

THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2012

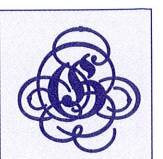


TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-13

INDEPENDENT AUDITOR'S REPORT

To the 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, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management Responsibility for the Financial Statements

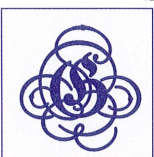
Management is responsible for the preparation and presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair 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 of material misstatements.

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 of 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.

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Opinion

In our opinion, the financial statements referred to the above present fairly, in all material respects, the financial position of the Pachamama Alliance as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended accordance with accounting principles generally accepted in the United States of America.

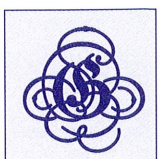
Other Matters

The financial statements of the Pachamama Alliance as of December 31, 2011, were audited by other auditors whose report dated May 4, 2012, expressed an unqualified opinion on those statements

goranson and associates, inc.

July 1, 2013

Santa Rosa, California



THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

(with summarized comparative totals for December 31, 2011)

	ASSETS	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 271,743	\$ 794,513
Short-term investments	3,695	32,826
Grants and contributions receivable	416,278	-
Pledges receivable, current	-	1,628,133
Prepaid expenses and deposits	57,037	50,077
Total current assets	<u>748,753</u>	<u>2,505,549</u>
Fixed assets:		
Furniture and equipment	60,333	57,439
Less accumulated depreciation	(44,191)	(37,977)
Net fixed assets	<u>16,142</u>	<u>19,462</u>
Other assets		
Note receivable	50,000	50,000
Pledges receivable, long-term	-	1,392,959
Total other assets	<u>50,000</u>	<u>1,442,959</u>
Total assets	<u><u>\$ 814,895</u></u>	<u><u>\$ 3,967,970</u></u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(with summarized comparative totals for December 31, 2011)

	2012	2011
	<u>2012</u>	<u>2011</u>
Current liabilities:		
Accounts payable	\$ 84,545	\$ 41,645
Accrued expenses	98,858	88,862
Deferred revenue	68,605	44,986
Notes payable	610,000	350,000
Total liabilities	<u>862,008</u>	<u>525,493</u>
Net assets:		
Unrestricted	(297,113)	358,416
Temporarily restricted	250,000	3,084,061
Total net assets	<u>(47,113)</u>	<u>3,442,477</u>
Total liabilities and net assets	<u>\$ 814,895</u>	<u>\$ 3,967,970</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(with summarized comparative totals for the year ended December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE AND SUPPORT:				
Grants and contributions	\$ 2,865,754	\$ 250,000	\$ 3,115,754	\$ 2,708,314
Trip income	538,027	-	538,027	656,406
Event income, net	35,195	-	35,195	6,258
Investment income	2,975	-	2,975	1,172
Other income	59,554	-	59,554	89,450
Net assets released from restriction	62,969	(62,969)	-	-
Total revenue and support	<u>3,564,474</u>	<u>187,031</u>	<u>3,751,505</u>	<u>3,461,600</u>
EXPENSES:				
Program expenses	3,371,676		3,371,676	3,749,364
Management and general	318,587		318,587	330,325
Fundraising	500,157		500,157	470,109
Total expenses	<u>4,190,420</u>		<u>4,190,420</u>	<u>4,549,798</u>
CHANGE IN NET ASSETS	<u>(625,946)</u>	<u>187,031</u>	<u>(438,915)</u>	<u>(1,088,198)</u>
NET ASSETS, BEGINNING	358,416	3,084,061	3,442,477	4,530,675
Prior period adjustment:				
Change in accounting policy	-	(3,021,092)	(3,021,092)	-
Prior period correction	(29,583)	-	(29,583)	-
Beginning net assets, restated	<u>328,833</u>	<u>62,969</u>	<u>391,802</u>	<u>4,530,675</u>
NET ASSETS, ENDING	<u>\$ (297,113)</u>	<u>\$ 250,000</u>	<u>\$ (47,113)</u>	<u>\$ 3,442,477</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, 2012
(with summarized comparative totals for the year ended December 31, 2011)

