

**THE PACHAMAMA ALLIANCE**  
**SAN FRANCISCO, CALIFORNIA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Pachamama Alliance  
San Francisco, California

Opinion

We have audited the accompanying financial statements of The Pachamama Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Pachamama Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Pachamama Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pachamama Alliance’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Pachamama Alliance’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
August 31, 2022

The Pachamama Alliance  
STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$	3,715,927
Investments		2,108
Accounts receivable		53,750
Prepaid expenses and other current assets		<u>128,542</u>

Total current assets \$ 3,900,327

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$	245,149
Deferred revenue		<u>41,405</u>
Total current liabilities		<u>286,554</u>

Net assets:

Net assets without donor restrictions		3,282,016
Net assets with donor restrictions		<u>331,757</u>
Total net assets		<u>3,613,773</u>

Total liabilities and net assets \$ 3,900,327

The accompanying notes are an integral part of these financial statements.

The Pachamama Alliance  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Grants and donations	\$ 4,609,139	\$ 2,911,753	\$ 7,520,892
Trip income	287,325	-	287,325
Fiscal sponsor fees and other income	451,350	-	451,350
Investment return, net	(1,839)	-	(1,839)
Net asset released from restrictions	<u>3,790,818</u>	<u>(3,790,818)</u>	<u>-</u>
Total revenues	<u>9,136,793</u>	<u>(879,065)</u>	<u>8,257,728</u>
Expenses:			
Program services	<u>6,655,214</u>	<u>-</u>	<u>6,655,214</u>
Supportive services:			
Management and general	506,753	-	506,753
Development and fundraising	<u>584,307</u>	<u>-</u>	<u>584,307</u>
Total supportive services	<u>1,091,060</u>	<u>-</u>	<u>1,091,060</u>
Total expenses	<u>7,746,274</u>	<u>-</u>	<u>7,746,274</u>
Change in net assets	1,390,519	(879,065)	511,454
Net assets, beginning of period	<u>1,891,497</u>	<u>1,210,822</u>	<u>3,102,319</u>
Net assets, end of period	<u>\$ 3,282,016</u>	<u>\$ 331,757</u>	<u>\$ 3,613,773</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, 2021

	Program Services	Supportive Services		Subtotal	Total
		Management and General	Development and Fundraising		
Expenses:					
Salaries and wages	\$ 1,025,348	\$ 216,105	\$ 377,356	\$ 593,461	\$ 1,618,809
Payroll taxes	85,486	18,017	31,461	49,478	134,964
Employee benefits	153,288	66,731	56,414	123,145	276,433
Grants and awards	974,095	-	-	-	974,095
Bank fees and charges	2,777	40,421	556	40,977	43,754
Outside services and contractors	165,329	36,900	12,510	49,410	214,739
Occupancy	63,981	13,484	23,547	37,031	101,012
Insurance	3,014	635	1,109	1,744	4,758
Website and database	45,963	47,606	149	47,755	93,718
Office expenses	891	25,771	5,015	30,786	31,677
Telephone and telecommunications	840	15,895	40	15,935	16,775
Travel	232,761	8,648	769	9,417	242,178
Conferences, conventions and meetings	-	14,042	73,433	87,475	87,475
Project expenses	3,688,755	-	-	-	3,688,755
Other expenses	12,686	2,498	1,948	4,446	17,132
Bad debt expense	200,000	-	-	-	200,000
Total expenses	<u>\$ 6,655,214</u>	<u>\$ 506,753</u>	<u>\$ 584,307</u>	<u>\$ 1,091,060</u>	<u>\$ 7,746,274</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, 2021

Cash flows from operating activities:	
Change in net assets	\$ 511,454
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Notes payable converted into a grant	(400,000)
Changes in certain assets and liabilities:	
Accounts receivable	427,632
Prepaid expenses and other current assets	(1,674)
Accounts payable and accrued expenses	85,153
Deferred revenue	<u>(249,395)</u>
Net cash provided (used) by operating activities	<u>373,170</u>
Cash flows from investing activities:	
Purchase of investments	<u>(7)</u>
Net cash provided (used) by investing activities	<u>(7)</u>
Net increase (decrease) in cash during the period	373,163
Cash and cash equivalents, beginning of period	<u>3,342,764</u>
Cash and cash equivalents, end of period	<u><u>\$ 3,715,927</u></u>

The accompanying notes are an integral part of these financial statements.



The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 1 - GENERAL

The Pachamama Alliance (the Organization) is a California nonprofit public benefit corporation that was organized in 1997. The Organization'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. The Organization's main source of support is contributions, gifts and grants from foundations, corporations, and individuals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as revenue when earned in accordance with the terms of each grant or agreement. Donations are recognized at their fair value as revenues in the period received.

B. Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*. Under the provisions, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

C. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments

Investments are recorded at fair market value. The Organization's investments are valued in accordance with fair value measurements. The Organization invests in a social investment fund. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of net assets without donor restrictions. Realized gains or losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of this investment. Dividend and interest income are accrued when earned. Investment return is presented net of investment fees.

E. Accounts Receivable

Accounts receivable represent amounts earned but not yet collected. The Organization has not accrued an allowance for doubtful accounts as it is the opinion of management that all receivables will be realized. The Organization will accrue an allowance for doubtful accounts when management considers that the receivables cannot be fully collected.

