability and Liquidity

ACT regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. ACT's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2018, were as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 5,010,937
Grants and pledges receivable	346,981
Investments	<u>1,470,842</u>
Total Financial Assets at Year-End	6,828,760
Less amounts not available to be used within one year:	
Multi-year grants and pledges receivable	(30,000)
Amounts restricted by donors with purpose restrictions	(1,006,038)
Amounts unavailable to management without Board approval:	
Board-designated strategic reserve fund	<u>(890,501)</u>
Total Financial Assets Available Within One Year	<u>\$ 4,902,221</u>

ACT has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of ACT throughout the year. This is done through monitoring and reviewing ACT's cash flow needs on a monthly basis. As a result, management is aware of the cyclical nature of ACT's cash flow related to ACT's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or to support organizational initiatives. ACT can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs. Additionally, ACT maintains board-designated net assets that ACT does not intend to spend for these purposes, but which could be made available for current operations with Board approval, if necessary.

8. Related-Party Transactions

During the years ended December 31, 2018 and 2017, ACT worked through partnerships with the following organizations: Stichting Amazon Conservation Team Suriname (ACT-Suriname), which is located in Suriname, and Synbio Consultoria Em Medio Ambiente (Synbio), which is located in Brazil. These foreign entities are separately incorporated nonprofit organizations. ACT provided significant financial support to these organizations. However, ACT did not have control of ACT-Suriname and Synbio, which would require consolidation under GAAP, as defined in FASB ASC Topic 958-810, *Not-for-Profit Entities – Consolidation*.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

8. Related-Party Transactions (continued)

ACT had entered into a memorandum of agreement (MOA) with each of these organizations, which share a similar mission and philosophy. The purpose of these MOAs were for ACT and its related parties to collaborate with local communities in conserving tropical forest in South America and strengthening its traditional culture. Under the MOAs, ACT provided a majority of the foreign nonprofit organizations' financial resources and technical assistance. Each MOA also indicated that ACT, in collaboration with its partner, would execute a majority of the fundraising activities and that those fundraising activities were subject to modification at any time by both parties' mutual consent.

For the year ended December 31, 2018, ACT provided \$1,052,043 to ACT-Suriname, and \$140,000 to Synbio for program and operational expenses. These expenses were covered with a combination of funds with and without donor restrictions. 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, 2018, ACT-Suriname and Synbio had outstanding field operating advances of \$1,521 and \$5,869, respectively. The outstanding balance corresponds to funds with donor restrictions advanced to the country program for activities that were delayed until 2019 and are included in field operating advances in the accompanying consolidated statement of financial position.

On February 1, 2019, in response to requests for partnership from indigenous communities in Brazil, and in consultation with local governmental agencies, ACT reestablished operations in Brazil by incorporating the Amazon Conservation Team Brasil (ACT-Brasil) as a local nonprofit charitable organization registered under Brazil's law. As a result, effective January 31, 2019, ACT-U.S. ended its partnership with and financial support to Synbio.

Additionally, on April 3, 2019, in order to operate in Europe, the bylaws of Amazon Conservation Team Europe (ACT-Europe) were amended to allow for the appointment of its board of directors, establishing a control relationship that will require ACT-Europe to be consolidated with ACT during the year ending December 31, 2019.

9. 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 2% 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 \$30,473 for the year ended December 31, 2018, 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

THE AMAZON CONSERVATION TEAM AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

9. Pension Plans (continued)

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 \$32,523 for the year ended December 31, 2018.

10. 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, 2018, 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) for programs developing its corporate objective in the year following the year in which the earnings or surplus is obtained.

ACT has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's 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. evaluated its uncertainty in income taxes for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which ACT-U.S. files tax returns; however, there are currently no audits in progress. It is ACT-U.S.'s policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

11. 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 GAAP. Accordingly, such information should be read in conjunction with ACT's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

12. Reclassification of Prior Year Balances

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

13. Subsequent Events

ACT's management has evaluated subsequent events through July 15, 2019, the date the consolidated financial statements were available to be issued. Aside from the matter disclosed in Note 8, there were no subsequent events identified that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

THE AMAZON CONSERVATION TEAM AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2018

