

ECHO, INC.

Financial Statements

For the Years Ended
March 31, 2019 and 2018

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**Barton,
Gonzalez
& Myers, P.A.**
Certified Public Accountants

13137 - 66th Street, Largo, FL 33773
Phone: (727) 344-1040 Fax: (727) 533-8483
www.bartoncpas.com

Independent Auditor's Report

Board of Directors
ECHO, Inc.

We have audited the accompanying financial statements of ECHO, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECHO, Inc. as of March 31, 2019 and 2018, 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.

Barton, Gonzalez & Myers, P.A.
Largo, Florida
July 17, 2019

ECHO, INC.
STATEMENTS OF FINANCIAL POSITION

As of March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents		
Unrestricted	\$ 507,582	\$ 471,244
Restricted - donor	163,470	465,048
	<u>671,052</u>	<u>936,292</u>
Investments		
Unrestricted	545,190	461,378
Restricted - donor	287,075	300,449
	<u>832,265</u>	<u>761,827</u>
Accounts receivable	-	40,894
Inventory	155,090	129,204
Other assets	69,524	62,031
Prepaid expenses	82,069	59,090
Total current assets	<u>1,810,000</u>	<u>1,989,338</u>
Property and equipment, net of accumulated depreciation of \$2,598,812 and \$2,470,231, respectively	<u>3,013,058</u>	<u>3,041,405</u>
TOTAL ASSETS	\$ <u>4,823,058</u>	\$ <u>5,030,743</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 93,910	\$ 154,117
Accrued payroll	76,413	80,680
Accrued vacation	34,455	29,628
Capital lease obligation - current	21,067	21,992
Deferred revenue - other	-	11,305
Gift annuities- current	66,076	71,806
Total current liabilities	<u>291,921</u>	<u>369,528</u>
Long-term Liabilities		
Gift annuities- long-term	347,680	341,829
Capital lease obligation - long-term	66,342	396
Total long-term liabilities	<u>414,022</u>	<u>342,225</u>
TOTAL LIABILITIES	705,943	711,753
Net Assets (See Note 9)		
Net assets without donor restrictions	3,666,570	3,553,493
Net assets with donor restrictions	<u>450,545</u>	<u>765,497</u>
TOTAL NET ASSETS	<u>4,117,115</u>	<u>4,318,990</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,823,058</u>	\$ <u>5,030,743</u>

See accompanying notes to financial statements.

ECHO, INC.
STATEMENTS OF ACTIVITIES

For the Years Ended March 31, 2019 and 2018

	Year Ended March 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Public Support			
Contributions	\$ 2,841,326	\$ 542,064	\$ 3,383,390
Gift annuities	220,079	-	220,079
Net assets released from donor restrictions	859,256	(859,256)	-
Revenue			
Sale of merchandise	334,019	-	334,019
Interest & dividend income	13,395	6,135	19,530
Net realized and unrealized losses	(19,690)	(2,097)	(21,787)
Other Income	353,059	-	353,059
Total Support and Revenues	4,601,444	(313,154)	4,288,290
Expenses			
Program Services	3,681,705	-	3,681,705
General & administrative	514,078	1,798	515,876
Fundraising	267,191	-	267,191
	4,462,974	1,798	4,464,772
Annuity contracts expense	25,393	-	25,393
Total Expenses	4,488,367	1,798	4,490,165
Increase (Decrease) in Net Assets	113,077	(314,952)	(201,875)
Net Assets, Beginning of Year	3,553,493	765,497	4,318,990
Net Assets, End of Year	\$ 3,666,570	\$ 450,545	\$ 4,117,115
Year Ended March 31, 2018			
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Public Support			
Contributions	\$ 2,750,330	\$ 670,574	\$ 3,420,904
Gift annuities	6,114	-	6,114
Net assets released from restrictions	827,527	(827,527)	-
Revenue			
Sale of merchandise	295,945	-	295,945
Interest & dividend income	13,556	5,614	19,170
Net realized and unrealized gains	70,324	5,607	75,931
Other Income	362,958	-	362,958
Total Support and Revenues	4,326,754	(145,732)	4,181,022
Expenses			
Program Services	3,587,522	-	3,587,522
General & administrative	459,776	1,783	461,559
Fundraising	288,135	-	288,135
	4,335,433	1,783	4,337,216
Annuity contracts expense	9,677	-	9,677
Total Expenses	4,345,110	1,783	4,346,893
Increase (Decrease) in Net Assets	(18,356)	(147,515)	(165,871)
Net Assets, Beginning of Year	3,571,849	913,012	4,484,861
Net Assets, End of Year	\$ 3,553,493	\$ 765,497	\$ 4,318,990

See accompanying notes to financial statements.

