

EARTHECHO INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018



EARTHECHO INTERNATIONAL, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
EarthEcho International, Inc.

We have audited the accompanying financial statements of EarthEcho International, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional 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 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 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of EarthEcho International, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

CalibreCPAGroup, PLLC

Bethesda, MD
November 12, 2019

EARTHECHO INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 300,000
Prepaid expenses	<u>4,773</u>
Total current assets	304,773

PROPERTY AND EQUIPMENT - AT COST,
net of accumulated depreciation of \$13,589

1,174

OTHER ASSETS

Refundable deposit	349
Website development, net of accumulated amortization of \$41,495	<u>57,706</u>

Total assets \$ 364,002

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 19,862
Accrued expenses	<u>1,913</u>
Total current liabilities	<u>21,775</u>

NET ASSETS

Without donor restrictions	96,008
With donor restrictions	<u>246,219</u>
Total net assets	<u>342,227</u>

Total liabilities and net assets \$ 364,002

See accompanying notes to financial statements.

EARTH ECHO INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 144,938	\$ 837,442	\$ 982,380
Internet support	9,440	-	9,440
License plate support	-	29,110	29,110
Royalties	26,247	-	26,247
Other	5,105	-	5,105
Total revenues	185,730	866,552	1,052,282
NET ASSETS RELEASED FROM RESTRICTIONS	786,982	(786,982)	-
Total revenues and other support	972,712	79,570	1,052,282
EXPENSES			
Program services			
Exploration programs	422,637	-	422,637
Water challenge	229,231	-	229,231
Other programs	128,169	-	128,169
Total program services	780,037	-	780,037
Supporting services			
Management and general	83,760	-	83,760
Fund raising	87,458	-	87,458
Total expenses	951,255	-	951,255
CHANGE IN NET ASSETS	21,457	79,570	101,027
NET ASSETS			
Beginning of year	74,551	166,649	241,200
End of year	\$ 96,008	\$ 246,219	\$ 342,227

See accompanying notes to financial statements.

EARTH ECHO INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services		Total
	Exploration Programs	Water Challenge	Other Programs	Management and General	Fund Raising	
Salaries, payroll taxes and fringe benefits	\$ 204,462	\$ 142,051	\$ 51,827	\$ 30,823	\$ 25,316	\$ 454,479
Consulting and professional fees	38,705	15,134	17,373	15,427	57,771	144,410
Public relations fees	22,744	13,524	6,956	2,832	1,416	47,472
Media development and production	53,955	15,000	3,000	89	-	72,044
Occupancy	2,903	1,617	1,258	2,417	359	8,554
Travel and meetings	60,324	19,121	38,483	15,645	1,383	134,956
Depreciation and amortization	3,132	1,566	1,218	696	348	6,960
Office and other operating expenses	32,381	21,158	7,726	10,945	865	73,075
Miscellaneous	4,031	60	328	4,886	-	9,305
 Total expenses	 <u>\$ 422,637</u>	 <u>\$ 229,231</u>	 <u>\$ 128,169</u>	 <u>\$ 83,760</u>	 <u>\$ 87,458</u>	 <u>\$ 951,255</u>

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and grants received	\$ 1,020,930
Other operating receipts	31,352
Payments to vendors, suppliers and employees	<u>(956,960)</u>
Net cash provided by operating activities	<u>95,322</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	95,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>204,678</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 300,000</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ 101,027
Adjustments	
Depreciation and amortization	6,960
Loss on disposal of property and equipment	1,423
Changes in assets	
Prepaid expenses	278
Changes in liabilities	
Accounts payable	(11,988)
Accrued expenses	<u>(2,378)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 95,322</u>

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

EarthEcho International, Inc. (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 is a nonprofit organization founded on the belief that youth have the power to change our planet. Established by siblings Philippe and Alexandra Cousteau in honor of their father Philippe Cousteau Sr., and grandfather legendary explorer Jacques Yves Cousteau, the mission is to inspire young people worldwide to act now for a sustainable future.

EEI’s programs are developed for and by youth and the educators and community leaders that support them. All of the resources are designed to equip new generations of young environmental advocates to identify and tackle environmental challenges in their own communities and beyond. Our work is focused in three main action areas:

Inspire – *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.

Cultivate – *EarthEcho Expeditions* is an annual program that leverages the rich Cousteau legacy of exploration and discovery to bring STEM education alive for today’s 21st century learners and their educators. Grounded in current real-world issues, each Expedition combines adventure, exploration, and engaging teaching in order to provide students with the tools they need to address today’s increasingly complex and changing environment, starting in their own communities. Our efforts also reach youth directly. EEI’s *Youth Leadership Council* (YLC) is comprised of 17 diverse leaders, ages 15-23, from across the United States, Australia, Canada, and Chile. Each YLC member is an emerging trailblazer that has demonstrated an ability to engage and mobilize their peers and their communities to change the world. Through EEI’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)**

Activate – The *EarthEcho Water Challenge* is an international program that equips anyone to combat the global water crisis starting in their own communities. Through the simple actions of testing and sharing data about a community’s water, *EarthEcho Water Challenge* participants become part of a growing movement of over 1.5 million citizens in 146 countries who are working to conserve and protect water resources around the globe.

EEI has adopted the following significant accounting policies:

Basis of Accounting and Financial Statement Presentation - The financial statements of EEI have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification, *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, EEI is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Support and Revenue - Donor-restricted contributions are generally reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

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, 2018.

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. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management’s best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Common costs such as occupancy, depreciation and related infrastructure costs are allocated based on employee time and effort studies.

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 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, 2018.

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

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, 2015.

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.

New Accounting Pronouncement Adopted - During the year ended December 31, 2018, EEI adopted the provisions of Accounting Standards Update 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (the Update). The Update amends the reporting model for not-for-profit organizations and enhances required disclosures. The major changes include: requiring the presentation of only two classes of net assets - those with donor restrictions and those without donor restrictions; requiring all not-for-profits to present an analysis of expenses by both function and nature in a single location, generally as a separate financial statement or by disclosure in the notes, and to provide additional information about the methods used to allocate costs across functional reporting categories; and requiring disclosure of both quantitative and qualitative information about liquidity and the availability of financial resources.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of EEI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table represents EEI's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018.

Total financial assets at end of year	
Cash and cash equivalents	\$ 300,000
Less amounts not available for general expenditures	
Amounts restricted by donors	<u>(246,219)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 53,781</u>

NOTE 3. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2018 were available to support the following programs:

License Plate Project	\$ 25,881
Expedition	<u>220,338</u>
	<u>\$ 246,219</u>

Net assets were released from restriction during 2018 to support the following programs.

Water Planet Challenge	\$ 246,944
Direct to Youth	58,100
License Plate Project	22,778
Expedition	309,160
STEMExplore	<u>150,000</u>
	<u>\$ 786,982</u>

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 November 12, 2019, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.