THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2016

Goranson and Associates, Inc.

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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, 2016, and the related statements of activities 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, 2016, 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. 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

October 30, 2017
Santa Rosa, California

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with summarized comparative totals for December 31, 2015)

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	$ 295,994	$ 670,885
Short-term investments	15,111	2,008
Grants and contributions receivable	155,049	77,420
Prepaid expenses and deposits	101,993	43,565
Total current assets	568,147	793,878
Fixed assets:		
Furniture and equipment	70,698	70,698
Less accumulated depreciation	(70,698)	(62,660)
Net fixed assets	-	8,038
Other assets		
Cash advances	42	-
Other receivables	5,223	2,400
Total other assets	5,265	50,000
Total assets	$ 573,412	$ 804,316

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with summarized comparative totals for December 31, 2015)

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Accounts payable	$ 276,294	$ 378,115
Accrued expenses	113,338	118,306
Deferred revenue	29,002	82,291
Notes payable	-	400,000
Total liabilities	418,634	978,712
Net assets:		
Unrestricted	(58,979)	(392,587)
Temporarily restricted	213,757	218,191
Total net assets	154,778	(174,396)
Total liabilities and net assets	$ 573,412	$ 804,316

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized comparative totals for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUE AND SUPPORT:				
Grants and contributions	$ 3,982,333	$ 74,789	$ 4,057,122	$ 3,342,138
Trip income	438,908	-	438,908	598,903
Event income, net	72,409	-	72,409	13,661
Investment income	1,057	-	1,057	(13,358)
Other income	2,426	-	2,426	4,213
Net assets released from restriction	79,223	(79,223)	-	-
Total revenue and support	4,576,356	(4,434)	4,571,922	3,945,557
EXPENSES:				
Program expenses	3,385,295		3,385,295	2,963,872
Management and general	295,522		295,522	337,607
Fundraising	561,931	-	561,931	471,123
Total expenses	4,242,748	-	4,242,748	3,772,602
CHANGE IN NET ASSETS	333,608	(4,434)	329,174	172,955
NET ASSETS, BEGINNING	(392,587)	218,191	(174,396)	(347,351)
NET ASSETS, ENDING	$ (58,979)	$ 213,757	$ 154,778	$ (174,396)

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized comparative totals for the year ended December 31, 2015)

	Program	Management and General	Fundraising	2016 Total	2015 Total
Salaries and wages	$ 1,213,176	$ 104,791	$ 158,757	$ 1,476,724	$ 1,339,388
Payroll taxes	95,759	9,576	14,364	119,699	117,892
Employee benefits	118,009	21,999	17,113	157,121	153,510
Outside services	446,124	31,123	267,474	744,721	498,914
Grants and awards	792,590	-	-	792,590	603,427
Travel	349,282	17,740	30,978	398,000	459,411
Conferences and meetings	71,938	14,184	44,217	130,339	114,711
Occupancy	87,759	11,598	13,541	112,898	102,955
Project expenses	86,558	-	-	86,558	193,414
Supplies	16,317	3,094	3,394	22,805	9,876
Promotion and film production	10,068	-	2,348	12,416	4,686
Communication	32,270	4,295	2,140	38,705	34,939
Postage and shipping	4,181	3,765	3,420	11,366	16,008
Printing and publications	8,938	893	1,341	11,172	14,100
Bank fees and charges	7,617	45,895	-	53,512	53,062
Databases and IT	11,774	2,937	(1,168)	13,543	16,169
Interest expense	-	12,635	-	12,635	19,647
Insurance	295	6,017	295	6,607	10,173
Depreciation	7,241	-	-	7,241	7,552
Other	25,399	4,980	3,717	34,096	2,768
Total expenses	$ 3,385,295	$ 295,522	$ 561,931	$ 4,242,748	$ 3,772,602

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized comparative totals for the year ended December 31, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 329,174	$ 172,955
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	7,241	7,552
Net realized and unrealized gains and losses	(12,047)	13,577
(Increase) decrease in:		
Grants and contributions receivable	(77,628)	420,219
Deposits and prepaid expenses	(58,428)	17,941
Other assets	(2,865)	47,600
Increase (decrease) in:		
Accounts payable and accrued expenses	(106,790)	149,063
Deferred revenue	(53,289)	(14,973)
Total cash provided by operations	25,368	813,934
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	(19,842)
Net change in investments	(1,056)	(14,663)
Acquisition (disposal) of property and equipment	797	1,900
Total cash used by investing activities	(259)	(32,605)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments/proceeds from borrowing	(400,000)	(497,072)
Total cash used by financing activities	(400,000)	(497,072)
NET CHANGE IN CASH	(374,891)	284,257
CASH, beginning of year	670,885	386,628
CASH, end of year	$ 295,994	$ 670,885
Supplemental information:		
Cash paid for interest	$ 12,635	$ 19,647

The accompanying notes are an integral part of these financial statements

NOTE 1 ORGANIZATION

The Pachamama Alliance (Alliance) is a California nonprofit public benefit corporation that was organized in 1997. The Alliance'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. The Alliance'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 – The Alliance reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – 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.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Alliance to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Alliance to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets released from restriction – Temporarily restricted net assets are "released" to unrestricted net assets 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, the Alliance 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 – The Alliance considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk – The Alliance maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times during the year, the Alliance held cash and cash equivalent balances in excess of federally insured limits. The amount in excess of the FDIC limit totaled $134,738.

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, 2016 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 4 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.

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 – The Alliance 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 temporarily restricted or permanently restricted revenue, which increases those net asset classes.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – The Alliance 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 The Alliance is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Alliance 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 the Alliance's status as a not-for-profit entity. Management believes the Alliance 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. The Alliance'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.

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 Activity. Accordingly, certain costs have been allocated among the programs and supporting services.

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 the Alliance's financial statements for the year ended December 31, 2015 from which prior period information was denied.

NOTE 3 NOTE RECEIVABLE

The Alliance holds a convertible promissory note in the amount of $50,000 originating July 2, 2012, and maturing July 2, 2015. Simple interest of six percent is due annually, on the unpaid principal sum. The note was paid off at December 31, 2016.

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, 2016:

Social Investment Fund	$ 15,111

Investment earnings are as follows for the year ended December 31, 2016:

Unrealized gain	$ 1,057

NOTE 5 NOTES PAYABLE

The Alliance has a $400,000 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 2016. At December 31, 2016, the interest rate is 5.5 percent and there is no balance.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 are as follows:

Program restricted	$ 213,757

NOTE 7 LEASE COMMITMENTS

The Alliance leases its offices under a three-year lease commending August 2011 and expiring July 2014, when the least converted to month to month. Total rent expense for the year ended December 31, 2016 is $110,056.

NOTE 8 RELATED PARTY

A Board member also holds an executive position with the business that provided event services in the amount of $246,923 for the Alliance's annual outreach events in San Francisco and New York. The balance owed by The Alliance at December 31, 2016 is $246,923.

NOTE 9 SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through October 30, 2017, which is the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2016 that would have a material impact on the Alliance's results of operations or financial position.