

## **COMBINED FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**EARTHRIGHTS INTERNATIONAL, INC.**

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## 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 EarthRights, which comprise the combined statement of financial position as of December 31, 2018, 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 EarthRights as of December 31, 2018, 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

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

We have previously audited EarthRights' 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated July 5, 2018. In our opinion, the summarized comparative information presented herein as of December 31, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

July 3, 2019

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,521,251	\$ 2,101,305
Advances to field offices	14,058	27,986
Prepaid expenses and deposits	36,286	41,273
Accounts receivable	9,065	45,162
Grants receivable	1,535,843	2,522,341
Investments	2,343,627	2,461,787
Restricted cash - litigation fund escrow	99,218	97,940
Fixed assets, net of accumulated depreciation and amortization	<u>1,154,042</u>	<u>1,165,159</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,713,390</u></b>	<b><u>\$ 8,462,953</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 42,707	\$ 71,422
Deferred revenue	-	560
Accrued salaries and related benefits	<u>101,046</u>	<u>116,451</u>
Total liabilities	<u>143,753</u>	<u>188,433</u>

**NET ASSETS**

Without donor restrictions:		
Undesignated	1,595,805	2,421,881
Building Campaign	-	872,505
Board designated	<u>2,745,790</u>	<u>900,000</u>
Total net assets without donor restrictions	<u>4,341,595</u>	<u>4,194,386</u>
With donor restrictions	<u>4,228,042</u>	<u>4,080,134</u>
Total net assets	<u>8,569,637</u>	<u>8,274,520</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,713,390</u></b>	<b><u>\$ 8,462,953</u></b>

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 142,463	\$ -	\$ 142,463	\$ 215,489
Foundation grants	321,413	4,191,033	4,512,446	3,662,816
Contracts	4,789	-	4,789	16,462
Net investment (loss) income	(138,220)	(6,537)	(144,757)	419,821
Other revenue	3,261	-	3,261	17,870
Net assets released from donor restrictions	<u>4,036,588</u>	<u>(4,036,588)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,370,294</u>	<u>147,908</u>	<u>4,518,202</u>	<u>4,332,458</u>
<b>EXPENSES</b>				
Program Services:				
Legal	2,045,191	-	2,045,191	1,708,208
Advocacy and Campaigns	763,928	-	763,928	423,237
ER Schools and Training	319,997	-	319,997	282,192
International Cross-Cutting	<u>477,299</u>	<u>-</u>	<u>477,299</u>	<u>613,301</u>
Total program services	<u>3,606,415</u>	<u>-</u>	<u>3,606,415</u>	<u>3,026,938</u>
Supporting Services:				
Management and General	233,401	-	233,401	260,547
Development	<u>383,269</u>	<u>-</u>	<u>383,269</u>	<u>352,916</u>
Total supporting services	<u>616,670</u>	<u>-</u>	<u>616,670</u>	<u>613,463</u>
Total expenses	<u>4,223,085</u>	<u>-</u>	<u>4,223,085</u>	<u>3,640,401</u>
Change in net assets	147,209	147,908	295,117	692,057
Net assets at beginning of year	<u>4,194,386</u>	<u>4,080,134</u>	<u>8,274,520</u>	<u>7,582,463</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,341,595</u></b>	<b><u>\$ 4,228,042</u></b>	<b><u>\$ 8,569,637</u></b>	<b><u>\$ 8,274,520</u></b>

**EARTHRIGHTS INTERNATIONAL, INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018								2017	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Legal	Advocacy and Campaigns	ER Schools and Training	International Cross-Cutting	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and fringe benefits	\$ 1,059,753	\$ 366,602	\$ 125,542	\$ 330,151	\$ 1,882,048	\$ 118,922	\$ 303,830	\$ 422,752	\$ 2,304,800	\$ 2,163,082
Interns and volunteers	6,239	3,613	12,780	982	23,614	-	-	-	23,614	16,815
Fellowships	144	568	6,009	-	6,721	-	-	-	6,721	410
Professional and consulting fees	159,844	162,981	44,050	65,430	432,305	85,543	16,994	102,537	534,842	383,798
Rent and utilities	85,162	20,435	4,032	30,556	140,185	18,222	18,222	36,444	176,629	186,464
Telephone and internet	9,628	2,739	1,234	8,089	21,690	2,159	13,551	15,710	37,400	29,607
Office supplies and expenses	35,551	24,965	11,489	9,117	81,122	2,234	16,757	18,991	100,113	164,644
Travel	249,709	134,745	85,777	17,162	487,393	2,727	10,558	13,285	500,678	477,556
Trainings and conferences	20,730	23,690	9,285	1,651	55,356	-	-	-	55,356	28,008
Insurance	22,169	-	-	26	22,195	9,538	16	9,554	31,749	8,757
Banking, financial services and currency fluctuation	11,116	3,652	2,678	15	17,461	(23,112)	35	(23,077)	(5,616)	47,982
Depreciation and amortization	11,243	10,274	7,994	2,186	31,697	856	166	1,022	32,719	15,359
Subscription and reference material	7,945	100	21	6,301	14,367	-	-	-	14,367	15,244
Program planning	6,393	4,571	7,512	1,923	20,399	481	1,104	1,585	21,984	28,945
Grants	304,500	1,546	-	-	306,046	-	-	-	306,046	4,539
Board expense	393	-	-	275	668	15,288	131	15,419	16,087	38,285
Other	54,672	3,447	1,594	3,435	63,148	543	1,905	2,448	65,596	30,906
<b>TOTAL</b>	<b>\$ 2,045,191</b>	<b>\$ 763,928</b>	<b>\$ 319,997</b>	<b>\$ 477,299</b>	<b>\$ 3,606,415</b>	<b>\$ 233,401</b>	<b>\$ 383,269</b>	<b>\$ 616,670</b>	<b>\$ 4,223,085</b>	<b>\$ 3,640,401</b>

