

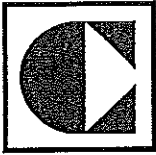
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

EARTHRIGHTS INTERNATIONAL, INC.

January 31, 2008

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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, 2008, 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, 2008, 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.

June 16, 2008

EarthRights International, Inc.

Balance Sheet

January 31, 2008

(See Independent Auditor's Report and notes to financial statements)

Assets

Current Assets	
Cash	\$ 2,632,239
Grants receivable	270,000
Other receivables	6,955
Prepaid expenses	<u>9,574</u>
Total current assets	2,918,768
Property and equipment, net of accumulated depreciation of \$44,587	29,133
Other Assets	
Investment in marketable equity securities	125,348
Deposits	<u>5,960</u>
	<u>131,308</u>
	<u>\$ 3,079,209</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 14,788
Net Assets	
Unrestricted	671,902
Temporarily restricted	<u>2,392,519</u>
Total net assets	<u>3,064,421</u>
	<u>\$ 3,079,209</u>

EarthRights International, Inc.
Statement of Activities

For the year ended January 31, 2008

(See Independent Auditor's Report and notes to financial statements)

	Unrestricted		Temporarily Restricted		Total
	Unrestricted	Board Designated	Temporarily Restricted	Memorial Fund	
Revenues and Other Support:					
Foundation and corporate contributions and fees	\$ 274,548	\$ -	\$ 1,176,185	\$ 5,000	\$ 1,455,733
Gifts from individuals	198,260	-	-	-	198,260
Non-cash contributions	16,174	-	-	-	16,174
In-kind contributions	28,610	-	-	-	28,610
Interest and dividends	71,419	-	-	6,626	78,045
Gain (loss) on securities	4,154	-	-	-	4,154
Unrealized gain (loss) on securities	-	-	-	(10,825)	(10,825)
Gain (loss) on retired fixed assets	(1,594)	-	-	-	(1,594)
Miscellaneous	1,405	-	-	-	1,405
Net assets released from restrictions:					
Satisfaction of program restrictions	835,958	-	(826,326)	(9,632)	-
Total Revenues and Other Support	1,428,934	-	349,859	(8,831)	1,769,962
Expenses:					
Program expenses					
Legal	356,203	-	-	-	356,203
Campaigns	377,375	-	-	-	377,375
EarthRights schools	342,350	-	-	-	342,350
Clark memorial	9,632	-	-	-	9,632
Management and general Development	239,346	-	-	-	239,346
	141,892	-	-	-	141,892
Total Expenses	1,466,798	-	-	-	1,466,798
Change in Net Assets	(37,864)	-	349,859	(8,831)	303,164
Net Assets, beginning of year	654,599	55,167	1,933,368	118,123	2,761,257
Net Assets, end of year	\$ 616,735	\$ 55,167	\$ 2,283,227	\$ 109,292	\$ 3,064,421

EarthRights International, Inc.
Statement of Cash Flows
For the year ended January 31, 2008
(See Independent Auditor's Report and notes to financial statements)

Cash flows from operating activities:	
Change in net assets	\$ 303,164
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,544
Net unrealized loss on securities	10,825
Realized gain on sale of securities	(4,154)
Realized loss on disposal of fixed assets	1,594
Non-cash contributions	(16,174)
(Increase) decrease in grants receivable	(170,000)
(Increase) decrease in miscellaneous receivable	249
(Increase) decrease in prepaid expense	(1,829)
(Increase) decrease in deposits	499
Increase (decrease) in accounts payable	<u>(18,552)</u>
Net cash provided by operating activities	115,166
Cash flows from investing activities:	
Purchase of fixed assets	(15,648)
Proceeds from sale of securities	111,666
Purchase of marketable securities	<u>(89,971)</u>
Net cash used by investing activities	<u>6,047</u>
Net increase in cash and cash equivalents	121,213
Cash, beginning of year	<u>2,511,026</u>
Cash, end of year	<u>\$ 2,632,239</u>

Supplemental disclosures:

During the year the Organization had the following noncash transactions:

Net unrealized loss on marketable equity securities and corresponding adjustment of securities to fair market value	\$ <u>(10,825)</u>
In-kind contributions of goods and services and corresponding expenses	\$ <u>28,610</u>
Non-cash contribution of stock	\$ <u>16,174</u>
Fixed assets retired	\$ 6,192
Accumulated depreciation	4,598
Loss on fixed assets	<u>\$ 1,594</u>

Cash paid during the year for:

