

ECHOING GREEN, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2013 AND 2012

ECHOING GREEN, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Echoing Green, Inc.

We have audited the accompanying financial statements of Echoing Green, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Echoing Green, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
October 11, 2013

ECHOING GREEN, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents (Notes 1b, 4 and 6)		
Unrestricted	\$3,666,631	\$2,696,323
Temporarily restricted	1,312,895	378,452
Permanently restricted	239,335	239,335
Unconditional promises to give (Notes 1c and 5)		
Unrestricted	450,700	1,367,048
Temporarily restricted	2,551,871	1,367,880
Inventory (Note 1d)	9,954	14,683
Prepaid expenses and other assets	24,016	48,494
Investment in nonmarketable securities (Notes 1e and 12)	70,000	-
Security deposit	36,773	36,773
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 7)	<u>103,088</u>	<u>180,038</u>
Total Assets	<u><u>\$8,465,263</u></u>	<u><u>\$6,329,026</u></u>
Liabilities and Net Assets		
Liabilities		
Fellowship grants payable (Notes 1g and 8)	\$2,871,637	\$2,527,524
Accounts payable and accrued expenses	194,638	207,468
Total Liabilities	<u>3,066,275</u>	<u>2,734,992</u>
Commitments (Notes 9, 10 and 11)		
Net Assets		
Unrestricted	1,294,887	1,608,367
Temporarily restricted (Note 2)	3,864,766	1,746,332
Permanently restricted (Note 3)	239,335	239,335
Total Net Assets	<u>5,398,988</u>	<u>3,594,034</u>
Total Liabilities and Net Assets	<u><u>\$8,465,263</u></u>	<u><u>\$6,329,026</u></u>

See notes to financial statements.

ECHOING GREEN, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets								
Support and Revenue								
Contributions	\$ 474,872	\$ 6,328,587	\$ -	\$6,803,459	\$ 1,542,504	\$ 2,818,505	\$ -	\$4,361,009
Benefit event income	899,933	-	-	899,933	582,250	-	-	582,250
Less: Direct benefit event expenses	(101,236)	-	-	(101,236)	(22,250)	-	-	(22,250)
Grant assignment revenue (Note 11)	671,256	-	-	671,256	598,550	-	-	598,550
Recoverable grant distribution (Note 12)	70,000	-	-	70,000	-	-	-	-
Donated legal services	97,110	-	-	97,110	-	-	-	-
Book sales	20,072	-	-	20,072	34,347	-	-	34,347
Less: Cost of goods sold	(5,088)	-	-	(5,088)	(17,807)	-	-	(17,807)
Interest income	15,408	1,021	-	16,429	16,922	522	-	17,444
Other income	63,982	-	-	63,982	30,380	-	-	30,380
	<u>2,206,309</u>	<u>6,329,608</u>	<u>-</u>	<u>8,535,917</u>	<u>2,764,896</u>	<u>2,819,027</u>	<u>-</u>	<u>5,583,923</u>
Net assets released from restrictions	4,211,174	(4,211,174)	-	-	3,119,912	(3,119,912)	-	-
	<u>6,417,483</u>	<u>2,118,434</u>	<u>-</u>	<u>8,535,917</u>	<u>5,884,808</u>	<u>(300,885)</u>	<u>-</u>	<u>5,583,923</u>
Total Support and Revenue								
Expenses								
Program Services	4,720,891	-	-	4,720,891	4,533,582	-	-	4,533,582
Supporting Services								
Management and general	1,244,004	-	-	1,244,004	743,601	-	-	743,601
Fundraising	766,068	-	-	766,068	753,609	-	-	753,609
	<u>6,730,963</u>	<u>-</u>	<u>-</u>	<u>6,730,963</u>	<u>6,030,792</u>	<u>-</u>	<u>-</u>	<u>6,030,792</u>
Total Expenses								
Increase (decrease) in net assets	(313,480)	2,118,434	-	1,804,954	(145,984)	(300,885)	-	(446,869)
Net assets, beginning 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>
	<u>\$ 1,294,887</u>	<u>\$ 3,864,766</u>	<u>\$ 239,335</u>	<u>\$5,398,988</u>	<u>\$ 1,608,367</u>	<u>\$ 1,746,332</u>	<u>\$ 239,335</u>	<u>\$3,594,034</u>
Net Assets, End of Year								

See notes to financial statements.

