

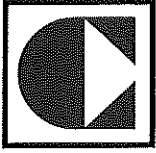
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

EARTHRIGHTS INTERNATIONAL, INC.

January 31, 2012

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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, 2012, 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, 2012, 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.

August 31, 2012

EarthRights International, Inc.
Balance Sheet
January 31, 2012
(See Independent Auditor's Report and notes to financial statements)

Assets

Current Assets	
Cash	\$ 3,029,122
Certificates of deposit	250,000
Pledges receivable	1,180,558
Other receivables	13,466
Escrow - litigation fund	100,000
Prepaid expenses	<u>4,074</u>
Total current assets	4,577,220
Property and equipment, net of accumulated depreciation of \$77,156	
	24,631
Land	<u>194,408</u>
	219,039
Other Assets	
Investment in marketable equity securities	89,619
Deposits	<u>5,960</u>
	<u>95,579</u>
	<u>\$ 4,891,838</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 28,884
Payroll related liabilities	81,288
Fiscal sponsorship	<u>18,932</u>
Total current liabilities	129,104
Net Assets	
Unrestricted	1,085,955
Board designated	2,048,719
Temporarily restricted	<u>1,628,060</u>
Total net assets	<u>4,762,734</u>
	<u>\$ 4,891,838</u>

EarthRights International, Inc.
Statement of Activities

For the year ended January 31, 2012

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

	Unrestricted		Board Designated	Temporarily Restricted	Total
Revenues and Other Support:					
Foundation contributions	\$ 392,510	\$ -	\$ -	\$ 1,494,074	\$ 1,886,584
Gifts from individuals	48,965	-	-	37,743	86,708
Donor tour	18,878	-	-	-	18,878
Non-cash contributions	84,865	-	-	166,525	251,390
In-kind contributions	10,001	-	-	-	10,001
Interest and dividends	8,551	-	-	1,376	9,927
Gain (loss) on securities	(167)	-	-	-	(167)
Gain (loss) on fixed assets	(1,096)	-	-	-	(1,096)
Unrealized gain (loss) on securities	-	-	-	(7,890)	(7,890)
Miscellaneous	3,361	-	-	-	3,361
Net assets released from restrictions:					
Satisfaction of program restrictions	1,543,246	-	-	(1,543,246)	-
Total Revenues and Other Support	2,109,114	-	-	148,582	2,257,696
Expenses:					
Program expenses					
Legal	566,901	-	-	-	566,901
Campaigns	330,654	-	-	-	330,654
Training	487,021	-	-	-	487,021
International Cross-cutting	357,330	-	-	-	357,330
Management and general Development	162,602	-	-	-	162,602
	179,455	-	-	-	179,455
Total Expenses	2,083,963	-	-	-	2,083,963
Change in Net Assets	25,151	-	-	148,582	173,733
Net Assets, beginning of year	1,060,804	2,048,719	-	1,479,478	4,589,001
Net Assets, end of year	\$ 1,085,955	\$ 2,048,719	\$ -	\$ 1,628,060	\$ 4,762,734

EarthRights International, Inc.
Statement of Cash Flows
For the year ended January 31, 2012
(See Independent Auditor's Report and notes to financial statements)

Cash flows from operating activities:	
Change in net assets	\$ 173,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,715
Net unrealized loss on securities	7,890
Realized loss on sale of securities	167
Realized loss on disposition of fixed assets	1,096
Non-cash contributions	(251,390)
(Increase) decrease in pledges receivable	(142,038)
(Increase) decrease in other receivables	(7,602)
(Increase) decrease in prepaid expense	(395)
Increase (decrease) in accounts payable	16,840
Increase (decrease) in payroll related liabilities	18,123
Increase (decrease) in fiscal sponsorship	<u>18,932</u>
Net cash provided by operating activities	(152,929)
Cash flows from investing activities:	
Purchase of fixed assets	(8,345)
Purchase of land	(194,408)
Proceeds from sale of securities	283,807
Purchase of securities	(26,114)
Net decrease in certificates of deposit	<u>1,615,000</u>
Net cash provided by investing activities	<u>1,669,940</u>
Net increase in cash and cash equivalents	1,517,011
Cash, beginning of year	<u>1,512,111</u>
Cash, end of year	<u>\$ 3,029,122</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>7,890</u>
In-kind contributions of goods and services and corresponding expenses	\$ <u>10,001</u>
Non-cash contribution of stock	\$ <u>251,390</u>
Cash paid during the year for:	
Income taxes	\$ <u>-</u>
Interest expense	\$ <u>365</u>

EarthRights International, Inc.
Statement of Functional Expenses
For the year ended January 31, 2012
(See Independent Auditor's Report and notes to financial statements)

