

## **COMBINED FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2015**

**EARTHRIGHTS INTERNATIONAL, INC.**

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
EarthRights International, Inc.  
Washington, D.C.

We have audited the accompanying combined financial statements of EarthRights International, Inc., the Foundation for Culture and Environment in Southeast Asia and the Foundation for Environment and Natural Resources, collectively ERI, which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

#### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of ERI as of December 31, 2016, and the combined change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Report on Summarized Comparative Information**

We have previously audited ERI's 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 13, 2016. In our opinion, the summarized comparative information presented herein as of December 31, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

June 26, 2017

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,881,908	\$ 2,457,160
Advances to field offices	40,797	59,357
Prepaid expenses and deposits	51,030	58,355
Accounts receivable	40,561	43,584
Grants receivable	2,713,716	2,678,796
Investments	2,040,629	1,993,836
Restricted cash - litigation fund escrow	97,550	97,317
Fixed assets, net of accumulated depreciation and amortization	<u>889,862</u>	<u>480,165</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>7,756,053</u></b>	<b>\$ <u>7,868,570</u></b>

**LIABILITIES AND NET ASSETS****LIABILITIES**

Accounts payable and accrued liabilities	\$ 62,878	\$ 47,955
Accrued salaries and related benefits	<u>110,712</u>	<u>112,917</u>
Total liabilities	<u>173,590</u>	<u>160,872</u>

**NET ASSETS**

Without donor restrictions:		
Undesignated	2,010,117	1,991,124
Board designated	<u>900,000</u>	<u>900,000</u>
Total without donor restrictions	2,910,117	2,891,124
With donor restrictions	<u>4,672,346</u>	<u>4,816,574</u>
Total net assets	<u>7,582,463</u>	<u>7,707,698</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>7,756,053</u></b>	<b>\$ <u>7,868,570</u></b>

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>					<u>2015</u>
	<u>Without Donor Restrictions</u>			<u>With Donor</u>		<u>Total</u>
	<u>Operating</u>	<u>Board Designated</u>	<u>Total</u>	<u>Restrictions</u>	<u>Total</u>	
<b>REVENUE</b>						
Contributions	\$ 139,337	\$ -	\$ 139,337	\$ 122,538	\$ 261,875	\$ 310,271
Foundation grants	233,500	-	233,500	2,624,625	2,858,125	4,619,943
Contracts	3,200	-	3,200	-	3,200	-
Net investment income	57,057	-	57,057	6,569	63,626	41,846
Other revenue	7,200	-	7,200	-	7,200	78,314
Net assets released from donor restrictions	<u>2,897,960</u>	<u>-</u>	<u>2,897,960</u>	<u>(2,897,960)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>3,338,254</u>	<u>-</u>	<u>3,338,254</u>	<u>(144,228)</u>	<u>3,194,026</u>	<u>5,050,374</u>
<b>EXPENSES</b>						
Program Services:						
Legal	1,549,348	-	1,549,348	-	1,549,348	1,339,200
Advocacy and Campaigns	447,453	-	447,453	-	447,453	279,686
ER Schools and Training	267,977	-	267,977	-	267,977	265,868
International Cross-Cutting	<u>503,306</u>	<u>-</u>	<u>503,306</u>	<u>-</u>	<u>503,306</u>	<u>465,969</u>
Total program services	<u>2,768,084</u>	<u>-</u>	<u>2,768,084</u>	<u>-</u>	<u>2,768,084</u>	<u>2,350,723</u>
Supporting Services:						
Management and General Development	237,216	-	237,216	-	237,216	293,250
	<u>313,961</u>	<u>-</u>	<u>313,961</u>	<u>-</u>	<u>313,961</u>	<u>333,335</u>
Total supporting services	<u>551,177</u>	<u>-</u>	<u>551,177</u>	<u>-</u>	<u>551,177</u>	<u>626,585</u>
Total expenses	<u>3,319,261</u>	<u>-</u>	<u>3,319,261</u>	<u>-</u>	<u>3,319,261</u>	<u>2,977,308</u>
Change in net assets	18,993	-	18,993	(144,228)	(125,235)	2,073,066
Net assets at beginning of year	<u>1,991,124</u>	<u>900,000</u>	<u>2,891,124</u>	<u>4,816,574</u>	<u>7,707,698</u>	<u>5,634,632</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,010,117</u></b>	<b><u>\$ 900,000</u></b>	<b><u>\$ 2,910,117</u></b>	<b><u>\$ 4,672,346</u></b>	<b><u>\$ 7,582,463</u></b>	<b><u>\$ 7,707,698</u></b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<b>2016</b>				
	<b>Program Services</b>				
	<b>Legal</b>	<b>Advocacy and Campaign</b>	<b>ER Schools and Training</b>	<b>International Cross-Cutting</b>	<b>Total Program Services</b>
Salaries and fringe benefits	\$ 976,293	\$ 189,670	\$ 109,625	\$ 389,581	\$ 1,665,169
Interns and volunteers	2,070	1,366	18,484	1,088	23,008
Fellowships	25,824	4,160	-	-	29,984
Professional/consulting fees	227,090	62,538	15,438	17,341	322,407
Rent and utilities	73,785	25,586	16,308	35,397	151,076
Telephone and internet	9,832	3,566	1,756	8,774	23,928
Office supplies and expenses	20,464	20,693	9,696	14,303	65,156
Travel	180,404	112,383	88,363	28,315	409,465
Outreach and conferences	1,031	1,327	85	31	2,474
Insurance	-	-	-	-	-
Banking, financial services and currency fluctuation	2,205	1,094	575	(702)	3,172
Depreciation and amortization	2,542	1,203	599	1,616	5,960
Subscription/reference material	7,904	243	-	5,417	13,564
Program planning	5,554	5,283	6,004	1,491	18,332
Grants	-	14,000	-	-	14,000
Board expense	-	-	-	-	-
Other	14,350	4,341	1,044	654	20,389
<b>TOTAL</b>	<b>\$ 1,549,348</b>	<b>\$ 447,453</b>	<b>\$ 267,977</b>	<b>\$ 503,306</b>	<b>\$ 2,768,084</b>

