

# THE PACHAMAMA ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020



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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
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, 2020, and the related statements of activities, functional expenses, 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, 2020, 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, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Goranson and Associates, Inc.*

October 14, 2021

Santa Rosa, CA

THE PACHAMAMA ALLIANCE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020

(with summarized comparative totals for December 31, 2019)

ASSETS		
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 3,342,764	\$ 1,577,236
Short-term investments	2,101	8,674
Grants and contributions receivable	60,778	139,294
Prepaid expenses and deposits	95,768	343,234
Total current assets	3,501,411	2,068,438
Other assets		
Trip reservation coupons	31,100	31,100
Other receivables	420,604	139,700
Total other assets	451,704	170,800
Total assets	\$ 3,953,115	\$ 2,239,238
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 43,366	\$ 356,978
Accrued expenses	116,630	135,004
Deferred revenue	290,800	407,368
Note payable, current portion	310,592	-
Total current liabilities	761,388	899,350
Long Term Liabilities:		
Note payable	89,408	-
Total long term liabilities	89,408	-
Total liabilities	850,796	899,350
Net assets:		
Without donor restriction	1,891,497	730,869
With donor restriction	1,210,822	609,019
Total net assets	3,102,319	1,339,888
Total liabilities and net assets	\$ 3,953,115	\$ 2,239,238

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(with summarized comparative totals for the year ended December 31, 2019)

	Without Donor Restriction	With Donor Restriction	2020 Total	2019 Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
REVENUE AND SUPPORT:				
Grants and contributions	\$ 5,014,983	\$ 2,193,867	\$ 7,208,850	\$ 5,857,787
Trip income	149,812	-	149,812	341,778
Event income	-	-	-	11,894
Investment income	(520)	-	(520)	1,348
Other income	25,499	-	25,499	7,837
Net assets released from restriction	1,592,064	(1,592,064)	-	-
Total revenue and support	<u>6,781,838</u>	<u>601,803</u>	<u>7,383,641</u>	<u>6,220,644</u>
EXPENSES:				
Program expenses	4,669,173		4,669,173	4,706,123
Management and general	453,884		453,884	377,423
Fundraising	498,153		498,153	756,480
Total expenses	<u>5,621,210</u>		<u>5,621,210</u>	<u>5,840,026</u>
CHANGE IN NET ASSETS	<u>1,160,628</u>	<u>601,803</u>	<u>1,762,431</u>	<u>380,618</u>
NET ASSETS, BEGINNING	730,869	609,019	1,339,888	959,270
NET ASSETS, ENDING	<u>\$ 1,891,497</u>	<u>\$ 1,210,822</u>	<u>\$ 3,102,319</u>	<u>\$ 1,339,888</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, 2020  
(with summarized comparative totals for the year ended December 31, 2019)

