

AMAZON CONSERVATION ASSOCIATION AND AFFILIATE

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Amazon Conservation Association ("ACA") (a nonprofit organization) and its affiliate, the Asociacion para la Conservacion del la Cuenca Amazonica ("ACCA"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We did not audit the financial statements of ACCA, an affiliated entity of ACA under common control and management, whose statements reflect total assets of \$1,732,533 and \$2,080,139 as of December 31, 2016 and 2015, respectively, and total revenue and support of \$2,723,229 and \$2,920,011, for the years 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 ACCA, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

Amazon Conservation Association and Affiliate
Independent Auditor's Report
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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 risk 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, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amazon Conservation Association and affiliate as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jane Warner & McQuade PA

November 14, 2017
Washington, DC

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,319,158	\$ 2,228,342
Investments	670	21,937
Accounts receivable	109,034	227,611
Grants receivable, current portion	1,735,416	848,404
Prepaid expenses	17,095	22,948
Total Current Assets	5,181,373	3,349,242
PROPERTY AND EQUIPMENT, NET	1,394,141	1,391,972
OTHER ASSETS		
Grants receivable, net of current portion	1,444,232	55,000
Security deposits	6,558	6,558
Total Other Assets	1,450,790	61,558
TOTAL ASSETS	\$ 8,026,304	\$ 4,802,772
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 175,770	\$ 37,581
Accrued expenses	30,718	12,202
Accrued taxes	43,589	41,654
Deferred revenue and rent	50,628	51,403
Total Liabilities	300,705	142,840
NET ASSETS		
Unrestricted	1,483,252	1,560,193
Temporarily restricted	6,242,347	3,099,739
Total Net Assets	7,725,599	4,659,932
TOTAL LIABILITIES AND NET ASSETS	\$ 8,026,304	\$ 4,802,772

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 750,196	\$ 6,130,255	\$ 6,880,451
Contracts revenue	478,168	-	478,168
Research facility income	533,011	7,631	540,642
Program services	43,904	42,120	86,024
In-kind contributions	12,242	-	12,242
Rental income	19,465	-	19,465
Interest and other income	13,199	1,227	14,426
Net assets released from restrictions	3,038,625	(3,038,625)	-
Total Revenue and Support	<u>4,888,810</u>	<u>3,142,608</u>	<u>8,031,418</u>
EXPENSES			
Program services:			
Protecting habitat	1,232,196	-	1,232,196
Science and education	1,708,851	-	1,708,851
Sustainable livelihoods	574,379	-	574,379
Threats and solutions	806,319	-	806,319
Total Program Services	<u>4,321,744</u>	<u>-</u>	<u>4,321,744</u>
Support services:			
Fundraising	111,152	-	111,152
Management and general	554,578	-	554,578
Total Support Services	<u>665,730</u>	<u>-</u>	<u>665,730</u>
Total Expenses	<u>4,987,474</u>	<u>-</u>	<u>4,987,474</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(98,664)	3,142,608	3,043,944
OTHER CHANGES			
Adjustment for sales tax liability	928	-	928
Realized gain on foreign currency exchange	569	-	569
Unrealized loss on foreign currency exchange	20,226	-	20,226
Total Other Changes	<u>21,723</u>	<u>-</u>	<u>21,723</u>
CHANGE IN NET ASSETS	(76,941)	3,142,608	3,065,667
NET ASSETS, beginning of year	<u>1,560,193</u>	<u>3,099,739</u>	<u>4,659,932</u>
NET ASSETS, end of year	<u>\$ 1,483,252</u>	<u>\$ 6,242,347</u>	<u>\$ 7,725,599</u>

