

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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, 2017, 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, 2017, 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 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated June 26, 2017. In our opinion, the summarized comparative information presented herein as of December 31, 2016, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Gelman Rosenberg & Friedman

July 5, 2018

EARTHRIGHTS INTERNATIONAL, INC.

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 2,101,305	\$ 1,896,150
Advances to field offices	27,986	26,555
Prepaid expenses and deposits	41,273	51,030
Accounts receivable	45,162	40,561
Grants receivable	2,522,341	2,713,716
Investments	2,461,787	2,040,629
Restricted cash - litigation fund escrow	97,940	97,550
Fixed assets, net of accumulated depreciation and amortization	<u>1,165,159</u>	<u>889,862</u>
TOTAL ASSETS	<u>\$ 8,462,953</u>	<u>\$ 7,756,053</u>

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts payable and accrued liabilities	\$ 71,422	\$ 62,878
Deferred revenue	560	-
Accrued salaries and related benefits	<u>116,451</u>	<u>110,712</u>
Total liabilities	<u>188,433</u>	<u>173,590</u>

NET ASSETS

Without donor restrictions:		
Undesignated	2,421,881	2,010,117
Building Campaign	872,505	-
Board designated	<u>900,000</u>	<u>900,000</u>
Total without donor restrictions	<u>4,194,386</u>	<u>2,910,117</u>
With donor restrictions:	<u>4,080,134</u>	<u>4,672,346</u>
Total net assets	<u>8,274,520</u>	<u>7,582,463</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,462,953</u>	<u>\$ 7,756,053</u>

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017				2016		
	Without Donor Restrictions				With Donor Restrictions	Total	Total
	Operating	Building Campaign	Board Designated	Total			
REVENUE							
Contributions	\$ 199,402	\$ 7,128	\$ -	\$ 206,530	\$ 8,959	\$ 215,489	\$ 261,875
Foundation grants	278,050	-	-	278,050	3,384,766	3,662,816	2,858,125
Contracts	16,462	-	-	16,462	-	16,462	3,200
Net investment income	394,629	40	-	394,669	25,152	419,821	63,626
Other revenue	16,749	1,121	-	17,870	-	17,870	7,200
Net assets released from donor restrictions	4,011,089	-	-	4,011,089	(4,011,089)	-	-
Total revenue	<u>4,916,381</u>	<u>8,289</u>	<u>-</u>	<u>4,924,670</u>	<u>(592,212)</u>	<u>4,332,458</u>	<u>3,194,026</u>
EXPENSES							
Program Services:							
Legal	1,708,208	-	-	1,708,208	-	1,708,208	1,549,348
Advocacy and Campaigns	423,237	-	-	423,237	-	423,237	447,453
ER Schools and Training	282,192	-	-	282,192	-	282,192	267,977
International Cross-Cutting	489,670	123,631	-	613,301	-	613,301	503,306
Total program services	<u>2,903,307</u>	<u>123,631</u>	<u>-</u>	<u>3,026,938</u>	<u>-</u>	<u>3,026,938</u>	<u>2,768,084</u>
Supporting Services:							
Management and General	234,055	26,492	-	260,547	-	260,547	237,216
Development	326,424	26,492	-	352,916	-	352,916	313,961
Total supporting services	<u>560,479</u>	<u>52,984</u>	<u>-</u>	<u>613,463</u>	<u>-</u>	<u>613,463</u>	<u>551,177</u>
Total expenses	<u>3,463,786</u>	<u>176,615</u>	<u>-</u>	<u>3,640,401</u>	<u>-</u>	<u>3,640,401</u>	<u>3,319,261</u>
Change in net assets before other item	1,452,595	(168,326)	-	1,284,269	(592,212)	692,057	(125,235)
OTHER ITEM							
Transfer to building campaign	(1,040,831)	1,040,831	-	-	-	-	-
Change in net assets	411,764	872,505	-	1,284,269	(592,212)	692,057	(125,235)
Net assets at beginning of year	<u>2,010,117</u>	<u>-</u>	<u>900,000</u>	<u>2,910,117</u>	<u>4,672,346</u>	<u>7,582,463</u>	<u>7,707,698</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,421,881</u>	<u>\$ 872,505</u>	<u>\$ 900,000</u>	<u>\$ 4,194,386</u>	<u>\$ 4,080,134</u>	<u>\$ 8,274,520</u>	<u>\$ 7,582,463</u>

See accompanying notes to combined financial statements.

