

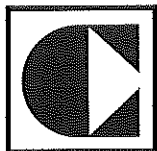
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

EARTHRIGHTS INTERNATIONAL, INC.

January 31, 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
EarthRights International, Inc.

We have audited the accompanying balance sheet of EarthRights International, Inc. (a nonprofit organization) as of January 31, 2010, and the related statements of activities, cash flows and functional expenses for the year 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 audit.

We conducted our audit 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 audit provides 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 EarthRights International, Inc. as of January 31, 2010, and the changes in its net assets, its cash flows and its functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Douglas Corey & Associates, P.C.

May 26, 2010

EarthRights International, Inc.
Balance Sheet
January 31, 2010
(See Independent Auditor's Report and notes to financial statements)

Assets

Current Assets	
Cash	\$ 3,335,050
Pledges receivable	175,000
Other receivables	59,414
Escrow - litigation fund	100,000
Prepaid expenses	<u>4,513</u>
Total current assets	3,673,977
Property and equipment, net of accumulated depreciation of \$63,971	36,512
Other Assets	
Investment in marketable equity securities	70,214
Deposits	<u>5,960</u>
	<u>76,174</u>
	<u><u>\$ 3,786,663</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 11,627
Net Assets	
Unrestricted	1,235,392
Board designated	2,048,719
Temporarily restricted	<u>490,925</u>
Total net assets	<u>3,775,036</u>
	<u><u>\$ 3,786,663</u></u>

EarthRights International, Inc.
Statement of Activities
For the year ended January 31, 2010
(See Independent Auditor's Report and notes to financial statements)

	Unrestricted		Board Designated	Temporarily Restricted	Total
Revenues and Other Support:					
Foundation contributions	\$	492,535	\$	1,004,910	\$ 1,497,445
Gifts from individuals		72,466	-	5,000	77,466
Settlement		229,501	272,000	-	501,501
Non-cash contributions		15,160	-	-	15,160
In-kind contributions		3,158	-	-	3,158
Interest and dividends		21,384	-	852	22,236
Gain (loss) on securities		524	-	-	524
Gain (loss) on fixed assets		(1,999)	-	-	(1,999)
Unrealized gain (loss) on securities		-	-	19,004	19,004
Reimbursements		26,207	-	-	26,207
Miscellaneous		3,075	-	-	3,075
Net assets released from restrictions:					
Satisfaction of program restrictions		1,003,444	-	(1,003,444)	-
Total Revenues and Other Support		1,865,455	272,000	26,322	2,163,777
Expenses:					
Program expenses					
Legal		603,239	-	-	603,239
Campaigns		258,106	-	-	258,106
Training		425,740	-	-	425,740
International Cross-cutting		281,453	-	-	281,453
Management and general Development		159,213	-	-	159,213
		117,651	-	-	117,651
Total Expenses		1,845,402	-	-	1,845,402
Change in Net Assets		20,053	272,000	26,322	318,375
Net Assets, beginning of year		1,215,339	1,776,719	464,603	3,456,661
Net Assets, end of year	\$	1,235,392	\$ 2,048,719	\$ 490,925	\$ 3,775,036

EarthRights International, Inc.
Statement of Cash Flows
For the year ended January 31, 2010
(See Independent Auditor's Report and notes to financial statements)

Cash flows from operating activities:	
Change in net assets	\$ 318,375
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,880
Net unrealized gain on securities	(19,004)
Realized gain on sale of securities	(524)
Realized loss on disposition of fixed assets	1,999
Non-cash contributions	(18,318)
(Increase) decrease in pledges receivable	50,000
(Increase) decrease in other receivables	(43,226)
(Increase) decrease in escrow	(100,000)
(Increase) decrease in prepaid expense	15,228
Increase (decrease) in accounts payable	<u>3,835</u>
Net cash provided by operating activities	220,245
Cash flows from investing activities:	
Purchase of fixed assets	(22,870)
Proceeds from sale of securities and matured certificates of deposit	3,248,351
Purchase of marketable securities and certificates of deposit	<u>(1,277,531)</u>
Net cash provided by investing activities	<u>1,947,950</u>
Net increase in cash and cash equivalents	2,168,195
Cash, beginning of year	<u>1,166,855</u>
Cash, end of year	<u><u>\$ 3,335,050</u></u>
Supplemental disclosures:	
During the year the Organization had the following noncash transactions:	
Net unrealized gain on marketable equity securities and corresponding adjustment of securities to fair market value	\$ <u>19,004</u>
In-kind contributions of goods and services and corresponding expenses	\$ <u>3,158</u>
Non-cash contribution of stock	\$ <u>15,160</u>
Cash paid during the year for:	
Income taxes	\$ <u>-</u>
Interest expense	\$ <u>-</u>

