

ECHOING GREEN, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, 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
December 4, 2014

ECHOING GREEN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
Assets		
Cash and cash equivalents (Notes 1b, 4a and 6)		
Unrestricted	\$ 4,823,043	\$3,666,631
Temporarily restricted	1,655,788	1,312,895
Permanently restricted	239,335	239,335
Unconditional promises to give (Notes 1c, 4b and 5)		
Unrestricted	1,139,570	450,700
Temporarily restricted	10,449,464	2,551,871
Inventory (Note 1d)	7,353	9,954
Prepaid expenses and other assets	172,238	24,016
Investment in nonmarketable securities (Notes 1e and 12)	25,861	70,000
Security deposit	141,562	36,773
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 7)	561,683	103,088
Total Assets	\$19,215,897	\$8,465,263
Liabilities and Net Assets		
Liabilities		
Fellowship grants payable (Notes 1g and 8)	\$ 4,085,437	\$2,871,637
Accounts payable and accrued expenses	387,776	194,638
Total Liabilities	4,473,213	3,066,275
Commitments (Notes 9, 10 and 11)		
Net Assets		
Unrestricted	2,398,097	1,294,887
Temporarily restricted (Note 2)	12,105,252	3,864,766
Permanently restricted (Note 3)	239,335	239,335
Total Net Assets	14,742,684	5,398,988
Total Liabilities and Net Assets	\$19,215,897	\$8,465,263

See notes to financial statements.

ECHOING GREEN, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets								
Support and Revenue								
Contributions (Note 4b)	\$ 2,319,173	\$14,592,702	\$ -	\$16,911,875	\$ 474,872	\$ 6,328,587	\$ -	\$6,803,459
Benefit event income	874,700	-	-	874,700	899,933	-	-	899,933
Less: Direct benefit event expenses	(104,581)	-	-	(104,581)	(101,236)	-	-	(101,236)
Government grant contract (Note 13)	-	190,939	-	190,939	-	-	-	-
Grant assignment revenue (Note 11)	501,265	-	-	501,265	671,256	-	-	671,256
Recoverable grant distribution (Note 12)	-	-	-	-	70,000	-	-	70,000
Adjustment of investment to net realizable value (Note 12)	(44,139)	-	-	(44,139)	-	-	-	-
Donated legal services	122,820	-	-	122,820	97,110	-	-	97,110
Book sales	7,280	-	-	7,280	21,457	-	-	21,457
Less: Cost of goods sold	(2,601)	-	-	(2,601)	(5,088)	-	-	(5,088)
Interest income	7,535	1,076	-	8,611	15,408	1,021	-	16,429
Other income	120,263	-	-	120,263	62,597	-	-	62,597
	3,801,715	14,784,717	-	18,586,432	2,206,309	6,329,608	-	8,535,917
Net assets released from restrictions	6,544,231	(6,544,231)	-	-	4,211,174	(4,211,174)	-	-
Total Support and Revenue	10,345,946	8,240,486	-	18,586,432	6,417,483	2,118,434	-	8,535,917
Expenses								
Program Services	6,762,979	-	-	6,762,979	4,720,891	-	-	4,720,891
Supporting Services								
Management and general	1,378,580	-	-	1,378,580	1,244,004	-	-	1,244,004
Fundraising	1,101,177	-	-	1,101,177	766,068	-	-	766,068
Total Expenses	9,242,736	-	-	9,242,736	6,730,963	-	-	6,730,963
Increase (decrease) in net assets	1,103,210	8,240,486	-	9,343,696	(313,480)	2,118,434	-	1,804,954
Net assets, beginning of year	1,294,887	3,864,766	239,335	5,398,988	1,608,367	1,746,332	239,335	3,594,034
Net Assets, End of Year	\$ 2,398,097	\$12,105,252	\$ 239,335	\$14,742,684	\$ 1,294,887	\$ 3,864,766	\$ 239,335	\$5,398,988

See notes to financial statements.

