

COMBINED FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

EARTHRIGHTS INTERNATIONAL, INC.

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CPAs & ADVISORS

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, 2020, 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited EarthRights' 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated August 5, 2020. In our opinion, the summarized comparative information presented herein as of December 31, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

August 3, 2021

EARTHRIGHTS INTERNATIONAL, INC.

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,034,263	\$ 3,196,377
Advances to field offices	19,950	9,687
Accounts receivable	6,860	25,948
Grants receivable	7,702,349	2,281,391
Prepaid expenses and deposits	52,196	83,873
Investments	3,576,074	2,922,020
Restricted cash - litigation fund escrow	101,374	101,109
Fixed assets, net of accumulated depreciation and amortization	<u>1,111,964</u>	<u>1,140,577</u>
TOTAL ASSETS	<u>\$ 16,605,030</u>	<u>\$ 9,760,982</u>

LIABILITIES AND NET ASSETS**LIABILITIES**

Loan payable	\$ 417,900	\$ -
Accounts payable and accrued liabilities	30,341	80,105
Deferred revenue	28,099	5,988
Accrued salaries and related benefits	179,685	123,983
Refundable advance	<u>112,036</u>	<u>-</u>
Total liabilities	<u>768,061</u>	<u>210,076</u>

NET ASSETS

Without donor restrictions:		
Undesignated	1,100,085	2,386,690
Board designated	<u>4,563,300</u>	<u>2,650,654</u>
Total net assets without donor restrictions	<u>5,663,385</u>	<u>5,037,344</u>
With donor restrictions	<u>10,173,584</u>	<u>4,513,562</u>
Total net assets	<u>15,836,969</u>	<u>9,550,906</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,605,030</u>	<u>\$ 9,760,982</u>

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Contributions	\$ 275,558	\$ 4,065,159	\$ 4,340,717	\$ 197,482
Foundation grants	526,000	5,623,806	6,149,806	5,184,963
Contracts	20,475	-	20,475	23,275
Net investment income	643,824	33,945	677,769	589,323
Other revenue	6,591	-	6,591	8,767
Net assets released from donor restrictions	4,062,888	(4,062,888)	-	-
Total revenue and support	5,535,336	5,660,022	11,195,358	6,003,810
EXPENSES				
Program Services:				
Legal	2,187,535	-	2,187,535	2,147,023
Advocacy and Campaigns	660,753	-	660,753	1,039,338
ER Schools and Training	474,723	-	474,723	353,895
International Cross-Cutting	681,386	-	681,386	610,878
Total program services	4,004,397	-	4,004,397	4,151,134
Supporting Services:				
Management and General Development	478,805	-	478,805	399,126
	426,093	-	426,093	472,281
Total supporting services	904,898	-	904,898	871,407
Total expenses	4,909,295	-	4,909,295	5,022,541
Change in net assets	626,041	5,660,022	6,286,063	981,269
Net assets at beginning of year	5,037,344	4,513,562	9,550,906	8,569,637
NET ASSETS AT END OF YEAR	\$ 5,663,385	\$ 10,173,584	\$ 15,836,969	\$ 9,550,906

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020								2019	
	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	Development	Total Supporting Services		
Salaries and fringe benefits	\$ 1,585,372	\$ 400,691	\$ 353,277	\$ 498,274	\$ 2,837,614	\$ 330,546	\$ 340,981	\$ 671,527	\$ 3,509,141	\$2,954,976
Interns and volunteers	5,822	84	2,352	-	8,258	-	-	-	8,258	17,266
Fellowships	-	-	-	-	-	-	-	-	-	2,055
Professional/consulting fees	324,687	102,451	37,410	101,996	566,544	94,248	42,711	136,959	703,503	731,952
Rent and utilities	88,854	26,073	12,342	30,988	158,257	23,241	23,241	46,482	204,739	201,132
Telephone and internet	10,373	3,852	1,600	10,960	26,785	2,499	9,282	11,781	38,566	32,900
Office supplies and expenses	25,790	11,312	13,238	29,534	79,874	5,128	5,166	10,294	90,168	145,849
Travel	49,692	39,016	15,164	2,999	106,871	45	1,606	1,651	108,522	535,341
Trainings and conferences	17,508	5,737	2,989	29	26,263	1,553	182	1,735	27,998	39,067
Insurance	27,597	45	-	91	27,733	8,512	68	8,580	36,313	32,005
Banking, financial services and currency fluctuation	11,324	7,204	12,481	125	31,134	6,588	95	6,683	37,817	31,259
Depreciation and amortization	10,131	7,997	14,999	1,066	34,193	511	511	1,022	35,215	33,824
Subscription/reference material	13,480	15,876	655	5,248	35,259	280	881	1,161	36,420	17,225
Program planning	3,802	4,028	7,361	76	15,267	144	59	203	15,470	31,435
Grants	6,389	35,600	-	-	41,989	-	-	-	41,989	141,393
Board expense	125	125	249	-	499	5,389	-	5,389	5,888	18,352
Other	6,589	662	606	-	7,857	121	1,310	1,431	9,288	56,510
TOTAL	\$ 2,187,535	\$ 660,753	\$ 474,723	\$ 681,386	\$ 4,004,397	\$ 478,805	\$ 426,093	\$ 904,898	\$ 4,909,295	\$5,022,541