Income taxes	\$ -
Interest expense	<u>\$ -</u>

EarthRights International, Inc.
Statement of Functional Expenses
For the year ended January 31, 2008
(See Independent Auditor's Report and notes to financial statements)

	Program Services					Supporting Services			
	Legal	Campaigns	EarthRights Schools	Daniel Clark Memorial	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
International									
Salaries	\$ 40,718	\$ 31,596	\$ 15,456	\$ -	\$ 87,770	\$ 87,943	\$ 104,633	\$ 192,576	\$ 280,346
Payroll taxes	3,198	2,483	1,107	-	6,788	6,913	8,238	15,151	21,939
Employee benefits	1,174	1,970	640	-	3,784	4,930	5,776	10,706	14,490
Consultants	-	-	-	-	-	3,372	-	3,372	3,372
Accounting	-	-	-	-	-	19,431	-	19,431	19,431
Outside services	-	-	-	-	-	2,151	-	2,151	2,151
Board expenses	-	-	-	-	-	8,429	-	8,429	8,429
Bank service charges	-	-	-	1,390	1,390	1,428	-	1,428	2,818
Overhead	-	-	1	-	1	259	-	259	260
Rent/utilities	-	-	-	-	-	7,275	-	7,275	7,275
Office supplies and expense	-	-	-	-	-	4,066	7,464	11,530	11,530
Insurance	-	-	-	-	-	7,899	-	7,899	7,899
Communications	-	-	-	-	-	5,998	2,734	8,732	8,732
Outreach/conferences	-	80	-	-	80	2,758	2,794	5,552	5,632
Travel	-	136	-	-	136	28,823	4,167	32,990	33,126
Publications	-	661	-	-	661	4,651	381	5,032	5,693
Trainings/grants	-	-	-	8,242	8,242	23,475	-	23,475	31,717
Planning	905	-	-	-	905	2,591	31	2,622	3,527
	<u>45,995</u>	<u>36,926</u>	<u>17,204</u>	<u>9,632</u>	<u>109,757</u>	<u>222,392</u>	<u>136,218</u>	<u>358,610</u>	<u>468,367</u>
United States									
Salaries	185,893	90,369	5,358	-	281,620	-	-	-	281,620
Payroll taxes	14,602	7,114	304	-	22,020	-	-	-	22,020
Employee benefits	5,330	8,197	101	-	13,628	-	-	-	13,628
Consultants	2,452	6,276	-	-	8,728	6,910	5,000	11,910	20,638
Rent/utilities	20,638	27,518	6,879	-	55,035	-	-	-	55,035
Office supplies and expense	4,128	8,515	-	-	12,643	517	500	1,017	13,660
Depreciation	720	3,306	-	-	4,026	1,992	174	2,166	6,192
Communications	7,698	15,366	810	-	23,874	-	-	-	23,874
Fieldwork/research	81	127	-	-	208	-	-	-	208
Litigation	19,764	-	-	-	19,764	-	-	-	19,764
Outreach/conferences	110	36,584	-	-	36,694	-	-	-	36,694
Travel	32,165	14,250	1,948	-	48,363	1,278	-	1,278	49,641
Publications	3,302	16,367	-	-	19,669	-	-	-	19,669
Trainings	3,237	71	18,479	-	21,787	-	-	-	21,787
Planning	789	348	-	-	1,137	220	-	220	1,357
	<u>300,909</u>	<u>234,408</u>	<u>33,879</u>	<u>-</u>	<u>569,196</u>	<u>10,917</u>	<u>5,674</u>	<u>16,591</u>	<u>585,787</u>
SE Asia									
Salaries	6,377	36,870	64,825	-	108,072	-	-	-	108,072
Employee benefits	359	9,616	5,619	-	15,594	-	-	-	15,594
Consultants	-	4,592	15,587	-	20,179	-	-	-	20,179
Board expenses	-	-	-	-	-	5,650	-	5,650	5,650
Overhead	-	1,682	1,192	-	2,874	-	-	-	2,874
Currency fluctuation	12	346	139	-	497	-	-	-	497
Rent/utilities	83	12,469	20,058	-	32,610	387	-	387	32,997
Office supplies and expense	-	3,295	12,317	-	15,612	-	-	-	15,612
Depreciation	-	-	3,351	-	3,351	-	-	-	3,351
Communications	-	5,774	7,647	-	13,421	-	-	-	13,421
Fieldwork/research	311	5,846	18,088	-	24,245	-	-	-	24,245
Outreach/conferences	-	4,216	1,717	-	5,933	-	-	-	5,933
Travel	1,238	17,177	31,157	-	49,572	-	-	-	49,572
Publications	-	593	5,020	-	5,613	-	-	-	5,613
Trainings	888	2,898	104,159	-	107,945	-	-	-	107,945
Planning	31	667	391	-	1,089	-	-	-	1,089
	<u>9,299</u>	<u>106,041</u>	<u>291,267</u>	<u>-</u>	<u>406,607</u>	<u>6,037</u>	<u>-</u>	<u>6,037</u>	<u>412,644</u>
	<u>\$ 356,203</u>	<u>\$ 377,375</u>	<u>\$ 342,350</u>	<u>\$ 9,632</u>	<u>\$ 1,085,560</u>	<u>\$ 239,346</u>	<u>\$ 141,892</u>	<u>\$ 381,238</u>	<u>\$ 1,466,798</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(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 to protect 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, Shell, and Union Carbide/Dow Chemical, 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".

