

**THE PACHAMAMA ALLIANCE
SAN FRANCISCO, CALIFORNIA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2022**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7-16

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Pachamama Alliance
San Francisco, California

Opinion

I have audited the accompanying financial statements of The Pachamama Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pachamama Alliance as of December 31, 2022, 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

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

My 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 my 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, I:

- 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 my 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.

I am 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 I identified during the audit.

Report on Summarized Comparative Information

The financial statements of The Pachamama Alliance as of December 31, 2021, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated August 31, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hiep Pham, CPA Inc.

Fremont, California
July 13, 2023

THE PACHAMAMA ALLIANCE
STATEMENTS OF FINANCIAL POSITION
December 31, 2022
(With Comparative Totals for December 31, 2021)

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,905,726	\$ 3,715,927
Investments	2,115	2,108
Accounts receivable	127,466	53,750
Prepaid expenses and other current assets	91,971	128,542
Total current assets	4,127,278	3,900,327
Non-current assets:		
Operating lease right-of-use asset, net of accumulated amortization	36,021	-
Total non-current assets	36,021	-
Total assets	\$ 4,163,299	\$ 3,900,327
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 207,346	\$ 111,783
Accrued vacation	153,532	133,366
Deferred revenue	221,326	41,405
Operating lease liability	36,021	-
Total current liabilities	618,225	286,554
Net assets:		
Net assets without donor restrictions	2,935,763	3,282,016
Net assets with donor restrictions	609,311	331,757
Total net assets	3,545,074	3,613,773
Total liabilities and net assets	\$ 4,163,299	\$ 3,900,327

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

THE PACHAMAMA ALLIANCE
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenues:				
Grants and donations	\$ 3,729,036	\$ 2,120,455	\$ 5,849,491	\$ 7,514,901
Trip income	419,536	-	419,536	287,325
Gain on extinguishment of debt	-	-	-	400,000
Investment return, net	858	-	858	(1,839)
Other income	17,670	-	17,670	57,341
Net assets released from restrictions	<u>1,842,901</u>	<u>(1,842,901)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,010,001</u>	<u>277,554</u>	<u>6,287,555</u>	<u>8,257,728</u>
Expenses:				
Program services	<u>5,471,457</u>	<u>-</u>	<u>5,471,457</u>	<u>6,655,214</u>
Support services:				
Management and general	399,137	-	399,137	506,753
Development and fundraising	<u>485,660</u>	<u>-</u>	<u>485,660</u>	<u>584,307</u>
Total supportive services	<u>884,797</u>	<u>-</u>	<u>884,797</u>	<u>1,091,060</u>
Total expenses	<u>6,356,254</u>	<u>-</u>	<u>6,356,254</u>	<u>7,746,274</u>
Change in net assets	(346,253)	277,554	(68,699)	511,454
Net assets, beginning of period	<u>3,282,016</u>	<u>331,757</u>	<u>3,613,773</u>	<u>3,102,319</u>
Net assets, end of period	<u>\$ 2,935,763</u>	<u>\$ 609,311</u>	<u>\$ 3,545,074</u>	<u>\$ 3,613,773</u>

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

THE PACHAMAMA ALLIANCE
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Support Services</u>				<u>Total 2022</u>	<u>Total 2021</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Subtotal Support Services</u>		
Expenses:						
Salaries	\$ 1,192,540	\$ 135,942	\$ 332,943	\$ 468,885	\$ 1,661,425	\$ 1,618,809
Payroll taxes	98,966	11,281	27,630	38,911	137,877	134,964
Employee benefits	157,222	51,232	44,931	96,163	253,385	276,433
Trip expenses	440,282	-	-	-	440,282	229,487
Grants and awards	1,563,266	-	-	-	1,563,266	974,095
Bank fees and charges	592	58,739	300	59,039	59,631	43,754
Contract services	327,424	29,545	4,561	34,106	361,530	214,739
Occupancy	60,872	6,940	16,995	23,935	84,807	101,012
Insurance	3,268	372	912	1,284	4,552	4,758
Office expenses	254	28,017	4,628	32,645	32,899	20,351
Website and database	45,627	48,887	78	48,965	94,592	106,315
Advertising and promotion	63,690	-	475	475	64,165	11,557
Telephone and telecommunications	3,399	7,831	60	7,891	11,290	16,775
Travel	13,955	5,513	2,776	8,289	22,244	12,691
Conferences, conventions and meetings	39,491	11,319	46,620	57,939	97,430	87,475
Project expenses	1,460,110	-	-	-	1,460,110	3,688,753
Bad debt expense	-	-	-	-	-	200,000
Other expenses	499	3,519	2,751	6,270	6,769	4,306
	<u>\$ 5,471,457</u>	<u>\$ 399,137</u>	<u>\$ 485,660</u>	<u>\$ 884,797</u>	<u>\$ 6,356,254</u>	<u>\$ 7,746,274</u>
Total expenses						