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 647,193	\$ 2,089,119	\$ 2,736,312
Contracts revenue	368,114	-	368,114
Research facility income	504,435	12,140	516,575
Program services	65,990	27,488	93,478
In-kind contributions	110,594	-	110,594
Rental income	15,490	-	15,490
Interest and other income	19,863	351	20,214
Net assets released from restrictions	<u>2,776,459</u>	<u>(2,776,459)</u>	<u>-</u>
Total Revenue and Support	4,508,138	(647,361)	3,860,777
EXPENSES			
Program services:			
Protecting habitat	538,933	-	538,933
Science and education	1,996,990	-	1,996,990
Sustainable livelihoods	915,341	-	915,341
Threats and solutions	<u>910,567</u>	<u>-</u>	<u>910,567</u>
Total Program Services	4,361,831	-	4,361,831
Support services:			
Fundraising	99,011	-	99,011
Management and general	<u>582,633</u>	<u>-</u>	<u>582,633</u>
Total Support Services	681,644	-	681,644
Total Expenses	<u>5,043,475</u>	<u>-</u>	<u>5,043,475</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(535,337)	(647,361)	(1,182,698)
OTHER CHANGES			
Adjustment for sales tax liability	11,315	-	11,315
Realized gain on foreign currency exchange	65,627	-	65,627
Unrealized loss on foreign currency exchange	<u>(254,853)</u>	<u>-</u>	<u>(254,853)</u>
Total Other Changes	(177,911)	-	(177,911)
CHANGE IN NET ASSETS	(713,248)	(647,361)	(1,360,609)
NET ASSETS, beginning of year	<u>2,273,441</u>	<u>3,747,100</u>	<u>6,020,541</u>
NET ASSETS, end of year	<u>\$ 1,560,193</u>	<u>\$ 3,099,739</u>	<u>\$ 4,659,932</u>

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	PROGRAM SERVICES				SUPPORT SERVICES			
	PROTECTING HABITAT	SCIENCE AND EDUCATION	SUSTAINABLE LIVELIHOODS	THREATS AND SOLUTIONS	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Personnel								
Salaries	\$ 303,236	\$ 389,727	\$ 158,942	\$ 247,131	\$ 1,099,036	\$ 62,815	\$ 215,426	\$ 1,377,277
Payroll taxes	77,255	96,136	40,032	47,305	260,728	4,912	30,430	296,070
Employee benefits	138,474	171,011	71,679	82,260	463,424	7,011	51,382	521,817
Employer pension	1,833	3,822	1,038	4,112	10,805	2,235	4,453	17,493
Sub-total Personnel	520,798	660,696	271,691	380,808	1,833,993	76,973	301,691	2,212,657
Accounting	-	-	-	-	-	-	93,390	93,390
Bad debt	-	-	-	-	-	-	2,825	2,825
Business insurance	6,414	8,722	3,366	5,365	23,867	1,426	4,319	29,612
Depreciation and amortization	5,834	31,926	13,047	13,849	64,655	58	8,072	72,785
Field supplies and equipment	304	364	157	159	984	-	86	1,070
Grant award	248,265	392,855	54,205	103,672	798,997	-	7,163	806,160
Meetings and conferences	53,295	67,446	28,675	26,565	175,981	444	12,957	189,382
Miscellaneous	287	784	16	40	1,127	28	515	1,670
Office expense	30,246	38,023	15,493	16,795	100,557	1,943	7,744	110,244
Office supplies and equipment	77,616	92,851	40,885	43,704	255,056	288	22,430	277,774
Phone and communications	9,069	11,488	4,599	5,411	30,567	647	3,922	35,136
Postage and delivery	6,530	10,637	3,281	3,449	23,897	2,592	1,084	27,573
Printing and copying	16,902	23,497	9,181	8,724	58,304	3,200	4,604	66,108
Professional fees	105,863	139,904	61,096	103,786	410,649	11,686	28,417	450,752
Rent	23,828	37,293	12,529	27,752	101,402	11,323	27,285	140,010
Repairs and maintenance	14,637	17,858	7,564	8,636	48,695	440	4,904	54,039
Travel and entertainment	112,308	174,507	48,594	57,604	393,013	104	23,170	416,287
TOTAL EXPENSES	\$ 1,232,196	\$ 1,708,851	\$ 574,379	\$ 806,319	\$ 4,321,744	\$ 111,152	\$ 554,578	\$ 4,987,474

