

ECHO, INC.

Financial Statements

For the Years Ended
March 31, 2011 and 2010

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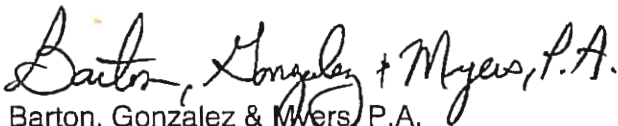
Independent Auditor's Report

Board of Directors
ECHO, Inc.

We have audited the accompanying statements of financial position of ECHO, Inc. (a nonprofit organization) as of March 31, 2011 and 2010, and the related statements of activities, functional expenses 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 ECHO, Inc. as of March 31, 2011 and 2010, 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.


Barton, Gonzalez & Myers, P.A.
Largo, Florida

June 30, 2011

ECHO, INC.
STATEMENT OF FINANCIAL POSITION

As of March 31, 2011 and 2010

| | 2011 | 2010 |
|---------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | | |
| Unrestricted | \$ 732,804 | \$ 571,213 |
| Restricted - donor | 401,336 | 461,564 |
| | 1,134,140 | 1,032,777 |
| Investments | | |
| Unrestricted | 703,707 | 772,966 |
| Restricted - donor | 188,214 | 186,785 |
| | 891,921 | 959,751 |
| Accounts receivable | 0 | 1,856 |
| Pledges receivable | 0 | 25,052 |
| Inventory | 94,711 | 83,662 |
| Other assets | 5,806 | 22,713 |
| Prepaid expenses | 45,318 | 44,600 |
| Total current assets | 2,171,896 | 2,170,411 |
| Property and equipment, net of accumulated depreciation of \$1,298,478 and \$1,495,426, respectively | 3,013,056 | 3,133,412 |
| TOTAL ASSETS | \$ 5,184,952 | \$ 5,303,823 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 74,821 | \$ 46,300 |
| Accrued payroll | 4,984 | 9,911 |
| Accrued vacation | 25,220 | 19,218 |
| Capital lease obligation - current | 18,335 | 17,605 |
| Deferred revenue - conditional grant | 0 | 355,939 |
| Deferred revenue - prepaid education classes | 8,259 | 0 |
| Gift annuities- current | 92,045 | 98,623 |
| Total current liabilities | 223,664 | 547,596 |
| Long-term Liabilities | | |
| Gift annuities- long-term | 537,046 | 617,223 |
| Capital lease obligation - long-term | 14,699 | 33,364 |
| Total long-term liabilities | 551,745 | 650,587 |
| TOTAL LIABILITIES | 775,409 | 1,198,183 |
| Net Assets | | |
| Unrestricted | 3,819,993 | 3,813,229 |
| Temporarily restricted | 589,550 | 292,411 |
| Permanently restricted | 0 | 0 |
| TOTAL NET ASSETS | 4,409,543 | 4,105,640 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 5,184,952 | \$ 5,303,823 |

See accompanying notes to financial statements.

ECHO, INC.
STATEMENT OF ACTIVITIES

For the Years Ended March 31, 2011 and 2010

| | Year Ended March 31, 2011 | | | |
|------------------------------------------|----------------------------|---------------------------|---------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Support and Revenues | | | | |
| Public Support | | | | |
| Contributions | \$ 1,579,067 | \$ 1,081,517 | \$ 0 | \$ 2,660,584 |
| Gift annuities | 67,224 | 0 | 0 | 67,224 |
| Net assets released from restrictions | 784,378 | (784,378) | 0 | 0 |
| Revenue | | | | |
| Sale of merchandise | 314,877 | 0 | 0 | 314,877 |
| Interest & dividend income | 24,056 | 0 | 0 | 24,056 |
| Net realized and unrealized gains | 103,401 | 0 | 0 | 103,401 |
| Loss on disposal of assets | (62,311) | 0 | 0 | (62,311) |
| Other Income | 259,782 | 0 | 0 | 259,782 |
| Total Support and Revenues | 3,070,474 | 297,139 | 0 | 3,367,613 |
| Expenses | | | | |
| Program Services | 2,506,076 | 0 | 0 | 2,506,076 |
| General & administrative | 272,029 | 0 | 0 | 272,029 |
| Fundraising | 214,443 | 0 | 0 | 214,443 |
| | <u>2,992,548</u> | <u>0</u> | <u>0</u> | <u>2,992,548</u> |
| Annuity contracts expense | 71,162 | 0 | 0 | 71,162 |
| Total Expenses | 3,063,710 | 0 | 0 | 3,063,710 |
| Increase in Net Assets | 6,764 | 297,139 | 0 | 303,903 |
| Net Assets, Beginning of Year | <u>3,813,229</u> | <u>292,411</u> | <u>0</u> | <u>4,105,640</u> |
| Net Assets, End of Year | \$ <u>3,819,993</u> | \$ <u>589,550</u> | \$ <u>0</u> | \$ <u>4,409,543</u> |