					2015
<b>Supporting Services</b>					
<b>Management and General</b>	<b>Development</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>	
\$ 139,456	\$ 239,979	\$ 379,435	\$ 2,044,604	\$ 1,844,478	
-	-	-	23,008	23,460	
-	-	-	29,984	75,041	
38,143	16,015	54,158	376,565	254,434	
17,327	17,327	34,654	185,730	186,608	
1,809	5,676	7,485	31,413	35,703	
2,149	19,978	22,127	87,283	59,001	
1,868	5,606	7,474	416,939	403,164	
-	7,521	7,521	9,995	3,119	
8,483	-	8,483	8,483	7,264	
7,166	(167)	6,999	10,171	5,584	
3,726	189	3,915	9,875	9,238	
-	-	-	13,564	10,704	
226	317	543	18,875	10,494	
-	-	-	14,000	5,000	
16,613	-	16,613	16,613	21,986	
250	1,520	1,770	22,159	22,030	
<b>\$ 237,216</b>	<b>\$ 313,961</b>	<b>\$ 551,177</b>	<b>\$ 3,319,261</b>	<b>\$ 2,977,308</b>	



## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Contributed support	\$ 3,145,986	\$ 3,424,785
Earned revenues from contracts and other	7,200	79,169
Interest received	46,505	16,369
Cash paid to employees	(1,806,806)	(1,625,893)
Cash paid for operating activities	<u>(1,543,533)</u>	<u>(1,422,128)</u>
Net cash (used) provided by operating activities	<u>(150,648)</u>	<u>472,302</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for purchase of equipment	(8,614)	(10,086)
Cash payments for building improvements	(410,956)	(222,340)
Purchases of investments	(687,546)	(1,941,938)
Proceeds from sales of investments	<u>682,745</u>	<u>97,075</u>
Net cash used by investing activities	<u>(424,371)</u>	<u>(2,077,289)</u>
Net decrease in cash and cash equivalents	(575,019)	(1,604,987)
Cash and cash equivalents at beginning of year, including litigation fund escrow	<u>2,554,477</u>	<u>4,159,464</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING LITIGATION FUND ESCROW</b>	<b><u>\$ 1,979,458</u></b>	<b><u>\$ 2,554,477</u></b>
<b>SUPPLEMENTAL INFORMATION</b>		
<b>SCHEDULE OF NONCASH FINANCING TRANSACTIONS</b>		
Donated Securities	<b><u>\$ 5,013</u></b>	<b><u>\$ 10,084</u></b>

## EARTHRIGHTS INTERNATIONAL, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2016

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### 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 right 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 ERI works.