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	PROGRAM SERVICES				SUPPORT SERVICES			
	PROTECTING HABITAT	SCIENCE AND EDUCATION	SUSTAINABLE LIVELIHOODS	THREATS AND SOLUTIONS	TOTAL PROGRAM SERVICES	FUNDRAISING	MANAGEMENT AND GENERAL	TOTAL
Personnel								
Salaries	\$ 177,739	\$ 677,470	\$ 283,477	\$ 317,651	\$ 1,456,337	\$ 44,161	\$ 237,089	\$ 1,737,587
Payroll taxes	7,453	7,301	2,709	7,618	25,081	3,659	11,332	40,072
Employee benefits	25,027	106,144	44,592	47,633	223,396	5,298	32,677	261,371
Employer pension	3,845	3,766	1,397	3,929	12,937	1,887	5,846	20,670
Sub-total Personnel	214,064	794,681	332,175	376,831	1,717,751	55,005	286,944	2,059,700
Accounting	-	-	-	-	-	-	19,541	19,541
Bad debt	471	461	171	481	1,584	231	5,377	7,192
Business insurance	6,934	25,223	10,535	12,067	54,759	1,826	9,331	65,916
Depreciation and amortization	7,778	51,895	22,080	19,912	101,665	28	8,911	110,604
Field supplies and equipment	34,686	232,890	99,102	89,192	455,870	-	39,641	495,511
Grant award	129,368	398,398	245,745	168,600	942,111	-	11,118	953,229
Meetings and conferences	15,348	19,468	7,506	16,884	59,206	7,154	23,046	89,406
Miscellaneous	1,639	8,709	3,685	3,594	17,627	197	2,020	19,844
Office expense	7,008	32,010	13,481	13,956	66,455	1,288	8,999	76,742
Office supplies and equipment	2,455	6,795	2,802	3,695	15,747	829	3,441	20,017
Phone and communications	3,125	15,140	6,388	6,458	31,111	500	3,955	35,566
Postage and delivery	307	2,105	961	668	4,041	457	3,798	8,296
Printing and copying	4,628	21,613	9,110	9,346	44,697	810	5,913	51,420
Professional fees	50,826	199,169	83,430	92,305	425,730	12,162	67,442	505,334
Rent	19,123	37,416	15,075	24,593	96,207	7,788	27,846	131,841
Repairs and maintenance	4,300	23,707	10,040	9,662	47,709	442	5,252	53,403
Travel and entertainment	36,873	127,310	53,055	62,323	279,561	10,294	50,058	339,913
TOTAL EXPENSES	\$ 538,933	\$ 1,996,990	\$ 915,341	\$ 910,567	\$ 4,361,831	\$ 99,011	\$ 582,633	\$ 5,043,475

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,065,667	\$ (1,360,609)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization expense	72,785	110,604
Loss on disposal of property and equipment	5,933	247,034
(Gain) loss on foreign currency exchange rate	(20,795)	189,226
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	118,778	(151,363)
Grants receivable	(2,276,244)	668,164
Prepaid expenses	5,915	25,235
Increase (decrease) in liabilities:		
Accounts payable	135,983	8,306
Accrued expenses	18,516	110
Accrued taxes	1,261	6,116
Deferred revenue and rent	(775)	46,105
Net Cash Provided by (Used for) Operating Activities	1,127,024	(211,072)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(21,937)
Proceeds from sale of investments	21,267	-
Purchase of property and equipment	(57,475)	(61,191)
Net Cash Provided by (Used for) Investing Activities	(36,208)	(83,128)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,090,816	(294,200)
CASH AND CASH EQUIVALENTS, beginning of year	2,228,342	2,522,542
CASH AND CASH EQUIVALENTS, end of year	\$ 3,319,158	\$ 2,228,342

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

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE A – NATURE OF ORGANIZATION

The Amazon Conservation Association (“ACA”) was incorporated as a non-profit organization on December 27, 1999, in the District of Columbia. Its mission is to conserve the biological diversity of the Amazon Basin. This mission is accomplished through the implementation of field-based scientific and socio-economic programs that integrate research with natural resource management, conservation, training, education, and policy development to foster the sustainable use of natural resources, healthy local communities, ecological understanding, and habitat protection. These activities are funded primarily through contributions and grants from foundations and individuals.