EarthRights International, Inc.
Statement of Functional Expenses
For the year ended January 31, 2010
(See Independent Auditor's Report and notes to financial statements)

	Program Services					Supporting Services			
	Legal	Advocacy & Campaigns	Training	International Cross-cutting	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
International									
Salaries	\$ 8,580	\$ -	\$ 15,907	\$ 152,870	\$ 177,357	\$ 55,625	\$ 73,300	\$ 128,925	\$ 306,282
Payroll taxes	648	-	1,200	31,324	33,172	3,597	5,531	9,128	42,300
Employee benefits	360	-	639	9,022	10,021	16,840	5,861	22,701	32,722
Consultants	-	-	-	-	-	1,699	-	1,699	1,699
Accounting	-	-	-	-	-	22,875	-	22,875	22,875
Outside services	-	-	-	-	-	1,771	-	1,771	1,771
Board expenses	-	-	-	-	-	13,383	-	13,383	13,383
Bank service charges	-	-	1,023	-	1,023	1,367	-	1,367	2,390
Overhead	-	-	-	-	-	109	-	109	109
Rent/utilities	-	903	-	6,877	7,780	6,725	6,399	13,124	20,904
Office supplies and expense	-	-	392	801	1,193	2,746	199	2,945	4,138
Insurance	-	-	-	-	-	8,465	-	8,465	8,465
Fundraising - direct	-	-	-	-	-	-	2,532	2,532	2,532
Communications	-	-	-	4,886	4,886	1,116	539	1,655	6,541
Direct mail	-	-	-	-	-	-	7,827	7,827	7,827
Outreach/conferences	-	-	-	12,640	12,640	721	-	721	13,361
Travel	-	-	5,696	3,766	9,462	10,439	8,171	18,610	28,072
Publications	-	339	-	14,959	15,298	136	246	382	15,680
Trainings/grants	-	-	-	1,597	1,597	-	-	-	1,597
Miscellaneous	-	155	-	-	155	-	-	-	155
Planning	-	-	-	37,543	37,543	5,595	14	5,609	43,152
	<u>9,588</u>	<u>1,397</u>	<u>24,857</u>	<u>276,285</u>	<u>312,127</u>	<u>153,209</u>	<u>110,619</u>	<u>263,828</u>	<u>575,955</u>
United States									
Salaries	266,305	77,257	-	-	343,562	-	-	-	343,562
Payroll taxes	19,670	6,181	-	-	25,851	-	-	-	25,851
Employee benefits	11,699	4,756	-	-	16,455	-	-	-	16,455
Consultants	26,211	13,800	-	-	40,011	-	-	-	40,011
Overhead	-	-	-	-	-	60	-	60	60
Rent/utilities	25,647	18,824	-	-	44,471	-	-	-	44,471
Office supplies and expense	1,300	1,009	-	-	2,309	1,365	56	1,421	3,730
Insurance	-	-	-	-	-	208	-	208	208
Depreciation	1,101	2,055	-	5,013	8,169	565	174	739	8,908
Fundraising - direct	-	-	-	-	-	-	2,724	2,724	2,724
Communications	3,271	3,157	-	-	6,428	1,263	163	1,426	7,854
Fieldwork/research	1,331	-	-	-	1,331	-	-	-	1,331
Litigation	122,667	-	-	-	122,667	-	-	-	122,667
Outreach/conferences	129	527	-	-	656	109	-	109	765
Travel	21,926	8,742	-	-	30,668	255	2,239	2,494	33,162
Publications	463	8,698	-	-	9,161	-	379	379	9,540
Trainings	4,235	97	-	-	4,332	432	-	432	4,764
Interns	408	-	-	155	563	-	-	-	563
Planning	457	384	-	-	841	1,682	-	1,682	2,523
	<u>506,820</u>	<u>145,487</u>	<u>-</u>	<u>5,168</u>	<u>657,475</u>	<u>5,939</u>	<u>5,735</u>	<u>11,674</u>	<u>669,149</u>
SE Asia									
Salaries	36,999	57,744	108,163	-	202,906	-	-	-	202,906
Payroll taxes	1,583	908	1,282	-	3,773	-	-	-	3,773
Employee benefits	1,428	7,688	21,598	-	30,714	-	-	-	30,714
Consultants	131	92	8,411	-	8,634	-	-	-	8,634
Currency fluctuation	-	-	-2,107	-	-2,107	-	-	-	-2,107
Rent/utilities	1,920	3,334	39,744	-	44,998	-	-	-	44,998
Office supplies and expense	2,832	2,177	13,486	-	18,495	21	-	21	18,516
Depreciation	35	-	2,911	-	2,946	26	-	26	2,972
Fundraising - direct	-	-	-	-	-	-	1,297	1,297	1,297
Communications	949	3,633	6,217	-	10,799	18	-	18	10,817
Fieldwork/research	163	13,492	31,610	-	45,265	-	-	-	45,265
Outreach/conferences	458	6,002	8,292	-	14,752	-	-	-	14,752
Travel	6,264	9,399	20,795	-	36,458	-	-	-	36,458
Publications	409	6,342	6,199	-	12,950	-	-	-	12,950
Trainings	33,373	318	132,711	-	166,402	-	-	-	166,402
Planning	287	93	1,571	-	1,951	-	-	-	1,951
	<u>86,831</u>	<u>111,222</u>	<u>400,883</u>	<u>-</u>	<u>598,936</u>	<u>65</u>	<u>1,297</u>	<u>1,362</u>	<u>600,298</u>
	<u>\$ 603,239</u>	<u>\$ 258,106</u>	<u>\$ 425,740</u>	<u>\$ 281,453</u>	<u>\$ 1,568,538</u>	<u>\$ 159,213</u>	<u>\$ 117,651</u>	<u>\$ 276,864</u>	<u>\$ 1,845,402</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note A - Nature of Organization