| | Year Ended March 31, 2010 | | | |
|------------------------------------------|----------------------------|---------------------------|---------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Support and Revenues | | | | |
| Public Support | | | | |
| Contributions | \$ 1,289,923 | \$ 340,987 | \$ 0 | \$ 1,630,910 |
| Gift annuities | 79,756 | 0 | 0 | 79,756 |
| Net assets released from restrictions | 329,736 | (329,736) | 0 | 0 |
| Revenue | | | | |
| Sale of merchandise | 313,805 | 0 | 0 | 313,805 |
| Interest & dividend income | 32,459 | 0 | 0 | 32,459 |
| Net realized and unrealized losses | 305,357 | 0 | 0 | 305,357 |
| Loss on disposal of assets | (17,231) | 0 | 0 | (17,231) |
| Other Income | 290,338 | 0 | 0 | 290,338 |
| Total Support and Revenues | 2,624,143 | 11,251 | 0 | 2,635,394 |
| Expenses | | | | |
| Program Services | 2,157,139 | 0 | 0 | 2,157,139 |
| General & administrative | 396,762 | 0 | 0 | 396,762 |
| Fundraising | 148,671 | 0 | 0 | 148,671 |
| | <u>2,702,572</u> | <u>0</u> | <u>0</u> | <u>2,702,572</u> |
| Annuity contracts expense | 88,103 | 0 | 0 | 88,103 |
| Total Expenses | 2,790,675 | 0 | 0 | 2,790,675 |
| Increase (Decrease) in Net Assets | (166,532) | 11,251 | 0 | (155,281) |
| Net Assets, Beginning of Year | <u>3,979,761</u> | <u>281,160</u> | <u>0</u> | <u>4,260,921</u> |
| Net Assets, End of Year | \$ <u>3,813,229</u> | \$ <u>292,411</u> | \$ <u>0</u> | \$ <u>4,105,640</u> |

See accompanying notes to financial statements.

ECHO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Years Ended March 31, 2011 and 2010

| | Year Ended March 31, 2011 | | | |
|---------------------------------|---------------------------|---------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fund Raising | Total |
| Salaries and benefits | \$ 1,141,415 | \$ 140,916 | \$ 126,824 | \$ 1,409,155 |
| Merchandise | 120,657 | 0 | 21,293 | 141,950 |
| Insurance | 64,124 | 7,544 | 3,772 | 75,440 |
| Library | 640 | 0 | 0 | 640 |
| Missionary conferences | 86,902 | 0 | 0 | 86,902 |
| Office supplies | 31,797 | 5,888 | 1,570 | 39,255 |
| Postage | 28,267 | 3,230 | 8,884 | 40,381 |
| Printing & publications | 58,628 | 0 | 6,514 | 65,142 |
| Professional fees and contracts | 137,762 | 7,654 | 7,654 | 153,070 |
| Public relations | 9,624 | 0 | 1,698 | 11,322 |
| Repairs & maintenance | 52,611 | 5,846 | 0 | 58,457 |
| Telephone | 23,804 | 1,400 | 2,800 | 28,004 |
| Travel | 146,162 | 8,598 | 17,196 | 171,956 |
| Utilities | 57,655 | 5,125 | 1,281 | 64,061 |
| Depreciation | 136,696 | 24,122 | 0 | 160,818 |
| Furnishing & office equipment | 48,946 | 5,758 | 2,879 | 57,583 |
| Donated services | 77,327 | 43,870 | 0 | 121,197 |
| Laboratory expenses | 65,657 | 0 | 0 | 65,657 |
| Other | 217,402 | 12,078 | 12,078 | 241,558 |
| Total expenses | \$ 2,506,076 | \$ 272,029 | \$ 214,443 | \$ 2,992,548 |