See accompanying notes to combined financial statements.

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ 6,286,063	\$ 981,269
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	35,215	33,824
Unrealized gain on investments	(415,848)	(416,640)
Realized gain on investments	(213,204)	(129,227)
Donated securities	(12,731)	(5,027)
(Increase) decrease in:		
Advances to field offices	(10,263)	4,371
Prepaid expenses and deposits	31,677	(47,587)
Accounts receivable	19,088	(16,883)
Grants receivable	(5,420,958)	(745,548)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(49,764)	37,398
Deferred revenue	22,111	5,988
Accrued salaries and related benefits	55,702	22,937
Refundable advance	112,036	-
Net cash provided (used) by operating activities	<u>439,124</u>	<u>(275,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and improvements	(6,602)	(20,359)
Purchase of investments, net	(1,640,711)	(1,014,052)
Proceeds from sale of investments	<u>1,628,440</u>	<u>986,553</u>
Net cash used by investing activities	<u>(18,873)</u>	<u>(47,858)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>417,900</u>	<u>-</u>
Net cash provided by financing activities	<u>417,900</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	838,151	(322,983)
Cash and cash equivalents at beginning of year, including escrow-litigation fund	<u>3,297,486</u>	<u>3,620,469</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH - LITIGATION FUND ESCROW	<u>\$ 4,135,637</u>	<u>\$ 3,297,486</u>

EARTHRIGHTS INTERNATIONAL, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2020

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. EarthRights is headquartered in the United States with additional offices in Peru, Thailand and Myanmar.

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 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 INTERNATIONAL, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Organization (continued) -

ER Schools and Training (continued) - 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, 2019, from which the summarized information was derived.

- **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.
- **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.

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.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Cash and cash equivalents (continued) -

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 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 \$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. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. EarthRights is also classified as a private foundation in accordance with Section 509(a)2 of the Internal Revenue Code. 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, 2020, 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.

Contributions, grants and contracts -

The majority of the EarthRights' revenue is received through contributions as well as contracts and grants from foundations, international organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received.

EarthRights performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants and contracts qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Contributions, grants and contracts (continued) -

Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have 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 restrictions in the accompanying combined financial statements.

Grants or contributions qualifying as conditional contributions contain a right of return from obligation provision that limits EarthRights on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. EarthRights recognizes revenue for conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of December 31, 2020, EarthRights has a refundable advance related to a SIDA award totaling \$112,036.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue when the performance obligations are met. EarthRights has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

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.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact EarthRights' operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

In 2019, the Financial Accounting Standards Board (FASB) issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

EarthRights plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its 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.

Investments consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Mutual funds - equities	\$ 2,584,666	\$ 2,108,274
Mutual funds - fixed income	<u>991,408</u>	<u>813,746</u>
TOTAL INVESTMENTS	<u>\$ 3,576,074</u>	<u>\$ 2,922,020</u>

Included in investment income, net of fees are the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 83,601	\$ 74,382
Unrealized gain	415,848	416,640
Realized gain	213,204	129,227
Investment fees	<u>(34,884)</u>	<u>(30,926)</u>
TOTAL INVESTMENT INCOME, NET OF FEES	<u>\$ 677,769</u>	<u>\$ 589,323</u>

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. GRANTS RECEIVABLE

As of December 31, 2020 and 2019, contributors to EarthRights have made written promises to give totaling \$7,702,349 and \$2,281,391, respectively.