EarthRights International, Inc. (ERI) is a non-governmental, non-profit organization founded in 1995 that combines the power of law and the power of people in defense of human rights and the environment (earth rights). ERI specializes in fact-finding, legal actions against perpetrators of earth rights abuses, training for grassroots and community leaders, and advocacy campaigns. Through these cutting edge strategies, ERI seeks to end earth rights abuses, to provide real solutions for real people, and to promote and protect human rights and the environment in the communities where we work.

ERI maintains the following programs to carry out the above goals:

Legal – ERI's legal program seeks to bring the power of the legal system to bear directly on earth rights abusers and thereby change the way that governments and corporations conduct business. To do so, we use a variety of legal tools-especially litigation-to attach real costs to human rights and environmental abuses; thus encouraging public and private actors to respect earth rights everywhere.

We are advancing the law in unique ways as no other organization has done; best exemplified by our historic settlement against Unocal for human rights abuses in Burma. We currently represent human rights victims in groundbreaking cases against Chevron, Union Carbide/Dow Chemical, Occidental Petroleum, and Chiquita, and are considering other cases that further develop and enforce international human rights and environmental law in various fora.

Advocacy and Campaigns - ERI's Advocacy and Campaigns program seeks to raise awareness and build broad support for earth rights issues. Our goal is to ensure that there are strong legal mechanisms for corporate accountability with regard to human rights and environmental abuses, and to prevent abuses in the first place by showing public and private actors that there are heavy costs associated with those violations. ERI's campaigns organize public support for earth rights issues and aim to hold corporate and government human rights and environmental offenders accountable in the "court of public opinion".

Training - ERI's Training program equips the current and next generations of grassroots human rights and environmental defenders with the necessary skills to defend human rights and protect natural resources from harmful and unsustainable development. At our EarthRights Schools, local leaders develop the experience and knowledge they need to work at the community level and to advocate nationally and internationally on behalf of their own communities. When members of affected communities raise their own voices, they can directly communicate the effects of a particular development project and protect natural resources from unsustainable extraction processes and exploitation. We currently have EarthRights Schools for Burma and for the Mekong region,

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note A - Nature of Organization, continued

which brings together persons from the six countries of the Mekong watershed, and focuses on sustainable water resource management and funding of projects by international financial institutions. ERI conducts training for local leaders and legal advocates in the Amazon and Asia. In 2009 ERI launched the Mekong Legal Advocacy Institute, to provide training for lawyers in the Mekong region.

International Cross-Cutting Program – This is a cross-program area which supports collaboration among ERI's other program areas, as well as supporting outreach such as the use of the website and other social media tools.

Note B - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Method of Accounting

ERI's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

ERI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, ERI is required to present a statement of cash flows. For the year ended January 31, 2010, ERI had no permanently restricted net assets.