The accompanying combined financial statements also includes the Foundation for Culture and Environment in Southeast Asia (the Foundation). The Foundation was established to afford ERI the legal capacity to hold title to land in Thailand, which it does, and nominatively assist in acquiring visas and other support functions for ERI staff based in Asia. The Foundation enters into limited financial activity with oversight by ERI.

The accompanying combined financial statements also includes the Foundation for Environment and Natural Resources (FENR). FENR was established to strengthen ERI's campaign and legal programs in the Mekong region and allow staff to obtain visas.

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

**Legal** - ERI's Legal program seeks to bring power of the legal system to bear directly on earth rights abuses and thereby change the way that governments and corporations conduct business. To do so ERI uses 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.

**Advocacy and Campaigns** - ERI's Advocacy and Campaigns program seeks to raise awareness and build broad support for earth rights issues. ERI's 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 forums, such as with the OECD and UN bodies.

**ER Schools and 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 ERI's 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. ERI currently has EarthRights Schools for Myanmar and for the Mekong region, 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, and sustaining the Mekong Legal network for these lawyers.

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

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The combined financial statements include the accounts of ERI, the Foundation and FENR, collectively referred to as "ERI". All significant intercompany transactions and balances have been eliminated in consolidation.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ERI's combined financial statements for year ended December 31, 2015, from which the summarized information was derived.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments.

The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU is applied on a retrospective basis in the year the ASU is first applied. ERI has elected to early implement ASU 2016-14 in the accompanying financial statements.

Cash and cash equivalents -

ERI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ERI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are recorded net of investment expenses and are included in investment income in the Combined Statement of Activities and Change in Net Assets.

Accounts and grants receivable -

Accounts, loans and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Building improvements are amortized over the remaining life of the related building, generally forty years.

Income taxes -

ERI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC). Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. ERI is also classified as a private foundation in accordance with Section 509(a)2 of the IRC. The Foundation and FENR are registered in their respective countries as Non Governmental Organizations and are not subject to income tax.

Uncertain tax positions -

For the year ended December 31, 2016, ERI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

The net assets are reported in two groups as follows:

- **Without donor restrictions** include earned revenue and contributions and grants received without donor-imposed restrictions. These net assets are available for the operation of ERI and include both internally designated and undesignated resources.
- **With donor restrictions** include contributions and grants subject to donor-imposed stipulations that will be met by the actions of ERI and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support as actual expenses are incurred in compliance with the donor-imposed restrictions or as time restrictions are satisfied.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time allocations.

Risks and uncertainties -

ERI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

**2. INVESTMENTS AND FAIR VALUE**

In accordance with FASB ASC 820, *Fair Value Measurement*, ERI describes its financial instruments as "Level 1" meaning all are valued based upon quoted prices in active markets. Investments consisted of the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Mutual funds - equities	\$ 1,445,437	\$ 1,408,664
Mutual funds - fixed income	595,192	585,172
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,040,629</b>	<b>\$ 1,993,836</b>

Included in investment income are the following at December 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Interest and dividends	\$ 45,871	\$ 31,180
Unrealized gain	58,136	26,987
Realized loss	(16,143)	(8,894)
Investment fees	(24,238)	(7,427)
<b>TOTAL INVESTMENT INCOME, NET OF FEES</b>	<b>\$ 63,626</b>	<b>\$ 41,846</b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**3. GRANTS RECEIVABLE**

As of December 31, 2016, contributors to ERI have made written promises to give totaling \$2,040,629. Grants are due as follows at December 31, 2016:

Less than one year	\$ 1,424,256
One to five years	<u>616,373</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 2,040,629</u></b>