ECHO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended March 31, 2019 and 2018

	Year Ended March 31, 2019			
	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 2,178,850	\$ 345,427	\$ 132,858	\$ 2,657,135
Merchandise	158,787	-	8,357	167,144
Insurance	59,845	7,040	3,520	70,405
Library	5,064	-	-	5,064
Training conferences	98,590	-	-	98,590
Office supplies	18,809	9,404	4,216	32,429
Postage	16,777	3,290	12,829	32,896
Printing & publications	21,646	2,278	33,038	56,962
Professional fees and contracts	254,570	22,274	41,368	318,212
Public relations	6,219	607	8,341	15,167
Repairs & maintenance	94,053	10,450	-	104,503
Telephone	1,374	11,405	962	13,741
Travel	139,935	29,369	3,455	172,759
Utilities	65,971	5,864	1,466	73,301
Depreciation	217,966	24,219	-	242,185
Furnishing & office equipment	54,320	8,048	4,694	67,062
Donated services	90,699	4,774	-	95,473
Laboratory expenses	2,614	-	-	2,614
Other	195,616	31,427	12,087	239,130
	<u>\$ 3,681,705</u>	<u>\$ 515,876</u>	<u>\$ 267,191</u>	<u>\$ 4,464,772</u>

	Year Ended March 31, 2018			
	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 2,201,955	\$ 291,825	\$ 159,177	\$ 2,652,957
Merchandise	143,239	-	7,539	150,778
Insurance	61,095	7,188	3,594	71,877
Library	5,866	-	-	5,866
Training conferences	71,588	-	-	71,588
Office supplies	23,386	11,693	5,242	40,321
Postage	17,619	3,455	13,473	34,547
Printing & publications	21,829	2,298	33,318	57,445
Professional fees and contracts	215,618	18,867	35,038	269,523
Public relations	4,882	476	6,549	11,907
Repairs & maintenance	78,726	8,747	-	87,473
Telephone	1,184	9,829	829	11,842
Travel	153,196	32,152	3,783	189,131
Utilities	57,356	5,098	1,275	63,729
Depreciation	199,253	22,139	-	221,392
Furnishing & office equipment	69,244	10,258	5,984	85,486
Donated services	55,259	5,465	-	60,724
Laboratory expenses	3,947	-	-	3,947
Other	202,280	32,069	12,334	246,683
	<u>\$ 3,587,522</u>	<u>\$ 461,559</u>	<u>\$ 288,135</u>	<u>\$ 4,337,216</u>

See accompanying notes to financial statements

ECHO, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	\$ 3,218,276	\$ 3,313,232
Other revenue	720,216	633,670
Interest and dividends	19,530	19,170
Payments to employees and suppliers	(4,146,644)	(3,905,644)
Net cash provided (used) by operating activities	(188,622)	60,428
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	960
Net acquisition/disposal of investments	(92,225)	115,718
Acquisition of property and equipment	(121,435)	(84,170)
Net cash provided (used) by investing activities	(213,660)	32,508
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from annuity agreements	232,000	10,000
Principal payments on capital leases	(30,931)	(31,419)
Payments on annuity agreements	(64,027)	(80,185)
Net cash provided (used) by financing activities	137,042	(101,604)
NET DECREASE IN CASH	(265,240)	(8,668)
CASH AT BEGINNING OF YEAR	936,292	944,960
CASH AT END OF YEAR	\$ 671,052	\$ 936,292
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash investing activities:		
Equipment financed through capital leases	\$ 95,952	\$ -

See accompanying notes to financial statements.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a). General - ECHO, Inc. is a Christian based 501(c)3 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 (or under-utilized) 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 and in each of the regions where it has Regional Impact Centers – i.e., Southeast Asia, East Africa and West Africa. ECHO also has a Regional Impact Team for the Caribbean/Central America Region that is based at ECHO-Florida. Special training opportunities are provided to development workers around the world and ECHO has an extensive internship program as well. The internship program is a 14 month program offered to 9 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. ECHO supports knowledge sharing among a worldwide network of nearly 15,000 members from over 170 countries through an on-line portal called ECHOcommunity.org.

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:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

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 net assets without donor restrictions or net assets with donor restrictions.