The Asociación para la Conservación de la Cuenca Amazónica (“ACCA”) is a non-profit organization incorporated under the laws of Peru, also founded in December 1999. ACCA works with ACA toward the achievement of ACA’s organizational goals and objectives in Peru. ACCA’s programs are largely funded through contributions received from ACA plus a number of grants it has obtained directly.

Program Services

Protecting Habitat – ACA protects vital ecosystems by creating and managing conservation areas, including conservation areas managed by local, regional and national governments in Peru and Bolivia as well as alternative conservation areas, such as community or civil society-managed conservation concessions. ACA also promotes ecosystem-based land-use planning, and developing and supporting the creation of conservation corridors. ACA currently protects nearly one million acres of Amazonian rainforest through these mechanisms.

For example, in 2001, ACA established Los Amigos, the world’s first private conservation concession, which protects 360,000 acres of old-growth Amazonian forest at the base of the Andes in southeastern Peru. Then, in 2008, ACA, in collaboration with the Amazonian Haramba Queros native community, established the first conservation concession in Peru run by an indigenous community. In 2012, ACA supported the creation of four new community-run private conservation areas covering more than 46,700 acres, and helped to train these communities to patrol and monitor their reserves. Currently, ACA is supporting declaration of new protected areas in Peru and Bolivia.

Science and Education – ACA believes the world’s most diverse forests should also be its best-studied forests. Since 2004, ACA’s Los Amigos Biological Station, has been one of the most active research stations in the Amazon Basin. In 2005, ACA also created the Wayqecha Cloud Forest Biological Station, Peru’s only permanent research center focused on Andean cloud forest ecology and management. In 2010, ACA created the Villa Carmen Biological Station focused on tropical sustainable agriculture research and extension programs for surrounding communities. To date, ACA has granted more than 225 research scholarships, and generally hosts over 400 researchers annually at ACA’s stations in Peru.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)**

NOTE A – NATURE OF ORGANIZATION - continued

Program Services – continued

Science and Education – continued

ACA also aims to build the technical capacity of local citizens for conservation and sustainable management of natural resources, to strengthen regional capacity for environmental governance, and to ensure that the scientific results generated in its research stations reach decision-makers and the public. ACA's three biological stations have become centers for educational trips by local school children as well as leading training sites for local and international university groups.

Sustainable Livelihoods – ACA works to support communities' abilities to earn a living while protecting their natural resources. For example, since 1997, ACA's Brazil nut program has aided more than 500 Brazil nut harvesters, including many indigenous families, in gaining sustainable livelihoods while protecting over 1.8 million acres of rainforest through technical support, training, and certification. ACA also supports conservation-appropriate reforestation and agroforestry, microenterprises such as native fish farming, and community-based ecotourism. ACA is working to mitigate the impacts of infrastructure development in the southwest Amazon through the creation of the Manu-Tambopata Conservation Corridor, composed of a mosaic of conservation areas and sustainable use zones in the Madre de Dios region of Peru.

Threats and Solutions – Protecting the health of the Amazon requires understanding the larger forces at work in the region, identifying trends, and following threats as they emerge and develop. In 2015, ACA launched Monitoring of the Andean Amazon Project ("MAAP"), which merges a number of cutting-edge technologies to monitor deforestation in the Amazon in real time. The images are analyzed and findings are disseminated in an accessible, easy-to-understand format to policy makers, civil society, the media and the general public in a timely manner.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of ACA and ACCA (collectively referred to as the "Association"). Because they are under common control, these organizations have been consolidated as required under accounting principles generally accepted in the United States of America. All material intercompany accounts and transactions have been eliminated in the process of consolidation.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting

The Association prepares its consolidated financial statements on the accrual basis of accounting. Revenue and related assets are recognized when earned, and expenses and related liabilities are recognized as the obligations are incurred.