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,956,397	\$ 54,540	\$ -	\$ 5,010,937
Grants and pledges receivable	346,981	-	-	346,981
Field operating advances	25,929	-	(16,606)	9,323
Prepaid expenses	24,772	-	-	24,772
Investments	1,470,842	-	-	1,470,842
Property and equipment, net	28,200	146,584	-	174,784
Security deposit and other	3,918	5,138	-	9,056
	<u>6,857,039</u>	<u>206,262</u>	<u>(16,606)</u>	<u>7,046,695</u>
TOTAL ASSETS	\$ 6,857,039	\$ 206,262	\$ (16,606)	\$ 7,046,695
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 68,026	\$ 26,451	\$ -	\$ 94,477
Deferred revenue	-	33,227	(16,606)	16,621
Deferred rent and lease incentives	4,387	-	-	4,387
	<u>72,413</u>	<u>59,678</u>	<u>(16,606)</u>	<u>115,485</u>
TOTAL LIABILITIES	72,413	59,678	(16,606)	115,485
Net Assets				
Without donor restrictions	5,464,968	146,559	-	5,611,527
With donor restrictions	1,319,658	25	-	1,319,683
	<u>6,784,626</u>	<u>146,584</u>	<u>-</u>	<u>6,931,210</u>
TOTAL NET ASSETS	6,784,626	146,584	-	6,931,210
TOTAL LIABILITIES AND NET ASSETS	\$ 6,857,039	\$ 206,262	\$ (16,606)	\$ 7,046,695

See independent auditors' report on supplementary information.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor Restrictions		With Donor Restrictions		Eliminations	Total
	ACT-U.S.	ACT-Colombia	ACT-U.S.	ACT-Colombia		
REVENUE AND SUPPORT						
Contributions	\$ 4,231,336	\$ -	\$ 313,645	\$ -	\$ -	\$ 4,544,981
Grants	-	3,190,571	775,000	4,004	(2,807,321)	1,162,254
In-kind contributions	302,132	-	-	-	-	302,132
Interest and investment income (loss), net	(137)	200	-	-	(200)	(137)
Other	750	-	-	-	-	750
Foreign currency valuation loss	(86,350)	-	-	-	-	(86,350)
Net assets released from restrictions:						
Satisfaction of program restrictions	2,264,012	17,472	(2,264,012)	(17,472)	-	-
Satisfaction of time restrictions	549,380	-	(549,380)	-	-	-
TOTAL REVENUE AND SUPPORT	7,261,123	3,208,243	(1,724,747)	(13,468)	(2,807,521)	5,923,630
EXPENSES						
Program Services:						
Biodiversity	3,656,724	2,518,139	-	-	(2,138,721)	4,036,142
Culture	780,391	669,739	-	-	(649,128)	801,002
Health	517,583	19,672	-	-	(19,672)	517,583
Total Program Services	4,954,698	3,207,550	-	-	(2,807,521)	5,354,727
Supporting Services:						
General and administrative	1,247,729	-	-	-	-	1,247,729
Fundraising	234,459	-	-	-	-	234,459
Total Supporting Services	1,482,188	-	-	-	-	1,482,188
TOTAL EXPENSES	6,436,886	3,207,550	-	-	(2,807,521)	6,836,915
CHANGE IN NET ASSETS BEFORE TRANSLATION ADJUSTMENT	824,237	693	(1,724,747)	(13,468)	-	(913,285)
Translation adjustment	-	(1,922)	-	-	-	(1,922)
CHANGE IN NET ASSETS	824,237	(1,229)	(1,724,747)	(13,468)	-	(915,207)
NET ASSETS, BEGINNING OF YEAR	4,640,731	147,788	3,044,405	13,493	-	7,846,417
NET ASSETS, END OF YEAR	\$ 5,464,968	\$ 146,559	\$ 1,319,658	\$ 25	\$ -	\$ 6,931,210

See independent auditors' report on supplementary information.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

CONSOLIDATING SCHEDULE OF CASH FLOWS

For the Year Ended December 31, 2018

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>Eliminations</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets before translation adjustment	\$ (900,510)	\$ (12,775)	\$ -	\$ (913,285)
Translation adjustment	-	(1,922)	-	(1,922)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	42,910	41,087	-	83,997
Unrealized losses on investments	49,038	-	-	49,038
Changes in assets and liabilities:				
Grants and pledges receivable	1,069,748	51,626	(1,369)	1,120,005
Field operating advances	81,875	-	(48,529)	33,346
Prepaid expenses	(6,353)	-	-	(6,353)
Security deposit and other	(1)	259	-	258
Accounts payable and accrued expenses	(21,226)	(6,547)	1,369	(26,404)
Deferred revenue	-	(173,942)	48,529	(125,413)
Due to related party	(62,611)	-	-	(62,611)
Deferred rent and lease incentives	(79)	-	-	(79)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>252,791</u>	<u>(102,214)</u>	<u>-</u>	<u>150,577</u>
 CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of investments	(1,524,908)	-	-	(1,524,908)
Proceeds from sales of investments	5,028	-	-	5,028
Purchases of property and equipment	<u>(22,725)</u>	<u>(18,638)</u>	<u>-</u>	<u>(41,363)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,542,605)</u>	<u>(18,638)</u>	<u>-</u>	<u>(1,561,243)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,289,814)	(120,852)	-	(1,410,666)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,246,211</u>	<u>175,392</u>	<u>-</u>	<u>6,421,603</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,956,397</u>	<u>\$ 54,540</u>	<u>\$ -</u>	<u>\$ 5,010,937</u>