| | Year Ended March 31, 2010 | | | |
|-------------------------------|---------------------------|---------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fund Raising | Total |
| Salaries and benefits | \$ 1,064,347 | \$ 172,956 | \$ 93,130 | \$ 1,330,433 |
| Merchandise | 142,758 | 0 | 0 | 142,758 |
| Insurance | 68,082 | 8,010 | 4,005 | 80,097 |
| Library | 1,564 | 0 | 0 | 1,564 |
| Missionary conferences | 11,301 | 0 | 0 | 11,301 |
| Office supplies | 32,215 | 5,966 | 1,591 | 39,772 |
| Postage | 22,410 | 2,561 | 7,043 | 32,014 |
| Printing & publications | 52,591 | 3,094 | 6,187 | 61,872 |
| Professional fees | 46,946 | 29,139 | 4,857 | 80,942 |
| Public relations | 8,502 | 0 | 2,126 | 10,628 |
| Repairs & maintenance | 62,872 | 6,985 | 0 | 69,857 |
| Telephone | 24,129 | 1,419 | 2,839 | 28,387 |
| Travel | 126,461 | 7,439 | 14,878 | 148,778 |
| Utilities | 58,503 | 5,200 | 1,299 | 65,002 |
| Depreciation | 133,861 | 33,464 | 0 | 167,325 |
| Furnishing & office equipment | 13,413 | 2,515 | 838 | 16,766 |
| Donated services | 123,206 | 94,306 | 0 | 217,512 |
| Other | 163,978 | 23,708 | 9,878 | 197,564 |
| Total expenses | \$ 2,157,139 | \$ 396,762 | \$ 148,671 | \$ 2,702,572 |

See accompanying notes to financial statements

ECHO, INC.
STATEMENT OF CASH FLOWS

For the Years Ended March 31, 2011 and 2010

| | <u>Year Ended</u> <u>March 31, 2011</u> | <u>Year Ended</u> <u>March 31, 2010</u> |
|-----------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Contributions | \$ 2,205,196 | \$ 1,856,008 |
| Other revenue | 582,918 | 751,111 |
| Interest and dividends | 24,056 | 32,459 |
| Payments to employees and suppliers | <u>(2,670,637)</u> | <u>(2,483,238)</u> |
| Net cash provided by operating activities | 141,533 | 156,340 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | 13,720 | 1,350 |
| Net Acquisition/disposal of investments | 171,231 | (78,126) |
| Acquisition of property and equipment | <u>(116,493)</u> | <u>(59,975)</u> |
| Net cash (used) provided by investing activities | 68,458 | (136,751) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from annuity agreements | 0 | 25,000 |
| Principal payments on capital leases | (17,935) | (6,126) |
| Payments on annuity agreements | <u>(90,693)</u> | <u>(93,622)</u> |
| Net cash (used) by financing activities | <u>(108,628)</u> | <u>(74,748)</u> |
| NET (DECREASE) INCREASE IN CASH | 101,363 | (55,159) |
| CASH AT BEGINNING OF YEAR | 1,032,777 | 1,087,936 |
| CASH AT END OF YEAR | <u>\$ 1,134,140</u> | <u>\$ 1,032,777</u> |
| RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 303,903 | \$ (155,281) |
| Adjustments to reconcile net assets to net cash provided by operating activities: | | |
| Depreciation | 160,818 | 167,325 |
| Loss on disposal of property and equipment | 62,311 | 17,231 |
| Unrealized/realized losses (gains) on securities | (103,401) | (305,357) |
| Gift annuity adjustments | 3,938 | 8,347 |
| (Increase) decrease in: | | |
| Inventory | (11,049) | 32,811 |
| Accounts receivable | 1,856 | (1,856) |
| Pledges receivable | 25,052 | 20,000 |
| Prepaid expenses and other assets | 16,189 | (25,933) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 29,596 | 43,114 |
| Deferred revenue | <u>(347,680)</u> | <u>355,939</u> |
| Net cash provided by operating activities | <u>\$ 141,533</u> | <u>\$ 156,340</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Non-cash investing activities: | | |
| Equipment financed through capital leases | <u>0</u> | <u>57,094</u> |
| | <u>\$ 0</u> | <u>\$ 57,094</u> |

