

EARTH ECHO INTERNATIONAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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YEAR ENDED DECEMBER 31, 2012

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of EarthEcho International, Inc. and USA Pavilion 2012 LLC (collectively, EEI), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional revenues and expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2012, 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
April 6, 2015

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,003,916
Accounts receivable	44,174
Inventory	12,000
Prepaid expenses	5,556
Total current assets	<u>1,065,646</u>

PROPERTY AND EQUIPMENT - AT COST,

net of accumulated depreciation of \$43,501	9,235
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OTHER ASSETS

Refundable deposit	88
Website development, net of accumulated amortization of \$18,311	<u>20,921</u>

Total assets	<u>\$ 1,095,890</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 64,404
Accrued expenses	11,003
Total current liabilities	<u>75,407</u>

LONG-TERM LIABILITIES

Loan payable to Director	<u>82,647</u>
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Total liabilities	<u>158,054</u>
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NET ASSETS

Unrestricted	126,549
Temporarily restricted	811,287
Total net assets	<u>937,836</u>

Total liabilities and net assets	<u>\$ 1,095,890</u>
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See accompanying notes to consolidated financial statements.

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 122,438	\$ 326,000	\$ 448,438
Interest and dividend income	5,424	-	5,424
Internet support	23,158	-	23,158
Product sales	254,003	-	254,003
License plate support	-	15,390	15,390
Other	47,236	-	47,236
Total revenues	452,259	341,390	793,649
 NET ASSETS RELEASED FROM RESTRICTION	 7,656,759	 (7,656,759)	 -
Total revenues and other support	8,109,018	(7,315,369)	793,649
 EXPENSES			
Program services	7,866,103	-	7,866,103
Management and general	84,575	-	84,575
Fund raising	164,235	-	164,235
Total expenses	8,114,913	-	8,114,913
 CHANGE IN NET ASSETS	 (5,895)	 (7,315,369)	 (7,321,264)
 NET ASSETS			
Beginning of year	132,444	8,126,656	8,259,100
 End of year	 \$ 126,549	 \$ 811,287	 \$ 937,836

See accompanying notes to consolidated financial statements.

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2012

	Program Services	USA Pavilion	Management and General	Fund Raising	Total
REVENUES					
Contributions	\$ 130,923	\$ 240,000	\$ 77,515	\$ -	\$ 448,438
Interest and dividend income	-	5,392	32	-	5,424
Internet support	22,461	-	697	-	23,158
Product sales	-	254,003	-	-	254,003
License plate support	15,390	-	-	-	15,390
Other	309	10,418	36,509	-	47,236
Total revenues	<u>169,083</u>	<u>509,813</u>	<u>114,753</u>	<u>-</u>	<u>793,649</u>
EXPENSES					
Accounting	22,222	112,846	2,778	2,778	140,624
Bank Fees	-	2,268	78	-	2,346
Conferences, conventions & meetings	1,350	765	12,266	307	14,688
Consultant	56,241	283,131	4,868	-	344,240
Depreciation and amortization	-	-	6,254	-	6,254
Specialty plate costs	662	-	-	-	662
Contributions & donated materials	23,453	39,200	100	-	62,753
Dues and subscriptions	-	-	215	-	215
Education	90,000	114	-	-	90,114
Foreign currency translation adjustment	159	8,356	1,563	-	10,078
Insurance - general	2,287	26,855	7,768	286	37,196
Insurance - health	9,821	57,930	1,228	1,228	70,207
Interest	-	443	4,047	-	4,490
Legal fees	10,253	38,796	2,585	264	51,898
Licenses and fees	705	4,579	2,199	-	7,483
Media development & PSA	-	3,430	-	8,065	11,495
Occupancy	6,574	34,340	(5,490)	822	36,246
Office expense	901	136,086	243	218	137,448
Organizational expenses	20	142,363	1,874	-	144,257
Pavilion construction	-	4,296,308	-	-	4,296,308
Payroll processing fees	1,798	3,500	225	225	5,748
Payroll taxes	7,340	48,692	918	918	57,868
Professional fees	2,755	69,606	-	73,693	146,054
Program expenses	4,236	42,225	-	882	47,343
Public relations	11,269	87,787	2,140	700	101,896
Postage and shipping	703	5,607	1,018	22	7,350
Printing & copying	769	2,286	2,697	612	6,364
Promotion	83	15,498	2,873	47,775	66,229
Royalties	-	24,704	-	-	24,704
Salaries	95,822	903,264	11,978	11,978	1,023,042
Supplies	-	282,020	-	-	282,020
Telephone	4,129	11,052	747	516	16,444
Travel	24,178	769,110	10,108	12,438	815,834
Web hosting & development	23,459	11,753	9,295	508	45,015
Total expenses	<u>401,189</u>	<u>7,464,914</u>	<u>84,575</u>	<u>164,235</u>	<u>8,114,913</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	<u>\$ (232,106)</u>	<u>\$ (6,955,101)</u>	<u>\$ 30,178</u>	<u>\$ (164,235)</u>	<u>\$ (7,321,264)</u>

See accompanying notes to consolidated financial statements.

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants received	\$ 2,090,729
Investment income received	5,424
Product sales	254,003
Interest paid	(4,490)
Payments to vendors, suppliers and employees	<u>(8,091,040)</u>
Net cash used for operating activities	<u>(5,745,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(5,380)
Payment of refundable deposit	<u>(88)</u>
Net cash used for investing activities	<u>(5,468)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of loan from Director	<u>(5,000)</u>
Net cash used for financing activities	<u>(5,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,755,842)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,759,758</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,003,916</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES	
Change in net assets	\$ (7,321,264)
Adjustments	
Depreciation and amortization	6,254
(Increase) decrease in assets	
Accounts receivable	(43,493)
Pledge receivable	1,600,000
Inventory	22,000
Prepaid expenses	14,290
Increase (decrease) in liabilities	
Accounts payable	(29,384)
Accrued expenses	<u>6,223</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (5,745,374)</u>

See accompanying notes to consolidated financial statements.

EARTHECHO INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

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, EEI 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 continued to organize and fund the development of the United States of America’s Pavilion which was 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, 2012.

**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 U.S. 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. U.S. bank deposits in excess of FDIC insured limits at December 31, 2012 were approximately \$151,000. In addition, amounts on deposit in South Korean bank accounts at that date totaled approximately \$224,000.

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, 2012 was \$3,638.

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, 2012 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.

NOTE 2. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2012 were available to support the following programs:

USA Pavilion 2012	\$ 754,555
Water Planet Challenge	35,191
Marine Sanctuary Funds	15,362
South Carolina License Plate Project	<u>6,179</u>
	<u>\$ 811,287</u>

Net assets were released from restriction during 2012 to support the Water Planet Challenge in the amount of \$148,906, for USA Pavilion 2012 in the amount of \$7,498,366, and for the South Carolina License Plate Project in the amount of \$9,487.

NOTE 3. 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 4. 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 \$4,490 for the year ended December 31, 2012. The note was paid in full in May of 2013.

NOTE 5. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 6, 2015, which is the date the consolidated 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 consolidated financial statements.