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017				
	Program Services				
	Legal	Advocacy and Campaigns	ER Schools and Training	International Cross-Cutting	Total Program Services
Salaries and fringe benefits	\$ 1,064,136	\$ 201,009	\$ 125,701	\$ 370,373	\$ 1,761,219
Interns and volunteers	2,559	1,840	10,994	1,422	16,815
Fellowships	-	410	-	-	410
Professional and consulting fees	218,078	41,894	38,617	50,053	348,642
Rent and utilities	83,722	20,799	11,597	33,364	149,482
Telephone and internet	9,547	2,747	1,870	7,386	21,550
Office supplies and expenses	23,714	21,348	5,907	68,234	119,203
Travel	225,229	95,677	76,380	59,493	456,779
Trainings and conferences	23,664	3,690	373	99	27,826
Insurance	-	-	61	-	61
Banking, financial services and currency fluctuation	17,650	18,513	2,279	4,747	43,189
Depreciation and amortization	4,418	3,375	1,892	1,999	11,684
Subscription and reference material	8,977	101	-	6,166	15,244
Program planning	5,961	3,581	6,179	9,002	24,723
Grants	129	4,410	-	-	4,539
Board expense	-	-	-	-	-
Other	20,424	3,843	342	963	25,572
TOTAL	\$1,708,208	\$ 423,237	\$ 282,192	\$ 613,301	\$3,026,938

2016				
<u>Supporting Services</u>				
<u>Management and General</u>	<u>Development</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
\$ 130,579	\$ 271,284	\$ 401,863	\$ 2,163,082	\$ 2,044,604
-	-	-	16,815	23,008
-	-	-	410	29,984
28,824	6,332	35,156	383,798	376,565
18,491	18,491	36,982	186,464	185,730
2,080	5,977	8,057	29,607	31,413
14,659	30,782	45,441	164,644	87,283
9,083	11,694	20,777	477,556	416,939
-	182	182	28,008	9,995
8,696	-	8,696	8,757	8,483
3,779	1,014	4,793	47,982	10,171
3,461	214	3,675	15,359	9,875
-	-	-	15,244	13,564
1,957	2,265	4,222	28,945	18,875
-	-	-	4,539	14,000
38,285	-	38,285	38,285	16,613
653	4,681	5,334	30,906	22,159
\$ 260,547	\$ 352,916	\$ 613,463	\$ 3,640,401	\$ 3,319,261

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ 692,057	\$ (125,235)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	15,359	9,875
Unrealized gain on investments	(336,688)	(58,136)
Realized (gain) loss on investments	(39,171)	16,143
(Increase) decrease in:		
Accounts receivable	(4,601)	3,023
Advances to field offices	(1,431)	32,802
Grants receivable	191,375	(34,920)
Prepaid expenses and deposits	9,757	7,325
Increase (decrease) in:		
Accounts payable and accrued liabilities	8,544	14,922
Deferred revenue	560	-
Accrued salaries and related benefits	<u>5,739</u>	<u>(2,205)</u>
Net cash provided (used) by operating activities	<u>541,500</u>	<u>(136,406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and improvements	(290,656)	(419,570)
Purchase of investments	695,046	682,745
Proceeds from sale of investments	<u>(740,345)</u>	<u>(687,546)</u>
Net cash used by investing activities	<u>(335,955)</u>	<u>(424,371)</u>
Net increase (decrease) in cash and cash equivalents	205,545	(560,777)
Cash and cash equivalents at beginning of year, including escrow-litigation fund	<u>1,993,700</u>	<u>2,554,477</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH - LITIGATION FUND ESCROW	<u>\$ 2,199,245</u>	<u>\$ 1,993,700</u>
SUPPLEMENTAL INFORMATION		
Donated Securities	<u>\$ 10,162</u>	<u>\$ 5,013</u>

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 include 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 include 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.

Also included in our advocacy and campaigns is our EarthRights Defender Program (ERD) The ERD program aims to protect individuals and communities on the front lines who are threatened with violence, arrest, and intimidation for their work defending and protecting their homelands. It seeks to prevent abuses through training and risk management; protect defenders when they are threatened through rapid response plans and legal support; reveal and expose harms through investigation, documentation and reporting; and redress harms when they occur through legal actions on behalf of defenders to hold perpetrators accountable.

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.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Organization (continued) -

ER Schools and Training (continued) - 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.

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, 2016, 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. During 2016, ERI elected to early implement ASU 2016-14 in the accompanying combined 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.

