

ECHOING GREEN, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2012 AND 2011

ECHOING GREEN, INC.

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LUZ AND CARR

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Echoing Green, Inc.

We have audited the accompanying statements of financial position of Echoing Green, Inc. as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Echoing Green, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
December 9, 2012

ECHOING GREEN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents (Notes 1b, 4 and 6)		
Unrestricted	\$2,696,323	\$2,196,513
Temporarily restricted	378,452	580,709
Permanently restricted	239,335	239,335
Unconditional promises to give (Notes 1c and 5)		
Unrestricted	1,367,048	1,122,172
Temporarily restricted	1,367,880	1,466,508
Inventory (Note 1d)	14,683	27,974
Prepaid expenses and other assets	48,494	101,366
Security deposit	36,773	49,023
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	<u>180,038</u>	<u>969</u>
Total Assets	<u><u>\$6,329,026</u></u>	<u><u>\$5,784,569</u></u>
Liabilities and Net Assets		
Liabilities		
Fellowship grants payable (Notes 1f and 8)	\$2,527,524	\$1,618,141
Accounts payable and accrued expenses	<u>207,468</u>	<u>125,525</u>
Total Liabilities	<u><u>2,734,992</u></u>	<u><u>1,743,666</u></u>
Commitment and Contingency (Notes 9 and 11)		
Net Assets		
Unrestricted	1,608,367	1,754,351
Temporarily restricted (Note 2)	1,746,332	2,047,217
Permanently restricted (Note 3)	<u>239,335</u>	<u>239,335</u>
Total Net Assets	<u><u>3,594,034</u></u>	<u><u>4,040,903</u></u>
Total Liabilities and Net Assets	<u><u>\$6,329,026</u></u>	<u><u>\$5,784,569</u></u>

See notes to financial statements.

ECHOING GREEN, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets								
Support and Revenue								
Contributions	\$ 1,542,504	\$ 2,818,505	\$ -	\$4,361,009	\$ 1,588,380	\$ 1,551,275	\$ -	\$3,139,655
Benefit event income	582,250	-	-	582,250	383,358	-	-	383,358
Less: Direct benefit event expenses	(22,250)	-	-	(22,250)	(20,575)	-	-	(20,575)
Grant assignment revenue (Note 11)	598,550	-	-	598,550	-	-	-	-
Donated goods and services	-	-	-	-	2,000	-	-	2,000
Book sales	34,347	-	-	34,347	21,822	-	-	21,822
Less: Cost of goods sold	(17,807)	-	-	(17,807)	(15,438)	-	-	(15,438)
Interest income	16,922	522	-	17,444	16,626	916	-	17,542
Other income	28,578	-	-	28,578	42,027	-	-	42,027
	<u>2,763,094</u>	<u>2,819,027</u>	<u>-</u>	<u>5,582,121</u>	<u>2,018,200</u>	<u>1,552,191</u>	<u>-</u>	<u>3,570,391</u>
Net assets released from restrictions	<u>3,119,912</u>	<u>(3,119,912)</u>	<u>-</u>	<u>-</u>	<u>2,506,364</u>	<u>(2,506,364)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>5,883,006</u>	<u>(300,885)</u>	<u>-</u>	<u>5,582,121</u>	<u>4,524,564</u>	<u>(954,173)</u>	<u>-</u>	<u>3,570,391</u>
Expenses								
Program Services	4,533,582	-	-	4,533,582	2,937,468	-	-	2,937,468
Supporting Services								
Management and general	741,799	-	-	741,799	290,878	-	-	290,878
Fundraising	753,609	-	-	753,609	525,846	-	-	525,846
Total Expenses	<u>6,028,990</u>	<u>-</u>	<u>-</u>	<u>6,028,990</u>	<u>3,754,192</u>	<u>-</u>	<u>-</u>	<u>3,754,192</u>
Increase (decrease) in net assets	(145,984)	(300,885)	-	(446,869)	770,372	(954,173)	-	(183,801)
Net assets, beginning of year	<u>1,754,351</u>	<u>2,047,217</u>	<u>239,335</u>	<u>4,040,903</u>	<u>983,979</u>	<u>3,001,390</u>	<u>239,335</u>	<u>4,224,704</u>
Net Assets, End of Year	<u>\$ 1,608,367</u>	<u>\$ 1,746,332</u>	<u>\$ 239,335</u>	<u>\$3,594,034</u>	<u>\$ 1,754,351</u>	<u>\$ 2,047,217</u>	<u>\$ 239,335</u>	<u>\$4,040,903</u>

See notes to financial statements.