See accompanying notes to combined financial statements.

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets:	\$ 295,117	\$ 692,057
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,719	15,359
Unrealized loss (gain) on investments	272,731	(336,688)
Realized gain on investments	(73,270)	(39,171)
Decrease (increase) in:		
Advances to field offices	13,928	(1,431)
Prepaid expenses and deposits	4,987	9,757
Accounts receivable	36,097	(4,601)
Grants receivable	986,498	191,375
(Decrease) increase in:		
Accounts payable and accrued liabilities	(28,715)	8,544
Deferred revenue	(560)	560
Accrued salaries and related benefits	(15,405)	5,739
Net cash provided by operating activities	<u>1,524,127</u>	<u>541,500</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and improvements	(21,602)	(290,656)
Purchase of investments, net	(693,705)	(740,345)
Proceeds from sale of investments	<u>612,404</u>	<u>695,046</u>
Net cash used by investing activities	<u>(102,903)</u>	<u>(335,955)</u>
Net increase in cash and cash equivalents	1,421,224	205,545
Cash and cash equivalents at beginning of year, including escrow-litigation fund	<u>2,199,245</u>	<u>1,993,700</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH - LITIGATION FUND ESCROW</b>	<b>\$ 3,620,469</b>	<b>\$ 2,199,245</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Donated Securities	<b>\$ 10,054</b>	<b>\$ 10,162</b>



**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

Organization -

EarthRights International, Inc. (EarthRights) 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). EarthRights 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, EarthRights 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 EarthRights 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 EarthRights the legal capacity to hold title to land in Thailand, which it does, and nominatively assist in acquiring visas and other support functions for EarthRights staff based in Asia. The Foundation enters into limited financial activity with oversight by EarthRights.

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

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

**Legal** - EarthRights' 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, EarthRights 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** - EarthRights' Advocacy and Campaigns program seeks to raise awareness and build broad support for earth rights issues. EarthRights' 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. EarthRights' 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". EarthRights 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** - EarthRights' 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 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, 2018**

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

Organization (continued) -

***ER Schools and Training (continued)*** - EarthRights 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. EarthRights 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, EarthRights 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 EarthRights 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, in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation* and with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The combined financial statements include the accounts of EarthRights, the Foundation and FENR, collectively referred to as "EarthRights". 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 EarthRights' combined financial statements for year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

EarthRights 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, EarthRights 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. Interest, dividends, realized and unrealized gains and losses are recorded net of investment expenses provided by external investment advisors and are included in investment (loss) 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, 2018

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

Fixed assets -

Fixed assets in excess of \$1,000 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 -

EarthRights is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is only subject to tax on unrelated business income.

EarthRights 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, 2018, EarthRights 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 -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** include earned revenue and contributions and grants received without donor-imposed restrictions. These net assets are available for the operations of EarthRights and include both internally designated and undesignated resources. The remaining balance in the Building Campaign net asset without restrictions balance at December 31, 2017 was transferred to undesignated net assets without restrictions in 2018.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Such funds in excess of expenses incurred are shown as net assets with donor restriction in the accompanying combined financial statements.

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. Expenses are allocated on a basis of time and effort (such as salaries and benefits) or other reasonable basis.