Cash and Cash Equivalents

The Association considers demand deposits, money market funds and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Foreign Currency Transactions

The Association records transactions of ACCA denominated in a foreign currency at the United States dollar equivalent as of the date of the transaction. Assets and liabilities of ACCA denominated in a foreign currency are revalued by the Association in United States dollars at the current exchange rate as of the consolidated statement of financial position date. Any resulting foreign currency gain or loss is recorded in the accompanying consolidated statement of activities as net unrealized foreign currency exchange gain or loss, as applicable. Realized and unrealized foreign currency exchange gain or loss is considered non-operating and is presented separately in the consolidated statements of activities.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. As of December 31, 2016 and 2015, management believes all receivables are fully collectible within a year or less; and therefore, no provision for allowance for doubtful accounts is deemed necessary.

Financial Statement Presentation

Financial statement preparation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic Not-for-Profit entities. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation - continued

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met by either actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. As of December 31, 2016 and 2015, the Association had no permanently restricted net assets.

Property and Equipment

Property and equipment purchased with a useful life greater than one year and are valued in excess of \$500 are capitalized and recorded at cost, and estimated fair value, if donated. Leasehold improvements are capitalized at cost and amortized over the lesser of the remaining life of the lease or the life of the asset. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Computers	3 years
Furniture and equipment	5-7 years
Vehicles	5 years
Buildings and leasehold improvements	15-39 years

Revenue Recognition

Grants and unconditional contributions are recorded when awarded or pledged and classified as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted grants and contributions whose restrictions are fulfilled in the same period are recorded as unrestricted support in the consolidated statements of activities. Allowance is made for uncollectible contributions based upon management's judgment, past collection experience and other relevant factors. Management believes all promises to give are fully collectible and no provision for doubtful promises to give is necessary.

Contracts revenue is treated as exchange transactions, in which revenue is earned when eligible expenditures, as defined in each contract, are incurred. Funds received but not yet earned are recorded as deferred revenue.

Research facility income is recognized upon the rental of space in the research facility.

Program services revenue is recognized in the year in which the program activity occurs.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In-kind Contributions

The Association recognizes in-kind contributions that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are recorded at fair value. For the years ended December 31, 2016 and 2015, in-kind contributions for legal services totaled \$10,829 and \$90,394, respectively. Additionally, for the years ended December 31, 2016 and 2015, donated technical services in geographic information systems totaled \$0 and \$8,048 respectively, donated rent totaled \$0 and \$12,152, respectively, and donated goods totaled \$1,413 and \$0, respectively.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the over-all support and management of the Association.

International Financial Reporting Standards Conversion

Certain disparities exist between current International Financial Reporting Standards (“IFRS”) and U.S. GAAP. ACCA’s financial statements are reported in accordance with IFRS, therefore, conversion of ACCA’s financial statements to conform to U.S. GAAP resulted in certain reclassifications, and are reflected in the accompanying consolidated financial statements.

NOTE C – INCOME TAXES

ACA is a 501(c)(3) organization, and is recognized as exempt from federal income tax, under Section 501(a) of the internal revenue code. ACA is, however, subject to tax on business income unrelated to its exempt purpose. ACCA is subject to income tax laws in Peru. Certain registry requirements are imposed in Peru and are applicable to and met by ACCA. During 2016 and 2015, ACCA did not qualify under Peru’s government tax laws to be exempt from general sales tax.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

(continued)

NOTE C – INCOME TAXES – continued

ACA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Management of ACCA believes ACCA meets taxing authority requirements and no additional liability or disclosure is required to the consolidated financial statements.

ACA's information returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Association's Form 990 information returns for the years 2012 through 2014 are open for a tax examination by the IRS, although no request has been made as of the date of these consolidated financial statements.

NOTE D – GRANTS RECEIVABLE

The following schedule summarizes the grants receivable as of December 31:

	<u>2016</u>	<u>2015</u>
Expected payments from grants receivable:		
Less than one year	\$ 1,735,416	\$ 848,404
Greater than one year	1,444,232	55,000
Total Grants Receivable	<u>\$ 3,179,648</u>	<u>\$ 903,404</u>