See accompanying notes to financial statements.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a). General - ECHO, Inc is a Christian based 501c3 not for profit organization based in North Fort Myers, Florida, USA. ECHO provides technical support, training and networking opportunities for those working internationally with the poor. Technical support is provided through multilingual technical documents and quarterly publications as well as direct responses to questions. ECHO also offers seeds for various unique tropical fruits and vegetables along with germplasm for improved varieties of trees. Networking opportunities are provided through various Agricultural Networking Forums or Conferences held in Florida at the International office and at the Chiang Mai, Thailand Regional Office. Special Training opportunities are provided to various development workers and ECHO has an internship program as well. The internship program is a 12 month program offered to 8 interns each year. After the internship, most of the interns move overseas to work with small scale farmers.

ECHO provides public tours of its 50 acre farm in Ft Myers as well as special tours for a wide range of student groups, including students from the local universities. ECHO has developed strategic partnerships with various other international organizations to enhance their ability to serve the poor and ECHO offers consulting services as well.

b). Basis of Presentation - The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net Assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – includes net assets that are available for current operations and are not subject to donor imposed stipulations. Board designated net assets (if any) are amounts segregated by the Board for specific purposes.

Temporarily restricted net assets – include gifts for which donor imposed restrictions have not been met, and trust activities and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets – include gifts for which donor imposed restrictions and cannot be used for any purpose; only the income generated from the gift can be used.

c). Contributions, and Promises to Give, - As a not-for-profit organization, the Organization is required to measure contributions received and unconditional promises to give at their fair value and report them as increases in net assets immediately, even if the donor has restricted their use and the restriction will be met in future periods. As a result, contributions are recorded immediately either as an increase in unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, depending on the nature of the donor restrictions, if any. Amounts that are contributed to the organization as an endowment are considered permanently restricted.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included in support until the conditions are met.

Contributed property and equipment (if any) is recorded as unrestricted support at its fair value at the date of donation as determined by the organization. If donors stipulate how long the asset is to be used, the contributions are recorded as restricted support.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated supplies, materials, publications, etc. are recorded as unrestricted contributions in the period received at fair value. Only such assets with determinable fair value are recorded. Contributed services that require specialized skill (attorneys, accountants, counselors, etc.) are recorded in the Statement of Activities as unrestricted support at their fair value. The organization is the beneficiary of a significant amount of contributed goods and volunteer services.

In addition to the recorded contributed goods and specialized services, the organization was also the beneficiary of generalized volunteer services that did not meet the criteria for recording and, therefore, were not reported within the accompanying financial statements.

d). Inventory – Inventory consists of items held for resale and is carried at the lower of cost (first-in, first-out method) or market. These items include books, gift shop items and plants that have been purchased.

e). Property and Equipment - Property and equipment are carried at cost, if purchased, or at estimated fair market value at date of receipt if acquired by gift. Expenditures in excess of \$2,500 with an estimated useful life in excess of one year are capitalized. Property and equipment are depreciated over their estimated useful lives (3 to 40 years) using the straight-line method. Gifts of long-lived assets (if any) are reported as unrestricted support.

f). Federal Income Taxes - The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and has been determined not to be a private foundation.

