

# THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Pachamama Alliance  
San Francisco, California

We have audited the accompanying financial statements of The Pachamama Alliance (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



**Goranson and Associates, Inc.**

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pachamama Alliance 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.

## **Report on Summarized Comparative Information**

We have previously audited The Pachamama Alliance's financial statements for the year ended December 31, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2018. 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 financial statements from which it has been derived.

*Goranson and Associates, Inc.*

September 19, 2019

Santa Rosa, CA

THE PACHAMAMA ALLIANCE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

(with summarized comparative totals for December 31, 2017)

	ASSETS		2018		2017
Current assets:					
Cash and cash equivalents		\$	881,640	\$	570,770
Short-term investments			12,188		19,698
Grants and contributions receivable			126,105		132,285
Prepaid expenses and deposits			221,472		100,114
Total current assets			1,241,405		822,867
Fixed assets:					
Furniture and equipment			-		70,698
Less accumulated depreciation			-		(70,698)
Net fixed assets			-		-
Other assets					
Cash advances			591		4,011
Other receivables			29,258		7,328
Total other assets			29,849		11,339
Total assets		\$	1,271,254	\$	834,206

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

(with summarized comparative totals for December 31, 2017)

LIABILITIES AND NET ASSETS		
	2018	2017
Current liabilities:		
Accounts payable	\$ 45,560	\$ 19,460
Accrued expenses	156,462	157,199
Deferred revenue	109,962	139,238
Notes payable	-	150,000
Total liabilities	311,984	465,897
Net assets:		
Without donor restriction	915,972	95,305
With donor restriction	43,298	273,004
Total net assets	959,270	368,309
Total liabilities and net assets	\$ 1,271,254	\$ 834,206

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with summarized comparative totals for the year ended December 31, 2017)

	Without Donor Restriction	With Donor Restriction	2018 Total	2017 Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
REVENUE AND SUPPORT:				
Grants and contributions	\$ 4,784,572	\$ 193,292	\$ 4,977,864	\$ 4,318,213
Trip income	513,288	-	513,288	383,064
Event income	473	-	473	2,219
Investment income	(851)	-	(851)	(1,009)
Other income	99,868	-	99,868	13,886
Net assets released from restriction	422,998	(422,998)	-	-
Total revenue and support	<u>5,820,348</u>	<u>(229,706)</u>	<u>5,590,642</u>	<u>4,716,373</u>
EXPENSES:				
Program expenses	4,022,273		4,022,273	3,502,410
Management and general	358,593		358,593	278,473
Fundraising	618,815		618,815	663,935
Total expenses	<u>4,999,681</u>		<u>4,999,681</u>	<u>4,444,818</u>
CHANGE IN NET ASSETS	<u>820,667</u>	<u>(229,706)</u>	<u>590,961</u>	<u>271,555</u>
NET ASSETS, BEGINNING	<u>95,305</u>	<u>273,004</u>	<u>368,309</u>	<u>96,754</u>
NET ASSETS, ENDING	<u>\$ 915,972</u>	<u>\$ 43,298</u>	<u>\$ 959,270</u>	<u>\$ 368,309</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with summarized comparative totals for the year ended December 31, 2017)

