

EARTH ECHO INTERNATIONAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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YEAR ENDED DECEMBER 31, 2013

CONTENTS

	PAGE
Report of Independent Auditors	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Revenues and Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7



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, the EEI), which comprise the consolidated statement of financial position as of December 31, 2013, 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 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 from 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 the 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 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 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, 2013, 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
June 17, 2014

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 581,058
Contributions receivable	365,100
Prepaid expenses	<u>1,060</u>
Total current assets	947,218

PROPERTY AND EQUIPMENT - AT COST,

net of accumulated depreciation of \$45,980	6,756
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OTHER ASSETS

Refundable deposit	2,588
Website development, net of accumulated amortization of \$20,924	<u>18,308</u>

Total assets	<u>\$ 974,870</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 18,181
Accrued expenses	<u>1,643</u>
Total liabilities	<u>19,824</u>

NET ASSETS

Unrestricted	500,153
Temporarily restricted	<u>454,893</u>
Total net assets	<u>955,046</u>

Total liabilities and net assets	<u>\$ 974,870</u>
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See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 232,552	\$ 827,786	\$ 1,060,338
Interest and dividend income	598	-	598
Internet support	4,389	-	4,389
License plate support	-	10,652	10,652
Rental income	2,550	-	2,550
Royalties	3,553	-	3,553
Other	4,388	-	4,388
Total revenues	248,030	838,438	1,086,468
NET ASSETS RELEASED FROM RESTRICTION	1,194,832	(1,194,832)	-
Total revenues and other support	1,442,862	(356,394)	1,086,468
EXPENSES			
Program services	921,416	-	921,416
Management and general	74,090	-	74,090
Fund raising	73,752	-	73,752
Total expenses	1,069,258	-	1,069,258
CHANGE IN NET ASSETS	373,604	(356,394)	17,210
NET ASSETS			
Beginning of year	126,549	811,287	937,836
End of year	\$ 500,153	\$ 454,893	\$ 955,046

See accompanying notes to financial statements.

EARTH ECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program Services	USA Pavilion	Management and General	Fund Raising	Total
REVENUES					
Contributions	\$ 884,783	\$ -	\$ 175,555	\$ -	\$ 1,060,338
Interest and dividend income	-	278	320	-	598
Internet support	-	-	4,389	-	4,389
License plate support	10,652	-	-	-	10,652
Rental income	-	-	2,550	-	2,550
Royalties	-	-	3,553	-	3,553
Other	-	-	4,388	-	4,388
Total revenues	<u>895,435</u>	<u>278</u>	<u>190,755</u>	<u>-</u>	<u>1,086,468</u>
EXPENSES					
Accounting	28,115	25,240	5,020	1,619	59,994
Bank Fees	55	92	514	-	661
Conferences, conventions & meetings	3,405	-	5,593	-	8,998
Consultant	133,512	-	55	46,580	180,147
Depreciation and amortization	-	-	5,092	-	5,092
Specialty plate costs	650	-	-	-	650
Contributions & donated materials	12,390	-	-	-	12,390
Currency exchange loss	-	20,694	-	-	20,694
Design fees	7,730	10,156	190	-	18,076
Education	4,050	-	-	-	4,050
Equipment rental	-	-	1,363	-	1,363
Insurance - general	1,917	-	4,567	-	6,484
Insurance - health	18,899	-	3,789	1,117	23,805
Interest	-	-	1,471	-	1,471
Legal fees	2,973	4,192	3,432	2,224	12,821
Licenses and fees	470	50	850	-	1,370
Media development & PSA	110,997	-	-	-	110,997
Office expense	1,172	231	200	62	1,665
Other expense	166	-	160	-	326
Payroll processing fees	2,078	1,455	200	196	3,929
Payroll taxes	15,169	2,423	1,607	1,011	20,210
Program expenses	20,453	2,289	152	-	22,894
Public relations	45,803	100	550	150	46,603
Postage and shipping	776	1,582	416	-	2,774
Printing & copying	7,863	48,959	5,734	311	62,867
Promotion	38,872	1,096	965	4,000	44,933
Rent	29,757	-	5,701	1,653	37,111
Salaries	201,240	26,223	18,478	11,564	257,505
Software	-	-	309	1,069	1,378
Supplies	3,714	-	-	-	3,714
Telephone	4,330	7	-	222	4,559
Travel	40,435	409	2,609	1,276	44,729
Web hosting & development	39,102	125	5,073	698	44,998
Total expenses	<u>776,093</u>	<u>145,323</u>	<u>74,090</u>	<u>73,752</u>	<u>1,069,258</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	<u>\$ 119,342</u>	<u>\$ (145,045)</u>	<u>\$ 116,665</u>	<u>\$ (73,752)</u>	<u>\$ 17,210</u>