The Association believes that all amounts will be received when due. Therefore, no allowance for doubtful accounts was established as of December 31, 2016 and 2015.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 623,073	\$ 613,445
Buildings and leasehold improvements	602,533	1,055,837
Furniture and equipment	263,626	344,768
Vehicles	130,820	130,745
	<u>1,620,052</u>	<u>2,144,795</u>
Accumulated depreciation and amortization	<u>(457,765)</u>	<u>(752,823)</u>
Property and Equipment, Net	<u>\$ 1,162,287</u>	<u>\$ 1,391,972</u>

Depreciation and amortization expense totaled \$72,785 and \$110,604 for the years ended December 31, 2016 and 2015, respectively.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)**

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were designated by donors for the following purposes as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Protecting habitat	\$ 1,655,396	\$ 985,204
Science and education	1,059,848	1,037,488
Sustainable livelihoods	464,452	330,118
Threats and solutions	2,893,372	91,075
ACCA donations	169,280	655,854
Total	<u>\$ 6,242,348</u>	<u>\$ 3,099,739</u>

NOTE G – OPERATING LEASES

The Association leases facilities in the United States, Bolivia and Peru with varying lease terms ending in 2017 and 2020. Rent expense for the years ended December 31, 2016 and 2015 totaled \$140,010 and \$131,841, respectively. The future minimum payments of operating leases under non-cancelable lease agreements are as follows for years ending December 31:

December 31,	
2017	\$ 83,612
2018	83,612
2019	83,612
2020	83,612
	<u>\$ 334,448</u>

NOTE H – CONCENTRATION OF RISK

The Association's cash is composed of amounts in accounts at various financial institutions both in the United States and Peru. Although the amount at a United States bank may exceed the amount guaranteed by the Federal Deposit Insurance Corporation ("FDIC") at times, the Association has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2016 and 2015, the amount in excess of the United States FDIC limit was \$2,736,508 and \$1,283,283, respectively.

As of December 31, 2016 and 2015, the Association maintained a total of \$233,000 and \$623,012 in foreign financial institutions, respectively, which is not insured and is subject to foreign currency fluctuations and potential bank failure. The Association periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)**

NOTE I – RELATED PARTY TRANSACTIONS

ACA's president was also the Vice President of Programs for the Blue Moon Fund ("Blue Moon"), one of the Association's major funders, until August 1, 2015, when ACA's president became the Executive Director of the Andes Amazon Fund. ACA's president does not derive any personal benefit from these relationships, and has not and does not exert any unfair influence on the allocation of funds donated to ACA by either of the two entities.

During 2015 and 2016, ACA's Board Treasurer was a program officer at the MacArthur Foundation, however the Board Treasurer recuses herself from any decisions relating to ACA. ACA has received grants from the MacArthur Foundation for both years ended December 31, 2016 and 2015.

NOTE J – RETIREMENT PLAN

The Association established a qualified 403(b) Savings Plan covering eligible employees. The Association matches dollar for dollar of up to five percent of deferred compensation on behalf of each participant subject to the limitations established by the Internal Revenue Code. The Association's matching contributions for the years ended December 31, 2016 and 2015, totaled \$17,493 and \$20,670, respectively.

NOTE K – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through November 14, 2017 the date the consolidated financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure or recognition.

SUPPLEMENTAL INFORMATION



Independent Auditor's Report
on Supplementary Information

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

We have audited the consolidated financial statements of Amazon Conservation Association (“ACA”) and its affiliate, collectively referred to as the “Association”, a nonprofit organization, as of and for the years ended December 31, 2016 and 2015, and our report thereon dated November 14, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on page 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the four schedules on pages 18 through 21 are presented for the 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 companies, 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 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.