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, 2019 and 2018

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). Investments – The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

e). Endowment Investment and Spending Policies - The Organization's endowment consists of an individual fund established to aid in the maintenance and improvement of the facilities and grounds. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (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 the applicable donor gift instrument at the time the accumulation is added to the fund and any amounts remaining. The remaining portion of the donor-restricted endowment fund are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - The Organization has established formal investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of the excess of growth over inflation, if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Spending Policy - The Organization has a policy of spending the amount of growth over the rate of inflation on the principal balance, when possible. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

f). Inventory – Inventory consists of items held for resale and is carried at the lower of cost (average cost) or market. These items include books, gift shop items and plants that have been purchased or propagated.

g). 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.

h). 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. However, the Organization has gift shop sales that are subject to tax on unrelated business income.

The Organization adopted the provisions of the FASB ASC 740, Income Taxes. 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 years ended March 31, 2019 and 2018, ASC 740 did not have a material impact on its financial position, activities or cash flows.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 990-T, *Exempt Organization Business Income Tax Return*, are subject to examination by the IRS, generally for three years after they were filed.

i). 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.

j). 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 expenses have been allocated among the programs and supporting services benefited. Expenses are allocated using percentages established over time and are consistently applied each year. A review of new positions and/or changes in position responsibilities is performed, as needed, and an assessment of time over program/admin/fundraising is performed. The CEO and the COO review, discuss with staff, and adjust as appropriate.

k). 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.

l). 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, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m). 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 – ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations which follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending March 31, 2019 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective April 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets, other than to combine (for presentation purposes) the previously reported March 31, 2018 "temporarily restricted net assets" and "permanently restricted net assets" into "net assets with donor restrictions."

NOTE 3 – INVESTMENTS

Investments are carried at fair value based on unadjusted quoted market prices within active markets (all Level 1 inputs). All assets have been valued using a market approach. Investments at March 31, 2019 and 2018 are summarized as follows:

	2019		2018	
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual funds	\$ 735,538	\$ 809,510	\$ 611,474	\$ 738,879
Interest in Community Foundation	22,755	22,755	22,948	22,948
	<u>\$ 758,293</u>	<u>\$ 832,265</u>	<u>\$ 634,422</u>	<u>\$ 761,827</u>

The following schedule summarizes the investment return in the statement of activities for the years ended March 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 19,530	\$ 19,170
Realized gains	52,105	54,511
Unrealized gains (losses)	(73,892)	21,420
	<u>\$ (2,257)</u>	<u>\$ 95,101</u>

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 4 – INVENTORY

Inventory as of March 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Landscape plants, seeds and tropical nursery	\$ 71,199	\$ 59,377
Books, videos and other merchandise	83,891	69,827
	<u>\$ 155,090</u>	<u>\$ 129,204</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 1,155,700	\$ 1,147,592
Buildings and improvements	3,556,085	3,495,963
Furniture and equipment	677,786	645,782
Vehicles	222,299	222,299
	<u>5,611,870</u>	<u>5,511,636</u>
Less accumulated depreciation	<u>(2,598,812)</u>	<u>(2,470,231)</u>
	<u>\$ 3,013,058</u>	<u>\$ 3,041,405</u>

Depreciation expense was \$242,185 and \$221,392 for the years ended March 31, 2019 and 2018, respectively. Furniture and equipment at March 31, 2019 and 2018 includes \$62,071 of computer equipment and \$49,769 for copiers for a total of \$111,840 recorded under capital leases. Accumulated depreciation for the leased computer equipment and copiers at March 31, 2019 and 2018 was \$26,414 and \$97,761, respectively. The depreciation expense for the leased computer equipment and copiers at March 31, 2019 and 2018 was \$8,961 and \$24,529, respectively.

NOTE 6 – LIQUIDITY

At March 31, 2019, ECHO has \$507,582 of cash and equivalents and \$545,190 of investments to meet needs for general expenditures. None of the cash and investments are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of ECHO in the next 12 months (including payment of the current gift annuities obligation).

ECHO manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of ECHO are expected to be met on a monthly basis from donor contributions, merchandise sales, and other miscellaneous income. In general, ECHO maintains sufficient financial assets on hand to meet 30 days of normal operating expenses.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

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, 2019 and 2018 is \$87,409 and \$22,388, respectively. The current and long term portion of the capital lease obligation is \$21,067 and \$66,342, respectively, at March 31, 2019. The current and long term portion of the capital lease obligation is \$21,992 and \$396, respectively, at March 31, 2018. Future minimum lease payments under capital leases are as follows:

<u>March 31,</u>		
2020	\$	23,399
2021		22,998
2022		22,998
2023		19,932
2024		<u>3,577</u>
Total minimum lease payments		92,904
Less amount representing interest		<u>(5,495)</u>
Present value of minimum lease payments	\$	<u>87,409</u>

Amortization of assets held under capital leases is included with depreciation expense (see Note 5).

