

# **Amazon Watch**

Financial Statements &  
Independent Auditor's Report  
for the Six Months Ended  
June 30, 2016

**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 June 30, 2016, the related statements of activities and changes in net assets, functional expenses, and cash flows for the six months 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 June 30, 2016, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.



A Professional Accountancy Corporation  
February 6, 2017

# Amazon Watch

## Statement of Financial Position

June 30, 2016

### ASSETS

#### Current Assets:

|   |               |
|---|---------------|
| Cash & cash equivalents                             | \$ 274,043    |
| Grants & pledges receivable,<br>due within one year | 351,588       |
| Prepaid expenses                                    | <u>25,761</u> |
| Total current assets                                | 651,392       |

|              |              |
|--------------|--------------|
| Other assets | <u>1,405</u> |
|--------------|--------------|

|              |                          |
|--------------|--------------------------|
| TOTAL ASSETS | <u><u>\$ 652,797</u></u> |
|--------------|--------------------------|

### LIABILITIES & NET ASSETS

#### Current Liabilities:

|   |               |
|---|---------------|
| Accounts payable                          | \$ 35,730     |
| Accrued vacation pay                      | 29,526        |
| Accrued sabbatical, current               | 10,130        |
| Fiscal agency liability                   | 14,692        |
| Line of credit (Note 3)                   | 250,000       |
| Deferred rent liability, current (Note 4) | <u>10,064</u> |
| Total current liabilities                 | 350,142       |

|                               |        |
|-------------------------------|--------|
| Accrued sabbatical, long-term | 14,075 |
|-------------------------------|--------|

|   |              |
|---|--------------|
| Deferred rent liability, long-term (Note 4) | <u>5,838</u> |
|---|--------------|

|                   |         |
|-------------------|---------|
| TOTAL LIABILITIES | 370,055 |
|-------------------|---------|

#### Net Assets

|                                 |                |
|---------------------------------|----------------|
| Unrestricted                    | 118,124        |
| Temporarily restricted (Note 5) | <u>164,618</u> |

|                  |         |
|------------------|---------|
| TOTAL NET ASSETS | 282,742 |
|------------------|---------|

|                                |                          |
|--------------------------------|--------------------------|
| TOTAL LIABILITIES & NET ASSETS | <u><u>\$ 652,797</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 Six Months Ended June 30, 2016

|                                       | <u>Unrestricted</u>      | Temporarily<br><u>Restricted</u> | <u>Total</u>             |
|---------------------------------------|--------------------------|----------------------------------|--------------------------|
| Support & Revenue:                    |                          |                                  |                          |
| Grants                                | \$ 129,434               | \$ 28,751                        | \$ 158,185               |
| Donations                             | 779,218                  | 5,000                            | 784,218                  |
| Net assets released from restriction: |                          |                                  |                          |
| Satisfaction of donor restrictions    | 179,666                  | (179,666)                        | -                        |
| Other                                 | <u>13,874</u>            | <u>                    </u>      | <u>13,874</u>            |
| Total support & revenue               | 1,102,192                | (145,915)                        | 956,277                  |
| Expenses:                             |                          |                                  |                          |
| Program services                      | 518,383                  |                                  | 518,383                  |
| General & administrative              | 78,038                   |                                  | 78,038                   |
| Fundraising                           | <u>94,213</u>            | <u>                    </u>      | <u>94,213</u>            |
| Total expenses                        | <u>690,634</u>           | <u>                    </u>      | <u>690,634</u>           |
| <br>CHANGE IN NET ASSETS              | <br>411,558              | <br>(145,915)                    | <br>265,643              |
| NET ASSETS, January 1                 | <u>(293,434)</u>         | <u>310,533</u>                   | <u>17,099</u>            |
| NET ASSETS, June 30                   | <u><u>\$ 118,124</u></u> | <u><u>\$ 164,618</u></u>         | <u><u>\$ 282,742</u></u> |

