

**EARTH ECHO INTERNATIONAL, INC.**  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**EARTH ECHO INTERNATIONAL, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

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**

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, 2015, 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.

### **Auditors' 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, 2015, 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 2, 2016

**EARTH ECHO INTERNATIONAL, INC.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 179,420
Contributions receivable	20,000
Prepaid expenses	<u>5,949</u>
Total current assets	205,369

PROPERTY AND EQUIPMENT - AT COST,

net of accumulated depreciation of \$50,082	5,358
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OTHER ASSETS

Refundable deposit	349
Website development, net of accumulated amortization of \$26,154	<u>13,078</u>

Total assets	<u>\$ 224,154</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 13,573
Accrued expenses	<u>2,210</u>
Total liabilities	<u>15,783</u>

NET ASSETS

Unrestricted	(10,059)
Temporarily restricted	<u>218,430</u>
Total net assets	<u>208,371</u>

Total liabilities and net assets	<u>\$ 224,154</u>
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See accompanying notes to consolidated financial statements.

**EARTH ECHO INTERNATIONAL, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Contributions	\$ 218,546	\$ 465,440	\$ 683,986
Interest and dividend income	77	-	77
Internet support	25	-	25
License plate support	-	17,593	17,593
Royalties	544	-	544
Return of grant funds	-	(15,362)	(15,362)
Other	<u>2,400</u>	<u>-</u>	<u>2,400</u>
Total revenues	221,592	467,671	689,263
<b>NET ASSETS RELEASED FROM RESTRICTION</b>			
	<u>561,272</u>	<u>(561,272)</u>	<u>-</u>
Total revenues and other support	<u>782,864</u>	<u>(93,601)</u>	<u>689,263</u>
<b>EXPENSES</b>			
Program services	670,205	-	670,205
Management and general	122,951	-	122,951
Fund raising	<u>74,637</u>	<u>-</u>	<u>74,637</u>
Total expenses	<u>867,793</u>	<u>-</u>	<u>867,793</u>
<b>CHANGE IN NET ASSETS</b>	(84,929)	(93,601)	(178,530)
<b>NET ASSETS</b>			
Beginning of year	<u>74,870</u>	<u>312,031</u>	<u>386,901</u>
End of year	<u>\$ (10,059)</u>	<u>\$ 218,430</u>	<u>\$ 208,371</u>

See accompanying notes to consolidated financial statements.

## EARTH ECHO INTERNATIONAL, INC.

### CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fund Raising	Total
<b>REVENUES</b>				
Contributions	\$ 465,440	\$ 218,546	\$ -	\$ 683,986
Interest and dividend income	-	77	-	77
Internet support	-	25	-	25
License plate support	17,593	-	-	17,593
Royalties	-	544	-	544
Return of grant funds	-	(15,362)	-	(15,362)
Other	247	2,153	-	2,400
Total revenues	483,280	205,983	-	689,263
<b>EXPENSES</b>				
Accounting	33,079	18,892	1,946	53,917
Bank fees	-	1,071	-	1,071
Conferences, conventions & meetings	1,740	2,628	-	4,368
Consultant	25,860	10,000	2,993	38,853
Depreciation and amortization	-	4,574	-	4,574
Design fees	2,000	-	100	2,100
Employee benefits	27,031	5,733	3,139	35,903
Equipment	434	-	75	509
Insurance - general	398	3,847	-	4,245
Interest	-	1,004	124.00	1,128
Legal fees	7,114	2,100	986	10,200
Licenses and fees	-	325	-	325
Media development & PSA	30,832	-	-	30,832
Occupancy	17,346	16,284	1,770	35,400
Office expense	-	(179)	186	7
Other expense	1,990	5,763	-	7,753
Payroll processing fees	2,717	299	316	3,332
Payroll taxes	26,483	2,916	3,075	32,474
Photography	500	243	-	743
Postage and shipping	6,481	365	-	6,846
Printing & copying	4,955	1,262	-	6,217
Program expenses	10,873	-	-	10,873
Program marketing	-	255	-	255
Promotion	1,196	823	429	2,448
Public relations	30,950	7,950	-	38,900
Salaries	365,076	33,585	30,014	428,675
Software	45	90	26	161
Specialty plate costs	4,792	-	-	4,792
Supplies	2,199	218	70	2,487
Telephone	4,373	(298)	423	4,498
Travel	26,279	6,051	25,357	57,687
Web hosting & development	35,462	(2,850)	3,608	36,220
Total expenses	670,205	122,951	74,637	867,793
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>				
	\$ (186,925)	\$ 83,032	\$ (74,637)	\$ (178,530)

See accompanying notes to consolidated financial statements.

**EARTH ECHO INTERNATIONAL, INC.**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants received	\$ 848,986
Investment income received	77
Other operating receipts	20,562
Interest paid	(1,128)
Payments to vendors, suppliers and employees	<u>(884,746)</u>
Net cash used for operating activities	<u>(16,249)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Refund of deposit	<u>2,151</u>
Net cash provided by investing activities	<u>2,151</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,098)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>193,518</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 179,420</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET	
CASH USED FOR OPERATING ACTIVITIES	
Change in net assets	\$ (178,530)
Adjustments	
Depreciation and amortization	4,574
(Increase) decrease in assets	
Contributions receivable	165,000
Prepaid expenses	1,531
Increase (decrease) in liabilities	
Accounts payable	(10,684)
Accrued expenses	<u>1,860</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (16,249)</u>

See accompanying notes to consolidated financial statements.



# EARTHECHO INTERNATIONAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

### 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, 2015.

**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, 2015.

**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. EEI 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, 2012.

**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, 2015 were available to support the following programs:

Water Planet Challenge	\$ 184,931
Training	8,879
License Plate Project	<u>24,620</u>
	<u>\$ 218,430</u>

Net assets were released from restriction during 2015 to support the following programs.

Water Planet Challenge	\$ 345,160
Expedition	160,000
Training	41,412
License Plate Project	<u>14,700</u>
	<u>\$ 561,272</u>

**NOTE 3. CONTRIBUTIONS RECEIVABLE**

Total contributions receivable at December 31, 2015 of \$20,000 are due from a single contributor. All amounts are due within one year.

**NOTE 4. OPERATING LEASE**

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. SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through September 2, 2016, 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.