

The Pachamama Alliance
Audited Financial Statements

For Year Ended December 31, 2011

Rubian Moss, CPA
A Professional Corporation

The Pachamama Alliance

Financial Statements

Year ended December 31, 2011

Contents

Independent Auditor's Report.....	1
Audited Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements.....	6

RUBIAN MOSS, CPA

A PROFESSIONAL CORPORATION

1901 OLYMPIC BOULEVARD

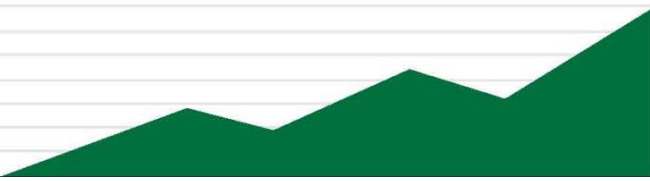
(925) 482-2626 PHONE

SUITE 200

(925) 482-2620 FAX

WALNUT CREEK, CA 94596

WWW.MOSSCPA.COM



Independent Auditor's Report

Board of Directors
The Pachamama Alliance
San Francisco, California

We have audited the accompanying statement of financial position of The Pachamama Alliance, a nonprofit organization, as of December 31, 2011 and the related statement of activities and changes in net assets, statement of cash flows, and statement of functional expenses for the year period then ended. These financial statements are the responsibility of The Pachamama Alliance's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pachamama Alliance at December 31, 2011 and the results of its activities and changes in net assets, its cash flows, and its functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rubian Moss, CPA

Oakland, California
May 4, 2012

The Pachamama Alliance

Statement of Financial Position

As of December 31, 2011

Assets

Current assets:

Cash and cash equivalents	\$	794,513
Investments <i>(Note 2)</i>		32,826
Pledges receivable, short-term <i>(Note 3)</i>		1,628,133
Prepaid expenses		38,301
Other assets		50,000

Total current assets 2,543,773

Pledges receivable, long-term, net *(Note 3)* 1,392,959

Deposits 11,776

Fixed assets, net *(Note 4)* 19,462

Total assets \$ 3,967,970

Liabilities and net assets

Current liabilities:

Accounts payable and accrued liabilities	\$	130,507
Deferred revenue		44,986
Note payable		350,000

Total current liabilities 525,493

Net assets:

Unrestricted		358,416
Temporarily restricted <i>(Note 5)</i>		3,084,061

Total net assets 3,442,477

Total liabilities and net assets \$ 3,967,970

See accompanying notes.

The Pachamama Alliance

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Changes in net assets:			
Support and revenue:			
Contributions	\$ 2,661,953	\$ 46,361	\$ 2,708,314
Trip income	656,406	-	656,406
Event income	6,258	-	6,258
Investment income	1,172	-	1,172
Other income	89,450	-	89,450
Net assets released from restrictions	1,308,697	(1,308,697)	-
Total support and revenue	4,723,936	(1,262,336)	3,461,600
Expenses:			
Program expenses	3,749,364	-	3,749,364
Management and general	330,325	-	330,325
Fundraising	470,109	-	470,109
Total expenses	4,549,798	-	4,549,798
Change in net assets	174,138	(1,262,336)	(1,088,198)
Net assets, beginning of period	184,278	4,346,397	4,530,675
Net assets, end of period	\$ 358,416	\$ 3,084,061	\$ 3,442,477

See accompanying notes.

The Pachamama Alliance

Statement of Cash Flows

For the year ended December 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ (1,088,198)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,584
Decrease in pledges receivable	1,222,115
Decrease in prepaid expenses	15,998
Increase in other assets	(47,142)
Increase in deposits	(4,215)
Increase in accounts payable and accrued liabilities	49,675
Decrease in deferred revenue	(64,914)
Net cash provided by operating activities	<u>89,903</u>
Investing activities	
Net change in investments	(21,403)
Acquisition of fixed assets	<u>(15,516)</u>
Net cash used in investing activities	(36,919)
Financing activities	
Increase in note payable	<u>350,000</u>
Net cash used in investing activities	350,000
Net change in cash	402,984
Cash, beginning of period	<u>391,529</u>
Cash, end of period	<u><u>\$ 794,513</u></u>

See accompanying notes.

