

Audited Financial Statements



June 30, 2017

Quigley & Miron

Amazon Watch
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
Amazon Watch
Oakland, California

We have audited the accompanying financial statements of Amazon Watch, a nonprofit organization, which comprise the statements of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

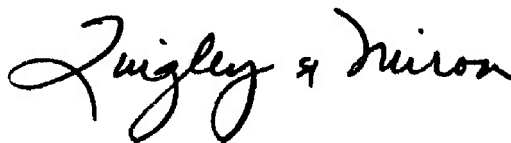
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amazon Watch as of June 30, 2017, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Zwigley & Duroon". The signature is written in a cursive, flowing style.

Los Angeles, California
May 9, 2018

Amazon Watch
Statement of Financial Position
June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 73,983	\$ 85,108	\$ 159,091
Grants and contributions receivable—Note 2	16,703	299,821	316,524
Prepaid expenses	10,700		10,700
Other assets	1,448		1,448
Total Assets	<u>\$ 102,834</u>	<u>\$ 384,929</u>	<u>\$ 487,763</u>
Liabilities and Net Assets			
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 57,627	\$	\$ 57,627
Employee-related accrued expenses	78,238		78,238
Line of credit—Note 3	103,000		103,000
Deferred lease incentive—Note 4	5,838		5,838
Total Liabilities	<u>244,703</u>		<u>244,703</u>
Commitments—Note 4			
Net Assets			
Unrestricted	(141,869)		(141,869)
Temporarily restricted—Note 6		384,929	384,929
Total Net Assets	<u>(141,869)</u>	<u>384,929</u>	<u>243,060</u>
Total Liabilities and Net Assets	<u>\$ 102,834</u>	<u>\$ 384,929</u>	<u>\$ 487,763</u>

See notes to financial statements.

Amazon Watch
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue			
Grants	\$ 576,335	\$ 422,785	\$ 999,120
Contributions	434,520	85,000	519,520
Special event revenue			
Gross revenue	197,802		197,802
Less cost of direct benefits to donors	(96,651)		(96,651)
Net Special Event Revenue	101,151		101,151
Other income	27,039		27,039
Total Public Support and Revenue	1,139,045	507,785	1,646,830
Net assets released from restrictions	287,474	(287,474)	
Total Public Support, Revenue, and Net Assets Released from Restrictions	1,426,519	220,311	1,646,830
Expenses			
Program services	1,390,083		1,390,083
Management and general	159,403		159,403
Fundraising	137,026		137,026
Total Expenses	1,686,512		1,686,512
Change in Net Assets	(259,993)	220,311	(39,682)
Net Assets at Beginning of Year	118,124	164,618	282,742
Net Assets at End of Year	\$ (141,869)	\$ 384,929	\$ 243,060

See notes to financial statements.

Amazon Watch
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Special Event Expense	Total
Salaries and wages	\$ 639,325	\$ 72,688	\$ 78,733	\$	\$ 790,746
Employee benefits	120,044	13,512	14,941		148,497
Payroll taxes	52,897	6,012	6,519		65,428
Total Personnel	812,266	92,212	100,193		1,004,671
Accounting and audit fees	2,549	47,156	209		49,914
Bank charges	11,548	1,334	5,561		18,443
Communications and publicity	8,703	211			8,914
Cost of direct benefits to donors				96,651	96,651
Depreciation		405			405
Equipment	12,994	587	529		14,110
Grants awarded	181,918				181,918
Insurance	12,902	1,540	1,233		15,675
Interest expense	4,018	464	397		4,879
Miscellaneous	2,684	468	821		3,973
Outside services	70,766	315	10,755		81,836
Postage and delivery	1,515	132	253		1,900
Printing and copying	20,253	121	308		20,682
Rent	104,578	11,634	12,070		128,282
Supplies	3,019	197	157		3,373
Telephone and internet	16,236	449	2,186		18,871
Travel and meetings					
Conferences and meetings	19,131	930	154		20,215
Delegations	25,298				25,298
Organization travel	35,919	1,248	2,200		39,367
Partner organizations	43,786				43,786
Total Non-Personnel	577,817	67,191	36,833	96,651	778,492
Total Expenses by Function	1,390,083	159,403	137,026	96,651	1,783,163
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors				(96,651)	(96,651)
Total Expenses Included in Expense Section of the Statement of Activities	\$ 1,390,083	\$ 159,403	\$ 137,026	\$	\$ 1,686,512

See notes to financial statements.