ECHOING GREEN, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$1,804,954	\$ (446,869)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	76,950	24,843
Bad debt expense	15,128	10,595
Recoverable grant distribution	(70,000)	-
(Increase) decrease in:		
Unconditional promises to give	(282,771)	(156,843)
Inventory	4,729	13,291
Prepaid expenses and other assets	24,478	52,872
Security deposit	-	12,250
Increase (decrease) in:		
Fellowship grants payable	344,113	909,383
Accounts payable and accrued expenses	(12,830)	81,943
Net Cash Provided By Operating Activities	<u>1,904,751</u>	<u>501,465</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(203,912)
Net increase in cash and cash equivalents	1,904,751	297,553
Cash and cash equivalents, beginning of year	<u>3,314,110</u>	<u>3,016,557</u>
Cash and Cash Equivalents, End of Year	<u><u>\$5,218,861</u></u>	<u><u>\$3,314,110</u></u>

See notes to financial statements.

ECHOING GREEN, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2013 AND 2012****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 - Investment in Nonmarketable Securities

Echoing Green reflects its investment in nonmarketable securities, received in connection with a recoverable grant provision in one of its fellowship grants (Notes 9b and 12), at its value at the time of receipt. Echoing Green performs an assessment of the fair value of this investment to assess whether any adjustment is necessary to reflect the carrying value at the lower of cost or net realizable value.

f - 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.

g - 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.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

h - 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.

i - Prior Year Information

For comparability, certain 2012 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2013.

j - 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.

k - 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. Echoing Green's tax returns for years prior to 2010 are generally no longer subject to examination by taxing authorities.

l - Subsequent Events

Echoing Green has evaluated subsequent events through October 11, 2013, 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>2013</u>	<u>2012</u>
Restricted for future periods	\$2,041,872	\$1,121,298
Leadership and Strategy	825,000	76,143
Fellowship grants	734,538	480,709
Impact Investing	136,412	-
Fiscal sponsorships	101,944	15,000
Alumni program	25,000	48,565
Brain Trusts	-	4,617
	<u>\$3,864,766</u>	<u>\$1,746,332</u>

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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:

	2013		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$450,700	\$1,790,000	\$2,240,700
Due in one to five years	-	810,000	810,000
	450,700	2,600,000	3,050,700
Less: Discount to present value	-	(48,129)	(48,129)
Total	<u>\$450,700</u>	<u>\$2,551,871</u>	<u>\$3,002,571</u>
	2012		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$1,367,048	\$ 873,017	\$2,240,065
Due in one to five years	-	525,000	525,000
	1,367,048	1,398,017	2,765,065
Less: Discount to present value	-	(30,137)	(30,137)
Total	<u>\$1,367,048</u>	<u>\$1,367,880</u>	<u>\$2,734,928</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, 2013 AND 2012

Note 6 - Endowment Funds

Echoing Green's endowment consists of permanently restricted contributions from one donor. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York State Prudent Management of Institutional Funds Act, Echoing Green classifies 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 by Echoing Green.

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

For the years ended June 30, 2013 and 2012, interest income of \$1,021 and \$522, respectively, was considered appropriated to operations for expenditure. There were no other changes in endowment funds for 2013 and 2012.

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, 2013 and 2012 are held in a cash equivalent money market fund and actual earnings are considered appropriated and available for use in operations.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2013</u>	<u>2012</u>
Website	3 years	\$115,575	\$115,575
Office equipment	5 years	99,633	99,633
Leasehold improvements	5 years	93,679	93,679
Computer equipment	3 years	48,374	48,374
Furniture and fixtures	5 years	<u>36,857</u>	<u>36,857</u>
		394,118	394,118
Less: Accumulated depreciation		<u>(291,030)</u>	<u>(214,080)</u>
		<u>\$103,088</u>	<u>\$180,038</u>

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 7 - Property and Equipment (continued)

Depreciation expense for the years ended June 30, 2013 and 2012 was \$76,950 and \$24,843, respectively.