Jane Maresca & McQuade PA

November 14, 2017
Washington, DC

AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>ACA</u>	<u>ACCA</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,086,158	\$ 233,000	\$ -	\$ 3,319,158
Investments	670	-	-	670
Accounts receivable	96,035	12,999	-	109,034
Due from affiliate	36,695	91,137	(127,832)	-
Grants receivable, current portion	1,735,416	-	-	1,735,416
Prepaid expenses	13,095	4,000	-	17,095
Total Current Assets	<u>4,968,069</u>	<u>341,136</u>	<u>(127,832)</u>	<u>5,181,373</u>
PROPERTY AND EQUIPMENT, NET	2,744	1,391,397	-	1,394,141
OTHER ASSETS				
Grants receivable, net of current portion	1,444,232	-	-	1,444,232
Security deposits	6,558	-	-	6,558
Total Other Assets	<u>1,450,790</u>	<u>-</u>	<u>-</u>	<u>1,450,790</u>
TOTAL ASSETS	<u>\$ 6,421,603</u>	<u>\$ 1,732,533</u>	<u>\$ (127,832)</u>	<u>\$ 8,026,304</u>
CURRENT LIABILITIES				
Accounts payable	\$ 33,030	\$ 142,740	\$ -	\$ 175,770
Accrued expenses	30,718	-	-	30,718
Due to affiliate	127,832	-	(127,832)	-
Accrued taxes	-	43,589	-	43,589
Deferred revenue and rent	50,628	-	-	50,628
Total Liabilities	<u>242,208</u>	<u>186,329</u>	<u>(127,832)</u>	<u>300,705</u>
NET ASSETS				
Unrestricted	106,328	1,376,924	-	1,483,252
Temporarily restricted	6,073,067	169,280	-	6,242,347
Total Net Assets	<u>6,179,395</u>	<u>1,546,204</u>	<u>-</u>	<u>7,725,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,421,603</u>	<u>\$ 1,732,533</u>	<u>\$ (127,832)</u>	<u>\$ 8,026,304</u>

AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2015

	<u>ACA</u>	<u>ACCA</u>	<u>Eliminations</u>	<u>Consolidated</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,605,330	\$ 623,012	\$ -	\$ 2,228,342
Investments	21,937	-	-	21,937
Accounts receivable	170,499	57,112	-	227,611
Due from affiliate	25,169	5,048	(30,217)	-
Grants receivable, current portion	848,404	-	-	848,404
Prepaid expenses	18,948	4,000	-	22,948
Total Current Assets	<u>2,690,287</u>	<u>689,172</u>	<u>(30,217)</u>	<u>3,349,242</u>
PROPERTY AND EQUIPMENT, NET	1,005	1,390,967	-	1,391,972
OTHER ASSETS				
Grants receivable, net of current portion	55,000	-	-	55,000
Security deposits	6,558	-	-	6,558
Total Other Assets	<u>61,558</u>	<u>-</u>	<u>-</u>	<u>61,558</u>
TOTAL ASSETS	<u>\$ 2,752,850</u>	<u>\$ 2,080,139</u>	<u>\$ (30,217)</u>	<u>\$ 4,802,772</u>
CURRENT LIABILITIES				
Accounts payable	\$ 15,723	\$ 21,858	\$ -	\$ 37,581
Accrued expenses	12,202	-	-	12,202
Due to affiliate	30,217	-	(30,217)	-
Accrued taxes	-	41,654	-	41,654
Deferred revenue and rent	51,403	-	-	51,403
Total Liabilities	<u>109,545</u>	<u>63,512</u>	<u>(30,217)</u>	<u>142,840</u>
NET ASSETS				
Unrestricted	199,420	1,360,773	-	1,560,193
Temporarily restricted	2,443,885	655,854	-	3,099,739
Total Net Assets	<u>2,643,305</u>	<u>2,016,627</u>	<u>-</u>	<u>4,659,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,752,850</u>	<u>\$ 2,080,139</u>	<u>\$ (30,217)</u>	<u>\$ 4,802,772</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