Risks and uncertainties -

EarthRights 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*, EarthRights 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, 2018**

**2. INVESTMENTS AND FAIR VALUE (Continued)**

Investments consisted of the following at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Mutual funds - equities	\$ 1,304,777	\$ 1,838,037
Mutual funds - fixed income	1,038,850	623,750
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,343,627</b>	<b>\$ 2,461,787</b>

Included in investment (loss) income are the following at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Interest and dividends	\$ 85,148	\$ 70,658
Unrealized (loss) gain	(272,731)	336,688
Realized gain	73,270	39,171
Investment fees	(30,444)	(26,696)
<b>TOTAL INVESTMENT (LOSS) INCOME, NET OF FEES</b>	<b>\$ (144,757)</b>	<b>\$ 419,821</b>

**3. GRANTS RECEIVABLE**

As of December 31, 2018, contributors to EarthRights have made written promises to give totaling \$1,535,843. Grants are due as follows at December 31, 2018:

Less than one year	\$ 900,441
One to five years	635,402
<b>TOTAL GRANTS RECEIVABLE</b>	<b>\$ 1,535,843</b>

**4. FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Land	\$ 220,544	\$ 220,544
Buildings	903,360	888,172
Improvements	29,474	29,474
Property and equipment	89,034	100,600
Total fixed assets	1,242,412	1,238,790
Less: Accumulated depreciation and amortization	(88,370)	(73,631)
<b>NET FIXED ASSETS</b>	<b>\$ 1,154,042</b>	<b>\$ 1,165,159</b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**5. BOARD DESIGNATIONS**

In 2018, in an effort to protect long-term financial health, EarthRights replaced existing reserves with one to be recalculated at the end of each fiscal year to consist of 50% of the succeeding year's total budgeted expenses.

	<u>2018</u>	<u>2017</u>
Long Term Health Reserve	\$ 2,745,790	\$ -
Legal and Myanmar Programs and Organizational Reserve	-	600,000
Litigation Reserve	-	<u>300,000</u>
<b>TOTAL BOARD DESIGNATIONS</b>	<b><u>\$ 2,745,790</u></b>	<b><u>\$ 900,000</u></b>

**6. NET ASSETS WITH RESTRICTIONS**

Net assets with restrictions consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Other Programs	\$ 1,384,045	\$ 956,201
Legal	2,165,028	2,222,866
Capital Campaign	25,000	25,000
Advocacy and Campaigns	185,219	153,986
ER Schools and Training	101,250	93,750
Time Restricted	<u>367,500</u>	<u>628,331</u>
<b>TOTAL NET ASSETS WITH RESTRICTIONS</b>	<b><u>\$ 4,228,042</u></b>	<b><u>\$ 4,080,134</u></b>

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:

	<u>2018</u>	<u>2017</u>
Legal	\$ 1,854,407	\$ 1,094,507
Capital Campaign	-	1,040,831
Advocacy and Campaigns	342,809	184,412
ER Schools and Training	257,500	185,417
Other Programs	831,039	899,172
Passage of Time	<u>750,833</u>	<u>606,750</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 4,036,588</u></b>	<b><u>\$ 4,011,089</u></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, EarthRights can draw upon the operating reserve.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. LIQUIDITY (Continued)**

An analysis of available financial assets at December 31, 2018 and 2017 is as follows:

	<b>2018</b>	<b>2017</b>
Financial assets:		
Cash and cash equivalents	\$ 3,521,251	\$ 2,101,305
Advance to field offices	14,058	27,986
Accounts receivable	9,065	45,162
Grants receivable	1,535,843	2,522,341
Investments	2,343,627	2,461,787
Litigation fund escrow	99,218	97,940
	<u>7,523,062</u>	<u>7,256,521</u>
Unavailable within one year due to:		
Donor restrictions	(3,816,381)	(3,585,134)
Escrowed cash	(99,218)	(97,940)
Long term health reserve	(2,745,790)	(900,000)
	<u>(6,661,389)</u>	<u>(4,583,074)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET SHORT-TERM NEEDS</b>	<b>\$ 861,673</b>	<b>\$ 2,673,447</b>

**8. LEASE COMMITMENTS**

On January 24, 2013, EarthRights signed a 37-month lease for office space, commencing on May 1, 2013 and terminating on May 31, 2016. On December 22, 2015, EarthRights amended its lease, extending the lease by three years and terminating on May 31, 2019. In May of 2019, the lease was amended again and extended for an additional three year term which terminates June 30, 2022.

Base rent is \$115,912 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. EarthRights 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:

<b>Year Ending December 31,</b>	
2019	\$ 126,892
2020	153,578
2021	158,185
2022	80,261
	<b>\$ 518,916</b>

Rent expense for the years ended December 31, 2018 and 2017 was \$164,126 and \$177,157, respectively.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
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**9. RETIREMENT PLAN**

EarthRights provides retirement benefits to its employees through a Simple IRA Plan. This Plan covers all employees in the United States. EarthRights contributes 2% of gross wages. Contributions to the Plan for the years ended December 31, 2018 and 2017 totaled \$26,049 and \$24,471, respectively.

**10. SUBSEQUENT EVENTS**

In preparing these combined financial statements, EarthRights has evaluated events and transactions for potential recognition or disclosure through July 3, 2019, the date the combined financial statements were available to be issued.