

THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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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, 2017, 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, 2017, 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, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

September 17, 2018

Santa Rosa, California

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(with summarized comparative totals for December 31, 2016)

	ASSETS	
	2017	2016
Current assets:		
Cash and cash equivalents	\$ 570,770	\$ 295,994
Short-term investments	19,698	15,111
Grants and contributions receivable	132,285	155,049
Prepaid expenses and deposits	100,114	101,993
Total current assets	822,867	568,147
Fixed assets:		
Furniture and equipment	70,698	70,698
Less accumulated depreciation	(70,698)	(70,698)
Net fixed assets	-	-
Other assets		
Cash advances	4,011	42
Other receivables	7,328	5,223
Total other assets	11,339	5,265
Total assets	\$ 834,206	\$ 573,412

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(with summarized comparative totals for December 31, 2016)

LIABILITIES AND NET ASSETS		
	2017	2016
Current liabilities:		
Accounts payable	\$ 19,460	\$ 276,294
Accrued expenses	157,199	171,362
Deferred revenue	139,238	29,002
Notes payable	150,000	-
Total liabilities	465,897	476,658
Net assets:		
Unrestricted	95,305	(117,003)
Temporarily restricted	273,004	213,757
Total net assets	368,309	96,754
Total liabilities and net assets	\$ 834,206	\$ 573,412

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with summarized comparative totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUE AND SUPPORT:				
Grants and contributions	\$ 3,950,497	\$ 367,716	\$ 4,318,213	\$ 4,057,122
Trip income	383,064	-	383,064	438,908
Event income	2,219	-	2,219	72,409
Investment income	(1,009)	-	(1,009)	1,057
Other income	13,886	-	13,886	2,426
Net assets released from restriction	308,469	(308,469)	-	-
Total revenue and support	<u>4,657,126</u>	<u>59,247</u>	<u>4,716,373</u>	<u>4,571,922</u>
EXPENSES:				
Program expenses	3,502,410		3,502,410	3,385,295
Management and general	278,473		278,473	295,522
Fundraising	663,935		663,935	561,931
Total expenses	<u>4,444,818</u>		<u>4,444,818</u>	<u>4,242,748</u>
CHANGE IN NET ASSETS	<u>212,308</u>	<u>59,247</u>	<u>271,555</u>	<u>329,174</u>
NET ASSETS, BEGINNING	(117,003)	213,757	96,754	(174,396)
Prior period adjustment	-	-	-	(58,024)
NET ASSETS, BEGINNING OF YEAR RESTATI	<u>(117,003)</u>	<u>213,757</u>	<u>96,754</u>	<u>(232,420)</u>
NET ASSETS, ENDING	<u>\$ 95,305</u>	<u>\$ 273,004</u>	<u>\$ 368,309</u>	<u>\$ 96,754</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, 2017
(with summarized comparative totals for the year ended December 31, 2016)

	Program	Management and General	Fundraising	2017 Total	2016 Total
Salaries and wages	\$ 1,115,147	\$ 131,684	\$ 308,930	\$ 1,555,761	\$ 1,476,724
Payroll taxes	94,267	11,132	26,115	131,514	119,699
Employee benefits	121,206	14,313	33,578	169,097	157,121
Outside services	575,297	15,689	157,919	748,905	744,721
Grants and awards	891,562	-	-	891,562	792,590
Travel	310,170	1,770	17,887	329,827	398,000
Conferences and meetings	53,108	6,904	63,111	123,123	130,339
Occupancy	109,239	12,899	30,262	152,400	112,898
Project expenses	102,619	-	-	102,619	86,558
Supplies	14,915	7,502	5,063	27,480	22,805
Promotion and film production	898	-	306	1,204	12,416
Communication	25,480	2,018	4,869	32,367	38,705
Postage and shipping	7,006	319	5,028	12,353	11,366
Printing and publications	7,109	338	5,881	13,328	11,172
Bank fees and charges	11,521	50,385	-	61,906	53,512
Databases and IT	56,758	1,059	3,324	61,141	13,543
Interest expense	-	4,722	-	4,722	12,635
Insurance	6,646	749	2,061	9,456	6,607
Depreciation	-	-	-	-	7,241
Other	(538)	16,990	(399)	16,053	34,096
Total expenses	<u>\$ 3,502,410</u>	<u>\$ 278,473</u>	<u>\$ 663,935</u>	<u>\$ 4,444,818</u>	<u>\$ 4,242,748</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, 2017
(with summarized comparative totals for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 271,555	\$ 329,174
Adjustments to reconcile change in net assets to cash from operations		
Contributed securities	(163,053)	-
Depreciation and amortization	-	7,241
Net realized and unrealized gains and losses	(11)	(12,047)
(Increase) decrease in:		
Grants and contributions receivable	22,765	(77,628)
Deposits and prepaid expenses	1,879	(58,428)
Other assets	(6,074)	(2,865)
Increase (decrease) in:		
Accounts payable and accrued expenses	(270,998)	(106,790)
Deferred revenue	110,236	(53,289)
Total cash (used) provided by operations	<u>(33,701)</u>	<u>25,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	157,457	-
Net change in investments	1,020	(1,056)
Acquisition (disposal) of property and equipment	-	797
Total cash provided (used) by investing activities	<u>158,477</u>	<u>(259)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments/proceeds from borrowing	<u>150,000</u>	<u>(400,000)</u>
Total cash provided (used) by financing activities	<u>150,000</u>	<u>(400,000)</u>
NET CHANGE IN CASH	274,776	(374,891)
CASH, beginning of year	<u>295,994</u>	<u>670,885</u>
CASH, end of year	<u>\$ 570,770</u>	<u>\$ 295,994</u>
Supplemental information:		
Cash paid for interest	<u>\$ 4,722</u>	<u>\$ 12,635</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 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 PA 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 PA 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, 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.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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 \$432,654 at December 31, 2017.

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, 2017 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, 2017

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 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 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, 2017

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.

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 PA's financial statements for the year ended December 31, 2016 from which prior period information was derived.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 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, 2017:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Social Investment Fund		\$ 2,008	\$ 2,008
Equity Securities	\$ 17,691	-	17,691
Total	<u>\$ 17,691</u>	<u>\$ 2,008</u>	<u>\$ 19,699</u>

Investment earnings are as follows for the year ended December 31, 2017:

Unrealized gain (loss)	\$ (1,020)
Dividends and interest	<u>11</u>
Total	<u>\$ (1,009)</u>

NOTE 4 ACCRUED PERSONAL TIME OFF

Accrued unpaid personal time off benefits are recognized as liabilities of PA. Accrued personal time off at December 31, 2017 is \$133,092.

NOTE 5 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, 2017, the interest rate is 6.0 percent and there is a balance of \$150,000. The line of credit was paid in full February 2018.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 are as follows:

Program restricted	\$ 56,646
Fiscal sponsorships	<u>216,358</u>
Total	<u>\$ 273,004</u>

NOTE 7 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:

2018	\$ 194,898
2019	198,594
2020	201,060
2021	101,148

Rent expense under this lease was \$66,524.

NOTE 8 PRIOR PERIOD RESTATEMENT

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

NOTE 9 RELATED PARTY

A Board member also holds an executive position with the business that provided event services in the amount of \$258,492 for PA's annual outreach events in San Francisco and New York. Of this amount, \$10,000 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, 2017.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10 SUBSEQUENT EVENTS

PA has evaluated subsequent events through September 17, 2018, which is the date the financial statements were available to be issued and determined that there were no events occurring subsequent to December 31, 2017 that would have a material impact on PA's results of operations or financial position.