	<u>ACA</u>	<u>ACCA</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 6,831,720	\$ 48,731	\$ -	\$ 6,880,451
Grants and contributions received from ACA	-	2,140,246	(2,140,246)	-
Contracts revenue	478,168	-	-	478,168
Research facility income	405,015	532,650	(397,023)	540,642
Program services	86,024	-	-	86,024
In-kind contributions	12,242	-	-	12,242
Rental income	19,465	-	-	19,465
Interest and other income	12,824	1,602	-	14,426
Total Revenue and Support	<u>7,845,458</u>	<u>2,723,229</u>	<u>(2,537,269)</u>	<u>8,031,418</u>
EXPENSES				
Program services				
Protecting habitat	343,633	888,563	-	1,232,196
Science and education	627,573	1,081,278	-	1,708,851
Sustainable livelihoods	109,577	464,802	-	574,379
Threats and solutions	334,791	471,528	-	806,319
Grants paid to affiliates	2,537,269	-	(2,537,269)	-
Total Program Services	<u>3,952,843</u>	<u>2,906,170</u>	<u>(2,537,269)</u>	<u>4,321,744</u>
Support services				
Fundraising	111,152	-	-	111,152
Management and general	245,373	309,205	-	554,578
Total Support Services	<u>356,525</u>	<u>309,205</u>	<u>-</u>	<u>665,730</u>
Total Expenses	<u>4,309,368</u>	<u>3,215,375</u>	<u>(2,537,269)</u>	<u>4,987,474</u>
CHANGES IN NET ASSETS FROM OPERATIONS	3,536,090	(492,146)	-	3,043,944
OTHER CHANGES				
Adjustment for additional contribution	-	928	-	928
Realized gain on foreign currency exchange	-	569	-	569
Unrealized gain on foreign currency exchange	-	20,226	-	20,226
Total Other Changes	<u>-</u>	<u>21,723</u>	<u>-</u>	<u>21,723</u>
CHANGE IN NET ASSETS	3,536,090	(470,423)	-	3,065,667
NET ASSETS, beginning of year	<u>2,643,305</u>	<u>2,016,627</u>	<u>-</u>	<u>4,659,932</u>
NET ASSETS, end of year	<u>\$ 6,179,395</u>	<u>\$ 1,546,204</u>	<u>\$ -</u>	<u>\$ 7,725,599</u>

**AMAZON CONSERVATION ASSOCIATION AND AFFILIATE
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	<u>ACA</u>	<u>ACCA</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE AND SUPPORT				
Grants and contributions	\$ 2,655,741	\$ 80,571	\$ -	\$ 2,736,312
Grants and contributions received from ACA	-	2,332,012	(2,332,012)	-
Contracts revenue	368,114	-	-	368,114
Research facility income	421,034	506,556	(411,015)	516,575
Program services	93,478	-	-	93,478
In-kind contributions	110,594	-	-	110,594
Rental income	15,490	-	-	15,490
Interest and other income	19,342	872	-	20,214
Total Revenue and Support	<u>3,683,793</u>	<u>2,920,011</u>	<u>(2,743,027)</u>	<u>3,860,777</u>
EXPENSES				
Program services				
Protecting habitat	320,466	218,467	-	538,933
Science and education	530,148	1,466,842	-	1,996,990
Sustainable livelihoods	291,151	624,190	-	915,341
Threats and solutions	348,797	561,770	-	910,567
Grants paid to affiliates	2,743,027	-	(2,743,027)	-
Total Program Services	<u>4,233,589</u>	<u>2,871,269</u>	<u>(2,743,027)</u>	<u>4,361,831</u>
Support services				
Fundraising	99,011	-	-	99,011
Management and general	325,457	257,176	-	582,633
Total Support Services	<u>424,468</u>	<u>257,176</u>	<u>-</u>	<u>681,644</u>
Total Expenses	<u>4,658,057</u>	<u>3,128,445</u>	<u>(2,743,027)</u>	<u>5,043,475</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(974,264)	(208,434)	-	(1,182,698)
OTHER CHANGES				
Adjustment for sales tax liability	-	11,315	-	11,315
Realized gain on foreign currency exchange	-	65,627	-	65,627
Unrealized loss on foreign currency exchange	-	(254,853)	-	(254,853)
Total Other Changes	<u>-</u>	<u>(177,911)</u>	<u>-</u>	<u>(177,911)</u>
CHANGE IN NET ASSETS	(974,264)	(386,345)	-	(1,360,609)
NET ASSETS, beginning of year	<u>3,617,569</u>	<u>2,402,972</u>	<u>-</u>	<u>6,020,541</u>
NET ASSETS, end of year	<u>\$ 2,643,305</u>	<u>\$ 2,016,627</u>	<u>\$ -</u>	<u>\$ 4,659,932</u>