

EARTHECHO INTERNATIONAL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019



EARTHECHO INTERNATIONAL, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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7501 WISCONSIN AVENUE | SUITE 1200 WEST
BETHESDA, MD 20814
202.331.9880 PHONE | 202.331.9890 FAX

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, 2019, 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, 2019, 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.

Calibre CPA Group, PLLC

Bethesda, MD
July 23, 2020

EARTHECHO INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 1,117,672 |
| Prepaid expenses | <u>6,948</u> |
| Total current assets | 1,124,620 |

PROPERTY AND EQUIPMENT - AT COST,
net of accumulated depreciation of \$7,614

1,003

OTHER ASSETS

| | |
|---|---------------|
| Refundable deposit | 349 |
| Website development, net of accumulated amortization of \$48,110 | <u>51,091</u> |

Total assets \$ 1,177,063

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---------------------------|---------------|
| Accounts payable | \$ 58,947 |
| Accrued expenses | <u>10,148</u> |
| Total current liabilities | <u>69,095</u> |

NET ASSETS

| | |
|----------------------------|------------------|
| Without donor restrictions | 127,805 |
| With donor restrictions | <u>980,163</u> |
| Total net assets | <u>1,107,968</u> |

Total liabilities and net assets \$ 1,177,063

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|---------------------|
| REVENUES AND OTHER SUPPORT | | | |
| Contributions | \$ 143,361 | \$ 1,768,130 | \$ 1,911,491 |
| Internet support | 8,737 | - | 8,737 |
| License plate support | - | 38,085 | 38,085 |
| Royalties | <u>777</u> | <u>-</u> | <u>777</u> |
| Total revenues | 152,875 | 1,806,215 | 1,959,090 |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>1,072,271</u> | <u>(1,072,271)</u> | <u>-</u> |
| Total revenues and other support | <u>1,225,146</u> | <u>733,944</u> | <u>1,959,090</u> |
| EXPENSES | | | |
| Program services | | | |
| Exploration programs | 490,263 | - | 490,263 |
| Water challenge | 383,227 | - | 383,227 |
| Other programs | <u>130,962</u> | <u>-</u> | <u>130,962</u> |
| Total program services | 1,004,452 | - | 1,004,452 |
| Supporting services | | | |
| Management and general | 88,907 | - | 88,907 |
| Fund raising | <u>99,990</u> | <u>-</u> | <u>99,990</u> |
| Total expenses | <u>1,193,349</u> | <u>-</u> | <u>1,193,349</u> |
| CHANGE IN NET ASSETS | 31,797 | 733,944 | 765,741 |
| NET ASSETS | | | |
| Beginning of year | <u>96,008</u> | <u>246,219</u> | <u>342,227</u> |
| End of year | <u>\$ 127,805</u> | <u>\$ 980,163</u> | <u>\$ 1,107,968</u> |

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | Supporting Services | | Total |
|---|-------------------------|--------------------|-------------------|---------------------------|------------------|---------------------|
| | Exploration Programs | Water Challenge | Other Programs | Management and General | Fund Raising | |
| Salaries, payroll taxes and fringe benefits | \$ 226,806 | \$ 164,980 | \$ 57,958 | \$ 25,710 | \$ 23,802 | \$ 499,256 |
| Consulting and professional fees | 33,455 | 104,854 | 21,541 | 13,410 | 73,565 | 246,825 |
| Public relations fees | 21,922 | 19,857 | 8,000 | 8,000 | - | 57,779 |
| Media development and production | 98,755 | - | - | 340 | 450 | 99,545 |
| Occupancy | 2,169 | 2,892 | 1,084 | 723 | 361 | 7,229 |
| Travel and meetings | 55,502 | 28,889 | 18,964 | 18,780 | 1,003 | 123,138 |
| Depreciation and amortization | 1,740 | 2,320 | 870 | 1,564 | 290 | 6,784 |
| Office and other operating expenses | 46,616 | 59,336 | 22,269 | 15,900 | 519 | 144,640 |
| Miscellaneous | 3,298 | 99 | 276 | 4,480 | - | 8,153 |
| Total expenses | \$ 490,263 | \$ 383,227 | \$ 130,962 | \$ 88,907 | \$ 99,990 | \$ 1,193,349 |

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

| | |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Contributions and grants received | \$ 1,958,313 |
| Other operating receipts | 777 |
| Payments to vendors, suppliers and employees | <u>(1,141,418)</u> |
| Net cash provided by operating activities | <u>817,672</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 817,672 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>300,000</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 1,117,672</u></u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET | |
| CASH PROVIDED BY OPERATING ACTIVITIES | |
| Change in net assets | \$ 765,741 |
| Adjustments | |
| Depreciation and amortization | 6,784 |
| Loss on disposal of property and equipment | 2 |
| Changes in assets | |
| Prepaid expenses | (2,175) |
| Changes in liabilities | |
| Accounts payable | 39,085 |
| Accrued expenses | <u>8,235</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 817,672</u></u> |

See accompanying notes to financial statements.

EARTHECHO INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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 (ASC), *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, 2019.

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. Amounts on deposit at December 31, 2019 exceeded the FDIC insurance limits by approximately \$828,000.

**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, 2016.

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, 2019, EEI adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (the Update). The Update provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The adoption of this Update did not have a significant impact on EEI's financial statements.

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, 2019.

| | |
|--|-----------------------|
| Total financial assets at end of year | |
| Cash and cash equivalents | \$ 1,117,672 |
| Less amounts not available for general expenditures | |
| Amounts restricted by donors | <u>(980,163)</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 137,509</u> |

NOTE 3. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are all subject to donor-imposed purpose restrictions. Total activity in net assets with donor restrictions for 2019 is summarized as follows:

| | <u>Beginning of Year</u> | <u>Restricted Contributions</u> | <u>Net Assets Released</u> | <u>End of Year</u> |
|---------------------------|------------------------------|-------------------------------------|--------------------------------|------------------------|
| License Plate Project | \$ 25,881 | \$ 38,085 | \$ (17,411) | \$ 46,555 |
| Youth Leadership | - | 115,000 | (115,000) | - |
| OurEcho Challenge | - | 500,000 | (182,943) | 317,057 |
| EarthEcho Water Challenge | - | 221,543 | (221,543) | - |
| Beyond the Reef | - | 247,803 | (167) | 247,636 |
| STEMExplore | - | 250,000 | (158,937) | 91,063 |
| Expedition | <u>220,338</u> | <u>433,784</u> | <u>(376,270)</u> | <u>277,852</u> |
| | <u>\$ 246,219</u> | <u>\$ 1,806,215</u> | <u>\$ (1,072,271)</u> | <u>\$ 980,163</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 to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on EEI's financial condition and activities cannot be determined at this time. However, EEI did receive a loan of approximately \$92,000 through the Paycheck Protection Program, which management expects to be entirely forgiven during 2020. All subsequent events have been evaluated through July 23, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.