The Organization adopted the provisions of the FASB ASC 740, Income Taxes (formerly Interpretation 48 [FIN 48], "Accounting for Uncertain Tax Positions"). ASC 740 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Organization determined that during the year ended March 31, 2011, ASC 740 did not have a material impact on its financial position, activities or cash flows.

g). Fair Value of Financial Instruments - The Organization's financial instruments consists of cash, money market funds, equity securities, and debt securities. All investment securities are publicly traded and are carried at fair market value.

h). Statement of Functional Expenses - The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

i). Use of 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. Accordingly, actual results could differ from those estimates.

j). Cash Equivalents - For purposes of the statement of cash flows, Echo, Inc. considers highly liquid investments purchased, including long term certificates of deposit with a maturity of one year or less, to be cash equivalents.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k). Annuity Obligations – Annuity obligations represent the net present value of gift annuity contracts entered into with donors. The annuities guarantee the donor a specified return for their lifetime based on a stated interest rate for the amount contributed to Echo. Echo records the liability for these obligations based on the actuarial present value of the expected payments for the estimated life expectancy of the donors.

The State of Florida Department of Insurance imposes certain gift annuity asset retainage restrictions. The State of Florida requires organizations to maintain (reserve) specific types of assets in excess of the gift annuity liability. The Organization has ample assets to cover its gift annuity obligations.

NOTE 2 – INVESTMENTS

Investments as of March 31, 2011 and 2010 are carried at fair value and are summarized as follows:

| | <u>2011</u> | | <u>2010</u> | |
|-------------------------------------|-------------------|-----------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> |
| Mutual Funds | \$ 870,895 | \$ 870,895 | \$ 940,784 | \$ 940,784 |
| Interest in Community Foundation | <u>21,026</u> | <u>21,026</u> | <u>18,967</u> | <u>18,967</u> |
| | <u>\$ 891,921</u> | <u>\$ 891,921</u> | <u>\$ 959,751</u> | <u>\$ 959,751</u> |

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. All assets have been valued using a market approach. There are no level 2 and 3 inputs.

The following schedule summarizes the investment return in the statement of activities for the year ended March 31, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|--------------------------------------|-------------------|-------------------|
| Interest and dividends (net of fees) | \$ 24,056 | \$ 32,459 |
| Realized losses | (32,486) | (3,197) |
| Unrealized gains | <u>135,887</u> | <u>308,554</u> |
| | <u>\$ 127,457</u> | <u>\$ 337,816</u> |

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable of \$25,052 at March 31, 2010 represents a promise to give from a related party. The donor pledged a matching gift of up to \$200,000 during a prior fiscal year to encourage ECHO donors to make contributions. The organization's receipts from the campaign exceeded the matching requirement. Through March 31, 2010 the donor had contributed \$174,948 in cash and in-kind contributions. The remaining balance of the pledge of \$25,052 was collected during the fiscal year ending March 31, 2011. The carrying value of pledges receivable approximates its fair value at March 31, 2011.

NOTE 4 – INVENTORY

Inventory as of March 31, 2011 and 2010 are summarized as follows:

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|------------------|------------------|
| Landscape plants and tropical nursery | \$ 37,221 | \$ 41,834 |
| Books, videos and other merchandise | <u>57,490</u> | <u>41,828</u> |
| | <u>\$ 94,711</u> | <u>\$ 83,662</u> |

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2011 and 2010

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 are as follows:

| | <u>2011</u> | <u>2010</u> |
|-------------------------------|---------------------|---------------------|
| Land and improvements | \$ 943,405 | \$ 946,680 |
| Buildings and improvements | 2,927,241 | 3,008,534 |
| Furniture and equipment | 365,321 | 580,194 |
| Vehicles | <u>75,567</u> | <u>93,430</u> |
| | 4,311,534 | 4,628,838 |
| Less accumulated depreciation | <u>(1,298,478)</u> | <u>(1,495,426)</u> |
| | <u>\$ 3,013,056</u> | <u>\$ 3,133,412</u> |

Depreciation expense was \$160,818 and \$167,325 for the year ended March 31, 2011 and 2010, respectively. Furniture and equipment at March 31, 2011 includes \$57,094 of computers (\$50,307) and a copier (\$6,787) recorded under capital leases. The depreciation expense for the leased computers and copier at March 31, 2011 was \$27,189.