Amazon Watch
Statement of Cash Flows
Year Ended June 30, 2017

Cash Flows from Operating Activities

Change in net assets	\$ (39,682)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	405
Changes in operating assets and liabilities:	
Grants and contributions receivable	35,064
Prepaid expenses	15,061
Other assets	(448)
Accounts payable and accrued expenses	21,897
Employee-related accrued expenses	24,507
Fiscal agency liability	(14,692)
Deferred lease incentive	(10,064)

Net Cash Provided by Operating Activities	32,048
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Cash Flows from Financing Activities

Payments on line of credit	(250,000)
Draws on line of credit	103,000

Net Cash Used in Financing Activities	(147,000)
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Net Decrease in Cash and Cash Equivalents	(114,952)
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Cash and Cash Equivalents at Beginning of Year

274,043

Cash and Cash Equivalents at End of Year	\$ 159,091
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Supplementary Disclosures

Cash paid during the year for:

Income taxes	\$
Interest	\$ 4,879

See notes to financial statements.

Amazon Watch
Notes to Financial Statements
June 30, 2017

Note 1—Nature of Activities and Significant Accounting Policies

Nature of Activities—Amazon Watch (Organization) is a California nonprofit corporation, established in 1996 for the purpose of protecting the rainforest and advancing 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. The Organization receives grants from foundations, as well as contributions from individuals and corporations. The Organization's negative balance in unrestricted net assets is a result of grants and contributions received late in the year and recorded as receivables at June 30, 2017. The restricted nature of these grants and contributions is solely due to the timing of the receipt of the gifts and not to any other donor-imposed program- or supporting services-related restrictions.

Financial Statement Presentation—The financial statements are prepared on the accrual basis of accounting. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of the Organization's programs and operations. The Organization had no permanently restricted net assets at June 30, 2017.

Income Taxes—The Organization is a California nonprofit public benefit corporation that serves charitable and educational purposes and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and from California franchise tax under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. 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.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for tax liability is not necessary at June 30, 2017. Generally, the Organization's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Amazon Watch
Notes to Financial Statements—Continued

Note 1—Nature of Activities and Significant Accounting Policies—Continued

Cash and Cash Equivalents—The Organization considers highly liquid investments with a maturity of less than three months when purchased to be cash equivalents.

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment income, gains, and losses are reported as unrestricted income unless use of the earnings is restricted by the donor. As part of the Organization's advocacy efforts, it holds five shares or less of common stock in three different energy-related, publicly-traded corporations. These small amounts of stock holdings allow the Organization to attend shareholder meetings and to receive information as to the business activities of these energy companies. At June 30, 2017, common stock shareholdings totaled \$448 and are included in "other assets" on the statement of financial position.

Property and Equipment—Property and equipment is stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, principally 5 years. Amortization of equipment purchased under capital lease obligations is included in depreciation expense. It is the Organization's policy to expense items purchased or donated with values less than \$2,000. As of June 30, 2017, the Organization did not have any property or equipment obtained pursuant to gifts or capital leases.

Concentrations of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, and grants and contributions receivable.

The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, such balances of cash and cash equivalents are in excess of the FDIC coverage limits. Management regularly reviews the financial stability of its cash depositories and deems the risk of loss due to these concentrations to be minimal.

Grants and contributions receivable are due from a variety of foundations, corporations and individuals well-known to the Organization, with favorable past payment histories. At June 30, 2017, the largest grants and contributions receivable from two entities represented 79% of the Organization's total contributions and grants receivable. The Organization's management has assessed the credit risk associated with these contributions and grants receivable and has determined that an allowance for potentially uncollectible amounts is not necessary.

Accrued Sabbatical Leave—Full-time employees are entitled to five weeks of paid sabbatical leave every five years. Sabbatical leave is not a vested benefit and is not payable to employees upon termination of employment. It is the Organization's policy to accrue salary-related sabbatical leave expense. The salary-related accrued sabbatical leave expense balance at June 30, 2017, is \$40,318.