**4. FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 220,544	\$ 220,544
Buildings	625,305	222,052
Improvements	19,641	11,938
Property and equipment	<u>82,644</u>	<u>74,030</u>
Total fixed assets	948,134	528,564
Less: Accumulated depreciation and amortization	<u>(58,272)</u>	<u>(48,399)</u>
<b>NET FIXED ASSETS</b>	<b><u>\$ 889,862</u></b>	<b><u>\$ 480,165</u></b>

**5. BOARD DESIGNATIONS**

As of December 31, 2016 and 2015, net assets have been designated by the Board of Directors for the following purposes:

	<u>2016</u>	<u>2015</u>
Legal and Myanmar Programs and Organizational Reserve	\$ 600,000	\$ 600,000
Litigation Reserve	<u>300,000</u>	<u>300,000</u>
<b>TOTAL BOARD DESIGNATIONS</b>	<b><u>\$ 900,000</u></b>	<b><u>\$ 900,000</u></b>

**6. NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Legal	\$ 2,073,863	\$ 2,662,634
Capital Campaign	1,011,871	893,580
Advocacy and Campaigns	686,290	913,967
ER Schools and Training	348,215	98,218
Time Restricted	410,082	248,175
International Cross Cutting	<u>142,025</u>	<u>-</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 4,672,346</u></b>	<b><u>\$ 4,816,574</u></b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**6. NET ASSETS WITH RESTRICTIONS (Continued)**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<b>2016</b>	<b>2015</b>
Legal	\$ 1,401,345	\$ 1,043,160
Capital Campaign	29,248	23,928
Advocacy and Campaigns	406,920	305,845
ER Schools and Training	300,392	363,416
International Cross-Cutting	171,963	201,582
Passage of Time	588,092	336,372
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ 2,897,960</b>	<b>\$ 2,274,303</b>

**7. LIQUIDITY**

In general, cash is available to meet the upcoming year's needs for general expenditures from its cash accounts (including cash advances made to its field offices) and from accounts and grants (pledges) receivable expected to be received as cash within the same period. In the event of financial distress or liquidity need, ERI can draw upon the board designated fund.

An analysis of available financial assets at December 31, 2016 and 2015 is as follows:

	<b>2016</b>	<b>2015</b>
Financial assets:		
Cash and cash equivalents	\$ 1,881,908	\$ 2,457,160
Advance to field offices	40,797	59,357
Accounts receivable	40,561	43,584
Grants receivable	2,713,716	2,678,796
Investments	2,040,629	1,993,836
Litigation fund escrow	97,550	97,317
	<u>6,815,161</u>	<u>7,330,050</u>
Unavailable within one year due to:		
Donor restrictions	(4,425,596)	(4,591,731)
Escrowed cash	(97,550)	(97,317)
Board designations	(900,000)	(900,000)
	<u>(5,423,146)</u>	<u>(5,589,048)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET SHORT- TERM NEEDS</b>	<b>\$ 1,392,015</b>	<b>\$ 1,741,002</b>

**8. LEASE COMMITMENTS**

On January 24, 2013, ERI signed a 37-month lease for office space, commencing on May 1, 2013 and terminating on May 31, 2016. On December 22, 2015, ERI amended its lease, extending the lease by three years and terminating on May 31, 2019.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
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**8. LEASE COMMITMENTS (Continued)**

Base rent is \$115,912 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. ERI also maintains short-term operating leases on property in Thailand, Myanmar and Peru. Those leases expire within one year.

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2017	\$ 117,941
2018	121,479
2019	<u>51,238</u>
	<b><u>\$ 290,658</u></b>

Rent expense for the years ended December 31, 2016 and 2015 was \$172,592 and \$179,444, respectively.

**9. RETIREMENT PLAN**

ERI provides retirement benefits to its employees through a Simple IRA Plan. This plan covers all employees in the United States. ERI contributes 2% of gross wages. Contributions to the plan for the years ended December 31, 2016 and 2015 totaled \$24,479 and \$23,416, respectively.

**10. SUBSEQUENT EVENTS**

In preparing these combined financial statements, ERI has evaluated events and transactions for potential recognition or disclosure through June 26, 2017, the date the combined financial statements were available to be issued.