	Program Services				Supporting Services				
	Legal	Advocacy & Campaigns	Trailblog	International Cross-cutting	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
International									
Salaries	\$ -	\$ 2,353	\$ -	\$ 242,669	\$ 245,024	\$ 48,869	\$ 113,446	\$ 162,315	\$ 407,339
Payroll taxes	-	187	-	19,309	19,496	3,872	8,987	12,859	32,355
Employee benefits	-	-	-	16,449	16,449	6,683	11,276	17,959	34,408
Consultants	-	-	-	9,170	9,170	12,445	-	12,445	21,615
Accounting	-	-	-	-	-	21,530	-	21,530	21,530
Outside services	-	-	-	-	-	3,347	-	3,347	3,347
Board expenses	-	1	-	161	162	32,178	-	32,178	32,340
Bank service charges	63	121	1,101	11	1,296	2,975	-	2,975	4,271
Interest	-	-	-	-	-	365	-	365	365
Overhead	-	-	-	60	60	686	-	686	746
Rent/utilities	-	-	-	16,083	16,083	5,361	5,360	10,721	26,804
Office supplies and expense	-	-	-	115	115	300	-	300	415
Insurance	-	-	-	-	-	3,794	-	3,794	3,794
Depreciation	749	-	-	-	749	-	-	-	749
Fundraising - direct	-	-	-	-	-	-	6,172	6,172	6,172
Communications	15	-	-	2,609	2,624	997	27	1,024	3,648
Outreach/conferences	-	-	-	161	161	-	-	-	161
Travel	1,185	-	-	25,076	26,261	5,290	4,796	10,086	36,347
Staff visa runs	-	-	-	197	197	258	-	258	455
Publications	-	-	-	8,115	8,115	-	-	-	8,115
Trainings/grants	-	-	-	-	-	950	-	950	950
Planning	-	-	-	420	420	339	54	393	813
Interns/volunteers	-	-	-	123	123	-	-	-	123
	<u>2,012</u>	<u>2,664</u>	<u>1,101</u>	<u>340,728</u>	<u>346,505</u>	<u>150,239</u>	<u>150,118</u>	<u>300,357</u>	<u>646,862</u>
United States									
Salaries	253,637	150,943	-	-	404,580	-	-	-	404,580
Payroll taxes	19,317	12,000	-	-	31,317	-	-	-	31,317
Employee benefits	14,901	12,744	-	-	27,645	-	-	-	27,645
Consultants	16,721	888	-	-	17,609	-	-	-	17,609
Bank fees	193	27	-	2	222	-	-	-	222
Overhead	706	231	-	105	1,042	1,110	-	1,110	2,152
Rent/utilities	27,764	16,663	-	1,144	45,571	381	373	754	46,325
Office supplies and expense	3,270	845	-	2,296	6,411	361	283	644	7,055
Insurance	-	-	-	-	-	6,574	-	6,574	6,574
Depreciation	-	-	-	5,139	5,139	1,366	-	1,366	6,505
Fundraising - direct	-	-	-	-	-	-	230	230	230
Communications	5,220	4,565	-	1,856	11,641	728	2,811	3,539	15,180
Direct mail	-	-	-	-	-	-	496	496	496
Fieldwork/research	3,735	-	-	-	3,735	-	-	-	3,735
Litigation	46,951	-	-	-	46,951	-	-	-	46,951
Outreach/conferences	-	162	-	30	192	89	347	436	628
Travel	34,025	17,191	-	2,237	53,453	-	948	948	54,401
Publications	2,044	2,995	-	850	5,889	917	657	1,574	7,463
Trainings	12,608	10,086	-	-	22,694	-	-	-	22,694
Planning	1,566	756	-	1,588	3,910	175	127	302	4,212
Staff development and fees	2,571	-	-	145	2,716	-	-	-	2,716
Interns/volunteers	-	50	-	-	50	-	-	-	50
Legal fees	-	-	-	-	-	-	43	43	43
	<u>445,229</u>	<u>230,146</u>	<u>-</u>	<u>15,392</u>	<u>690,767</u>	<u>11,701</u>	<u>6,315</u>	<u>18,016</u>	<u>708,783</u>
SE Asia									
Salaries	35,242	41,072	142,243	-	218,557	-	-	-	218,557
Payroll taxes	-	1,549	4,331	-	5,880	-	-	-	5,880
Employee benefits	6,466	6,046	27,865	-	40,377	-	-	-	40,377
Consultants	11,361	8,294	17,002	-	36,657	-	-	-	36,657
Bank fees	55	35	102	6	198	-	-	-	198
Overhead	-	137	179	-	316	-	-	-	316
Currency fluctuation	-	(3,567)	(1,660)	-	(5,227)	-	-	-	(5,227)
Rent/utilities	2,795	3,954	36,490	-	43,239	-	-	-	43,239
Office supplies and expense	4,475	2,217	21,884	180	28,756	-	-	-	28,756
Depreciation	-	1,780	2,681	-	4,461	-	-	-	4,461
Fundraising - direct	-	-	-	-	-	-	127	127	127
Donor tour	-	-	-	-	-	-	22,895	22,895	22,895
Communications	1,448	1,558	4,335	721	8,062	28	-	28	8,090
Fieldwork/research	-	16,862	26,566	-	43,428	-	-	-	43,428
Travel	20,354	5,912	20,854	228	47,348	367	-	367	47,715
Staff Visa runs	2,282	1,575	7,254	-	11,111	-	-	-	11,111
Publications	-	3,385	1,073	22	4,480	-	-	-	4,480
Trainings	33,781	3,820	144,385	-	181,986	-	-	-	181,986
Planning	813	752	1,890	53	3,508	-	-	-	3,508
Staff development and fees	-	33	473	-	506	-	-	-	506
Interns/volunteers	438	2,430	3,583	-	6,451	-	-	-	6,451
Legal fees	150	-	-	-	150	267	-	267	417
Grants	-	-	24,390	-	24,390	-	-	-	24,390
	<u>119,660</u>	<u>97,844</u>	<u>485,920</u>	<u>1,210</u>	<u>704,634</u>	<u>662</u>	<u>23,022</u>	<u>23,684</u>	<u>728,318</u>
	<u>\$ 566,901</u>	<u>\$ 330,654</u>	<u>\$ 487,021</u>	<u>\$ 357,330</u>	<u>\$ 1,741,906</u>	<u>\$ 162,602</u>	<u>\$ 179,455</u>	<u>\$ 342,057</u>	<u>\$ 2,083,963</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2012
(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 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". ERI pursues this work in various national and international fora, such as with the OECD and UN bodies.