ECHOING GREEN, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Increase in net assets	\$9,343,696	\$1,804,954
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	73,465	76,950
Bad debt expense	2,100	15,128
Recoverable grant distribution	-	(70,000)
Adjustment of investment to net realizable value	44,139	-
(Increase) decrease in:		
Unconditional promises to give	(8,588,563)	(282,771)
Inventory	2,601	4,729
Prepaid expenses and other assets	(148,222)	24,478
Security deposit	(104,789)	-
Increase (decrease) in:		
Fellowship grants payable	1,213,800	344,113
Accounts payable and accrued expenses	193,138	(12,830)
Net Cash Provided By Operating Activities	<u>2,031,365</u>	<u>1,904,751</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(532,060)</u>	<u>-</u>
Net increase in cash and cash equivalents	1,499,305	1,904,751
Cash and cash equivalents, beginning of year	<u>5,218,861</u>	<u>3,314,110</u>
Cash and Cash Equivalents, End of Year	<u><u>\$6,718,166</u></u>	<u><u>\$5,218,861</u></u>

See notes to financial statements.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 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, 2014 AND 2013

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 2013 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2014.

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 are generally subject to examination by taxing authorities for a period of three years from the date of filing.

l - Subsequent Events

Echoing Green has evaluated subsequent events through December 4, 2014, 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>2014</u>	<u>2013</u>
Fellowship grants	\$ 9,231,379	\$ 734,538
Restricted for future periods	2,232,674	2,041,872
Leadership and Strategy	638,333	825,000
Fiscal sponsorships	2,866	101,944
Impact Investing	-	136,412
Alumni program	-	25,000
	<u>\$12,105,252</u>	<u>\$3,864,766</u>

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 - Concentrations

- a - Echoing Green maintains cash accounts in several financial institutions in New York City. Certain balances are insured by the Federal Deposit Insurance Corporation.
- b - For 2014, contributions from two donors represented approximately 54% of total support and revenue. Amounts due from these donors were approximately 62% of unconditional promises to give as of June 30, 2014. For 2013, contributions from four other donors represented approximately 53% of total support and revenue. Amounts due from these donors were approximately 64% of unconditional promises to give as of June 30, 2013.

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	\$1,134,570	\$ 4,309,615	\$ 5,444,185
Due in one to five years	<u>5,000</u>	<u>6,560,007</u>	<u>6,565,007</u>
	1,139,570	10,869,622	12,009,192
Less: Discount to present value	<u>-</u>	<u>(420,158)</u>	<u>(420,158)</u>
Total	<u>\$1,139,570</u>	<u>\$10,449,464</u>	<u>\$11,589,034</u>
	2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	\$450,700	\$1,790,000	\$2,240,700
Due within one to five years	<u>-</u>	<u>810,000</u>	<u>810,000</u>
	450,700	2,600,000	3,050,700
Less: Discount to present value	<u>-</u>	<u>(48,129)</u>	<u>(48,129)</u>
Total	<u>\$450,700</u>	<u>\$2,551,871</u>	<u>\$3,002,571</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, 2014 AND 2013

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, 2014 and 2013, interest income of \$1,076 and \$1,021, respectively, was considered appropriated to operations for expenditure. There were no other changes in endowment funds for 2014 and 2013.

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, 2014 and 2013 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>2014</u>	<u>2013</u>
Website	3 years	\$115,575	\$115,575
Office equipment	5 years	250,200	99,633
Leasehold improvements	5 years	194,336	93,679
Computer equipment	3 years	48,374	48,374
Furniture and fixtures	5 years	<u>317,693</u>	<u>36,857</u>
		926,178	394,118
Less: Accumulated depreciation		<u>(364,495)</u>	<u>(291,030)</u>
		<u>\$561,683</u>	<u>\$103,088</u>

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 7 - Property and Equipment (continued)

Depreciation expense for the years ended June 30, 2014 and 2013 was \$73,465 and \$76,950, respectively.