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

THE PACHAMAMA ALLIANCE
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (68,699)	\$ 511,454
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on extinguishment of debt	-	(400,000)
Changes in certain assets and liabilities:		
Accounts receivable	(73,716)	427,632
Prepaid expenses and other current assets	36,571	(1,674)
Accounts payable and accrued expenses	95,563	63,729
Accrued vacation	20,166	21,424
Deferred revenue	179,921	(249,395)
Net cash provided (used) by operating activities	189,806	373,170
Cash flows from investing activities:		
Purchase of investments	(7)	(7)
Net cash provided (used) by investing activities	(7)	(7)
Net increase (decrease) in cash	189,799	373,163
Cash and cash equivalents, beginning of period	3,715,927	3,342,764
Cash and cash equivalents, end of period	\$ 3,905,726	\$ 3,715,927

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

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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 the period. Grants are recognized as support 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 Organization 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 are 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 purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments with a maturity of three months or less.

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Investments

Investments are recorded at current market value on the statement of financial position. 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. Expenditures for maintenance and repairs are charged to expense as incurred. Any impaired assets will be written down to their actual value.

G. Deferred Revenue

Deferred revenue represents funds received in advance for journeys to the Amazon Rainforest, organized and conducted by Pachamama Alliance regularly throughout the year.

H. Grants

Grants awarded by government agencies or passed through to the Organization from another donor that received funding from the government agencies 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.

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

J. Trip Income

Trip income represents fees paid to Pachamama Alliance by participants in journeys to the Amazon Rainforest that are organized and conducted by Pachamama Alliance regularly throughout the year.

K. Donated Goods and Services

In-kind contributions are recognized as follows: Donated goods are recorded at their estimated fair market value on the date of donation. 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 nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

L. Advertising and Promotion Costs

The production costs of advertising and promotion are an expensed as incurred. During the years ended December 31, 2022 and December 31, 2021, advertising and promotion expenses totaled \$64,165 and \$11,557, respectively.

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Functional Allocation of Expenses

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.

N. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, investments and accounts receivable.

The Organization maintains cash and cash equivalents and investments with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. At times, such amounts might exceed Federal Deposit Insurance Corporation (FDIC) limits. The Organization invests in a social investment fund which potentially exposes the Organization to concentrations of investment risk. To limit the amount of risk exposure the Organization invests a small portion of their monies in the social investment fund. 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 are contingent upon successful achievement of its long-term revenue-raising goals. Management is taking steps to address potential changes in funding levels and reduce Organization's exposure to these fluctuations.

O. Contingencies

The Organization participates in numerous grants. Disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

P. 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.

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Q. 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.

R. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 13, 2023, the date the financial statements were available to be issued.

On April 17, 2023, the Organization entered into an operating lease to rent the facility in San Francisco, CA that expires in April 2027. The rent expense will start at \$3,379 per month and will increase incrementally on an annual basis. The lease term calls for 48 months totaling \$172,162.

S. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with The Pachamama Alliance's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

T. Implementation of Accounting Pronouncements

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 Organization adopted the standards on January 1, 2022. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows. The Organization did not have any contributed financial assets for the year ended December 31, 2022.

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 adopted the standards on January 1, 2022.

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

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 under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. Contributors, donors, and grantors may obtain tax benefits. 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 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, 2022. 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

The cash balances as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Amalgamated Bank	\$ 185,629	\$ 198,578
First Republic Bank*	3,425,483	3,365,870
PayPal Bank	26,128	14,133
WeTravel Bank	216,331	52,129
Payment processing centers (Stripe)	51,324	84,386
Petty cash	<u>831</u>	<u>831</u>
Total	<u>\$ 3,905,726</u>	<u>\$ 3,715,927</u>

The account 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 safety of deposits in excess of the \$250,000 FDIC insured limit is not of concern at this time. Subsequent to the date of this audit, management adopted the policy that all such funds be held in registered money-market mutual funds invested only in short-term US government securities.

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 5 - INVESTMENTS

The investment activity for the year ended December 31 is as follows:

	2022	2021
Account balances, beginning of period	\$ 2,108	\$ 2,101
Interest and dividends	<u>7</u>	<u>7</u>
Account balances, end of period	<u>\$ 2,115</u>	<u>\$ 2,108</u>
 Social investment fund	 <u>\$ 2,115</u>	 <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.

