

AMAZON WATCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2013

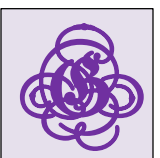


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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Amazon Watch
Oakland, California

We have audited the accompanying statement of financial position of Amazon Watch (a California nonprofit public benefit corporation) as of December 31, 2013, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Amazon Watch's 2012 financial statements and, in our report dated August 15, 2013; we expressed an unqualified opinion on those financial statements.

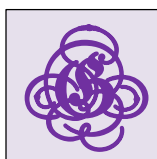
Management's Responsibility for the Financial Statements

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 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 auditor 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.



GORANSON AND ASSOCIATES, INC.

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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, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Goranson and Associates, Inc.

September 5, 2014

Santa Rosa, California



AMAZON WATCH
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(With summarized comparative totals for December 31, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 342,611	\$ 79,271
Grants receivable	212,566	171,296
Prepaid expense	-	1,089
Total current assets	555,177	251,656
Fixed assets:		
Equipment	60,782	60,782
Less accumulated depreciation	(59,066)	(55,119)
Total fixed assets	1,716	5,663
Other assets:		
Investments	11,579	19,519
Total assets	\$ 568,472	\$ 276,838
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and credit cards	\$ 27,172	\$ 22,954
Vacation and wages payable	29,522	-
	56,694	22,954
Net Assets:		
Unrestricted	91,925	(7,530)
Temporarily restricted	419,853	261,414
Total net assets	511,778	253,884
Total liabilities and net assets	\$ 568,472	\$ 276,838

The accompanying notes are an integral part of these financial statements

AMAZON WATCH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With summarized comparative totals for the year ended December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
SUPPORT AND REVENUE:				
Grants and contributions	\$ 1,037,872	\$ 670,793	\$ 1,708,665	\$ 1,477,560
Unrealized Gain (loss)	1,108	-	1,108	(1,108)
Other income	2,404	-	2,404	8,716
Net assets released from restriction	<u>512,354</u>	<u>(512,354)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,553,738</u>	<u>158,439</u>	<u>1,712,177</u>	<u>1,485,168</u>
EXPENSES:				
Campaigns and capacity building grants to partners	1,151,945		1,151,945	1,478,280
Management and general	110,081		110,081	112,120
Fund development	<u>192,258</u>		<u>192,258</u>	<u>251,464</u>
Total expenses	<u>1,454,284</u>		<u>1,454,284</u>	<u>1,841,864</u>
CHANGE IN NET ASSETS	99,455	158,439	257,893	(356,695)
NET ASSETS, BEGINNING	<u>(7,530)</u>	<u>261,414</u>	<u>253,884</u>	<u>610,579</u>
NET ASSETS, ENDING	<u>\$ 91,925</u>	<u>\$ 419,853</u>	<u>\$ 511,777</u>	<u>\$ 253,884</u>

The accompanying notes are an integral part of these financial statements

AMAZON WATCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With summarized comparative totals for the year ended December 31, 2012)

	Campaigns and Grants to			2013	2012
	Partners	Administration	Fundraising	Total	Total
Salaries and wages	\$ 553,914	\$ 30,947	\$ 113,277	\$ 698,138	\$ 617,565
Payroll tax expense	44,551	2,530	9,167	56,248	54,021
Employee benefits	57,378	3,260	11,840	72,478	72,347
Grants awarded	176,354	-	174	176,528	296,258
Travel	67,720	2,076	4,870	74,666	177,902
Professional services	92,051	42,279	14,489	148,819	301,803
Occupancy	57,432	10,583		68,015	92,070
Fundraising	325	-	13,928	14,253	34,522
Publicity	21,151	1,313	461	22,925	90,984
Conferences and meetings	3,916	3,219	165	7,300	6,150
Telecommunications	21,246	3,525	1,956	26,727	18,898
Insurance	15,361	2,862	1,104	19,327	7,664
Finance charges	14,998	2,319	7,068	24,385	16,672
Supplies and equipment	5,853	659	968	7,480	14,991
Postage	438	-	1,786	2,224	4,017
Outside services	3,813	828	394	5,035	3,732
Printing and copying	7,053	1,065	7,894	16,012	13,855
Other operating expense	5,208	2,095	2,474	9,777	13,251
Subtotal	<u>1,148,762</u>	<u>109,560</u>	<u>192,015</u>	<u>1,450,337</u>	<u>1,836,702</u>
Depreciation	<u>3,183</u>	<u>521</u>	<u>243</u>	<u>3,947</u>	<u>5,162</u>
Total expenses	<u>\$ 1,151,945</u>	<u>\$ 110,081</u>	<u>\$ 192,258</u>	<u>\$ 1,454,284</u>	<u>\$ 1,841,864</u>

The accompanying notes are an integral part of these financial statements

AMAZON WATCH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With summarized comparative totals for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 257,893	\$ (356,695)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	3,947	5,162
Unrealized gains	1,108	1,108
(Increase) decrease in:		
Grants receivable	(41,270)	362,940
Prepaid expenses	1,089	-
Increase (decrease) in:		
Accounts payable	4,219	3,642
Vacation and wages payable	29,522	-
Net cash provided by operating activities	<u>226,986</u>	<u>16,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	6,832	(1,695)
Purchase of property and equipment	-	-
Net cash provided (used) by investing activities	<u>6,832</u>	<u>(1,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Draw on line of credit	-	<u>(50,303)</u>
NET DECREASE IN CASH	263,340	(35,841)
CASH, beginning of year	<u>79,271</u>	<u>115,112</u>
CASH, end of year	<u>\$ 342,611</u>	<u>\$ 79,271</u>

The accompanying notes are an integral part of these financial statements

AMAZON WATCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 ORGANIZATION

Amazon Watch was created in 1997 as a Montana nonprofit corporation and incorporated in the state of California April 2000. Amazon Watch works to protect the rainforest and advance the rights of indigenous peoples in the Amazon Basin. We partner with indigenous and environmental organizations in the Amazon in campaigns for corporate accountability, sustainability, human rights, and the protection of ecological systems. Primary support comes from private funding.

