

ECHO, INC.

Financial Statements

For the Fifteen Months Ended
June 30, 2025

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7- 16



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Independent Auditor's Report

Board of Directors
ECHO, Inc.

Opinion

We have audited the accompanying financial statements of ECHO, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the fifteen months then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ECHO, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ECHO, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ECHO, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ECHO, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ECHO, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Barton, Gonzalez & Myers, P.A.
Largo, Florida
January 13, 2026

ECHO, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

Current Assets:	
Cash and cash equivalents	
Unrestricted	\$ 1,068,657
Restricted - donor	564,023
	<u>1,632,680</u>
Investments	
Unrestricted	325,619
Unrestricted - Board designated funds	910,770
Restricted - donor	864,769
	<u>2,101,158</u>
Accounts receivable	2,087
Inventory	115,166
Other assets	91,214
Prepaid expenses	132,213
Total current assets	<u>4,074,518</u>
Property and equipment, net of accumulated depreciation of \$3,786,493	<u>3,742,144</u>
TOTAL ASSETS	<u>\$ 7,816,662</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses	\$ 87,023
Accrued payroll	100,098
Accrued vacation	111,195
Lease liability - current	11,768
Deferred revenue - other	188,259
Gift annuities- current	51,063
Total current liabilities	<u>549,406</u>
Long-term Liabilities	
Gift annuities- long-term	272,403
Lease liability - long-term	19,439
Total long-term liabilities	<u>291,842</u>
TOTAL LIABILITIES	841,248
Net Assets (See Note 14)	
Net assets without donor restrictions	5,721,622
Net assets with donor restrictions	1,253,792
TOTAL NET ASSETS	<u>6,975,414</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,816,662</u>

See accompanying notes to financial statements.

ECHO, INC.
STATEMENT OF ACTIVITIES

For the Fifteen Months Ended June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Public Support			
Contributions	\$ 4,623,793	\$ 795,210	\$ 5,419,003
Gift annuities	15,912	-	15,912
Net assets released from donor restrictions	861,053	(861,053)	-
Revenue			
Sale of merchandise	369,460	-	369,460
Interest & dividend income	142,773	-	142,773
Net realized and unrealized gains (losses)	82,327	-	82,327
Other Income	494,351	-	494,351
Total Support and Revenues	<u>6,589,669</u>	<u>(65,843)</u>	<u>6,523,826</u>
Expenses			
Program Services	5,897,904	-	5,897,904
General & administrative	616,055	-	616,055
Fundraising	542,278	-	542,278
	<u>7,056,237</u>	<u>-</u>	<u>7,056,237</u>
Annuity contracts expense	58,267	-	58,267
Total Expenses	<u>7,114,504</u>	<u>-</u>	<u>7,114,504</u>
Increase (Decrease) in Net Assets	(524,835)	(65,843)	(590,678)
Net Assets, Beginning of Period	<u>6,246,457</u>	<u>1,319,635</u>	<u>7,566,092</u>
Net Assets, End of Period	<u>\$ 5,721,622</u>	<u>\$ 1,253,792</u>	<u>\$ 6,975,414</u>

See accompanying notes to financial statements.

ECHO, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Fifteen Months Ended June 30, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 3,565,672	\$ 404,464	\$ 287,383	\$ 4,257,519
Merchandise	154,736	8,144	-	162,880
Insurance	147,683	17,374	8,687	173,744
Training conferences	293,435	15,444	-	308,879
Office	123,137	18,243	10,641	152,021
Postage	13,699	2,740	10,960	27,399
Printing & publications	21,422	-	21,422	42,844
Professional fees and contracts	131,833	18,885	119,073	269,791
Information Technology	140,376	16,515	8,257	165,148
Public relations	89,153	7,429	52,005	148,587
Repairs & maintenance	231,134	20,545	5,136	256,815
Telephone	9,797	576	1,153	11,526
Travel	205,331	38,499	12,833	256,663
Utilities	90,512	8,045	2,011	100,568
Occupancy	67,005	5,956	1,489	74,450
Depreciation	229,358	25,484	-	254,842
Donated services	83,078	4,373	-	87,451
Interest	1,310	146	-	1,456
Fieldwork	279,089	-	-	279,089
Other	20,144	3,193	1,228	24,565
	<u>5,897,904</u>	<u>616,055</u>	<u>542,278</u>	<u>7,056,237</u>
Total expenses	\$ <u>5,897,904</u>	\$ <u>616,055</u>	\$ <u>542,278</u>	\$ <u>7,056,237</u>

