THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2013

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 statement of financial position of The Pachamama Alliance (a nonprofit organization) as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from The Pachamama Alliance's 2012 financial statements and, in our report dated July 1, 2013 we expressed an unqualified opinion on those 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 theses financial statements based on our audit. We conducted out audit in accordance with auditing standards generally accepted in the United State 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.

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, 2013, 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.

Goranson and Associates, Inc.

August 8, 2014
Santa Rosa, California

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(with summarized comparative totals for December 31, 2012)

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	$ 386,628	$ 271,743
Short-term investments	7,338	3,695
Grants and contributions receivable	177	416,278
Pledges receivable	94,286	-
Prepaid expenses and deposits	48,775	57,037
Total current assets	537,204	748,753
Fixed assets:		
Furniture and equipment	66,783	60,333
Less accumulated depreciation	(50,505)	(44,191)
Net fixed assets	16,278	16,142
Other assets		
Note receivable	50,000	50,000
Total other assets	50,000	50,000
Total assets	$ 603,482	$ 814,895

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(with summarized comparative totals for December 31, 2012)

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities:		
Accounts payable	$ 49,550	$ 84,545
Accrued expenses	44,000	98,858
Deferred revenue	50,200	68,605
Notes payable	199,979	610,000
Total liabilities	343,729	862,008
Net assets:		
Unrestricted	(112,266)	(297,113)
Temporarily restricted	372,019	250,000
Total net assets	259,753	(47,113)
Total liabilities and net assets	$ 603,482	$ 814,895

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(with summarized comparative totals for the year ended December 31, 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
REVENUE AND SUPPORT:				
Grants and contributions	$ 3,768,693	$ 495,671	$ 4,264,364	$ 3,115,754
Trip income	597,892	-	597,892	538,027
Event income, net	5,777	-	5,777	35,195
Investment income	1,306	-	1,306	2,975
Other income	3,012	-	3,012	59,554
Net assets released from restriction	373,652	(373,652)	-	-
Total revenue and support	4,750,332	122,019	4,872,351	3,751,505
EXPENSES:				
Program expenses	3,734,085		3,734,085	3,371,676
Management and general	299,404		299,404	318,587
Fundraising	531,996		531,996	500,157
Total expenses	4,565,485		4,565,485	4,190,420
CHANGE IN NET ASSETS	184,847	122,019	306,866	(438,915)
NET ASSETS, BEGINNING	(297,113)	250,000	(47,113)	3,442,477
Prior period adjustment:				
Change in accounting policy	-	-	-	(3,021,092)
Prior period correction	-	-	-	(29,583)
Beginning net assets, restated	(297,113)	250,000	(47,113)	391,802
NET ASSETS, ENDING	$ (112,266)	$ 372,019	$ 259,753	$ (47,113)

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(with summarized comparative totals for the year ended December 31, 2012)

	Program	Management and General	Fundraising	2013 Total	2012 Total
Salaries and wages	$ 1,275,294	$ 57,857	$ 240,845	$ 1,573,996	$ 1,495,314
Payroll taxes	112,079	21,167	9,906	143,152	131,902
Employee benefits	113,746	21,421	21,481	156,648	161,336
Outside services	682,908	37,796	94,897	815,601	506,290
Grants and awards	824,094	1,000	-	825,094	857,444
Travel	400,667	20,441	33,449	454,557	471,159
Conferences and meetings	109,631	3,635	70,108	183,374	181,960
Occupancy	86,779	7,670	16,388	110,837	139,650
Supplies	11,213	10,528	8,640	30,381	58,005
Promotion	13,396	-	613	14,009	3,447
Communication	12,578	14,817	1,963	29,358	21,216
Postage and shipping	879	5,698	1,363	7,940	12,754
Printing and publications	9,200	8,887	7,301	25,388	15,747
Bank fees and charges	12,368	24,755	21,525	58,648	48,065
Databases and IT	52,028	21,852	575	74,455	29,642
Interest expense	-	12,761	-	12,761	18,182
Insurance	4,218	4,626	292	9,136	7,376
Depreciation	-	6,314	-	6,314	6,214
Other	13,007	18,179	2,650	33,836	24,717
Total expenses	$ 3,734,085	$ 299,404	$ 531,996	$ 4,565,485	$ 4,190,420

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(with summarized comparative totals for the year ended December 31, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 306,866	$ (438,915)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	6,314	6,214
(Increase) decrease in:		
Grants and contribtuions receivable	321,815	(416,278)
Deposits and prepaid expenses	8,262	(6,960)
Increase (decrease) in:		
Accounts payable and accrued expenses	(89,853)	23,313
Deferred revenue	(18,405)	23,619
Total cash provided (used) by operations	534,999	(809,007)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	(1,242)	29,131
Net change in investments	(2,401)	-
Acquisition of property and equipment	(6,450)	(2,894)
Total cash (used) provided by investing activities	(10,093)	26,237
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments/proceeds from borrowing	(410,021)	260,000
Total cash (used) provided by financing activities	(410,021)	260,000
NET CHANGE IN CASH	114,885	(522,770)
CASH, beginning of year	271,743	794,513
CASH, end of year	$ 386,628	$ 271,743
Supplemental information:		
Cash paid for interest	$ 12,761	$ 18,182

The accompanying notes are an integral part of these financial statements

NOTE 1 ORGANIZATION

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 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

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, 2012, from which the summarized information was derived.

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.

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, 2013.

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, 2013 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded.

Investments - Investments 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Comparative 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's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

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.

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, 2013:

Level 1:	
Common Stock	$ 5,155

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, 2013, the interest rate is 5.5 percent and the balance is $199,979.

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.

NOTE 7 LEASE COMMITMENTS

The Alliance leases its offices under a three year lease commending August 2011 and expiring July 2014. Total rent expense for the year ended December 31, 2013 is 110,837.

Future minimum lease payments are as follows at December 31:

2014	$ 77,711

NOTE 9 SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through August 8, 2014, which is the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2013 that would have a material impact on the Alliance's results of operations or financial position.