

**EARTH ECHO INTERNATIONAL, INC.**  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**EARTH ECHO INTERNATIONAL, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
EarthEcho 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, 2016, 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 auditors consider 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, 2016, 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 27, 2017

**EARTHECHO INTERNATIONAL, INC.**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 210,288
Employee advances	4,500
Prepaid expenses	<u>2,548</u>
Total current assets	217,336

PROPERTY AND EQUIPMENT - AT COST,  
net of accumulated depreciation of \$51,647

3,793

OTHER ASSETS

Refundable deposit	349
Website development, net of accumulated amortization of \$28,769	<u>70,432</u>

Total assets \$ 291,910

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 28,387
Accrued expenses	<u>14,003</u>
Total liabilities	<u>42,390</u>

NET ASSETS

Unrestricted	(15,566)
Temporarily restricted	<u>265,086</u>
Total net assets	<u>249,520</u>

Total liabilities and net assets \$ 291,910

See accompanying notes to consolidated financial statements.

**EARTH ECHO INTERNATIONAL, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Contributions	\$ 240,803	\$ 495,150	\$ 735,953
Internet support	773	-	773
License plate support	-	27,552	27,552
Royalties	1,192	-	1,192
Other	4,451	-	4,451
Total revenues	247,219	522,702	769,921
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	476,046	(476,046)	-
Total revenues and other support	723,265	46,656	769,921
<b>EXPENSES</b>			
Program services	499,719	-	499,719
Management and general	111,009	-	111,009
Fund raising	118,044	-	118,044
Total expenses	728,772	-	728,772
<b>CHANGE IN NET ASSETS</b>	(5,507)	46,656	41,149
<b>NET ASSETS</b>			
Beginning of year	(10,059)	218,430	208,371
End of year	\$ (15,566)	\$ 265,086	\$ 249,520

See accompanying notes to consolidated financial statements.

## EARTH ECHO INTERNATIONAL, INC.

### CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fund Raising	Total
<b>REVENUES</b>				
Contributions	\$ 515,407	\$ 220,539	\$ -	\$ 735,946
Internet support	-	781	-	781
License plate support	27,552	-	-	27,552
Royalties	514	678	-	1,192
Other	3,906	544	-	4,450
Total revenues	<u>547,379</u>	<u>222,542</u>	<u>-</u>	<u>769,921</u>
<b>EXPENSES</b>				
Accounting	22,796	17,264	2,206	42,266
Bank fees	-	433	-	433
Conferences, conventions and meetings	1,726	4,608	-	6,334
Consultant	25,479	-	81,051	106,530
Depreciation and amortization	-	4,180	-	4,180
Design fees	1,800	-	1,400	3,200
Employee benefits	26,161	828	1,571	28,560
Insurance - general	175	3,858	-	4,033
Interest	-	1,537	-	1,537
Legal fees	2,788	612	1,428	4,828
Licenses and fees	-	50	-	50
Media development and PSA	32,540	-	-	32,540
Occupancy	3,547	806	491	4,844
Office expense	273	26	24	323
Other expense	1,816	3,274	81	5,171
Payroll processing fees	3,048	987	183	4,218
Payroll taxes	20,126	3,799	1,208	25,133
Postage and shipping	3,303	147	53	3,503
Printing & copying	35	394	-	429
Program expenses	9,822	-	-	9,822
Program marketing	3,016	-	-	3,016
Promotion	320	1,065	315	1,700
Public relations	11,375	2,600	100	14,075
Salaries	266,550	63,606	17,250	347,406
Software	-	189	-	189
Specialty plate costs	10,521	-	-	10,521
Supplies	141	154	-	295
Telephone	4,591	314	258	5,163
Travel	41,389	3,556	6,346	51,291
Web hosting and development	6,381	(3,278)	4,079	7,182
Total expenses	<u>499,719</u>	<u>111,009</u>	<u>118,044</u>	<u>728,772</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>				
	<u>\$ 47,660</u>	<u>\$ 111,533</u>	<u>\$ (118,044)</u>	<u>\$ 41,149</u>

See accompanying notes to consolidated financial statements.

**EARTHECHO INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants received	\$ 751,453
Other operating receipts	33,968
Interest paid	(1,537)
Payments to vendors, suppliers and employees	<u>(693,047)</u>
Net cash provided by operating activities	<u>90,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(59,969)</u>
Net cash used for investing activities	<u>(59,969)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,868
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>179,420</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 210,288</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ 41,149
Adjustments	
Depreciation and amortization	4,180
(Increase) decrease in assets	
Contributions receivable	20,000
Employee advances	(4,500)
Prepaid expenses	3,401
Increase (decrease) in liabilities	
Accounts payable	14,814
Accrued expenses	<u>11,793</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 90,837</u></u>

See accompanying notes to consolidated financial statements.



# EARTHECHO INTERNATIONAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

### 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 was wholly-owned by EEI, and that was dissolved effective April 22, 2016. 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, training educators and students on the use of those materials, and managing the World Water Monitoring Challenge program. During the current year, EEI worked toward its mission of inspiring young people to act now for a sustainable future. To that end, it continued to focus on our Expedition program, the World Water Monitoring Challenge, and on providing education resources and professional development opportunities to educators and students. In 2016, EarthEcho’s resources continued to equip new generations of leaders and problem solvers to identify and tackle environmental challenges in their own communities and beyond. Our work is focused in three main areas:

**Inspiration** – EarthEcho’s *STEMExplore* highlights relatable voices and exciting life experiences to make careers in Science, Technology, Engineering and Math (STEM) come alive. *STEMExplore* kindles youth interest in solving problems and becoming critical thinkers about the world around them. The program features a series of interactive videos profiling STEM experts and thought leaders from around the world, meeting a critical need by fostering the next generation of STEM professionals.

**Cultivation** – EarthEcho’s *Youth Leadership Council* (YLC) is a platform for today’s emerging trailblazers and visionaries in the environmental space. Comprised of 15 diverse leaders from across the country, ages 15-22, each YLC member has demonstrated an ability to engage and mobilize their peers and their communities to change the world. Through EarthEcho’s platforms, YLC members are empowered to develop programs and conduct outreach to youth around the world.

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

**Activation** – The *EarthEcho World Water Monitoring Challenge* is an international program that equips anyone to combat the global water crisis starting in their own communities. Through the simple acts of testing their local water, sharing the results, and taking action to restore and protect this resource, anyone can play a critical role in ensuring the overall health of the environment and our communities. In addition, *EarthEcho Expedition-inspired* Web-based video content, classroom materials, and community action guides put the tools of change at the fingertips of young environmental champions anywhere, anytime.

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, 2016.

**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, 2016.

**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.

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

**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, 2013.

**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, 2016 were available to support the following programs:

Water Planet Challenge	\$ 236,284
Direct to Youth	9,660
License Plate Project	<u>19,142</u>
	<u>\$ 265,086</u>

Net assets were released from restriction during 2016 to support the following programs.

Water Planet Challenge	\$ 248,647
Direct to Youth	185,490
Training	8,879
License Plate Project	<u>33,030</u>
	<u>\$ 476,046</u>

**NOTE 3. 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 4. SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through June 27, 2017, 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.