ECHOING GREEN, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (446,869)	\$ (183,801)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	24,843	388
(Increase) decrease in:		
Unconditional promises to give	(146,248)	205,977
Inventory	13,291	(27,974)
Prepaid expenses and other assets	52,872	(70,661)
Security deposit	12,250	-
Increase in:		
Fellowship grants payable	909,383	53,162
Accounts payable and accrued expenses	81,943	70,665
Net Cash Provided By Operating Activities	<u>501,465</u>	<u>47,756</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(203,912)</u>	<u>-</u>
Net increase in cash and cash equivalents	297,553	47,756
Cash and cash equivalents, beginning of year	<u>3,016,557</u>	<u>2,968,801</u>
Cash and Cash Equivalents, End of Year	<u><u>\$3,314,110</u></u>	<u><u>\$3,016,557</u></u>

See notes to financial statements.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Echoing Green, Inc. ("Echoing Green") is a global social venture fund for rising social entrepreneurs, accelerating transformative social change by building a robust pipeline of change-makers with the confidence, vision and drive to solve the world's most critical problems. Echoing Green funds social entrepreneurs through a two-year Fellowship program and is developing support resources and networks to maximize the potential social change of those entrepreneurs.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid debt instruments, purchased with a maturity of three months or less, are considered to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

d - Inventory

Inventory consists of books valued at the lower of cost (first-in, first-out method) or market.

e - Property and Equipment

Property and equipment acquired are recorded at cost and are being depreciated using the straight-line method over the useful lives of the assets.

f - Grants and Appropriations

Unconditional grants and appropriations are recognized at the time authorized. For grants which are conditional upon the recipient fulfilling certain obligations prior to receiving funds, grants and appropriations are recognized at the time those conditions are satisfied.

g - Financial Statement Presentation

Echoing Green reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

h - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

i - Tax Status

Echoing Green is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures related to uncertain tax positions are required in the financial statements. Generally, Echoing Green's tax returns for years prior to 2009 are no longer subject to examination by taxing authorities.

j - Subsequent Events

Echoing Green has evaluated subsequent events through December 9, 2012, the date that the financial statements are considered available to be issued.

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted to the following future programs and purposes:

	<u>2012</u>	<u>2011</u>
Restricted for future periods	\$1,121,298	\$ 596,443
Fellowship grants	480,709	202,765
Leadership and Strategy	76,143	980,460
Alumni program	48,565	73,565
Fiscal sponsorships	15,000	-
Brain trusts	4,617	-
Fellowship programs in Africa	-	100,000
New Fellows Conference	-	93,984
	<u>\$1,746,332</u>	<u>\$2,047,217</u>

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 3 - Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment gifts from a donor totaling \$239,335. Interest earned on these endowment funds is available for Echoing Green's general operations.

Note 4 - Concentration of Credit Risk

Echoing Green maintains cash accounts in several financial institutions in New York City. Certain balances are insured by the Federal Deposit Insurance Corporation.

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	\$1,367,048	\$ 873,017	\$2,240,065
Due in one to five years	<u>-</u>	<u>525,000</u>	<u>525,000</u>
	1,367,048	1,398,017	2,765,065
Less: Discount to present value	<u>-</u>	<u>(30,137)</u>	<u>(30,137)</u>
Total	<u>\$1,367,048</u>	<u>\$1,367,880</u>	<u>\$2,734,928</u>
	2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	\$1,122,172	\$ 1,396,500	\$2,518,672
Due in one to five years	<u>-</u>	<u>75,000</u>	<u>75,000</u>
	1,122,172	1,471,500	2,593,672
Less: Discount to present value	<u>-</u>	<u>(4,992)</u>	<u>(4,992)</u>
Total	<u>\$1,122,172</u>	<u>\$ 1,466,508</u>	<u>\$2,588,680</u>

Unconditional promises due in one to five years are discounted to present value using a discount rate of 3%. Uncollectible promises are expected to be insignificant.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 6 - Endowment Funds

Echoing Green's endowment consists of permanently restricted contributions from one donor. Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the following are classified as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

In accordance with NYPMIFA, Echoing Green considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of Echoing Green and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of Echoing Green;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on Echoing Green; and
- (viii) the investment policy of Echoing Green

Endowment funds are donor-restricted endowment funds classified as permanently restricted net assets totaling \$239,335.

For the years ended June 30, 2012 and 2011, interest income of \$522 and \$916, respectively, was considered appropriated to operations for expenditure. There were no other changes in endowment funds for 2012 and 2011.

Endowment funds are invested in money market funds in a manner that is intended to produce current income while assuming a minimal level of investment risk. The assets at June 30, 2012 and 2011 are held in a cash equivalent money market fund and actual earnings are considered appropriated and available for use in operations.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Website	3 years	\$115,575	\$ -
Office equipment	5 years	99,633	99,633
Leasehold improvements	5 years	93,679	5,342
Computer equipment	3 years	48,374	48,374
Furniture and fixtures	5 years	<u>36,857</u>	<u>36,857</u>
		394,118	190,206
Less: Accumulated depreciation		<u>(214,080)</u>	<u>(189,237)</u>
		<u>\$180,038</u>	<u>\$ 969</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$24,843 and \$388, respectively.