F. Fixed Assets

It is the Organization's policy to capitalize all items which have a unit cost greater than \$5,000. Items purchased with a value or cost less than \$5,000 will be expensed in the year purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets will be written down to their actual value.

G. Deferred Revenue

Deferred revenue represents funds received in advance for trip fees.

H. Grants

The Organization received grants from other organizations and are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

I. Donations

Donations represent contributions to the Organization from private organizations and individuals, and are recognized as support when received. Donations 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.

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Functional Expenses Allocation

The Organization's expenses are allocated and presented on a functional basis, showing programmatic activities, fundraising, and administrative services. The Organization 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.

K. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

L. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

M. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

N. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of accounts receivable, cash and cash equivalents, and investments. The Organization places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Organization has not experienced any losses in such accounts.

The Organization maintains investments in a social investment fund which potentially expose the Organization to concentrations of investment risk. Subject to market fluctuations, management does not consider this risk a particular concern at this time.

The Organization is vulnerable to the inherent risk associated with revenue that is substantially dependent on public support and contributions. The continued growth and well-being of the Organization is contingent upon successful achievement of its long-term revenue-raising goals. Management is taking steps to address potential changes in funding levels and reduce the Organization's exposure to these fluctuations.

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

O. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided services are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

P. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 31, 2022, the date the financial statements were available to be issued.

Q. Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The standard is effecting for annual reporting periods beginning after June 15, 2021, and should be applied on a retrospective basis. The Organization is evaluating the effect that ACU No. 2020-07 will have on its financial statements and related disclosures.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes and, therefore, has made no provision for Federal or California income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 3 - INCOME TAXES (concluded)

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2021 was as follows:

Amalgamated Bank	\$ 198,578
First Republic Bank	3,365,870
PayPal Bank	14,133
WeTravel Bank	52,129
Payment processing centers (Benevity, Stripe and Facebook)	84,386
Petty cash	<u>831</u>
Total	<u>\$ 3,715,927</u>

The bank balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining balances were uninsured and held by the financial institutions in the Organization's name. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 5 - INVESTMENTS

The investments as of December 31, 2021 were as follows:

Account balances as of 12/31/20	\$ 2,101
Interest and dividends	<u>7</u>
Account balances as of 12/31/21	<u>\$ 2,108</u>

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2021

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

As of December 31, 2021, the investments balance of \$2,108 was all classified to be Level 2.

FSP FAS 157-4 provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for December 31, 2021 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Social investment fund	\$ 2,108	\$ -	\$ 2,108	\$ -

NOTE 7 - ACCRUED VACATION AND PTO

Regular full-time employees accrue paid vacation time and paid time off (PTO) at a rate depending on their length of service. Accrued leave payables were \$133,366 for the year ended December 31, 2021.

NOTE 8 - PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

In April 2020, the Organization obtained an SBA Paycheck Protection Program (PPP) loan through First Republic Bank in the amount of \$400,000 to finance operations during the Coronavirus Pandemic referenced in Note 12. The PPP loan bears an interest rate of 1% and matures in April 2022. However, on April 9, 2021 the PPP loan and accrued interest payable were forgiven in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), as interpreted and clarified by Interim Final Rule published at 13 CFR Part 120 and by any other relevant regulation promulgated or guidance issued by the U.S. Small Business Administration (SBA) or U.S. Treasury. The amount of \$400,000 was recognized as other income in the Statement of Activities.

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 9 - OPERATING LEASE COMMITMENTS

On February 23, 2021, the Organization entered into an operating lease for office space expiring in March 2023. The total expense for office rent was \$88,632 for the year ended December 31, 2021. The rent expense is currently \$9,020 per month. The minimum future rental payments under non-cancelable operating leases in the aggregate are:

For the year ended December 31, 2022	\$ 108,240
For the year ended December 31, 2023 (expiring on March 31, 2023)	27,060
Total	\$ 135,300

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 were as follows:

	Beginning Balance	Donations	Releases	Ending Balance
<b>Subject to Expenditure for Specified Purpose</b>				
Amazon Sacred Headwaters Initiative	\$ 295,711	\$ 1,062,190	\$ (1,163,499)	\$ 194,402
Business Engagement Initiative	9,200	8,888	(2,331)	15,757
Global Alliance for Rights of Nature	131,082	229,251	(238,973)	121,360
One Generation	774,607	1,591,156	(2,365,763)	-
Other	222	20,268	(20,252)	238
Total	\$ 1,210,822	\$ 2,911,753	\$ (3,790,818)	\$ 331,757

NOTE 11 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general use within one year of the year end date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and other reserves that could be drawn upon if the governing board approves that action.

Cash and cash equivalents	\$ 3,715,927
Investments	2,108
Accounts receivable	53,750
Total financial assets	3,771,785
Donor-imposed restrictions	(331,757)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,440,028

The Pachamama Alliance  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 12 - CONTINGENCY - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Organization's operations included restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

NOTE 13 - RELATED PARTY TRANSACTION

A Board member of the Organization also holds an executive position with the business that provided event services in the amount of \$69,059 for the Organization's annual outreach events. Of this amount, \$10,000 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 the Organization at December 31, 2021.