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.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31:

	2022	2021
Level 1: Quoted prices	\$ -	\$ -
Level 2: Other significant observable inputs	2,115	2,108
Level 3: Significant unobservable inputs	<u>-</u>	<u>-</u>
Total	<u>\$ 2,115</u>	<u>\$ 2,108</u>

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

FSP FAS 157-4, which supersedes FSP FAS 157-3, provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for December 31 are further classified in accordance with FSP FAS 157-4 as follows:

2022	Total Investment	Level 1	Level 2	Level 3
Social investment fund	<u>\$ 2,115</u>	<u>\$ -</u>	<u>\$ 2,115</u>	<u>\$ -</u>

2021	Total Investment	Level 1	Level 2	Level 3
Social investment fund	<u>\$ 2,108</u>	<u>\$ -</u>	<u>\$ 2,108</u>	<u>\$ -</u>

NOTE 7 - ACCRUED VACATION

Regular full-time employees accrue paid vacation time and paid time off (PTO) at a rate depending on their length of service. Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$153,532 and \$133,366 as of December 31, 2022 and December 31, 2021, respectively.

NOTE 8 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY

The Organization has entered into an operating lease to rent the facility in San Francisco, California pursuant to a lease agreement that expires on March 31, 2023. The rent expense is currently \$9,020 per month and the security deposit is \$14,852.

The total expenses for rent were \$76,889 and \$88,632 for the years ended December 31, 2022 and December 31, 2021, respectively.

Amounts recognized as right-of-use assets related to operating leases are included in the accompanying Statement of Financial Position, while related lease liabilities are included in the operating lease liabilities. As of December 31, 2022, right-of-use assets and lease liabilities related to operating leases were as follows:

Operating lease right-of-use asset	\$ 143,616
Less accumulated amortization	<u>(107,595)</u>
Operating lease right-of-use asset, net	<u>\$ 36,021</u>
Operating lease liability:	
Operating lease liability, current portion	\$ 36,021
Operating lease liability, net of current portion	<u>-</u>
Total	<u>\$ 36,021</u>

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 8 - OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY (concluded)

During the year ended December 31, 2022, the Organization had the following cash and non-cash activities associated with the leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 76,889

Future minimum lease payments under these agreements are as follows:

Year Ending December 31 2023	\$ 36,079
Less effects of discounting	<u>(58)</u>
Lease liabilities recognized	<u>\$ 36,021</u>

NOTE 9 - GAIN ON EXTINGUISHMENT OF DEBT

PPP Loan

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. The PPP loan bears an interest rate of 1%. 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. At December 31, 2021, the amount of \$400,000 has been recognized as a gain on extinguishment of debt in the Statement of Activities.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 were available for the following purposes:

	Beginning Balance <u>12/31/21</u>	Contributions <u></u>	Releases <u></u>	Ending Balance <u>12/31/22</u>
Subject to Expenditure for Specified Purpose				
Amazon Sacred				
Headquarters Initiative	\$ 194,402	\$ 1,575,618	\$ (1,548,541)	\$ 221,479
Business Engagement				
Initiative	15,757	-	(748)	15,009
Global Alliance for				
Rights of Nature	121,360	465,982	(258,841)	328,501
Other Programs	<u>238</u>	<u>78,855</u>	<u>(34,771)</u>	<u>44,322</u>
Total	<u>\$ 331,757</u>	<u>\$ 2,120,455</u>	<u>\$ (1,842,901)</u>	<u>\$ 609,311</u>

THE PACHAMAMA ALLIANCE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

NOTE 11 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 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.

	2022	2021
Cash and cash equivalents	\$ 3,905,726	\$ 3,715,927
Investments	2,115	2,108
Accounts receivable	127,466	53,750
Total financial assets	4,035,307	3,771,785
Donor-imposed restrictions	(609,311)	(331,757)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,425,996	\$ 3,440,028

NOTE 12 - RELATED PARTY TRANSACTIONS

A Board member of the Organization also holds an executive position with the business that provided event services in the amount of \$71,329 and \$69,059 for the Organization’s annual outreach events for the years ended December 31, 2022 and December 31, 2021, respectively. Of this amount, \$10,000 and \$10,000 was paid to the board member’s business for services for the years ended December 31, 2022 and December 31, 2021, respectively, and the remainder was for payment to vendors contracted by the board member’s business. The balances owed by the Organization at December 31, 2022 and December 31, 2021 were \$71,329 and \$0, respectively.

NOTE 13 - RECLASSIFICATIONS

Certain amounts in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 presentation. These reclassifications have no effect on the change in net assets as previously reported.