Note 8 - Fellowship Grants Payable

Fellowship grants payable are due as follows:

	<u>2012</u>	<u>2011</u>
Due within one year	\$1,445,000	\$1,095,000
Due within one to five years	<u>1,115,000</u>	<u>555,000</u>
	2,560,000	1,650,000
Less: Discount to present value	<u>(32,476)</u>	<u>(31,859)</u>
Total	<u>\$2,527,524</u>	<u>\$1,618,141</u>

Grants payable due to be paid within one to five years have been discounted to present value using a discount rate of 3%.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 9 - Commitment and Contingency

- a - Echoing Green leases office space under a lease agreement which expires June 30, 2014 and provides future minimum lease payments as follows:

<u>Year Ending June 30,</u>	
2013	\$187,080
2014	193,628

Rent expense was \$182,661 and \$168,278 for the years ended June 30, 2012 and 2011, respectively.

- b - Certain grants awarded by Echoing Green include a provision that if the grantee experiences specific financial events of substantial scale, the grant amount or portion, thereof, may be required to be returned at Echoing Green's discretion.

One of these grantees advised Echoing Green of an event in process that by definition would trigger the recovery provision. As required by contract, Echoing Green informed the grantee of the decision to accept stock under issuance in the financial transaction as the method of recovery. The total value resulted in less than 1% equity ownership for Echoing Green in the grantee company. The receipt of the ownership interest, valued at \$70,000, was recognized by Echoing Green subsequent to June 30, 2012.

Note 10 - Pension Plan

Echoing Green maintains a tax sheltered annuity plan (IRC Section 403(b)) for the benefit of its employees. Employees may elect to contribute to the plan within the limits prescribed by the Internal Revenue Code. Echoing Green also makes a matching contribution to the plan. For the years ended June 30, 2012 and 2011, Echoing Green contributed 5% for each employee participating in the plan, totaling \$38,065 and \$21,064, respectively. Effective July 1, 2012, for eligible employees who have completed one year of service, Echoing Green will make a matching contribution equal to an employee's contribution, up to 7% of the employee's salary.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

Note 11 - Grant Assignment Revenue

During the fiscal year ended June 30, 2012, Echoing Green entered into an agreement with a limited liability company (the "LLC") in which Echoing Green's Chair is a member. The agreement permits Echoing Green to assign existing Fellowship grant obligations to the LLC. Fellowship grants eligible for assignment must be those made to for-profit grantees which were not previously funded by donor-restricted contributions. In addition to assuming any existing liability of Echoing Green, the LLC will also pay Echoing Green any amounts previously paid under the assigned fellowship agreements, plus an amount equal to 3% interest accrued since the Fellowship award. Amounts assigned to the LLC, and reimbursement of prior payments made in connection with the Fellowships assigned, are recognized as revenue by Echoing Green.

For Fellowship grants assigned, Echoing Green retains the right to receive payment from the LLC for a portion of any amounts received by the LLC from a grantee representing return on investment. Amounts due to Echoing Green would be equal to 20% of any amounts received in excess of the respective total original fellowship award.

For the year ended June 30, 2012, Echoing Green elected to assign a total of \$305,000 of fellowship grant obligations. In addition to the amount assigned, Echoing Green received \$285,000 from the LLC in reimbursement of fellowship grant installments previously paid, plus \$8,550 of interest thereon.

Note 12 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Echoing Green, Inc.

We have audited the financial statements of Echoing Green, Inc. as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated December 9, 2012, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2012 with comparative totals for 2011 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
December 9, 2012

ECHOING GREEN, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services	Supporting Services		2012	2011
		Management and General	Fundraising	Total Expenses	Total Expenses
Fellowship grant expense	\$2,657,036	\$ -	\$ -	\$2,657,036	\$1,334,251
Salaries	816,243	246,328	424,142	1,486,713	1,093,970
Employee benefits and taxes	103,993	184,482	48,764	337,239	258,877
Consultants and fees	360,402	117,930	58,020	536,352	330,800
Accounting and legal	82,887	23,142	34,618	140,647	135,857
Office supplies and services	48,923	56,042	17,658	122,623	74,409
Telephone and communications	10,719	3,355	4,738	18,812	18,643
Postage and mailing	6,109	4,128	3,377	13,614	14,148
Advertising	3,819	1,257	-	5,076	3,788
Printing	2,683	10,165	2,366	15,214	2,166
Rent and utilities	125,199	52,852	55,343	233,394	220,585
Event fees and catering	195,234	2,711	73,307	271,252	143,415
Travel and accommodations	89,089	21,950	5,093	116,132	68,795
Miscellaneous	16,647	13,530	19,866	50,043	54,100
Total expenses before depreciation	4,518,983	737,872	747,292	6,004,147	3,753,804
Depreciation	14,599	3,927	6,317	24,843	388
Total Expenses, 2012	<u>\$4,533,582</u>	<u>\$ 741,799</u>	<u>\$ 753,609</u>	<u>\$6,028,990</u>	
Total Expenses, 2011	<u>\$2,937,468</u>	<u>\$ 290,878</u>	<u>\$ 525,846</u>		<u>\$3,754,192</u>

See independent auditors' report on supplementary information.