Note 8 - Fellowship Grants Payable

Fellowship grants payable are due as follows:

	<u>2014</u>	<u>2013</u>
Due within one year	\$2,545,338	\$1,913,332
Due within one to five years	<u>1,601,667</u>	<u>1,016,666</u>
	4,147,005	2,929,998
Less: Discount to present value	<u>(61,568)</u>	<u>(58,361)</u>
Total	<u>\$4,085,437</u>	<u>\$2,871,637</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 leased office space under a lease agreement that expired June 30, 2014. During the year ended June 30, 2014, Echoing Green entered into a new lease at a different space for ten years. The lease provides future minimum lease payments as follows:

<u>Year Ending June 30,</u>	
2015	\$ 279,500
2016	429,731
2017	440,462
2018	451,486
2019	462,773
Thereafter, through June 30, 2024	2,598,360

Rent expense was \$216,097 and \$191,036 for the years ended June 30, 2014 and 2013, respectively.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 9 - Commitment and Contingency (continued)

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 to Echoing Green at its discretion.

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, 2014 and 2013, for eligible employees who have completed one year of service, Echoing Green made a matching contribution equal to an employee's contribution, up to 7% of the employee's salary. Total expense under this plan was \$82,651 (2014) and \$76,569 (2013).

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.

ECHOING GREEN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Note 11 - Grant Assignment Revenue (continued)

For the years ended June 30, 2014 and 2013, Echoing Green elected to assign a total of \$125,000 and \$167,500, respectively, of outstanding fellowship grant obligations. In addition to the amount assigned, Echoing Green recognized revenue of \$375,000 and \$502,500 (plus \$1,265 and \$1,256 of interest thereon) for the years ended June 30, 2014 and 2013, respectively, from the LLC in reimbursement of fellowship grant installments previously paid.

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. During the fiscal year ended June 30, 2014, Echoing Green recognized a \$44,139 adjustment to write the investment down to its net realizable value.

Note 13 - Government Grant Contract

During the year ended June 30, 2014, Echoing Green entered into an agreement with Rockefeller Philanthropy Advisors ("Rockefeller") to receive funding as a sub-recipient under a pass-through grant from the United States Agency for International Development (USAID). Under the agreement, Rockefeller will administer the USAID grant, and has subcontracted for up to \$945,000 for a global fellowship program. The total grant amount is \$2,086,391, of which \$1,050,000 has been obligated. For the year ended June 30, 2014, Echoing Green has earned and has recognized revenue of \$190,939 under this contract.

Note 14 - 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, 2014 and 2013, and our report thereon dated December 4, 2014, 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, 2014 with comparative totals for 2013 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
December 4, 2014

ECHOING GREEN, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services	Supporting Services		2014	2013
		Management and General	Fundraising	Total Expenses	Total Expenses
Fellowship grant expense	\$3,944,099	\$ -	\$ -	\$3,944,099	\$2,719,351
Salaries	1,128,424	733,116	536,087	2,397,627	1,710,904
Employee benefits and taxes	293,408	174,611	136,943	604,962	441,314
Consultants and fees	383,405	98,856	201,244	683,505	585,244
Accounting and legal	22,436	133,117	8,249	163,802	285,238
Office supplies and services	65,394	88,627	30,998	185,019	126,623
Telephone and communications	13,687	6,743	5,604	26,034	22,600
Postage and mailing	5,155	771	1,195	7,121	10,043
Advertising	2,732	1,020	820	4,572	562
Printing	19,773	1,555	6,004	27,332	16,078
Rent and utilities	147,781	74,948	58,610	281,339	241,973
Event fees and catering	327,400	106	74,194	401,700	261,654
Travel and accommodations	340,618	29,665	20,984	391,267	168,828
Miscellaneous	31,773	13,538	5,581	50,892	63,601
Total expenses before depreciation	6,726,085	1,356,673	1,086,513	9,169,271	6,654,013
Depreciation	36,894	21,907	14,664	73,465	76,950
Total Expenses, 2014	<u>\$6,762,979</u>	<u>\$ 1,378,580</u>	<u>\$ 1,101,177</u>	<u>\$9,242,736</u>	
Total Expenses, 2013	<u>\$4,720,891</u>	<u>\$ 1,244,004</u>	<u>\$ 766,068</u>		<u>\$6,730,963</u>

See independent auditors' report on supplementary information.