EARTHRIGHTS INTERNATIONAL, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Cash and cash equivalents (continued) -

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.

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, 2017, 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.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Net asset classification (continued) -

- **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 -

Contributions and grants with and without restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions 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.

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 classifies its financial instruments as "Level 1", meaning all investments are valued based upon quoted prices in an active market.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. INVESTMENTS AND FAIR VALUE (Continued)

Investments consisted of the following at December 31, 2017 and 2016:

	2017	2016
	Fair Value	Fair Value
Mutual funds - equities	\$ 1,838,037	\$ 1,445,437
Mutual funds - fixed income	<u>623,750</u>	<u>595,192</u>
TOTAL INVESTMENTS	<u>\$ 2,461,787</u>	<u>\$ 2,040,629</u>

Included in investment income are the following at December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 70,658	\$ 45,871
Unrealized gain	336,688	58,136
Realized gain (loss)	39,171	(16,143)
Investment fees	<u>(26,696)</u>	<u>(24,238)</u>
TOTAL INVESTMENT INCOME, NET OF FEES	<u>\$ 419,821</u>	<u>\$ 63,626</u>

3. GRANTS RECEIVABLE

As of December 31, 2017, contributors to ERI have made written promises to give totaling \$2,522,341. Grants are due as follows at December 31, 2017:

Less than one year	\$ 2,279,938
One to five years	<u>242,403</u>
TOTAL GRANTS RECEIVABLE	<u>\$ 2,522,341</u>

4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Land	\$ 220,544	\$ 220,544
Buildings	888,172	625,305
Improvements	29,474	19,641
Property and equipment	<u>100,600</u>	<u>82,644</u>
Total fixed assets	1,238,790	948,134
Less: Accumulated depreciation and amortization	<u>(73,631)</u>	<u>(58,272)</u>
NET FIXED ASSETS	<u>\$ 1,165,159</u>	<u>\$ 889,862</u>

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. BOARD DESIGNATIONS

As of December 31, 2017 and 2016, net assets have been designated by the Board of Directors for the following purposes:

	2017	2016
Legal and Myanmar Programs and Organizational Reserve	\$ 600,000	\$ 600,000
Litigation Reserve	300,000	300,000
TOTAL BOARD DESIGNATIONS	\$ 900,000	\$ 900,000

6. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2017 and 2016:

	2017	2016
Other Programs	\$ 956,201	\$ -
Legal	2,222,866	2,073,863
Capital Campaign	25,000	1,011,871
Advocacy and Campaigns	153,986	686,290
ER Schools and Training	93,750	348,215
Time Restricted	628,331	410,082
International Cross Cutting	-	142,025
TOTAL NET ASSETS WITH RESTRICTIONS	\$ 4,080,134	\$ 4,672,346

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:

	2017	2016
Legal	\$ 1,094,507	\$ 1,401,345
Capital Campaign	1,040,831	29,248
Advocacy and Campaigns	184,412	406,920
ER Schools and Training	185,417	300,392
International Cross-Cutting	-	171,963
Other Programs	899,172	-
Passage of Time	606,750	588,092
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 4,011,089	\$ 2,897,960

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.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. LIQUIDITY (Continued)

An analysis of available financial assets at December 31, 2017 and 2016 is as follows:

	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 2,101,305	\$ 1,896,150
Advance to field offices	27,986	26,555
Accounts receivable	45,162	40,561
Grants receivable	2,522,341	2,713,716
Investments	2,461,787	2,040,629
Litigation fund escrow	97,940	97,550
	7,256,521	6,815,161
Unavailable within one year due to:		
Donor restrictions	(3,585,134)	(4,425,596)
Escrowed cash	(97,940)	(97,550)
Board designations	(900,000)	(900,000)
	(4,583,074)	(5,423,146)
FINANCIAL ASSETS AVAILABLE TO MEET SHORT-TERM NEEDS	\$ 2,673,447	\$ 1,392,015

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.

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,

2018	\$ 121,479
2019	51,238
	\$ 172,717

Rent expense for the years ended December 31, 2017 and 2016 was \$177,157 and \$172,592, 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, 2017 and 2016 totaled \$24,471 and \$24,479, respectively.

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10. SUBSEQUENT EVENTS

In preparing these combined financial statements, ERI has evaluated events and transactions for potential recognition or disclosure through July 5, 2018, the date the combined financial statements were available to be issued.