

# THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2015



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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, 2015, 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.



## 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, 2015, 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, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Goranson and Associates, Inc.*

August 9, 2016

Santa Rosa, California



THE PACHAMAMA ALLIANCE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

(with summarized comparative totals for December 31, 2014)

	ASSETS	
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 670,885	\$ 365,525
Short-term investments	2,008	2,183
Grants and contributions receivable	77,420	497,638
Prepaid expenses and deposits	43,565	61,506
Total current assets	<u>793,878</u>	<u>926,852</u>
Fixed assets:		
Furniture and equipment	70,698	77,966
Less accumulated depreciation	<u>(62,660)</u>	<u>(60,476)</u>
Net fixed assets	<u>8,038</u>	<u>17,490</u>
Other assets		
Note receivable	<u>2,400</u>	<u>50,000</u>
Total other assets	<u>2,400</u>	<u>50,000</u>
Total assets	<u><u>\$ 804,316</u></u>	<u><u>\$ 994,342</u></u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

(with summarized comparative totals for December 31, 2014)

	LIABILITIES AND NET ASSETS	
	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable	\$ 378,115	\$ 279,995
Accrued expenses	118,306	67,362
Deferred revenue	82,291	97,264
Notes payable	400,000	897,072
Total liabilities	<u>978,712</u>	<u>1,341,693</u>
Net assets:		
Unrestricted	(186,519)	(801,851)
Temporarily restricted	12,123	454,500
Total net assets	<u>(174,396)</u>	<u>(347,351)</u>
Total liabilities and net assets	<u>\$ 804,316</u>	<u>\$ 994,342</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(with summarized comparative totals for the year ended December 31, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
REVENUE AND SUPPORT:				
Grants and contributions	\$ 3,235,033	\$ 107,105	\$ 3,342,138	\$ 3,968,012
Trip income	598,903	-	598,903	551,539
Event income, net	13,661	-	13,661	9,921
Investment income	(13,358)	-	(13,358)	1,859
Other income	4,213	-	4,213	7,809
Net assets released from restriction	549,482	(549,482)	-	-
Total revenue and support	<u>4,387,934</u>	<u>(442,377)</u>	<u>3,945,557</u>	<u>4,539,140</u>
EXPENSES:				
Program expenses	2,963,872		2,963,872	4,129,331
Management and general	337,607		337,607	425,086
Fundraising	471,123	-	471,123	591,827
Total expenses	<u>3,772,602</u>	<u>-</u>	<u>3,772,602</u>	<u>5,146,244</u>
CHANGE IN NET ASSETS	615,332	(442,377)	172,955	(607,104)
NET ASSETS, BEGINNING	<u>(801,851)</u>	<u>454,500</u>	<u>(347,351)</u>	<u>259,753</u>
NET ASSETS, ENDING	<u>\$ (186,519)</u>	<u>\$ 12,123</u>	<u>\$ (174,396)</u>	<u>\$ (347,351)</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, 2015  
(with summarized comparative totals for the year ended December 31, 2014)

	Program	Management and General	Fundraising	2015 Total	2014 Total
Salaries and wages	\$1,080,538	\$ 97,150	\$ 161,700	\$1,339,388	\$1,902,110
Payroll taxes	95,880	7,664	14,348	117,892	165,203
Employee benefits	118,215	17,614	17,681	153,510	282,814
Outside services	255,606	72,455	170,853	498,914	714,038
Grants and awards	603,427	-	-	603,427	679,278
Travel	422,151	13,286	23,974	459,411	505,785
Conferences and meetings	52,485	6,465	55,761	114,711	364,045
Occupancy	82,074	8,599	12,282	102,955	112,143
Project expenses	193,414	-	-	193,414	66,503
Supplies	1,352	7,182	1,342	9,876	55,272
Promotion and film product	1,362	3,000	324	4,686	21,517
Communication	19,426	15,264	249	34,939	36,197
Postage and shipping	5,608	5,167	5,233	16,008	8,204
Printing and publications	3,612	6,164	4,324	14,100	26,896
Bank fees and charges	13,218	39,844	-	53,062	76,632
Databases and IT	13,759	1,246	1,164	16,169	38,258
Professional development	-	-	-	-	43,074
Interest expense	-	19,647	-	19,647	9,026
Insurance	295	9,583	295	10,173	10,210
Depreciation	-	7,552	-	7,552	9,971
Other	1,450	(275)	1,593	2,768	19,068
Total expenses	<u>\$2,963,872</u>	<u>\$ 337,607</u>	<u>\$ 471,123</u>	<u>\$3,772,602</u>	<u>\$5,146,244</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, 2015  
with summarized comparative totals for the year ended December 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 172,955	\$ 306,866
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	7,552	6,314
Net realized and unrealized gains and losses	13,577	-
(Increase) decrease in:		
Grants and contributions receivable	420,219	321,815
Deposits and prepaid expenses	17,941	8,262
Other assets	47,600	-
Increase (decrease) in:		
Accounts payable and accrued expenses	149,063	(89,853)
Deferred revenue	(14,973)	(18,405)
Total cash provided (used) by operations	<u>813,934</u>	<u>534,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	(19,842)	(1,242)
Net change in investments	(14,663)	(2,401)
Acquisition (disposal) of property and equipment	1,900	(6,450)
Total cash used by investing activities	<u>(32,605)</u>	<u>(10,093)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments/proceeds from borrowing	(497,072)	(410,021)
Total cash provided (used) by financing activities	<u>(497,072)</u>	<u>(410,021)</u>
NET CHANGE IN CASH	284,257	114,885
CASH, beginning of year	<u>386,628</u>	<u>271,743</u>
CASH, end of year	<u>\$ 670,885</u>	<u>\$ 386,628</u>
Supplemental information:		
Cash paid for interest	<u>\$ 19,647</u>	<u>\$ 9,026</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 ORGANIZATION

The Pachamama Alliance (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.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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, 2014, 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. The amount in excess of the FDIC limit totaled \$241,005.

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, 2015 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.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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, 2014 from which prior period 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. The note was paid off at December 31, 2015.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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, 2015:

	Level 3
Social Investment Fund	\$ 2,008

Investment earnings are as follows for the year ended December 31, 2015:

Realized loss	\$ (19,842)
Interest income	219
Unrealized gain	6,265
Total	\$ (13,358)

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, 2015, the interest rate is 5.5 percent and the balance is \$400,000.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 are as follows:

Program restricted	\$ 12,123
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THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 7     LEASE COMMITMENTS

The Alliance leases its offices under a three year lease commencing August 2011 and expiring July 2014, when the lease converted to month to month. Total rent expense for the year ended December 31, 2015 is \$100,900.

NOTE 8             RELATED PARTY

A Board member also holds an executive position with the business that provided event services in the amount of \$245,256 for the Alliance's luncheon event. The balance owed by The Alliance at December 31, 2015 is \$220,713.

A member of senior management has donated a total of \$120,000 to the Alliance.

NOTE 9             GOING CONCERN

During the year ended December 31, 2015, the Alliance's liabilities were higher than total assets. Total liabilities, which are all current liabilities, are \$978,712 and total assets are \$804,316 so the liabilities outweigh assets by \$174,396. Income was increased from December 31, 2014 to 2015 and cash flows have increased by \$175,185 in December 31, 2015. The Alliance believes that it will have sufficient capital to operate over the next twelve months; however, additional funding will be necessary to pay all liabilities by the year ended December 31, 2016

NOTE 10            SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through August 9, 2016, which is the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2015 that would have a material impact on the Alliance's results of operations or financial position.