NOTE 6 – DEFERRED REVENUE CONDITIONAL GRANT

The Organization was awarded a grant from an unrelated foundation during the year ended March 31, 2010. The total grant of \$1,039,330 provides funding over three years (\$355,910 year one, \$342,710 year 2, and \$340,710 year 3). The grant funding is conditional from year to year based on the Organization's completion of certain grant requirements. As of March 31, 2010, the organization had received \$355,939 (includes interest earned) from the foundation where the conditions for the grant were not yet met and as such, the amount received was recorded as deferred revenue. During the year end March 31, 2011 the conditions were met and the grant amount of \$355,939 was recorded into income. The cash is required to be maintained in a separate bank account. Included in temporarily restricted net assets is \$78,515 of unspent funds as of March 31, 2011.

NOTE 7 – CAPITAL LEASE OBLIGATIONS

The Organization leases computers (and related equipment) and a copier under non-cancelable leases that are classified as capital leases. The total capital lease obligation at March 31, 2011 and 2010 is \$33,034 and \$50,969, respectively. The current and long term portion of the capital lease obligation is \$18,335 and \$14,699, respectively, at March 31, 2011. The current and long term portion of the capital lease obligation is \$17,605 and \$33,364, respectively, at March 31, 2010. Future minimum lease payments under capital leases are as follows:

| <u>March 31,</u> | |
|-----------------------------------------|------------------|
| 2012 | \$ 19,323 |
| 2013 | 13,382 |
| 2014 | 1,500 |
| 2015 | <u>125</u> |
| Total minimum lease payments | 34,330 |
| Less amount representing interest | <u>1,296</u> |
| Present value of minimum lease payments | <u>\$ 33,034</u> |

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2011 and 2010

NOTE 8 - IN-KIND REVENUE & EXPENSE

Included as unrestricted support and expense at March 31, 2011 and 2010 are the following in-kind contributions:

| | | |
|-----------------------------------|-------------------|-------------------|
| | <u>2011</u> | <u>2010</u> |
| Donated equipment | \$ 3,304 | \$ 13,085 |
| Donated services | <u>121,197</u> | <u>217,512</u> |
| Total in-kind revenue and expense | <u>\$ 124,501</u> | <u>\$ 230,597</u> |

As discussed in NOTE 1, contributed assets, facilities and services are recorded at their estimated fair values.

NOTE 9 - RENT EXPENSE & LEASE COMMITMENT

Rent expense in the amount of \$21,542 was incurred during the year ended March 31, 2011. Rent expense in the amount of \$16,369 was incurred during the year ended March 31, 2010. The Company rents equipment under operating leases. The aggregate future minimum lease payments under these operating leases for the next several years are as follows:

| | |
|------------------|------------------|
| <u>March 31,</u> | |
| 2012 | \$ 8,274 |
| 2013 | 8,274 |
| 2014 | 7,173 |
| 2015 | 1,112 |
| 2016 | <u>0</u> |
| | <u>\$ 24,833</u> |

NOTE 10 – RETIREMENT PLAN

Echo has a Retirement Annuity (RA) 403(b) plan. Employees must complete one year of service with ECHO and be at least 21 years old in order to be eligible to participate in this plan. Employer contributions are discretionary. The employer is permitted to make contributions in the amount to be determined from year to year at the discretion of the employer. Total employer contributions for the years ended March 31, 2011 and 2010, were \$0 and \$22,240, respectively.

ECHO also has a Group Supplemental Retirement Annuities (GSRA) 403(b) Plan. Employees must be 21 years of age and work a minimum of 20 hours per week in order to be eligible to participate in the plan. There is no term of service required to participate in the plan. All contributions are to be made by the employee through a salary reduction agreement with the employer (ECHO). Both plans run on a calendar year.

NOTE 11 – CONCENTRATION OF CREDIT RISK

At March 31, 2011 the bank cash balance was \$93,666 in excess of the \$250,000 guaranteed (per bank) by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the FDIC provides full coverage for non-interest bearing transaction deposit accounts at participating institutions. This unlimited insurance coverage on non-interest bearing accounts is temporary and remains in effect through December 31, 2012. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the report (June 30, 2011), which is also the date the financial statements were available to be issued.