

**EARTH ECHO INTERNATIONAL, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**



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## REPORT OF INDEPENDENT AUDITORS

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

7501 WISCONSIN AVENUE  
SUITE 1200 WEST  
BETHESDA, MD 20814

202.331.9880 PHONE  
202.331.9890 FAX

566 WEST LAKE STREET  
SUITE 300  
CHICAGO, IL 60661

312.920.9400 PHONE  
312.920.9494 FAX

[www.calibrecpa.com](http://www.calibrecpa.com)



To the Board of Directors of  
Earth Echo International, Inc.

We have audited the accompanying consolidated statement of financial position of EarthEcho International, Inc. and USA Pavilion 2012 LLC (collectively, the EEI) as of December 31, 2011, and the related consolidated statements of activities, functional revenues and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the EEI's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EEI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the EEI's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EarthEcho International, Inc. and USA Pavilion 2012 LLC as of December 31, 2011, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Calibre CPA Group, PLLC*

Bethesda, MD  
July 10, 2013

**EARTH ECHO INTERNATIONAL, INC.**

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

|                           |               |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 6,759,758  |
| Accounts receivable       | 681           |
| Pledge receivable         | 1,600,000     |
| Inventory                 | 34,000        |
| Prepaid expenses          | <u>19,846</u> |
| Total current assets      | 8,414,285     |

PROPERTY AND EQUIPMENT - AT COST,

|   |       |
|---|-------|
| net of accumulated depreciation of \$39,863 | 7,493 |
|---|-------|

OTHER ASSETS

|   |               |
|---|---------------|
| Website development, net of accumulated<br>amortization of \$15,695 | <u>23,537</u> |
|---|---------------|

|              |                            |
|--------------|----------------------------|
| Total assets | <u><u>\$ 8,445,315</u></u> |
|--------------|----------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

|                           |              |
|---------------------------|--------------|
| Accounts payable          | \$ 93,788    |
| Accrued expenses          | <u>4,780</u> |
| Total current liabilities | 98,568       |

LONG-TERM LIABILITIES

|                          |               |
|--------------------------|---------------|
| Loan payable to Director | <u>87,647</u> |
|--------------------------|---------------|

|                   |                |
|-------------------|----------------|
| Total liabilities | <u>186,215</u> |
|-------------------|----------------|

NET ASSETS

|                        |                  |
|------------------------|------------------|
| Unrestricted           | 132,444          |
| Temporarily restricted | <u>8,126,656</u> |
| Total net assets       | <u>8,259,100</u> |

|                                  |                            |
|----------------------------------|----------------------------|
| Total liabilities and net assets | <u><u>\$ 8,445,315</u></u> |
|----------------------------------|----------------------------|

See accompanying notes to financial statements.

# EARTHECHO INTERNATIONAL, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

|                                      | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--------------------------------------|---------------------|-----------------------------------|---------------------|
| <b>REVENUES</b>                      |                     |                                   |                     |
| Contributions                        | \$ 121,645          | \$ 9,452,000                      | \$ 9,573,645        |
| Interest and dividend income         | 1,012               | -                                 | 1,012               |
| Internet support                     | 4,903               | -                                 | 4,903               |
| License plate support                | 8,863               | -                                 | 8,863               |
| Other                                | <u>1,591</u>        | <u>-</u>                          | <u>1,591</u>        |
| Total revenues                       | 138,014             | 9,452,000                         | 9,590,014           |
| NET ASSETS RELEASED FROM RESTRICTION | <u>1,616,982</u>    | <u>(1,616,982)</u>                | <u>-</u>            |
| Total revenues and other support     | <u>1,754,996</u>    | <u>7,835,018</u>                  | <u>9,590,014</u>    |
| <b>EXPENSES</b>                      |                     |                                   |                     |
| Program services                     | 1,698,026           | -                                 | 1,698,026           |
| Management and general               | 76,733              | -                                 | 76,733              |
| Fund raising                         | <u>55,218</u>       | <u>-</u>                          | <u>55,218</u>       |
| Total expenses                       | <u>1,829,977</u>    | <u>-</u>                          | <u>1,829,977</u>    |
| CHANGE IN NET ASSETS                 | (74,981)            | 7,835,018                         | 7,760,037           |
| <b>NET ASSETS</b>                    |                     |                                   |                     |
| Beginning of year                    | <u>207,425</u>      | <u>291,638</u>                    | <u>499,063</u>      |
| End of year                          | <u>\$ 132,444</u>   | <u>\$ 8,126,656</u>               | <u>\$ 8,259,100</u> |

See accompanying notes to financial statements.