Our Strategies and Programs:

In the Amazon region of Brazil, Colombia, Ecuador, and Peru, Amazon Watch is working directly with indigenous communities to build local capacity and advance the long-term protection of their lands. In partnership with communities, non-governmental organizations, concerned shareholders and citizens, we utilize the following strategies:

Campaign to persuade decision-makers in corporations, international financial institutions and governments to honor the rights of indigenous peoples over “development” decisions in their territories and to rectify past harms, for example in areas devastated by past and current oil drilling. Through media exposure, legal action and shareholder campaigns we promote corporate social and environmental accountability.

Strengthen capacity in indigenous communities and partner organizations in the Amazon to better advocate for own their rights at local, national and international forums. Through training in legal rights, advocacy, media and technology as well as the donation of equipment, we help our indigenous partners protect their rainforest homelands, assert their collective voice and advance their rights.

Seek permanent protection for threatened areas and vulnerable indigenous populations in the Amazon rainforest. In partnership with ally organizations in South America, we champion ecologically sound alternatives and solutions to industrial and fossil-fuel intensive economic development.

Educate corporate executives, shareholders, public officials and the general public using media coverage, websites, publications and documentary films. By building awareness and promoting green economic alternatives to the current export-oriented development model, we are helping to bring about a shift within key institutions and society.

AMAZON WATCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – Amazon Watch reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of Amazon Watch to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by Amazon Watch to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets released from restriction – Temporarily restricted net assets are “released” to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, Amazon Watch reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents - Cash equivalents consist primarily of money market accounts and other investments with an original maturity of 90 days or less.

Grants Receivable - Grants receivable consist of grants awarded, but not yet received as of December 31, 2013. Management believes receivables at December 31, 2013 will be fully collected. Accordingly, no allowance for doubtful receivables is recorded.

AMAZON WATCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fixed Assets - Fixed assets are carried at cost or at estimated fair market value at date of donation. Depreciation is calculated using the straight-line method over the useful life of the asset, usually five to ten years depending upon the asset.

Investments- Investments are stated at fair value. Unrealized and realized gains and losses are reported on the statement of activities. Interest income is included as an increase in unrestricted net assets in the accompanying statement of activities as its use is unrestricted.

Income Taxes - Amazon Watch is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined Amazon Watch is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of Amazon Watch considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to Amazon Watch's status as a not-for-profit entity. Management believes Amazon Watch met the requirements to maintain its tax-exempt status and has not income subject to unrelated business income tax; therefore no provision for income taxes has been provided in these financial statements. Amazon Watch's tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Donated Services and Items - Many people have contributed significant amounts of time and inventory to the activities of Amazon Watch without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, detailed information is not maintained to determine an appropriate basis for valuation.

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 these estimates.

AMAZON WATCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Summarized 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 accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with Amazon Watch’s financial statements for the year ended December 31, 2012, from which the summarized information was derived.

NOTE 3 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31, 2013:

Campaigns support	\$	102,383
General program support		<u>110,183</u>
	\$	<u><u>212,566</u></u>

NOTE 4 FAIR VALUE MEASUREMENTS AND INVESTMENTS

Fair Value Measurements - Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 Inputs – quoted prices in active markets for identical assets

Level 2 Inputs – quotes prices in active or inactive markets for the same or similar assets

Level 3 Inputs – estimates using the best information available when there is little or no market

The following table sets forth, by level within the fair value hierarchy, the Agency’s assets measured at fair value on a recurring basis at December 31, 2013.

		<u>Level 1</u>
Common stock	\$	<u><u>11,579</u></u>

AMAZON WATCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 REVOLVING LINE OF CREDIT

Amazon Watch has a \$100,000 revolving line of credit secured by the assets of the organization renewed August 20, 2013. Bank advances on the credit line are payable on demand and carry an interest rate of 3.25 percent above the prime rate, with a 7.5 percent floor. There is no balance carried at December 31, 2013.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are monies awarded with either program or time restrictions for future or multi-year programs. Temporarily restricted net assets at December 31, 2013 are for the following purposes:

Re-granting	\$ 132,253
Peru	14,000
Ecuador	82,500
Brazil	20,000
General support	38,000
Campaigns support	<u>133,100</u>
	<u>\$ 419,853</u>

NOTE 7 LEASE COMMITMENTS

Amazon Watch leases its offices in Oakland under a five year lease dated January 1, 2013 and expiring December 31, 2017. Amazon Watch also leases office space in Washington D.C. on a month-to-month basis. Total rent expense for the year ended December 31, 2013 is \$68,015.

Future lease payments are as follows on December 31:

2014	\$ 93,756
2015	104,288
2016	107,417
2017	110,639

AMAZON WATCH
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 8 RETIREMENT PLAN

Amazon Watch provides a SIMPLE IRA plan qualified under Section 408(p) of the Internal Revenue Code (IRS). Employees may make contributions to the plan up to the maximum amount allowed by the IRS if they wish. Amazon Watch contributed \$5,863 in matching funds, as required by the plan for the year ended December 31, 2013.

NOTE 9 SUBSEQUENT EVENTS

Amazon Watch has evaluated subsequent events through September 5, 2014, which is the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2013.