Note 8 - Fellowship Grants Payable

Fellowship grants payable are due as follows:

	<u>2013</u>	<u>2012</u>
Due within one year	\$1,913,332	\$1,445,000
Due within one to five years	<u>1,016,666</u>	<u>1,115,000</u>
	2,929,998	2,560,000
Less: Discount to present value	<u>(58,361)</u>	<u>(32,476)</u>
Total	<u>\$2,871,637</u>	<u>\$2,527,524</u>

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

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 totaling \$193,628 for the year then ended. Rent expense was \$191,036 and \$182,661 for the years ended June 30, 2013 and 2012, 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.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 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 year ended June 30, 2012, Echoing Green contributed 5% of an employee's compensation for each employee participating in the plan. Effective July 1, 2012, for eligible employees who have completed one year of service, Echoing Green began making a matching contribution equal to an employee's contribution, up to 7% of the employee's salary. Total expense under this plan was \$76,569 (2013) and \$38,065 (2012).

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 years ended June 30, 2013 and 2012, Echoing Green elected to assign a total of \$167,500 and \$305,000, respectively, of outstanding fellowship grant obligations. In addition to the amount assigned, Echoing Green recognized revenue of \$502,500 and \$285,000 (plus \$1,256 and \$8,550 of interest thereon) for the years ended June 30, 2013 and 2012, respectively, from the LLC in reimbursement of fellowship grant installments previously paid.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 12 - Investment in Nonmarketable Securities

During the fiscal year ended June 30, 2013, one of the Echoing Green's grantees had an event in process that by definition would trigger the recovery provision described in Note 9b. Echoing Green elected as its method of recovery to accept stock under issuance in the financial transaction, which occurred in July 2012. The total value of stock ownership received was \$70,000, less than 1% equity ownership in the grantee company. The receipt of this ownership interest was recognized as revenue during the year ended June 30, 2013 in the accompanying financial statements.

Note 13 - 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



LUZ AND CARR

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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, 2013 and 2012, and our report thereon dated October 11, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted 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, 2013 with comparative totals for 2012 is presented for 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
October 11, 2013

ECHOING GREEN, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services	Supporting Services		2013	2012
		Management and General	Fundraising	Total Expenses	Total Expenses
Fellowship grant expense	\$2,719,351	\$ -	\$ -	\$2,719,351	\$2,657,036
Salaries	934,282	353,281	423,341	1,710,904	1,486,713
Employee benefits and taxes	120,967	260,110	60,237	441,314	337,239
Consultants and fees	310,705	174,764	99,775	585,244	536,352
Accounting and legal	34,761	236,338	14,139	285,238	140,647
Office supplies and services	42,563	67,754	16,306	126,623	122,623
Telephone and communications	12,507	5,173	4,920	22,600	18,812
Postage and mailing	6,145	1,955	1,943	10,043	13,614
Advertising	-	562	-	562	5,076
Printing	6,738	5,655	3,685	16,078	15,214
Rent and utilities	142,575	41,205	58,193	241,973	233,394
Event fees and catering	203,916	7,798	49,940	261,654	271,252
Travel and accommodations	123,873	33,698	11,257	168,828	116,132
Miscellaneous	20,224	38,205	5,172	63,601	51,845
Total expenses before depreciation	4,678,607	1,226,498	748,908	6,654,013	6,005,949
Depreciation	42,284	17,506	17,160	76,950	24,843
Total Expenses, 2013	<u>\$4,720,891</u>	<u>\$ 1,244,004</u>	<u>\$ 766,068</u>	<u>\$6,730,963</u>	
Total Expenses, 2012	<u>\$4,533,582</u>	<u>\$ 743,601</u>	<u>\$ 753,609</u>		<u>\$6,030,792</u>

See independent auditors' report on supplementary information.