Unrestricted net assets - consists of assets, grants, contributions, program revenues, and other income that is available and used for operations and programs. Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. On behalf of the Organization, the board voted to designate \$55,167 for use in an emergency situation and an additional \$1,993,552 for use for litigation, litigation support, Burma programs and organizational reserves.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

Temporarily restricted net assets – includes funds with donor-imposed or legal restrictions that permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from grants and fees from foundations and gifts from individuals.

3. Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in temporarily restricted net assets until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

4. Functional Expenses

ERI allocates its expenses on a functional basis among its various programs and management and general. Expenses that can be identified with a specific program, management and general, or development are allocated directly according to their natural expenditure classification. Other expenses that are common to program functions and management and general are allocated based on management's estimate of time and expense spent in each of the categories.

5. Miscellaneous Receivables

Miscellaneous receivables consist of amounts due to the Organization for reimbursements of various expenses and advances. Management periodically reviews those receivables to verify that they are collectible. Accordingly, no reserve for doubtful accounts has been established.

6. Property and Equipment

Furniture and equipment are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

7. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses on investments are included in the change in net assets.

8. Income Taxes

ERI is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements. ERI is liable for income taxes on unrelated business income. There was no taxable net unrelated business income at January 31, 2010. Accordingly, no provision for income taxes has been made in these financial statements.

9. Cash and cash equivalents

For purposes of the statement of cash flows, ERI considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note C – Date of Management’s Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 26, 2010, the date that the financial statements were available to be issued.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note D – Fair Value of Investments

The Organization's investments are stated at fair value and are comprised of marketable equity securities, as follows:

	<u>Cost/Adjusted Basis</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>
Mutual funds	\$ 51,210	\$70,214	\$ 19,004

The following schedule summarizes the investment return and its classification in the Statement of Activities:

Interest and dividends	\$ 22,236
Proceeds from sale of securities and certificates of deposit	\$3,248,351
Cost basis	<u>3,247,827</u>
Realized gain on sale of securities	<u>\$ 524</u>

Note E – Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At January 31, 2010, pledges receivable totaled \$175,000. Management believes that amounts will be received when due, therefore no allowance for uncollectible pledges receivable has been provided. Pledges receivable are recorded as temporarily restricted net assets until they are received.

Note F – Property and Equipment

Property and equipment are as follows:

Computer equipment	\$48,384
Computer software	24,923
Other property	<u>27,176</u>
	100,483
Accumulated depreciation	<u>(63,971)</u>
Net book value	<u>\$36,512</u>

Depreciation expense for the year ended January 31, 2010 is \$11,880.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note G – Commitments and Contingencies

The Organization maintains operating leases for various office space and office equipment. The Organization maintains an operating lease for office space in Washington, D.C. through May 2012. The Organization also maintains short term operating leases on property in Thailand. Those leases expire within one year. Rent expense charged to current operations was \$108,607 for the year ended January 31, 2010.

In June 2005, the Organization entered into an operating lease for a copier. The lease expires in June 2010.

Following is a schedule by year of future minimum lease payments:

January 31, 2011	67,720
January 31, 2012	69,008
January 31, 2013	<u>22,428</u>
	<u>\$159,156</u>

Note H – Major Support

Amounts received from one source comprised 24% of total revenue and support for the year ended January 31, 2010.

Note I – Concentration of Credit Risk – Cash Deposits

Total cash held by ERI at January 31, 2010 includes amounts on deposit in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

Note J – In-kind and Non-cash Contributions

In-kind contributions consist of non-cash assets, which the organization would have to purchase if they were not donated. They are recorded at their fair market value in the period received. In-kind contributions of \$3,158 were recorded for the year ended January 31, 2010.

Contributions of donated non-cash assets are recorded at their fair market values in the period received. For the year ended January 31, 2010, ERI received stock with a fair value of \$15,160.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2010
(See Independent Auditor's Report)

Note K – Temporarily Restricted Net Assets

Temporarily restricted net assets at January 31, 2010 were available for the following purposes:

Periods after January 31, 2010	175,000
International Alumni Program	8,669
Burma Alumni Program	25,862
Litigation - revolving	100,000
EarthRights School – Mekong	59,251
EarthRights School – Burma	7,636
Amazon Campaign	4,525
Memorial Fund	<u>109,982</u>
	<u>\$ 490,925</u>

Note L – Retirement Plan

ERI maintains a Simple IRA retirement plan. This plan covers substantially all full time employees in the United States. The organization contributes 2% of each employee's salary. ERI's expense for the year ended January 31, 2010 totaled \$13,290.