	Program	Management and General	Fundraising	2012 Total	2011 Total
Salaries and wages	\$ 1,190,901	\$ 80,545	\$ 223,868	\$ 1,495,314	1,087,403
Payroll taxes	104,848	5,701	21,353	131,902	93,562
Employee benefits	116,321	21,307	23,708	161,336	90,940
Outside services	345,080	45,547	115,663	506,290	1,423,310
Grants and awards	853,022	4,422	-	857,444	791,166
Travel	430,445	24,162	16,552	471,159	533,897
Conferences and meetings	120,762	10,513	50,685	181,960	127,145
Occupancy	111,724	9,409	18,517	139,650	104,806
Supplies	32,474	21,559	3,972	58,005	99,489
Promotion	3,348	99	-	3,447	49,143
Communication	3,918	16,473	825	21,216	25,712
Postage and shipping	6,624	5,090	1,040	12,754	6,633
Printing and publications	8,629	731	6,387	15,747	23,580
Bank fees and charges	13,458	28,496	6,111	48,065	51,326
Databases and IT	8,607	12,387	8,648	29,642	16,200
Interest expense	-	18,182	-	18,182	6,043
Insurance	3,348	4,028	-	7,376	6,065
Depreciation	-	6,214	-	6,214	6,584
Other	18,167	3,722	2,828	24,717	6,794
Total expenses	<u>\$ 3,371,676</u>	<u>\$ 318,587</u>	<u>\$ 500,157</u>	<u>\$ 4,190,420</u>	<u>\$ 4,549,798</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, 2012
(with summarized comparative totals for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (438,915)	\$ (1,088,198)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	6,214	6,584
(Increase) decrease in:		
Grants and contributions receivable	(416,278)	-
Pledges receivable	-	1,222,115
Deposits and prepaid expenses	(6,960)	11,783
Other assets	-	(47,142)
Increase (decrease) in:		
Accounts payable and accrued expenses	23,313	49,675
Deferred revenue	23,619	(64,914)
Total cash (used) provided by operations	<u>(809,007)</u>	<u>89,903</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	29,131	-
Net change in investments	-	(21,403)
Acquisition of property and equipment	(2,894)	(15,516)
Total cash provided (used) in investing activities	<u>26,237</u>	<u>(36,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing	260,000	350,000
Total cash provided in financing activities	<u>260,000</u>	<u>350,000</u>
NET CHANGE IN CASH	(522,770)	402,984
CASH, beginning of year	<u>794,513</u>	<u>391,529</u>
CASH, end of year	<u><u>\$ 271,743</u></u>	<u><u>\$ 794,513</u></u>
Supplemental information:		
Cash paid for interest	<u><u>\$ 18,182</u></u>	<u><u>\$ 6,043</u></u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 ALLIANCE

The Pachamama Alliance ("The Alliance") 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 Sections 501(c)(3) and the California Revenue and Taxation Code Section 23701(d).

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.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Alliance financial statements issued by other auditors for the year ended December 31, 2011, from which the summarized information was derived.

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

Promises to Give/ Pledges Receivable and Change in Accounting Policy – Management has elected to omit promises to give (pledges receivable) for the fiscal year ended December 31, 2012.

Accounts 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, 2012 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments - Investments 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.

Property and equipment - The Alliance capitalizes all expenditures for property and equipment in excess of \$1,000. 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.

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.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS

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 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.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS, continued

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.

The following table sets forth, by level within the fair value hierarchy, the Alliance's assets measured at fair value on a recurring basis at December 31, 2012:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 1,523	\$ -	\$ 1,523
Social Investment Fund	-	1,996	1,996
Benefit Corporation Common Stock	-	175	175
	<u>\$ 1,523</u>	<u>\$ 2,171</u>	<u>\$ 3,694</u>

NOTE 5 NOTES PAYABLE

The Alliance has a \$550,000 revolving line of credit, which originated May 2008 and was amended April 2012. 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 February 19, 2014. At December 31, 2012, the interest rate is 5.75 percent and the balance is \$550,000.

The Alliance has a note payable to an officer of the corporation which originated in November 2012 and matures February 2014. Interest only payments are due quarterly and accrue at an annual rate of 4.25 percent. The principal balance due at December 31, 2012 is \$60,000.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are monies awarded with either program or time restrictions for future or multi-year programs.

THE PACHAMAMA ALLIANCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 LEASE COMMITMENTS

The Alliance leases its offices under a three year lease commencing August 2011 and expiring July 2014. Total rent expense for the year ended December 31, 2012 is 137,442.

Future minimum lease payments are as follows at December 31:

2012	\$ 133,218
2013	77,711

NOTE 8 PRIOR PERIOD ADJUSTMENTS

Management has elected to change their policies around "intentions to give" and not record intentions to give as income and increases in temporarily restricted net assets for the year ended December 31, 2012. In previous years intentions to give were recorded as income and increases in temporarily restricted net assets in accordance with accounting principles generally accepted in the United States of America for the treatment of pledges (promises to give). As a result, beginning temporarily restricted net assets for fiscal year 2012 are reduced by the amount by \$3,021,092 as all were intentions to give rather than promises to give.

Certain errors resulting in an understatement of previously reported Journey expenses were discovered during the current year. Accordingly, a net adjustment of \$29,583 was made during the year ended December 31, 2012 to write down expenses and properly state unrestricted net assets.

NOTE 9 SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through July 1, 2013, which is the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2012 that would have a material impact on the Alliance's results of operations or financial position.