	Program	Management and General	Fundraising	2018 Total	2017 Total
Salaries and wages	\$ 1,358,751	\$ 141,169	\$ 264,692	\$ 1,764,612	\$ 1,555,761
Payroll taxes	115,720	12,023	22,543	150,286	131,514
Employee benefits	155,202	16,125	30,234	201,561	169,097
Outside services	356,894	12,935	165,446	535,275	748,905
Grants and awards	1,013,334	-	-	1,013,334	891,562
Travel	376,076	9,734	17,841	403,651	329,827
Conferences and meetings	64,810	10,903	55,696	131,409	123,123
Occupancy	118,252	12,441	23,036	153,729	152,400
Project expenses	295,790	-	-	295,790	102,619
Supplies	10,392	7,202	1,663	19,257	27,480
Promotion and film production	6,241	-	-	6,241	1,204
Communication	5,963	23,770	231	29,964	32,367
Postage and shipping	849	4,150	445	5,444	12,353
Printing and publications	4,888	3,121	7,107	15,116	13,328
Bank fees and charges	53,831	4,551	8,534	66,916	61,906
Databases and IT	34,725	92,246	696	127,667	61,141
Licenses and subscriptions	7,724	1,503	1,887	11,114	-
Interest expense	8,995	935	1,752	11,682	4,722
Insurance	7,219	718	1,651	9,588	9,456
Other	26,617	5,067	15,361	47,045	16,053
Total expenses	<u>\$ 4,022,273</u>	<u>\$ 358,593</u>	<u>\$ 618,815</u>	<u>\$ 4,999,681</u>	<u>\$ 4,444,818</u>

The accompanying notes are an integral part of these financial statements



THE PACHAMAMA ALLIANCE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with summarized comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 590,961	\$ 271,555
Adjustments to reconcile change in net assets to cash from operations		
Contributed securities	(163,053)	(163,053)
Net realized and unrealized gains and losses	(9)	(11)
(Increase) decrease in:		
Grants and contributions receivable	6,173	22,765
Deposits and prepaid expenses	(121,358)	1,879
Other assets	(18,510)	(6,074)
Increase (decrease) in:		
Accounts payable and accrued expenses	25,362	(270,998)
Deferred revenue	(29,276)	110,236
Total cash provided (used) by operations	<u>290,290</u>	<u>(33,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	240,418	157,457
Net change in investments	860	1,020
Disposal of property and equipment	(70,698)	-
Total cash provided by investing activities	<u>170,580</u>	<u>158,477</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments/proceeds from borrowing	(150,000)	150,000
Total cash (used) provided by financing activities	<u>(150,000)</u>	<u>150,000</u>
NET CHANGE IN CASH	310,870	274,776
CASH, beginning of year	<u>570,770</u>	<u>295,994</u>
CASH, end of year	<u>\$ 881,640</u>	<u>\$ 570,770</u>
Supplemental information:		
Cash paid for interest	<u>\$ 11,682</u>	<u>\$ 4,722</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1 ORGANIZATION

The Pachamama Alliance (PA) is a California nonprofit public benefit corporation that was organized in 1997. PA's mission is to partner with indigenous people of the Amazon rainforest to preserve their lands and culture and, using insights gained from that work, to educate and inspire individuals everywhere to bring forth a thriving, just and sustainable world. PA's main source of support is contributions, gifts and grants from foundations, corporations, and individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – PA reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

*Net Assets Without Donor Restriction* – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

*Net Assets With Donor Restriction* – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of PA to meet the stipulations or that become unrestricted at the date specified by the donor.

Net assets released from donor restriction – Assets with donor restriction are “released” to assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, PA reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Cash and Cash Equivalents – PA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Concentrations of Credit Risk – PA maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, PA held cash and cash equivalent balances in excess of federally insured limits. The amount in excess of the FDIC limit totaled \$360,314 at December 31, 2018.

Donation Receivable – Receivables are stated at the amount management expects to collect from outstanding balances. Allowances for non-payment of receivables are provided based on management's estimates. Management believes receivables at December 31, 2018 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded.

Investments – Investments consist of a social investment fund and are reported at their fair values in the statement of financial position. Note 3 provides further information about the fair value of investments. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Fair Value Measures – Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

*Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

*Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and equipment – PA capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are stated at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Contributions – Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restriction, which increases those net asset classes.

