

# **Amazon Watch**

Financial Statements &  
Independent Auditor's Report  
for the Year Ended  
December 31, 2015

**COOK &  
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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# COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

## Independent Auditor's Report

To the Board of Directors  
Amazon Watch  
Oakland, California

We have audited the accompanying financial statements of Amazon Watch (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, the related statements of activities and changes in net assets, 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 of 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 an assessment of the risks of the 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 Amazon Watch 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 2014 financial statements of Amazon Watch and our report dated July 31, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation  
August 29, 2016

# Amazon Watch

## Statement of Financial Position December 31, 2015 with Comparative Totals for December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>12/31/15 Total</u>	<u>12/31/14 (Note 2)</u>
<b>ASSETS</b>				
Current Assets:				
Cash & cash equivalents	\$ 73,465		\$ 73,465	\$ 39,137
Grants & pledges receivable, due within one year	8,212	\$ 166,339	174,551	290,910
Prepaid expenses	-		-	8,794
Interfund receivable/(payable) (Note 3)	<u>(144,194)</u>	<u>144,194</u>	<u>-</u>	<u>-</u>
Total current assets	(62,517)	310,533	248,016	338,841
Grants receivable, due in one to two years	-		-	108,860
Other assets	<u>1,744</u>		<u>1,744</u>	<u>2,035</u>
<b>TOTAL ASSETS</b>	<u><u>\$ (60,773)</u></u>	<u><u>\$ 310,533</u></u>	<u><u>\$ 249,760</u></u>	<u><u>\$ 449,736</u></u>
 <b>LIABILITIES &amp; NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 51,677		\$ 51,677	\$ 105,328
Accrued vacation pay	23,356		23,356	31,673
Fiscal agency liability	37,500		37,500	11,075
Line of credit (Note 4)	100,000		100,000	-
Deferred rent liability, current (Note 5)	<u>8,453</u>		<u>8,453</u>	<u>5,324</u>
Total current liabilities	220,986		220,986	153,400
Deferred rent liability, long-term (Note 5)	<u>11,675</u>		<u>11,675</u>	<u>20,128</u>
<b>TOTAL LIABILITIES</b>	232,661	-	232,661	173,528
Net Assets				
Unrestricted	(293,434)		(293,434)	(90,429)
Temporarily restricted (Note 6)	<u>-</u>	<u>\$ 310,533</u>	<u>310,533</u>	<u>366,637</u>
<b>TOTAL NET ASSETS</b>	<u>(293,434)</u>	310,533	17,099	276,208
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ (60,773)</u></u>	<u><u>\$ 310,533</u></u>	<u><u>\$ 249,760</u></u>	<u><u>\$ 449,736</u></u>

See accompanying notes to financial statements  
and independent auditor's report.

## Amazon Watch

### Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total (Note 2)</u>
Support & Revenue:				
Grants	\$ 160,599	\$ 365,250	\$ 525,849	\$ 1,001,014
Donations	690,374	54,866	745,240	546,233
Net assets released from restriction:				
Satisfaction of donor restrictions	476,220	(476,220)	-	-
Special events	23,458		23,458	-
Other	28,828		28,828	(11,422)
Total support & revenue	1,379,479	(56,104)	1,323,375	1,535,825
Expenses:				
Program services	1,239,089		1,239,089	1,405,123
General & administrative	151,531		151,531	151,929
Fundraising	191,864		191,864	214,343
Total expenses	1,582,484	-	1,582,484	1,771,395
CHANGE IN NET ASSETS	(203,005)	(56,104)	(259,109)	(235,570)
NET ASSETS, January 1	(90,429)	366,637	276,208	511,778
NET ASSETS, December 31	<u>\$ (293,434)</u>	<u>\$ 310,533</u>	<u>\$ 17,099</u>	<u>\$ 276,208</u>

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## Amazon Watch

### Statement of Functional Expenses for the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	<b>Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>2015 Total</b>	<b>2014 Total (Note 2)</b>
Salaries	\$ 617,959	\$ 39,174	\$ 100,724	\$ 757,857	\$ 839,979
Payroll taxes	54,553	3,503	8,782	66,838	70,894
Employee benefits	72,396	4,943	11,872	89,211	94,935
Accounting & audit fees	-	57,238	-	57,238	43,175
Other outside services	111,792	20,204	20,950	152,946	186,248
Rent & utilities	91,998	10,400	12,712	115,110	118,367
Supplies	3,202	75	321	3,598	8,913
Telephone & internet	8,781	534	1,470	10,785	29,848
Postage & delivery	264	14	521	799	1,851
Printing & copying	821	123	5,412	6,356	9,355
Equipment	1,085	70	199	1,354	916
Advertising & publicity	22,425	2,772	11,655	36,852	15,815
Travel & meetings	102,118	4,110	9,279	115,507	147,184
Interest expense	17,028	2,672	2,735	22,435	-
Insurance	19,122	2,741	2,821	24,684	16,427
Bank charges	12,567	1,085	1,615	15,267	18,651
Grants awarded & related expenses	99,057	-	-	99,057	162,114
Depreciation	567	34	79	680	2,331
Other	3,354	1,839	717	5,910	4,392
<b>Total</b>	<b>\$ 1,239,089</b>	<b>\$ 151,531</b>	<b>\$ 191,864</b>	<b>\$ 1,582,484</b>	<b>\$ 1,771,395</b>

See accompanying notes to financial statements  
and independent auditor's report.