See accompanying notes to financial statements

ECHO, INC.
STATEMENT OF CASH FLOWS

For the Fifteen Months Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Contributions	\$ 5,503,389
Other revenue	865,741
Interest and dividends	142,773
Payments to employees and suppliers	(6,700,115)
Net cash used by operating activities	(188,212)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property and equipment	5,636
Net purchase of investments	(916,263)
Acquisition of property and equipment	(387,829)
Net cash used by investing activities	(1,298,456)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from annuity agreements	15,912
Principal payments on capital leases	(14,222)
Principal payments on contract	(89,084)
Payments on annuity agreements	(58,267)
Net cash used by financing activities	(145,661)

NET (DECREASE) IN CASH (1,632,329)

BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	3,265,009
ENDING CASH, CASH EQUIVALENTS AND RESTRICTED CASH	\$ 1,632,680

See accompanying notes to financial statements.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

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 economically 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. 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., North America, South Asia, Southeast Asia, East Africa, West Africa, and Central America & Caribbean. 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 12-month program offered to 8 interns each year. After the internship, many of the interns move overseas to work with small scale farmers.

ECHO provides public tours of its 47 acre farm in Ft Myers as well as special tours for a wide range of student groups, including students from the local middle schools, high schools and 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 over 20,000 members from more than 190 countries through an on-line portal (and mobile phone App) called ECHOcommunity.org.

b). Basis of Presentation – Effective during the current reporting period, the Organization changed its fiscal year end from March 31 to June 30. As a result of this change, the accompanying financial statements are presented for the fifteen-month transition period beginning April 1, 2024, and ending June 30, 2025. The Organization changed its fiscal year end to better align its financial reporting with its primary program cycles.

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 designated and non-designated by the Board of Directors 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.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 are reported 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 seek to provide a predictable stream of funding to programs supported by its endowment funds while prioritizing the preservation of the original corpus value. Accordingly, the investment process seeks to achieve a total rate of return, including investment income as well as capital appreciation, that is sufficient to support annual distributions while managing acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent rate of return that provides sufficient liquidity for annual distributions of the excess of the fund's fair value over the original donated amount, 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

For the Fifteen Months Ended June 30, 2025

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, seeds, 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 fifteen-month ended June 30, 2025, 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 Controller 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

For the Fifteen Months Ended June 30, 2025

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.

n) Restricted Cash – Restricted cash consists of cash and cash equivalents that are subject to donor-imposed or contractual restrictions that limit their use to specific projects or future periods. This includes funds received for conditional grants where the performance barriers have not yet been met, as well as contributions restricted by donors for specific geographic regions or programmatic initiatives.

NOTE 2 – RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH IN THE STATEMENT OF CASH FLOWS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows for the fifteen months ended June 30, 2025.

Unrestricted cash and cash equivalents	\$ 1,068,657
Donor Restricted cash and cash equivalents	<u>564,023</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,632,680</u>

Nature of Restrictions: Restricted cash at June 30, 2025, consists of the following:

- Conditional Grant (\$175,000): Represents funds received from Compassion International to develop a global food security plan for the Organization (see Note 9 for additional details). These funds are considered restricted as they are subject to specific performance barriers and a right of return if the conditions of the grant are not met during the 2026 fiscal year.
- Regional Impact Centers and Other Donor Restrictions (\$389,023): Represents contributions received that are restricted by donors for use at ECHO's Regional Impact Centers (RIC) in North America, South Asia, Southeast Asia, East Africa, West Africa, and Central America & Caribbean, or programs.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 3 – INVESTMENTS

Investments are carried at fair value based on unadjusted quoted market prices within active markets. All investments are Level 1 inputs which are defined as observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. All assets have been valued using a market approach. There are no Level 2 inputs (inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly) or Level 3 inputs (unobservable inputs). Investments at June 30, 2025 are summarized as follows:

	Cost	Fair Market Value
Mutual funds	\$ 613,701	\$ 707,789
Fixed income	1,366,054	1,368,666
Interest in Community Foundation	24,703	24,703
	\$ 2,004,458	\$ 2,101,158

The following schedule summarizes the investment return in the statement of activities for the fifteen months ended June 30, 2025:

Interest and dividends	\$ 142,773
Realized gains	36,518
Unrealized gains	45,809
	\$ 225,100

NOTE 4 – INVENTORY

Inventory as of June 30, 2025 is summarized as follows:

Landscape plants, seeds and tropical nursery	\$ 64,472
Books, videos and other merchandise	50,694
	\$ 115,166

NOTE 5 – OTHER ASSETS (REGIONAL IMPACT CENTERS)

Other assets consist primarily of the Organization's net investment in its Regional Impact Centers (RIC) located in South Asia, Southeast Asia, East Africa, and West Africa. These centers serve as the primary vehicles for the Organization's international operations and technical support. As of June 30, 2025, Other Assets totaled \$91,214.

Nature of RIC Operations and Funding - The Organization funds the monthly operations of each RIC based on formal funding request statements. These requests represent the RIC's projected monthly expenses less available local cash. Transfers of funds to the RICs are initially recorded as an increase of the RIC investment account.

