Amazon Watch

Financial Statements &
Independent Auditor’s Report
for the Six Months Ended

June 30, 2016
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .................................................................1

FINANCIAL STATEMENTS..................................................................................2

Statement of Financial Position .......................................................................4

Statement of Activities and Changes in Net Assets .......................................5

Statement of Functional Expenses ...............................................................6

Statement of Cash Flows ..................................................................................7

Notes to Financial Statements........................................................................8
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
ASSETS

Current Assets:

Cash & cash equivalents $ 274,043
Grants & pledges receivable, due within one year 351,588
Prepaid expenses 25,761
Total current assets 651,392

Other assets 1,405

TOTAL ASSETS $ 652,797

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) 10,064
Total current liabilities 350,142

Accrued sabbatical, long-term 14,075
Deferred rent liability, long-term (Note 4) 5,838

TOTAL LIABILITIES 370,055

Net Assets

Unrestricted 118,124
Temporarily restricted (Note 5) 164,618

TOTAL NET ASSETS 282,742

TOTAL LIABILITIES & NET ASSETS $ 652,797

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

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

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

<table>
<thead>
<tr>
<th>Program Services</th>
<th>General &amp; Administrative</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$275,635</td>
<td>$9,145</td>
<td>$56,361</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>22,452</td>
<td>745</td>
<td>4,591</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>45,633</td>
<td>1,514</td>
<td>9,331</td>
</tr>
<tr>
<td>Accounting &amp; audit fees</td>
<td>57,386</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other outside services</td>
<td>35,829</td>
<td>1,151</td>
<td>697</td>
</tr>
<tr>
<td>Rent &amp; utilities</td>
<td>46,520</td>
<td>4,419</td>
<td>8,489</td>
</tr>
<tr>
<td>Supplies</td>
<td>3,861</td>
<td>216</td>
<td>685</td>
</tr>
<tr>
<td>Telephone &amp; internet</td>
<td>4,200</td>
<td>397</td>
<td>2,452</td>
</tr>
<tr>
<td>Postage &amp; delivery</td>
<td>496</td>
<td>61</td>
<td>99</td>
</tr>
<tr>
<td>Printing &amp; copying</td>
<td>223</td>
<td>22</td>
<td>45</td>
</tr>
<tr>
<td>Equipment</td>
<td>386</td>
<td>28</td>
<td>79</td>
</tr>
<tr>
<td>Advertising &amp; publicity</td>
<td>8,160</td>
<td>852</td>
<td>4,262</td>
</tr>
<tr>
<td>Travel &amp; meetings</td>
<td>43,931</td>
<td>526</td>
<td>2,281</td>
</tr>
<tr>
<td>Interest expense</td>
<td>5,642</td>
<td>508</td>
<td>1,050</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,121</td>
<td>312</td>
<td>610</td>
</tr>
<tr>
<td>Bank charges</td>
<td>6,461</td>
<td>534</td>
<td>2,751</td>
</tr>
<tr>
<td>Grants awarded &amp; related expenses</td>
<td>14,286</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>258</td>
<td>34</td>
<td>48</td>
</tr>
<tr>
<td>Other</td>
<td>1,289</td>
<td>188</td>
<td>382</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$518,383</strong></td>
<td><strong>$78,038</strong></td>
<td><strong>$94,213</strong></td>
</tr>
</tbody>
</table>

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

Cash flows from operating activities:
Change in net assets $ 265,643

Adjustments to reconcile change in net assets
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 & contributions receivable (177,037)
  (Increase) decrease in prepaid expenses (25,761)
  Increase (decrease) in accounts payable & accrued expenses (9,777)
  Increase (decrease) in accrued sabbatical 24,205
  Increase (decrease) in fiscal agency liability (22,808)

Cash provided (used) by operating activities: 50,578

Cash flows from financing activities:
Draws (principal payments) on line of credit 150,000

Cash provided (used) by financing activities: 150,000

Cash provided (used) during year 200,578

Cash & cash equivalents, beginning of year 73,465

Cash & cash equivalents, end of year $ 274,043

Additional disclosure:
  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 199) filings for
the tax years ending in 2013 though 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:

<table>
<thead>
<tr>
<th>Campaigns</th>
<th>$65,367</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>40,501</td>
</tr>
<tr>
<td>Brazil</td>
<td>12,750</td>
</tr>
<tr>
<td>General support for FY2016-2017</td>
<td>46,000</td>
</tr>
<tr>
<td>Total</td>
<td>$164,618</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Fiscal year ending June 30, 2017</th>
<th>$109,028</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year ending June 30, 2018</td>
<td>55,320</td>
</tr>
<tr>
<td>Total</td>
<td>$164,348</td>
</tr>
</tbody>
</table>

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.
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.