The Pachamama Alliance

Statement of Functional Expenses

For the year ended December 31, 2011

	Program Services	Management and General	Fundraising	Total
Grants and allocations	\$ 791,166	\$ -	\$ -	\$ 791,166
Wages	792,818	94,070	200,515	1,087,403
Employee benefits	75,978	14,002	960	90,940
Payroll taxes	65,568	10,472	17,522	93,562
Supplies	56,190	30,961	12,338	99,489
Communication	8,092	16,139	1,481	25,712
Postage and shipping	3,893	2,003	737	6,633
Occupancy	104,652	154	-	104,806
Printing and publications	18,187	2,116	3,277	23,580
Travel	474,307	50,444	9,146	533,897
Depreciation	-	6,584	-	6,584
Bank fees and charges	12,903	23,271	15,152	51,326
Outside services	1,263,697	43,866	115,747	1,423,310
Conferences and meetings	24,612	15,700	83,050	123,362
Other	1,003	2,691	3,100	6,794
Interest	-	6,043	-	6,043
Databases and IT	13,186	3,014	-	16,200
Insurance	81	5,409	575	6,065
Promotion	41,977	657	6,509	49,143
Training	1,054	2,729	-	3,783
Total	\$ 3,749,364	\$ 330,325	\$ 470,109	\$ 4,549,798

See accompanying notes.

The Pachamama Alliance

Notes to Financial Statements

For the year ended December 31, 2011

1. Organization and Summary of Significant Accounting Policies

Organization

The Pachamama Alliance (“Pachamama”) is a California nonprofit public benefit corporation that was organized in 1997 to preserve the Earth’s tropical rainforests by empowering the indigenous people who are its natural custodians and to contribute to the creation of a new global vision of equality and sustainability for all. The Internal Revenue Service and the California Franchise Tax Board have determined that Pachamama is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Operating 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.

Cash

Cash consists of checking accounts with an original maturity of three months or less. Financial instruments that potentially subject Pachamama to concentrations of credit risk include cash and cash equivalents. Cash deposits are generally federally insured in limited amounts. Cash is stated at fair market value.

The Pachamama Alliance

Notes to Financial Statements (continued)

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

Net Assets

Pachamama reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Pachamama reports using two classifications of net assets. A description of each classification of net assets is as follows:

Temporarily restricted net assets carry restrictions that expire upon passage of a prescribed period or upon occurrence of a stated event as specified by the donor.

Unrestricted net assets are composed of all resources not included in temporarily restricted net assets. All expenses are recorded as a reduction to unrestricted net assets.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted net support that increase that net asset class. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a specific purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are reported as unrestricted contributions.

The Pachamama Alliance

Notes to Financial Statements (continued)

2. Fair Value Measurements

Pachamama's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that 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). The levels of fair value hierarchy are as follow:

Level 1 — Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 — Inputs include quoted prices for similar assets 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 from the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 — Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Pachamama's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Pachamama carries investments in marketable securities held at Charles Schwab with readily determinable fair market values and ranked as Level 1 assets. At December 31, 2011 investments consist of the following:

	<u>Amount</u>
Marketable securities	\$ 32,826

3. Pledges Receivable

Pachamama discounts pledges that are receivable at a date more than one year in the future at 4%. Pledges receivable at December 31, 2011 consist of the following:

	<u>Amount</u>
Pledges due within one year	\$ 1,628,133
Long-term pledges	1,477,774
Discount to present value	<u>(84,815)</u>
Net	\$ 3,021,092

The Pachamama Alliance

Notes to Financial Statements (continued)

4. Fixed Assets

Pachamama follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$1,000. Depreciation is computed on a straight-line basis over the useful lives of the assets.

Fixed assets at December 31, 2011 consist of the following:

	<u>Amount</u>
Furniture and equipment	\$ 46,190
Website	11,250
Accumulated depreciation	<u>(37,978)</u>
Net	\$ 19,462

Depreciation expense for the year ended December 31, 2011 was \$6,584.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 consist of the following:

	<u>Amount</u>
Contributions restricted for use	\$ 62,969
Contributions restricted by time	<u>3,021,092</u>
Total	\$ 3,084,061

6. Concentration of Credit Risk

Cash

Financial instruments which potentially subject Pachamama to concentrations of credit risk consist principally of cash. Pachamama maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. Pachamama has not experienced any losses in such accounts.

The Pachamama Alliance

Notes to Financial Statements (continued)

7. Operating Leases

Pachamama leases its office in San Francisco under a lease agreement ending July 31, 2014. The lease calls for an initial monthly payments of \$11,102.

	<u>Year Ending</u>	<u>Amount</u>
Minimum lease payments	2012	\$ 133,224
Minimum lease payments	2013	133,224
Minimum lease payments	2014	<u>77,714</u>
		\$ 344,162

Rent expense for the year ended December 31, 2011 was \$103,647.

8. Subsequent Events

Pachamama has evaluated all subsequent events through May 4, 2012, the date through which the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.