Translation and Reporting - On a quarterly basis, the Regional Impact Centers submit trial balances to the Organization's U.S. headquarters. The Organization translates these foreign currency trial balances into U.S. Dollars and incorporates the RICs' income and expense activities into the Organization's consolidated Statement of Activities. The recording of these expenses results in a corresponding reduction to the RIC investment account, which is presented as Other Assets on the Statement of Financial Position.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2025 are as follows:

Land and improvements	\$ 1,673,181
Buildings and improvements	4,455,178
Furniture and equipment	987,524
Vehicles	410,312
Construction in progress	<u>2,442</u>
	7,528,637
Less accumulated depreciation	<u>(3,786,493)</u>
	<u>\$ 3,742,144</u>

Depreciation expense was \$254,842 for the fifteen months ended June 30, 2025.

Right of Use Assets (furniture and equipment recorded under finance leases) at June 30, 2025 is \$57,907 for copiers and a postage machine. Accumulated depreciation for the leased equipment at June 30, 2025 was \$33,092. The depreciation expense for the leased equipment at June 30, 2025 was \$11,305. See Note 7 Lease Liability.

During the fiscal year ended June 30, 2025, Echo expanded its regional footprint in Asia by acquiring land and a building in the amount of \$61,022 and \$85,474, respectively.

NOTE 7 – LIQUIDITY

At June 30, 2025, ECHO has \$1,068,657 of cash and equivalents and \$325,619 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 60 days of normal operating expenses.

NOTE 8 – ACCRUED VACATION AND ACCRUED PAYROLL

Accrued Vacation (Paid Time Off) at June 30, 2025 is \$111,195. The Organization's policy allows full-time employees to accrue Paid Time Off (PTO) based on their length of service, up to a maximum of 240 hours per year, with a maximum allowable carryover of 120 hours. The liability is calculated based on each employee's current pay rate and unused hours as of June 30, 2025. Upon termination of employment, employees are eligible for payment of their unused PTO balance, provided they have met the service requirements outlined in the Organization's policy.

Accrued payroll at June 30, 2025 is \$100,098. Accrued payroll represents wages and related taxes earned by employees for services performed during the final pay period of the fiscal year. These amounts remained unpaid as of June 30, 2025, and were subsequently settled during the July 2025 payroll cycles.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 9 – DEFERRED REVENUE

Deferred revenue consists of payments received in advance of the satisfaction of performance obligations. As of June 30, 2025, deferred revenue totaled \$188,259 and is comprised of the following:

Conditional Grant (Compassion International)	\$ 175,000
Class Registration Fees	11,664
Conference Fees	1,391
Miscellaneous Deferred Income	<u>204</u>
Total Deferred Revenue	<u>\$ 188,259</u>

The Organization received a grant of \$175,000 from Compassion International on June 27, 2025. This grant is considered a conditional contribution as it contains both a right of return of unexpended funds and barriers to entitlement in the form of specific performance metrics. These funds are restricted for use in the 2026 fiscal year to develop a global food security plan for the Organization (see Note 2). Revenue will be recognized as the conditions of the grant are met during the fiscal year ending June 30, 2026. Accordingly, the \$175,000 is also reported as restricted cash on the statement of financial position.

NOTE 10 – GIFT ANNUITY OBLIGATIONS

The Organization’s liability for gift annuity obligations represents the actuarial present value of future payments to be made to annuitants. As of June 30, 2025, these obligations are presented in the Statement of Financial Position as follows:

Current portion of gift annuity obligations	\$ 51,063
Long-term gift annuity obligations	<u>272,403</u>
Total Gift Annuity Obligations	<u>\$ 323,466</u>

As discussed in Note 1(m), the Organization is subject to asset retainage requirements by the State of Florida under Section 627.481, Florida Statutes. This statute requires the Organization to maintain a separate reserve fund for outstanding annuity agreements in an amount at least equal to the actuarial reserves plus a 10% surplus. As of June 30, 2025, the required reserve was \$355,813. The Organization was in compliance with these requirements at year-end.

NOTE 11 – LEASE LIABILITY

Effective April 1, 2022, ECHO adopted the Financial Accounting Standard Board’s (FASB) Accounting Standards Update 842 *Leases*. Under topic 842, a lessee is required to recognize assets (“Right of Use Assets”) and liabilities (“Lease Liability”) for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily depends on its classification as a finance or operating lease.

However, unlike prior GAAP which required only capital (i.e. “finance”) leases to be recognized on the statement of financial position, the new GAAP requires both types of leases (finance and operating) to be recognized on the statement of financial position.