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, 2012
(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 oversight of projects funded by international financial institutions. ERI conducts training for local leaders and legal advocates in the Amazon and Asia, and provides support for the alumni of its schools in these regions. 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, 2011, 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, 2012
(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, 2012
(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 on all activities directly related to its exempt purpose under the Internal Revenue Service Code Section 501(c)(3). The Organization is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the year ended January 31, 2012. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization evaluated its tax positions and determined it has no uncertain tax positions as of January 31, 2012. The Organization's 2008 through 2011 tax years are open for examination by federal taxing authorities.

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 August 31, 2012, the date that the financial statements were available to be issued.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2012
(See Independent Auditor's Report)

Note D – 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	<u>\$ 97,509</u>	<u>\$89,619</u>	<u>\$ (7,890)</u>

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

Interest and dividends	<u>\$9,927</u>
Proceeds from sale of securities and certificates of deposit	\$3,265,807
Cost basis	<u>3,265,974</u>
Realized loss on sale of securities	<u>\$ (167)</u>

Note E – Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at January 31, 2012 are as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Significant Observable Inputs (Level 1)</u>
Certificates of deposit	<u>\$250,000</u>	<u>\$250,000</u>
Mutual funds	<u>\$89,619</u>	<u>\$89,619</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2012
(See Independent Auditor's Report)

Note F – Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At January 31, 2012, pledges receivable totaled \$1,180,557. Management believes that amounts will be received when due, therefore no allowance for uncollectible pledges receivable has been provided. Pledges receivable that relate to unrestricted contributions are part of temporarily restricted net assets until they are received. Pledges receivable that relate to otherwise temporarily restricted contributions are part of temporarily restricted net assets until the original restriction is satisfied.

Note G – Property and Equipment

Property and equipment are as follows:

Computer equipment	\$44,436
Computer software	26,075
Other property	<u>31,276</u>
	101,787
Accumulated depreciation	<u>(77,156)</u>
Net book value	<u>\$24,631</u>

Depreciation expense for the year ended January 31, 2012 is \$11,715.

Note H – 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 2015. 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 \$116,360 for the year ended January 31, 2012.

In June 2008, the Organization entered into an operating lease for a copier. The lease expires in June 2013.

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

January 31, 2013	\$ 65,316
January 31, 2014	66,191
January 31, 2015	<u>22,032</u>
Total	<u>\$153,539</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2012
(See Independent Auditor's Report)

Note I – Concentration of Credit Risk – Cash Deposits

Total cash held by ERI at January 31, 2012 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 \$10,001 were recorded for the year ended January 31, 2012.

Contributions of donated non-cash assets are recorded at their fair market values in the period received. For the year ended January 31, 2012, ERI received stock with a fair value of \$251,390.

Note K – Temporarily Restricted Net Assets

Temporarily restricted net assets at January 31, 2012 were available for the following purposes:

Periods after January 31, 2012	1,180,557
Capital	9,618
Amazon Legal	46,945
Burma Alumni Program	1,171
Litigation - revolving	100,000
Mekong Alumni Program	10,732
EarthRights School – Mekong	31,650
ICAR	133,332
Memorial Fund	114,055
	<u>\$1,628,060</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, 2012 totaled \$16,062.