NOTE 8 – LINE OF CREDIT

The Organization entered into a line of credit agreement totaling \$500,000 on May 14, 2013. Interest is due on the unpaid principal balance monthly at the Bank's Prime Rate Plus 0.5% (6% at March 31, 2019). Principal plus interest was originally due in full on March 14, 2014, but it has been renewed annually through March 2019, and subsequently renewed through March 2021. The balance at March 31, 2019 and 2018 was \$0.

NOTE 9 – NET ASSETS

Accounting standards require disclosure of the classification of restrictions placed on net asset by donors. These classifications include net assets without donor restrictions and net assets with donor restrictions. The restrictions pertain to donor restrictions, not restrictions resulting from contractual agreements. The donor restrictions at March 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Undesignated	\$ 3,666,570	\$ 3,553,493
Total net assets without donor restrictions	<u>\$ 3,666,570</u>	<u>\$ 3,553,493</u>
Net assets with donor restrictions:		
Purpose restricted	\$ 274,260	\$ 590,131
Endowment fund	176,285	175,366
Total net assets without donor restrictions	<u>\$ 450,545</u>	<u>\$ 765,497</u>
Total net assets	<u>\$ 4,117,115</u>	<u>\$ 4,318,990</u>

Net assets with donor restrictions includes the Paul J. Ludwig Endowment Fund, which was established during the year ended March 31, 2012 with a donor-imposed restricted contribution of \$50,000. Total principal donations through both March 31, 2018 and 2017 were \$161,758. According to the agreement, the principal should increase annually by the rate of inflation and any excess of growth over inflation can be used to aid in the maintenance and improvement of the facilities and grounds of the Organization. At March 31, 2019 and 2018, the permanently restricted net asset balance was \$176,285 and \$175,366, respectively.

As of March 31, 2019, the required minimum balance, as adjusted for the annual CPI rate, was \$178,631 and the market value was \$176,285 which resulted in a deficiency of \$2,346. This deficiency resulted from unfavorable market fluctuations.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

March 31, 2019 and 2018

NOTE 10 - IN-KIND REVENUE & EXPENSE

Included as unrestricted support and expense at March 31, 2019 and 2018 are the following in-kind contributions:

	<u>2019</u>	<u>2018</u>
Donated equipment	\$ 69,641	\$ 46,948
Donated services	95,473	60,724
Total in-kind revenue	165,114	107,672
Less Capitalized	(43,300)	(21,026)
Total in-kind expense	\$ 121,814	\$ 86,646

As discussed in NOTE 1, contributed assets, facilities and services are recorded at their estimated fair values. The Organization's board members also contributed approximately 1,758 hours of time to the Organization during the year ended March 31, 2019 and 1,181 hours of time during the year ended March 31, 2018. The financial statements do not reflect the value of the board members' time because it does not meet the recognition criteria of Accounting Standards Codification (ASC) (958-605).

NOTE 11 - RENT EXPENSE & LEASE COMMITMENT

Rent expense in the amount of \$2,491 was incurred during the year ended March 31, 2019. Rent expense in the amount of \$3,669 was incurred during the year ended March 31, 2018. 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>		
2020	\$	1,024
2021		432
2022		360
2023		-
2024		-
	\$	1,816

NOTE 12 – RETIREMENT PLAN

Effective January 1, 2013, ECHO adopted a 401(k) plan, which was reinstated with a new plan document effective January 1, 2015 and also July 1, 2017. Employees may participate once they have attained 21 years of age. The plan allows for the employee to make salary elective deferrals upon hire. ECHO will match the employee elective deferral (after 1 year of service) up to a maximum of 3%. Total employer contributions for the years ended March 31, 2019 and 2018 were \$47,913 and \$41,580, respectively.

NOTE 13 – CONCENTRATION OF CREDIT RISK

ECHO maintains bank accounts at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has not experienced any loss in such accounts. Cash at March 31, 2019 and 2018 exceeded federally insured limits by \$20,615 and \$131,710, respectively. ECHO believes it is not exposed to any significant credit risk on its cash balances.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the report (July 17, 2019), which is also the date the financial statements were available to be issued.