	Program	Management and General	Fundraising	2020 Total	2019 Total
Salaries and wages	\$ 1,237,701	\$ 141,560	\$ 312,905	\$ 1,692,166	\$ 1,687,152
Payroll taxes	104,372	11,940	26,387	142,699	141,708
Employee benefits	162,432	18,578	41,065	222,075	210,858
Outside services	118,045	116,109	36,864	271,018	153,009
Grants and awards	1,103,377	-	-	1,103,377	846,645
Travel	113,658	8,818	300	122,776	515,627
Conferences and meetings	262	-	438	700	440,488
Occupancy	126,265	14,441	31,921	172,627	166,249
Project expenses	1,605,592	-	10,000	1,615,592	1,297,019
Supplies	1,228	6,260	1,919	9,407	38,820
Promotion and film production	8,917	-	-	8,917	22,281
Communication	5,359	12,696	21	18,076	12,831
Postage and shipping	157	2,252	81	2,490	3,685
Printing and publications	-	2,743	-	2,743	5,816
Bank fees and charges	192	41,375	11	41,578	44,754
Databases and IT	72,951	60,751	32,077	165,779	98,770
Licenses and subscriptions	696	264	90	1,050	17,010
Interest expense	-	352	-	352	-
Insurance	-	-	-	-	9,351
Other	7,969	15,745	4,074	27,788	127,953
Total expenses	<u>\$ 4,669,173</u>	<u>\$ 453,884</u>	<u>\$ 498,153</u>	<u>\$ 5,621,210</u>	<u>\$ 5,840,026</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, 2020  
(with summarized comparative totals for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,762,431	\$ 380,618
Adjustments to reconcile change in net assets to cash from operations		
Contributed securities	(42,461)	77,008
Net realized and unrealized gains and losses	-	(33)
(Increase) decrease in:		
Grants and contributions receivable	78,509	(13,196)
Deposits and prepaid expenses	247,466	(121,762)
Other assets	(280,904)	(140,951)
Increase (decrease) in:		
Accounts payable and accrued expenses	(331,987)	289,959
Deferred revenue	(116,568)	297,406
Total cash provided (used) by operations	<u>1,316,486</u>	<u>769,049</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	48,522	(72,137)
Net change in investments	520	(1,316)
Total cash provided by investing activities	<u>49,042</u>	<u>(73,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments/proceeds from borrowing	400,000	-
Total cash (used) provided by financing activities	<u>400,000</u>	<u>-</u>
NET CHANGE IN CASH	1,765,528	695,596
CASH, beginning of year	<u>1,577,236</u>	<u>881,640</u>
CASH, end of year	<u>\$ 3,342,764</u>	<u>\$ 1,577,236</u>
Supplemental information:		
Cash paid for interest	<u>\$ 352</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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 two classes of net assets: net assets without donor restriction and net assets with donor restriction.

*Net Assets Without Donor Restriction* – 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.

*Net Assets With Donor Restriction*– 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.

Net assets released from donor restriction – Assets with donor restriction are “released” to assets without donor restriction 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.

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

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 \$2,688,798 at December 31, 2020.

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, 2020 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, 2020

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures, 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 net assets with donor restriction, 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, 2020

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.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations

Allocation Methodology – PA’s expenses are allocated and presented on a functional basis, showing programmatic activities, fundraising, and administrative services. PA allocates expenses based on the organizational cost centers in which expenses are incurred. In certain instances, specifically major events, expenses are allocated between fundraising and program services based upon a systematic methodology. Administrative costs are allocated on the basis of usage.

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, 2019 from which prior period information was derived.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 3 LIQUIDITY

The following reflects PA's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available within one year for general purposes includes \$910,822 restricted by time.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 3,344,865	1,585,910
Accounts receivable	60,778	139,294
Total financial assets	3,405,643	1,725,204
Financial assets, at year end		
Less those unavailable for general expenditures within one year due to:		
Restricted by donor (time or purpose)	(1,210,822)	(609,019)
Financial assets available to meet cash needs for general expenditure within one year	\$ 2,194,821	\$ 1,116,185

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, 2020:

	Level 1	Level 3	Total
Social Investment Fund	\$ -	\$ 2,101	\$ 2,101
Total	\$ -	\$ 2,101	\$ 2,101

Investment earnings are as follows for the year ended December 31, 2020:

Unrealized gain (loss)	\$ (520)
Total	\$ (520)

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 5 ACCRUED PERSONAL TIME OFF

Accrued unpaid personal time off benefits are recognized as liabilities of PA. Accrued personal time off at December 31, 2020 is \$111,942.

NOTE 6 NOTES PAYABLE

PA has a note payable with the Small Business Administration in the amount of \$400,000 for a PPP loan. The loan originated April 2020 and matures April 2022. Interest is one percent. The PPP loan can be forgiven as long as the covenants are met which was not done by December 31, 2020 but is expected to be by December 31, 2021. Future minimum payments are as follows:

2021	\$ 310,592
2022	89,389

NOTE 7 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction as of December 31, 2020 are as follows:

Program Restricted	\$ 1,210,822
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NOTE 8 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:

2021	101,148
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Rent expense under this lease was \$163,274.

THE PACHAMAMA ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 9            RELATED PARTY

A Board member also holds an executive position with the business that provided event services in the amount of \$70,400 for PA's annual outreach events. Of this amount, \$12,000 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, 2020

NOTE 10          SUBSEQUENT EVENTS

PA has evaluated subsequent events through October 14, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the PA's operations, financial position, and cash flows.