EarthRight's Schools - ERI's EarthRights Schools equip the next generation of grassroots human rights and environmental defenders with the necessary skills to defend human rights and protect natural resources from 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 or 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 in 2006 established an EarthRights School for the Mekong region, 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.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(See Independent Auditor's Report)

Note A - Nature of Organization, continued

The Daniel C. Clark Memorial Fund – The fund was officially established by ERI on March 28, 2001, with funding provided by Daniel Clark and his friends and family. The fund provides resources to help empower students from the EarthRights School, which educates and trains human rights and environmental activists in Southeast Asia. Each year, a portion of the Fund's principal is granted to one or more graduates of the school. The Daniel C. Clark Memorial Fund will help support these graduates in their work to protect human rights and the environment.

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 has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, 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, 2008, ERI had no permanently restricted net assets.

Unrestricted net assets - consists of assets, grants, contributions, program revenues, and other income that are 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 only.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(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 or corporations 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.

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.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

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

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 – Fair Value of Investments

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>
Mutual funds	\$ 106,173	\$ 95,305	\$ (10,868)
Fixed income securities	<u>30,000</u>	<u>30,043</u>	<u>43</u>
	<u>\$136,173</u>	<u>\$ 125,348</u>	<u>\$ (10,825)</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(See Independent Auditor's Report)

Note C – Fair Value of Investments, continued

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

Dividends and interest	\$ 73,693
Capital gains	<u>4,352</u>
Total investment income	<u>\$ 78,045</u>
Proceeds from sale of securities	\$111,666
Cost basis	<u>107,512</u>
Realized gain on sale of securities	<u>\$ 4,154</u>

Note D – Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At January 31, 2008, pledges receivable totaled \$270,000. 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 E – Property and Equipment

Property and equipment are as follows:

Computer equipment	\$41,446
Computer software	5,273
Other property	<u>27,001</u>
	73,720
Accumulated depreciation	<u>(44,587)</u>
Net book value	<u>\$29,133</u>

Depreciation expense for the year ended January 31, 2008 is \$9,544.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(See Independent Auditor's Report)

Note F – 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 three operating leases on property in Thailand. One lease is on a month-to-month basis and the other two leases expire within one year. Rent expense charged to current operations was \$94,361 for the year ended January 31, 2008.

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, 2009	\$64,880
January 31, 2010	66,776
January 31, 2011	67,720
January 31, 2012	69,008
January 31, 2013	<u>22,428</u>
	<u>\$290,812</u>

Note G – Major Support

Amounts received from one source comprised 10% of total revenue and support for the year ended January 31, 2008.

Note H – Concentration of Credit Risk – Cash Deposits

Total cash held by ERI at January 31, 2008 includes \$2,389,119 that is in excess of the \$100,000 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.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2008
(See Independent Auditor's Report)

Note I – 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 \$28,610 were recorded for the year ended January 31, 2008.

Contributions of donated non-cash assets are recorded at their fair market values in the period received. For the year ended January 31, 2008, ERI received stock with a fair value of \$16,174.

Note J – Temporarily Restricted Net Assets

Temporarily restricted net assets at January 31, 2008 were available for the following purposes:

Legal Service	\$ 1,721,552
Periods after January 31, 2007	270,000
International Alumni Program	99,462
Burma Alumni Program	53,998
EarthRights School - Burma	46,407
EarthRights School – Mekong	75,705
Amazon Campaign	4,535
Peru Mobile Training	11,568
Memorial Fund	<u>109,292</u>
	<u>\$ 2,392,519</u>

Note K – Retirement Plan

ERI maintains a defined contribution 403(b) plan covering substantially all full time employees. Under the plan, ERI may, at its discretion, make matching contributions as a percentage of employee contributions. There were no matching contributions for the year ended January 31, 2008.