# Amazon Watch

## Statement of Cash Flows for the Year Ended December 31, 2015 with Comparative Totals for the Year Ended December 31, 2014

	<u>2015</u>	<u>2014</u> <u>(Note 2)</u>
<b><i>Cash flows from operating activities:</i></b>		
Change in net assets	\$ (259,109)	\$ (235,570)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization of deferred rent	(5,324)	25,452
Other non-cash items	291	2,331
Changes in assets and liabilities:		
(Increase) decrease in grants & contributions receivable	225,219	(187,204)
(Increase) decrease in prepaid expenses	8,794	(8,795)
Increase (decrease) in accounts payable & accrued expenses	(61,968)	80,307
Increase (decrease) in fiscal agency liability	<u>26,425</u>	<u>11,075</u>
<b>Cash provided (used) by operating activities:</b>	<b>(65,672)</b>	<b>(312,404)</b>
<b><i>Cash flows from investing activities:</i></b>		
Purchase of capital asset	-	(2,038)
Liquidation of investments	<u>-</u>	<u>10,968</u>
<b>Cash provided (used) by investing activities:</b>	<b>-</b>	<b>8,930</b>
<b><i>Cash flows from financing activities:</i></b>		
Draws (principal payments) on line of credit	<u>100,000</u>	<u>-</u>
<b>Cash provided (used) by financing activities:</b>	<b>100,000</b>	<b>-</b>
<b>Cash provided (used) during year</b>	<b>34,328</b>	<b>(303,474)</b>
<b>Cash &amp; cash equivalents, beginning of year</b>	<u>39,137</u>	<u>342,611</u>
<b>Cash &amp; cash equivalents, end of year</b>	<u><u>\$ 73,465</u></u>	<u><u>\$ 39,137</u></u>
<b><u>Additional disclosure:</u></b>		
Interest paid	\$ 22,435	\$ -

See accompanying notes to financial statements  
and independent auditor's report.

# Amazon Watch

## Notes to Financial Statements December 31, 2015

### 1. The Organization

#### Nature of activities

Amazon Watch (Amazon Watch or the Organization) is a nonprofit organization founded in 1996 to protect the rainforest and advance the rights of indigenous peoples in the Amazon Basin. The Organization partners with indigenous and environmental organizations in campaigns for human rights, corporate accountability and the preservation of the Amazon's ecological systems.

#### Major Funding

Amazon Watch receives grants from foundations, as well as contributions from individuals and corporations.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and realizable, and expenses are recognized when they are incurred.

#### Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted net assets**, which includes resources not subject to donor-imposed restrictions.

**Temporarily restricted net assets**, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

#### Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

#### Cash & Cash Equivalents

Cash includes deposits held in a bank checking account, money market funds held with an investment brokerage firm, and undeposited checks.

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# Amazon Watch

## Notes to Financial Statements December 31, 2015

(continued)

### Grants & Pledges Receivable

Grants & pledges receivable are recorded based on formal, written promises received from donors. Based on management's judgment, an allowance for doubtful accounts has not been recorded. Amounts due beyond one year are discounted to present value only if such discounts would be material to the financial statements. Currently, there are no discounts reflected within the financial statements.

### Fiscal Agency Liability

Amazon Watch receives funds from institutions that designate their contributions for specific third party charities. Amazon Watch simply acts as a payment intermediary. In accordance with generally accepted accounting principles, these agency transactions are not included in Amazon Watch's revenues or expenses, but are held in a liability account until paid to the beneficiaries named by the donor.

### Fair Value of Financial Instruments

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

### Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses that are common to several functions are allocated based on the estimated amount of staff time spent on those functions.

### Income Taxes

As a public charity, the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3), except on activities unrelated to its mission. Since management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2013 through 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2012 through 2015 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

### 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 those estimates.

### Comparative Data

The financial statement information for the year ended December 31, 2014, presented for comparative purposes, is not intended to be a complete financial statement presentation. For a complete presentation, please refer to the financial statements for that fiscal year.

### Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

# Amazon Watch

## Notes to Financial Statements December 31, 2015

### 3. Interfund Receivable/(Payable)

Due to operating losses incurred in 2014 and 2015, the Organization has borrowed from its temporarily restricted net assets for working capital purposes. This borrowing will need to be repaid with future unrestricted contributions.

### 4. Line of Credit

The Organization has available a \$250,000 bank line of credit. Amounts borrowed under this agreement bear interest at the Prime Rate, as published by the Wall Street Journal, plus 3.25%. At December 31, 2015, there was an outstanding balance of \$100,000. (In August 2016, the balance was paid in full.)

### 5. Deferred Rent Liability

Because the Organization's office lease agreement (discussed in Note 6) contains a staggered payment schedule, a deferred rent liability has been recorded so that rent expense is properly amortized on a straight-line basis over the term of the lease.

### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consisted of unspent awards received for the following:

Campaigns	\$136,601
Peru	85,600
Brazil	38,680
Ecuador	25,197
Other	19,440
Columbia	<u>5,015</u>
Total	\$310,533

### 7. Office Lease

Amazon Watch rents its Oakland office under a five-year operating lease expiring in December 2017. In accordance with the terms of the lease agreement, monthly base rent was \$8,691 in 2015 and will increase each year until it reaches \$9,220 per month in 2017. The Organization is also responsible for its pro rata share of increases in facility operating costs. At the end of the lease term, Amazon Watch has an option to renew the agreement for an additional five years at a rental rate equivalent to 95% of the prevailing fair market value.

(continued)

# Amazon Watch

## Notes to Financial Statements December 31, 2015

(continued)

Future minimum lease payments are as follows:

2016	\$107,417
2017	<u>110,639</u>
Total	\$218,056

### 8. Contingencies – Funding Source Requirements

The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor conditions have been met for grants and contributions that have either been recorded as unrestricted or for which donor restrictions have been released.

### 9. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 29, 2016, the date the financial statements were available to be issued.