

EARTH ECHO INTERNATIONAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
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, 2014, 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 consolidated 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 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, 2014, 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
September 9, 2015

EARTHÉCHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 193,518
Contributions receivable	185,000
Prepaid expenses	<u>7,480</u>
Total current assets	385,998

PROPERTY AND EQUIPMENT - AT COST,
net of accumulated depreciation of \$48,123

7,317

OTHER ASSETS

Refundable deposit	2,500
Website development, net of accumulated amortization of \$23,539	<u>15,693</u>

Total assets \$ 411,508

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 24,257
Accrued expenses	<u>350</u>
Total liabilities	<u>24,607</u>

NET ASSETS

Unrestricted	74,870
Temporarily restricted	<u>312,031</u>
Total net assets	<u>386,901</u>

Total liabilities and net assets \$ 411,508

See accompanying notes to financial statement.

EARTH ECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions	\$ 114,423	\$ 160,000	\$ 274,423
Interest and dividend income	451	-	451
Internet support	1,053	-	1,053
License plate support	-	24,835	24,835
Rental income	450	-	450
Royalties	270	-	270
Other	98	-	98
Total revenues	116,745	184,835	301,580
NET ASSETS RELEASED FROM RESTRICTION			
	327,697	(327,697)	-
Total revenues and other support	444,442	(142,862)	301,580
EXPENSES			
Program services	658,571	-	658,571
Management and general	110,651	-	110,651
Fund raising	100,503	-	100,503
Total expenses	869,725	-	869,725
CHANGE IN NET ASSETS			
	(425,283)	(142,862)	(568,145)
NET ASSETS			
Beginning of year	500,153	454,893	955,046
End of year	\$ 74,870	\$ 312,031	\$ 386,901

See accompanying notes to financial statement.

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fund Raising	Total
REVENUES				
Contributions	\$ 155,000	\$ 119,423	\$ -	\$ 274,423
Interest and dividend income	-	451	-	451
Internet support	-	1,053	-	1,053
License plate support	24,835	-	-	24,835
Rental income	-	450	-	450
Royalties	-	270	-	270
Other	-	98	-	98
Total revenues	179,835	121,745	-	301,580
EXPENSES				
Accounting	30,659	17,400	1,803	49,862
Bank Fees	34	365	-	399
Conferences, conventions & meetings	1,960	6,853	-	8,813
Consultant	67,409	9	41,334	108,752
Depreciation and amortization	-	4,758	-	4,758
Specialty plate costs	4,352	-	-	4,352
Contributions & donated materials	1,357	500	-	1,857
Design fees	2,815	-	350	3,165
Education	13,860	-	-	13,860
Equipment rental	380	-	-	380
Fundraising Fees	-	-	70	70
Insurance - general	3,370	4,406	-	7,776
Insurance - health	22,399	2,771	1,609	26,779
Interest	-	116	-	116
Legal fees	3,861	3,696	-	7,557
Licenses and fees	480	1,013	-	1,493
Media development & PSA	35,150	-	-	35,150
Occupancy	31,927	7,806	5,247	44,980
Office expense	1,230	145	72	1,447
Other expense	256	3,390	971	4,617
Payroll processing fees	2,412	209	173	2,794
Payroll taxes	19,802	3,695	1,423	24,920
Personnel Search Fees	20,488	12,293	8,195	40,976
Photography	29	-	250	279
Program expenses	50,000	-	-	50,000
Public relations	9,998	3,500	500	13,998
Postage and shipping	145	331	117.00	593
Printing & copying	1,868	1,262	485	3,615
Promotion	986	732	1,246	2,964
Salaries	281,051	21,608	21,440	324,099
Software	-	60	2,269	2,329
Supplies	988	295	623	1,906
Telephone	2,585	814	254	3,653
Travel	29,892	12,400	10,574	52,866
Web hosting & development	16,828	224	1,498	18,550
Total expenses	658,571	110,651	100,503	869,725
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
	\$ (478,736)	\$ 11,094	\$ (100,503)	\$ (568,145)

See accompanying notes to financial statement.

EARTHECHO INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants received	\$ 481,229
Investment income received	451
Interest paid	(116)
Payments to vendors, suppliers and employees	<u>(866,488)</u>
Net cash used for operating activities	<u>(384,924)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(2,704)
Refund of deposit	<u>88</u>
Net cash used for investing activities	<u>(2,616)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(387,540)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>581,058</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 193,518</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET	
CASH USED FOR OPERATING ACTIVITIES	
Change in net assets	\$ (568,145)
Adjustments	
Depreciation and amortization	4,758
(Increase) decrease in assets	
Contributions receivable	180,100
Prepaid expenses	(6,420)
Increase (decrease) in liabilities	
Accounts payable	6,076
Accrued expenses	<u>(1,293)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (384,924)</u>

See accompanying notes to financial statement.

EARTHECHO INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts and activities of EarthEcho International, Inc. (EEI). 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 and distribution of educational materials, plus training educators and students on the use of those materials. 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 our Expedition program and on providing education resources and professional development opportunities to educators and students. During 2013, EEI launched EarthEcho Expeditions, a program 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 continues to be 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, 2014.

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 accounts 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. All bank deposits were fully-insured at December 31, 2014.

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.

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.

Income Taxes - EEI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly-supported organization, and is similarly exempt from state income and franchise taxes. The Organization has been classified as an organization that is not a private foundation under section 509(a)(1). EEI files federal information returns with the Internal Revenue Service. These returns are no longer subject to audit for years ending before December 31, 2011.

Estimates - The preparation of consolidated 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, 2014 were available to support the following programs:

Water Planet Challenge	\$ 274,942
Marine Sanctuary Funds	15,362
License Plate Project	<u>21,727</u>
	<u>\$ 312,031</u>

Net assets were released from restriction during 2014 to support the Water Planet Challenge in the amount of \$185,310, for Expedition in the amount of \$135,000, and for the License Plate Project in the amount of \$7,387.

NOTE 3. CONTRIBUTIONS RECEIVABLE

Of the total contributions receivable at December 31, 2014, \$180,000 is due from a single contributor. All amounts are due within one year.

NOTE 4. OPERATING LEASE

E EI leases its office space from a shared office provider in the District of Columbia. The lease calls for basic membership of \$3,128 per month and then E EI is charged separately for any additional services it requests. The arrangement can be terminated on 90 days notice.

NOTE 5. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through September 9, 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.