Donated Services and Items – Individuals volunteer their time and perform a variety of tasks that assist PA. The financial statements do not reflect the value of donated services and items because no reliable basis exists for determining an appropriate valuation.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – PA is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined PA is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of PA considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to PA's status as a not-for-profit entity. Management believes PA met the requirements to maintain its tax-exempt status and has not income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. PA's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Allocation Methodology – PA's expenses are allocated and presented on a functional basis, showing programmatic activities, fundraising, and administrative services. PA allocates expenses based on the organizational cost centers in which expenses are incurred. In certain instances, specifically major events, expenses are allocated between fundraising and program services based upon a systematic methodology. Administrative costs are allocated on the basis of usage.

Summarized Comparative Totals – The prior period information in these financial statements is not a complete presentation on conformity with generally accepted accounting principles. Such information should be read in conjunction with PA's financial statements for the year ended December 31, 2017 from which prior period information was derived.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 3 LIQUIDITY

The following reflects PA's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available within one year for general purposes includes \$43,298 restricted by time.

Financial assets:	
Cash and cash equivalents	\$ 893,828
Accounts receivable	<u>126,105</u>
Total financial assets	1,019,933
Financial assets, at year end	
Less those unavailable for general expenditures within one year due to:	
Restricted by donor (time or purpose)	(43,298)
Financial assets available to meet cash needs	
for general expenditure within one year	<u><u>\$ 976,635</u></u>

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at December 31, 2018:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Social Investment Fund		\$ 2,008	\$ 2,008
Equity Securities	<u>\$ 10,180</u>	<u>-</u>	<u>10,180</u>
Total	<u><u>\$ 10,180</u></u>	<u><u>\$ 2,008</u></u>	<u><u>\$ 12,188</u></u>

Investment earnings are as follows for the year ended December 31, 2018:

Unrealized gain (loss)	\$ (860)
Dividends and interest	<u>9</u>
Total	<u><u>\$ (851)</u></u>

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 5 ACCRUED PERSONAL TIME OFF

Accrued unpaid personal time off benefits are recognized as liabilities of PA. Accrued personal time off at December 31, 2018 is \$88,806.

NOTE 6 NOTES PAYABLE

PA has a \$550,000 revolving line of credit, which originated May 2008 and was amended April 2014. Bank advances on the credit line are payable on demand and carry an interest rate of one percent above the lenders prime rate and matures and is payable in full on March 2018. At December 31, 2018, the interest rate is 6 percent and there is a balance of \$0.

NOTE 7 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction as of December 31, 2018 are as follows:

Program Restricted	\$ 43,298
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NOTE 8 LEASE COMMITMENTS

PA is obligated under a lease commencing August 2011 and terminating July 2014 when it converted to month to month. The lease was renewed for a term of five years commencing July 1, 2016 and expiring June 30, 2021.

The following is a schedule of the minimum lease commitments for the year ending December 31:

2019	\$ 198,594
2020	201,060
2021	101,148

Rent expense under this lease was \$189,160.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 9           PRIOR PERIOD RESTATEMENT

PA has restated prior period accrued personal time off based on corrections determined in the current year.

NOTE 10          RELATED PARTY

A Board member also holds an executive position with the business that provided event services in the amount of \$288,333 for PA's annual outreach events in San Francisco and New York. Of this amount, \$11,000 was paid to the board member's business for services and the remainder was for payment to vendors contracted by the board member's business. There is no balance owed by PA at December 31, 2018.

NOTE 11          CHANGE IN ACCOUNTING PRINCIPLE

The financial statements have been changed to early adopt ASU 2016-14, changing to the new language of "without donor restriction" and "with donor restriction." This change has been applied to both the current year and the prior summarized information. As well, an addition to the summary of significant accounting policies in Note 2 has been written to disclose the allocation methodology used by PA, and the new liquidity note has been added in Note 3. The prior year change was only in terminology from "unrestricted" and "temporarily restricted" to "without donor restriction" and with "donor restriction." There was no change in the beginning net asset number.

NOTE 12          SUBSEQUENT EVENTS

PA has evaluated subsequent events through September 19, 2019, which is the date the financial statements were available to be issued and determined that there were no events occurring subsequent to December 31, 2018 that would have a material impact on PA's results of operations or financial position.