**EARTHÉCHO INTERNATIONAL, INC.**

**STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES**

YEAR ENDED DECEMBER 31, 2011

|  | Program<br>Services | USA<br>Pavilion     | Management<br>and General | Fund Raising       | Total               |
|--|---------------------|---------------------|---------------------------|--------------------|---------------------|
| <b>REVENUES</b>  |                     |                     |                           |                    |                     |
| Contributions  | \$ 297,015          | \$ 9,155,000        | \$ 121,630                | \$ -               | \$ 9,573,645        |
| Interest and dividend income                             | -                   | 980                 | 32                        | -                  | 1,012               |
| Internet support   | -                   | -                   | 4,903                     | -                  | 4,903               |
| License plate support                                    | 8,863               | -                   | -                         | -                  | 8,863               |
| Other  | 422                 | -                   | 1,169                     | -                  | 1,591               |
| Total revenues   | <u>306,300</u>      | <u>9,155,980</u>    | <u>127,734</u>            | <u>-</u>           | <u>9,590,014</u>    |
| <b>EXPENSES</b>  |                     |                     |                           |                    |                     |
| Accounting   | 19,044              | 15,293              | 3,676                     | 1,715              | 39,728              |
| Bank Fees  | 27                  | 388                 | 123                       | -                  | 538                 |
| Conferences, conventions & meetings                      | -                   | -                   | 1,938                     | -                  | 1,938               |
| Consultant   | 353,902             | 156,500             | 5,899                     | 35,542             | 551,843             |
| Depreciation and amortization                            | -                   | -                   | 5,054                     | -                  | 5,054               |
| Specialty plate costs                                    | 2,535               | -                   | -                         | -                  | 2,535               |
| Contributions & donated materials                        | 3,329               | -                   | -                         | -                  | 3,329               |
| Dues and subscriptions                                   | 157                 | 245                 | 80                        | -                  | 482                 |
| Education  | 3,300               | -                   | -                         | -                  | 3,300               |
| Insurance - general                                      | 1,936               | 2,049               | 1,672                     | -                  | 5,657               |
| Insurance - health                                       | 11,086              | 4,422               | 2,185                     | 941                | 18,634              |
| Interest   | -                   | -                   | 4,146                     | -                  | 4,146               |
| Legal fees   | 2,105               | 34,803              | 4,662                     | -                  | 41,570              |
| Licenses and fees  | 830                 | -                   | 929                       | 249                | 2,008               |
| Media development & PSA                                  | 2,880               | 2,550               | -                         | -                  | 5,430               |
| Office expense   | 583                 | 529                 | 1,065                     | 24                 | 2,201               |
| Organizational expenses                                  | -                   | 5,571               | -                         | -                  | 5,571               |
| Payroll processing fees                                  | 1,523               | 560                 | 440                       | 137                | 2,660               |
| Payroll taxes  | 6,900               | 11,200              | 1,326                     | 620                | 20,046              |
| Program expenses   | 27,150              | 681,400             | -                         | -                  | 708,550             |
| Public relations   | 7,240               | 13,250              | 5,404                     | -                  | 25,894              |
| Postage and shipping                                     | -                   | 782                 | 613                       | 36                 | 1,431               |
| Printing & copying                                       | 917                 | -                   | 794                       | -                  | 1,711               |
| Promotion  | 481                 | 412                 | 1,764                     | 745                | 3,402               |
| Rent   | 6,364               | -                   | 2,366                     | 571                | 9,301               |
| Salaries   | 93,326              | 159,500             | 17,948                    | 8,375              | 279,149             |
| Supplies   | 55                  | -                   | 14                        | -                  | 69                  |
| Telephone  | 3,003               | 25                  | 608                       | 264                | 3,900               |
| Travel   | 4,761               | 54,078              | 3,301                     | 5,671              | 67,811              |
| Web hosting & development                                | 939                 | 96                  | 10,726                    | 328                | 12,089              |
| Total expenses   | <u>554,373</u>      | <u>1,143,653</u>    | <u>76,733</u>             | <u>55,218</u>      | <u>1,829,977</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENSES</b> | <u>\$ (248,073)</u> | <u>\$ 8,012,327</u> | <u>\$ 51,001</u>          | <u>\$ (55,218)</u> | <u>\$ 7,760,037</u> |

See accompanying notes to financial statements.

**EARTHECHO INTERNATIONAL, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2011**

|  |                     |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                     |
| Contributions and grants received  | \$ 8,124,002        |
| Investment income received   | 1,012               |
| Interest expense   | (4,136)             |
| Payments to vendors, suppliers and employees   | <u>(1,748,207)</u>  |
| Net cash provided by (used for) operating activities                                   | <u>6,372,671</u>    |
| NET INCREASE IN CASH AND CASH EQUIVALENTS  | 6,372,671           |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR   | <u>387,087</u>      |
| CASH AND CASH EQUIVALENTS AT END OF YEAR   | <u>\$ 6,759,758</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET<br>CASH PROVIDED BY OPERATING ACTIVITIES |                     |
| Change in net assets   | \$ 7,760,037        |
| Adjustments  |                     |
| Depreciation and amortization  | 5,054               |
| (Increase) decrease in assets  |                     |
| Pledge receivable  | (1,465,000)         |
| Prepaid expenses   | (19,128)            |
| Inventory  | 23,800              |
| Increase (decrease) in liabilities   |                     |
| Accounts payable   | 73,412              |
| Accrued expenses   | <u>(5,504)</u>      |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  | <u>\$ 6,372,671</u> |

See accompanying notes to financial statements.