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

## Amazon Watch

### Statement of Functional Expenses for the Six Months Ended June 30, 2016

|                                      | <b>Program<br/>Services</b> | <b>General &amp;<br/>Administrative</b> | <b>Fundraising</b> | <b>Total</b>      |
|--------------------------------------|-----------------------------|---|--------------------|-------------------|
| Salaries                             | \$ 275,635                  | \$ 9,145                                | \$ 56,361          | \$ 341,141        |
| Payroll taxes                        | 22,452                      | 745                                     | 4,591              | 27,788            |
| Employee benefits                    | 45,633                      | 1,514                                   | 9,331              | 56,478            |
| Accounting & audit fees              |                             | 57,386                                  |                    | 57,386            |
| Other outside services               | 35,829                      | 1,151                                   | 697                | 37,677            |
| Rent & utilities                     | 46,520                      | 4,419                                   | 8,489              | 59,428            |
| Supplies                             | 3,861                       | 216                                     | 685                | 4,762             |
| Telephone & internet                 | 4,200                       | 397                                     | 2,452              | 7,049             |
| Postage & delivery                   | 496                         | 61                                      | 99                 | 656               |
| Printing & copying                   | 223                         | 22                                      | 45                 | 290               |
| Equipment                            | 386                         | 28                                      | 79                 | 493               |
| Advertising & publicity              | 8,160                       | 852                                     | 4,262              | 13,274            |
| Travel & meetings                    | 43,931                      | 526                                     | 2,281              | 46,738            |
| Interest expense                     | 5,642                       | 508                                     | 1,050              | 7,200             |
| Insurance                            | 3,121                       | 312                                     | 610                | 4,043             |
| Bank charges                         | 6,461                       | 534                                     | 2,751              | 9,746             |
| Grants awarded<br>& related expenses | 14,286                      | -                                       | -                  | 14,286            |
| Depreciation                         | 258                         | 34                                      | 48                 | 340               |
| Other                                | 1,289                       | 188                                     | 382                | 1,859             |
| <b>Total</b>                         | <b>\$ 518,383</b>           | <b>\$ 78,038</b>                        | <b>\$ 94,213</b>   | <b>\$ 690,634</b> |

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

# Amazon Watch

## Statement of Cash Flows for the Six-Months Ended June 30, 2016

|   |                          |
|---|--------------------------|
| <b><i>Cash flows from operating activities:</i></b>   |                          |
| Change in net assets  | \$ 265,643               |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |                          |
| Amortization of deferred rent   | (4,227)                  |
| Depreciation expense  | 340                      |
| Changes in assets and liabilities:  |                          |
| (Increase) decrease in grants<br>& contributions receivable   | (177,037)                |
| (Increase) decrease in prepaid expenses   | (25,761)                 |
| Increase (decrease) in accounts payable<br>& accrued expenses   | (9,777)                  |
| Increase (decrease) in accrued sabbatical   | 24,205                   |
| Increase (decrease) in fiscal agency liability  | <u>(22,808)</u>          |
| <b>Cash provided (used) by operating activities:</b>  | 50,578                   |
| <b><i>Cash flows from financing activities:</i></b>   |                          |
| Draws (principal payments) on line of credit  | <u>150,000</u>           |
| <b>Cash provided (used) by financing activities:</b>  | <u>150,000</u>           |
| <b>Cash provided (used) during year</b>   | 200,578                  |
| <b>Cash &amp; cash equivalents, beginning of year</b>   | <u>73,465</u>            |
| <b>Cash &amp; cash equivalents, end of year</b>   | <u><u>\$ 274,043</u></u> |
| <b><u>Additional disclosure:</u></b>  |                          |
| Interest paid   | \$ 7,200                 |

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

# Amazon Watch

## Notes to Financial Statements for the Six Months Ended June 30, 2016

### 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.

(continued)



# Amazon Watch

## Notes to Financial Statements for the Six Months Ended June 30, 2016

(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.

### 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. However, in accordance with generally accepted accounting principles, the cost of each employee's sabbatical leave is accrued in the financial statements over a five-year period.

### 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 2014 through 2016 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 999) filings for the tax years ending in 2013 through 2016 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.

# Amazon Watch

## Notes to Financial Statements for the Six Months Ended June 30, 2016

### 3. 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 June, 30, 2016, there was an outstanding balance of \$250,000. (In August 2016, the balance was paid in full.)

### 4. 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.

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 consisted of unspent awards received for the following:

|                                 |               |
|---------------------------------|---------------|
| Campaigns                       | \$65,367      |
| Peru                            | 40,501        |
| Brazil                          | 12,750        |
| General support for FY2016-2017 | <u>46,000</u> |
| Total                           | \$164,618     |

### 6. 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 \$8,951 in 2016 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.

Future minimum lease payments are as follows:

|                                  |               |
|----------------------------------|---------------|
| Fiscal year ending June 30, 2017 | \$109,028     |
| Fiscal year ending June 30, 2018 | <u>55,320</u> |
| Total                            | \$164,348     |

### 7. 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.

# **Amazon Watch**

## **Notes to Financial Statements for the Six Months Ended June 30, 2016**

### **8. Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 6, 2017, the date the financial statements were available to be issued.