Grants are due as follows at December 31, 2020 and 2019:

	2020	2019
Less than one year	\$ 2,628,656	\$ 1,729,732
One to five years	5,073,693	551,659
TOTAL GRANTS RECEIVABLE	\$ 7,702,349	\$ 2,281,391

4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2020 and 2019:

	2020	2019
Land	\$ 220,544	\$ 220,544
Buildings	903,360	903,360
Improvements	29,474	29,474
Property and equipment	115,995	109,393
Total fixed assets	1,269,373	1,262,771
Less: Accumulated depreciation and amortization	(157,409)	(122,194)
NET FIXED ASSETS	\$ 1,111,964	\$ 1,140,577

5. LOAN PAYABLE

On April 5, 2021, EarthRights received loan proceeds in the amount of \$417,900 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. EarthRights used the proceeds for purposes consistent with the Paycheck Protection Program and received forgiveness in full on April 13, 2021; refer to Note 11.

6. 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. During 2020, EarthRights updated their reserve policy to consist of 50% of the succeeding year's total budgeted expenses plus an additional \$1,500,000 for the emergency reserve.

	2020	2019
Stability Reserve	\$ 3,063,300	\$ 2,650,654
Emergency Reserve	1,500,000	-
TOTAL BOARD DESIGNATIONS	\$ 4,563,300	\$ 2,650,654

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

7. NET ASSETS WITH RESTRICTIONS

Net assets with restrictions consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Legal	\$ 4,342,990	\$ 2,296,786
Advocacy and Campaigns	1,893,945	496,637
ER Schools and Training	1,233,199	325,770
International Cross Cutting	996,040	249,938
Time Restricted	<u>1,707,410</u>	<u>1,144,431</u>
TOTAL NET ASSETS WITH RESTRICTIONS	<u>\$ 10,173,584</u>	<u>\$ 4,513,562</u>

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>2020</u>	<u>2019</u>
Legal	\$ 2,063,165	\$ 1,972,081
Capital Campaign	-	100,000
Advocacy and Campaigns	591,005	956,547
ER Schools and Training	281,889	329,961
International Cross-Cutting	379,543	464,409
Passage of Time	<u>747,286</u>	<u>752,055</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,062,888</u>	<u>\$ 4,575,053</u>

8. 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. An analysis of available financial assets at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 4,034,263	\$ 3,196,377
Advance to field offices	19,950	9,687
Accounts receivable	6,860	25,948
Grants receivable	7,702,349	2,281,391
Investments	3,576,074	2,922,020
Litigation fund escrow	<u>101,374</u>	<u>101,109</u>
	<u>15,440,870</u>	<u>8,536,532</u>
Unavailable within one year due to:		
Donor restrictions	(9,804,419)	(3,895,231)
Litigation fund escrow	(101,374)	(101,109)
Long-term health reserve	<u>(4,563,300)</u>	<u>(2,650,654)</u>
	<u>(14,469,093)</u>	<u>(6,646,994)</u>
FINANCIAL ASSETS AVAILABLE TO MEET SHORT-TERM NEEDS	<u>\$ 971,777</u>	<u>\$ 1,889,538</u>

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. LEASE COMMITMENTS

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:

Year Ending December 31,

2021	\$ 158,185
2022	<u>80,261</u>
	<u>\$ 238,446</u>

Rent expense for the years ended December 31, 2020 and 2019 was \$197,666 and \$184,941, respectively.

10. RETIREMENT PLAN

EarthRights provides retirement benefits to its eligible employees in the United States. During 2020, EarthRights switched from a Simple IRA Plan to a 401(k) plan. For the year ended December 31, 2020, EarthRights made a 3% safe harbor contribution. For the year ended December 31, 2019, EarthRights contributed 2% of gross wages. Contributions to the Plan for the years ended December 31, 2020 and 2019 totaled \$64,542 and \$34,592, respectively.

11. SUBSEQUENT EVENTS

In preparing these combined financial statements, EarthRights has evaluated events and transactions for potential recognition or disclosure through August 3, 2021, the date the combined financial statements were available to be issued.

On April 13, 2021, EarthRights received forgiveness of their loan under the Paycheck Protection Program by the SBA in the amount of \$417,900. There are no further requirements regarding this funding and EarthRights intends to record the amount forgiven as revenue from the debt extinguishment during fiscal year 2021.