See independent auditors' report on supplementary information.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

COMBINED SCHEDULE OF FINANCIAL POSITION

December 31, 2018

Unaudited

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>ACT-Suriname</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 4,956,397	\$ 54,540	\$ 50,888	\$ -	\$ 5,061,825
Grants and pledges receivable	346,981	-	139,862	(166)	486,677
Field operating advances	25,929	-	-	(18,128)	7,801
Prepaid expenses	24,772	-	3,065	-	27,837
Investments	1,470,842	-	-	-	1,470,842
Property and equipment, net	28,200	146,584	22,587	-	197,371
Security deposit and other	3,918	5,138	9,513	-	18,569
	<u>6,857,039</u>	<u>206,262</u>	<u>225,915</u>	<u>(18,294)</u>	<u>7,270,922</u>
TOTAL ASSETS	\$ 6,857,039	\$ 206,262	\$ 225,915	\$ (18,294)	\$ 7,270,922
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 68,026	\$ 26,451	\$ 71,403	\$ -	\$ 165,880
Deferred revenue	-	33,227	25,269	(16,606)	41,890
Due to related party	-	-	1,688	(1,688)	-
Deferred rent and lease incentives	4,387	-	-	-	4,387
	<u>72,413</u>	<u>59,678</u>	<u>98,360</u>	<u>(18,294)</u>	<u>212,157</u>
TOTAL LIABILITIES	72,413	59,678	98,360	(18,294)	212,157
Net Assets					
Without donor restrictions	5,464,968	146,559	38,505	-	5,650,032
With donor restrictions	1,319,658	25	89,050	-	1,408,733
	<u>6,784,626</u>	<u>146,584</u>	<u>127,555</u>	<u>-</u>	<u>7,058,765</u>
TOTAL NET ASSETS	6,784,626	146,584	127,555	-	7,058,765
TOTAL LIABILITIES AND NET ASSETS	\$ 6,857,039	\$ 206,262	\$ 225,915	\$ (18,294)	\$ 7,270,922

See independent auditors' report on other information.

THE AMAZON CONSERVATION TEAM AND AFFILIATE

COMBINED SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2018

Unaudited

	<u>ACT-U.S.</u>	<u>ACT-Colombia</u>	<u>ACT-Suriname</u>	<u>Eliminations</u>	<u>Total</u>
REVENUE AND SUPPORT					
Contributions	\$ 4,544,981	\$ -	\$ -	\$ -	\$ 4,544,981
Grants	775,000	3,194,575	1,431,602	(3,857,843)	1,543,334
In-kind contributions	302,132	-	-	-	302,132
Interest and investment income, net	(137)	200	15	(200)	(122)
Other	750	-	21,629	-	22,379
Foreign currency valuation loss	<u>(86,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,350)</u>
TOTAL REVENUE AND SUPPORT	<u>5,536,376</u>	<u>3,194,775</u>	<u>1,453,246</u>	<u>(3,858,043)</u>	<u>6,326,354</u>
EXPENSES					
Program Services:					
Biodiversity	3,656,724	2,518,139	937,065	(2,826,765)	4,285,163
Culture	780,391	669,739	43,001	(649,128)	844,003
Health	<u>517,583</u>	<u>19,672</u>	<u>380,087</u>	<u>(382,150)</u>	<u>535,192</u>
Total Program Services	<u>4,954,698</u>	<u>3,207,550</u>	<u>1,360,153</u>	<u>(3,858,043)</u>	<u>5,664,358</u>
Supporting Services:					
General and administrative	1,247,729	-	-	-	1,247,729
Fundraising	<u>234,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,459</u>
Total Supporting Services	<u>1,482,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,482,188</u>
TOTAL EXPENSES	<u>6,436,886</u>	<u>3,207,550</u>	<u>1,360,153</u>	<u>(3,858,043)</u>	<u>7,146,546</u>
CHANGE IN NET ASSETS BEFORE TRANSLATION ADJUSTMENT	(900,510)	(12,775)	93,093	-	(820,192)
Translation adjustment	<u>-</u>	<u>(1,922)</u>	<u>-</u>	<u>-</u>	<u>(1,922)</u>
CHANGE IN NET ASSETS	(900,510)	(14,697)	93,093	-	(822,114)
NET ASSETS, BEGINNING OF YEAR	<u>7,685,136</u>	<u>161,281</u>	<u>34,462</u>	<u>-</u>	<u>7,880,879</u>
NET ASSETS, END OF YEAR	<u>\$ 6,784,626</u>	<u>\$ 146,584</u>	<u>\$ 127,555</u>	<u>\$ -</u>	<u>\$ 7,058,765</u>

See independent auditors' report on other information.