Amazon Watch
Notes to Financial Statements—Continued

Note 1—Nature of Activities and Significant Accounting Policies—Continued

Donated Goods and Services—Donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards. In order to expand the reach of its programs, the Organization utilizes the services of a substantial number of volunteers who have donated a significant number of hours to the Organization's program services, management, and fundraising activities. Contributed goods are recorded at fair value at the date of donation. Contributions of such goods received during the year ended June 30, 2017, totaled \$28,109, and are included in "special event revenue" on the statement of activities.

Functional Allocation of Expenses—The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Revenue and Revenue Recognition—Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

Note 2—Grants and Contributions Receivable

Grants and contributions receivable at June 30, 2017 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants from foundations	\$	\$ 264,821	\$ 264,821
Contributions from individuals	16,703	35,000	51,703
Totals	\$ 16,703	\$ 299,821	\$ 316,524

For detail on the composition of temporarily restricted net assets, see Note 6.

Note 3—Line of Credit

The Organization has a \$250,000 bank line of credit. Amounts borrowed under this agreement bear variable interest at the Prime Rate, as published by the Wall Street Journal, plus 4%, maturing on October 25, 2017. At June 30, 2017, the outstanding balance on the line of credit was \$103,000.

Amazon Watch
Notes to Financial Statements—Continued

Note 4—Commitments

The Organization rents its Oakland office under a non-cancelable operating lease, expiring December 2017. In June 2017, the Organization negotiated a new non-cancelable seven-year operating lease agreement (Agreement) with a different lessor, relocating to a different building in Oakland. This new lease begins on January 1, 2018 and ends on December 31, 2024. Additionally, the Agreement offers the Organization the option of extending the lease for an additional five-year period from January 1, 2025 to December 31, 2029. The Organization also leases equipment under a non-cancelable three-year operating lease agreement beginning in September 2017 and expiring in August 2020. Future minimum rental payments due on these operating leases are as follows:

<u>Year Ended June 30,</u>	
2018	\$ 116,778
2019	124,729
2020	128,434
2021	131,645
2022	134,958
Thereafter	354,829
Total	<u>\$ 991,373</u>

Rent expense is recognized on a straight-line basis over the lease terms based on the total payments required under the lease. The deferred lease incentive amount of \$5,838 at June 30, 2017 represents the cumulative difference between the amounts paid and amounts expensed under the leases. Rent expense totaled \$112,018 for the year ended June 30, 2017.

Note 5—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote since, by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Amazon Watch
Notes to Financial Statements—Continued

Note 6—Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 consist of the following:

	<u>Cash and Cash Equivalents</u>	<u>Grants and Contributions Receivable</u>	<u>Total</u>
Restricted due to purpose			
Brazil	\$ 5,000	\$ 6,250	\$ 11,250
Columbia		6,250	6,250
Ecuador	75,534	6,250	81,784
Peru		6,250	6,250
Campaigns	4,574		4,574
Restricted due to time		274,821	274,821
Totals	<u>\$ 85,108</u>	<u>\$ 299,821</u>	<u>\$ 384,929</u>

The net assets that are temporarily restricted “due to time” are comprised of grants and contributions received late in the year and recorded as receivables at June 30, 2017. The restrictions on these grants and contributions result solely from the timing of the receipt of the gifts and not to any other donor-imposed program- or supporting-services-related restrictions.

Note 7—Employee Benefit Plan

Under the Organization’s SIMPLE IRA retirement plan (Plan), the Organization matches 100% of employee contributions to the Plan, up to 3% of annual salary. All employees are eligible to participate in the Plan after 90 days of employment. Each participant may elect to contribute up to the maximum limit by federal law. Participants are vested immediately upon entering the Plan with 100% nonforfeiture of all employer-matched contributions. The Organization’s matching contributions totaled \$12,425 during the year ended June 30, 2017.

Note 8—Recent Accounting Pronouncements

Fair Value Measurement—In May 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07 (ASU 2015-07), Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. For nonpublic business entities, ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2015-07 will have on its financial statements.

Amazon Watch

Notes to Financial Statements—Continued

Note 8—Recent Accounting Pronouncements—Continued

Leases—In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for the Organization in 2020; early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statements user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU 2016-14 is effective for the Organization in 2018. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Note 9—Subsequent Events

Subsequent events were evaluated through May 9, 2018, which is the date the financial statements were available to be issued, and it was concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.