See accompanying notes to financial statements.

EARTH ECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants received	\$ 764,946
Investment income received	598
Interest expense	(4,136)
Payments to vendors, suppliers and employees	<u>(1,099,117)</u>
Net cash used for operating activities	<u>(337,709)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment of refundable deposit	<u>(2,500)</u>
Net cash used for investing activities	<u>(2,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of officer's loan	<u>(82,647)</u>
Net cash used for financing activities	<u>(82,647)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(422,856)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,003,914</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 581,058</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES	
Change in net assets	\$ 17,210
Adjustments	
Depreciation and amortization	5,092
(Increase) decrease in assets	
Accounts receivable	44,176
Contributions receivable	(365,100)
Prepaid expenses	4,496
Inventory	12,000
Increase (decrease) in liabilities	
Accounts payable	(46,223)
Accrued expenses	<u>(9,360)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (337,709)</u>

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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 not-for-profit organization with its offices in Washington, D.C., was originally incorporated in March 2000 as the Philippe Cousteau Foundation, Inc. and changed 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. During 2013, EEI launched a new program to build on the resources and lessons learned from the Water Planet Challenge’s success. EarthEcho Expeditions was launched to encourage middle and high school students and teachers to “explore” a critical ocean-based issue (in 2013, that issue was dead zones), “engage” students through lesson plans and curriculum enhancement tools designed from real-world data, and prompt them to “act” to solve the issue of dead zones through service learning Action Guides that empower youth to create change in their communities. This was accomplished through a series of videos, webinars, virtual field trips, and lesson plans.

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.

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

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, 2013.

Functional Allocation of Expenses - The costs of providing program services and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated 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 accounts. Cash equivalents include amounts held in money market account and 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) insures up to \$250,000 the total of all accounts held at each separate financial institution. 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, 2013 were approximately \$298,000.

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, 2013 was \$2,479.

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, 2013 was \$2,613.

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, 2013 were available to support the following programs:

Water Planet Challenge	\$ 435,252
Marine Sanctuary Funds	15,362
South Carolina License Plate Project	<u>4,279</u>
	<u>\$ 454,893</u>

Net assets were released from restriction during 2013 to support the Water Planet Challenge in the amount of \$303,629, for USA Pavilion 2012 in the amount of \$754,555, for Expedition in the amount of \$124,096, and for the South Carolina License Plate Project in the amount of \$12,552.

NOTE 3. CONTRIBUTIONS RECEIVABLE

Of the total contributions receivable at December 31, 2013, \$185,100 is due within one year and the remaining \$180,000 is due within two years. Approximately 98.6% of the total contributions receivable are due from a single contributor.

NOTE 4. OPERATING LEASES REPORT

EEI 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 EEI is charged separately for any additional services it requests. The arrangement can be terminated on 30 days notice.

NOTE 5. LOAN FROM DIRECTOR

EEI entered into a note payable to an officer/director. The Note was issued on January 1, 2006 in the amount of \$87,647 with 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 \$1,471 for the year ended December 31, 2013. The note was paid in full in May of 2013.

NOTE 6. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through June 17, 2014, 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.