# EARTHECHO INTERNATIONAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

### NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts and activities of EarthEcho International, Inc. (EEI), and USA Pavilion 2012 LLC, a single-member limited liability company that is wholly-owned by EEI. EEI, a California non-for-profit organization with its offices in Washington, D.C., was originally incorporated in March 2000 as the Philippe Cousteau Foundation, Inc. and changes its name to EarthEcho International, Inc. in August 2004. The organization uses the trade name “EarthEcho” in the course of its normal business operations. EEI was established for the purpose of empowering young people to become involved in learning how to protect and preserve their water planet by providing them with skills and knowledge through the educational process.

EEI’s primary activity during the past few years involved production of educational materials and developing the base of EEI. During the current year the Organization worked toward its mission of empowering young people to preserve and protect our water planet. To that end, it continued to focus on its Water Planet Challenge and STREAM programs – providing education resources and professional development opportunities to educators and students. In addition, EEI began the process of organizing and funding the development of the United States of America’s Pavilion to be featured at the World Expo in Yeosu, Korea, during the summer of 2012. The project is produced in conjunction with the U.S. Department of State and is a short-term project that began during the summer of 2011 and ended on August 31, 2012. EEI was deemed to be uniquely qualified to perform this program since the theme of the Expo was the “Living Oceans and Coasts.”

EEI has adopted the following significant accounting policies:

**Basis of Accounting** - The consolidated financial statements of EEI have been prepared on the accrual basis of accounting. All intercompany accounts and transactions have been eliminated in consolidation.

**Support and Revenue** - Contributions are recorded when received or when unconditionally promised and are classified as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a 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 restriction.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional. EEI had no conditional promises receivable at December 31, 2011.



**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Functional Allocation of Expenses** - The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and the statement of functional revenues and expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Cash and Cash Equivalents** - Cash consists of monies held in various demand deposit and money market accounts. Cash equivalents include all short-term investments with initial maturities of three months or less.

EEI maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC) has fully insured all balances in non-interest bearing accounts held at financial institutions through December 31, 2012 and balances up to \$250,000 in interest-bearing accounts. EEI has not experienced any losses, and believes it is not exposed to any significant credit risk on cash and cash equivalents. Bank deposits in excess of FDIC insured limits at December 31, 2011 were approximately \$4.55 million.

**Equipment** - Property and equipment are recorded at cost or fair market value at date of gift. Furniture and equipment is primarily comprised of computers and equipment for coral research and is stated at cost. Depreciation is provided on a straight line and declining balance method over the useful lives of the assets (5 – 10 years). The cost of property retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in income. Depreciation for the year ended December 31, 2011 was \$2,438.

**Web Site Development** - Web site development costs have been capitalized and amortization began when it was ready for its intended use. Maintenance and minor site changes are expensed as incurred. The costs of development are being amortized on the straight line method over a life of 15 years. Amortization expense for the year ended December 31, 2011 was \$2,616.

**Income Taxes** - EEI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly-supported organization. The Organization has been classified as an organization that is not a private foundation under section 509(a)(1).

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Subsequent Events Review** - Subsequent events have been evaluated through July 10, 2013, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

**NOTE 2. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at December 31, 2011 were available to support the following programs:

|                                      |                     |
|--------------------------------------|---------------------|
| USA Pavilion 2012                    | \$ 8,012,921        |
| Water Planet Challenge               | 98,097              |
| Marine Sanctuary Funds               | 15,362              |
| South Carolina License Plate Project | <u>276</u>          |
|                                      | <u>\$ 8,126,656</u> |

Net assets were released from restriction during 2011 to support the Water Planet Challenge in the amount of \$474,903 and for USA Pavilion 2012 in the amount of \$1,142,079.

**NOTE 3. CONTRIBUTIONS RECEIVABLE**

Contributions receivable at December 31, 2011 were all due within one year and were due from a single contributor.

**NOTE 4. OPERATING LEASES**

The organization leases its office space from a shared office provider in the District of Columbia. The lease calls for basic membership of \$240 per month and then the Organization is charged separately for any additional services it requests. The arrangement can be terminated on 30 days notice.

**NOTE 5. LOAN FROM DIRECTOR**

The organization entered into a note payable to an officer/director. The Note was issued on January 1, 2006 in the amount of \$87,647 and bears interest at the rate of 4.73% per annum. The terms of the note required the monthly payment of interest only in the amount of \$345, with the principal originally due in full on January 1, 2011, along with any unpaid interest. Interest expense on the note was \$4,146 for the year ended December 31, 2011. The note was paid in full in May of 2013.