ECHO has evaluated its leases and determined all leases are finance leases (relating to copiers and a postage machine). See Note 6 regarding the Right of Use Assets.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 11 – LEASE LIABILITY (Continued)

The total finance lease obligation at June 30, 2025 is \$31,207. The current and long-term portion of the finance lease obligation is \$11,768 and \$19,439, respectively, at June 30, 2025.

The amounts were calculated using an incremental borrowing rate of 3% to determine the present value of future lease payments to record as assets and liabilities on the statement of financial position. ECHO's leases have a remaining lease term of 3 years.

Future minimum lease payments under finance leases are as follows:

<u>June 30.</u>	
2026	\$ 11,768
2027	12,543
2028	<u>8,172</u>
Total minimum lease payments	32,483
Less amount representing interest	<u>(1,276)</u>
Present value of minimum lease payments	<u>\$ 31,207</u>

Amortization of assets held under finance leases is included with depreciation expense (see Note 6).

Cash paid on the leases for the fifteen months ended was \$14,222.

NOTE 12 – CONTRACT LIABILITY

On October 1, 2022, ECHO purchased land, building, and equipment in Thailand for \$343,917 (13,000,000 Thai baht). The purchase agreement calls for the amount to be paid over three annual installments, with the first payment for 7,000,000 baht paid (\$185,186) on the purchase date, and the final two payments, each for 3,000,000 baht to be paid in October 2023 and October 2024. The amount owed as of June 30, 2025, when factoring in the exchange rate as of June 30, 2025 is \$0.

NOTE 13 – LINE OF CREDIT

On June 3, 2024, the Organization entered into a Change in Terms Agreement with a bank to renew its revolving line of credit. The renewed facility provides a maximum borrowing capacity of \$500,000 and matures on June 12, 2026, at which time all outstanding principal and accrued interest are due. Borrowings under the agreement bear interest at a variable rate equal to the Lender's Prime Rate plus a margin of 0.50%. The line is secured by a security interest in the Organization's inventory, accounts, equipment, and general intangibles. Key provisions include a \$1,750 annual fee and a requirement that the outstanding balance be reduced to zero for 30 consecutive days during each 12-month period.

NOTE 14 – 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, which include Board designated funds, and net assets with donor restrictions. The restrictions pertain to donor restrictions, not restrictions resulting from contractual agreements.

As of June 30, 2025, net assets with donor restrictions exclude \$175,000 in conditional grant funds from Compassion International, which are recorded as deferred revenue until the underlying performance barriers are met in fiscal year 2026. The donor restrictions at June 30, 2025 are as follows:

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 14 – NET ASSETS (Continued)

Net assets without donor restrictions:	
Undesignated	\$ 4,810,852
Board designated	<u>910,770</u>
Total net assets without donor restrictions	\$ 5,721,622
 Net assets with donor restrictions:	
Purpose restricted	\$ 1,075,000
Endowment fund	<u>178,792</u>
Total net assets with donor restrictions	\$ 1,253,792
Total net assets	<u>\$ 6,975,414</u>

Net Assets with Donor Restrictions - Net assets with donor restrictions includes the Paul J. Ludwig Endowment Fund, which was established in 2012 to aid in the maintenance and improvement of the physical facilities and grounds of the Organization. The donor intended for the donated funds to provide the corpus of the endowment. While the donor encouraged the Organization to allow the Fund to grow to keep pace with inflation, the donor explicitly stated that this growth is not a condition of the gift.

Per the donor instrument, the Organization shall not withdraw monies from the Fund at any time that the principal balance is below the cumulative level of funds donated. Total principal donations as of June 30, 2025 was \$161,758. At June 30, 2025, the donor-restricted net asset balance was \$178,792. Although the market value of the account at June 30, 2025 was \$178,792, this amount remains in excess of the \$161,758 original gift value required to be preserved.

NOTE 15 - IN-KIND REVENUE & EXPENSE

Included as unrestricted support and expense at June 30, 2025 are the following in-kind contributions:

Donated Equipment and Property	\$ 25,581
Donated services	<u>87,451</u>
Total in-kind revenue	113,032
Less Capitalized	<u>(23,610)</u>
Total in-kind expense	<u>\$ 89,422</u>

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 1,253 hours of time to the Organization during the fifteen-month ended June 30, 2025. 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 16 – 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 fifteen-months ended June 30, 2025 was \$47,210.

ECHO, INC.
NOTES TO FINANCIAL STATEMENTS

For the Fifteen Months Ended June 30, 2025

NOTE 17 – 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 June 30, 2025 exceeded federally insured limits by \$165,150. ECHO believes it is not exposed to any significant credit risk on its cash balances.

NOTE 18 – SUBSEQUENT EVENTS

ECHO has evaluated subsequent events through January 13, 2026, the date the financial statements were available to be issued, and no events were identified that would require recognition or disclosure within these financial statements.