

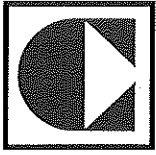
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

EARTHRIGHTS INTERNATIONAL, INC.

January 31, 2009

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DOUGLAS COREY & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

6601 LITTLE RIVER TURNPIKE, SUITE 440

ALEXANDRIA, VIRGINIA 22312

(703) 354-2900 • FAX (703) 354-2606

E-MAIL: coreycpa@coreycpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
EarthRights International, Inc.

We have audited the accompanying balance sheet of EarthRights International, Inc. (a nonprofit organization) as of January 31, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EarthRights International, Inc. as of January 31, 2009, and the changes in its net assets, its cash flows and its functional expenses for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Douglas Corey & Associates, P.C.

June 12, 2009

EarthRights International, Inc.
Balance Sheet
January 31, 2009
(See Independent Auditor's Report and notes to financial statements)

Assets

Current Assets	
Cash	\$ 1,166,855
Pledges receivable	225,000
Other receivables	16,188
Prepaid expenses	<u>19,741</u>
Total current assets	1,427,784
Property and equipment, net of accumulated depreciation of \$54,570	26,996
Other Assets	
Investment in marketable equity securities	2,003,713
Deposits	<u>5,960</u>
	<u>2,009,673</u>
	<u>\$ 3,464,453</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 7,792
Net Assets	
Unrestricted	2,992,058
Temporarily restricted	<u>464,603</u>
Total net assets	<u>3,456,661</u>
	<u>\$ 3,464,453</u>

EarthRights International, Inc.
Statement of Activities

For the year ended January 31, 2009

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

	Unrestricted			Total
	Unrestricted	Board Designated	Temporarily Restricted	
Revenues and Other Support:				
Foundation contributions and fees	\$ 845,772	\$ -	\$ 1,030,955	\$ 1,876,727
Gifts from individuals	207,305	-	-	207,305
Non-cash contributions	16,414	-	-	16,414
In-kind contributions	1,897	-	-	1,897
Interest and dividends	49,478	-	4,365	53,843
Gain (loss) on securities	(6,613)	-	-	(6,613)
Unrealized gain (loss) on securities	(11,428)	-	(24,730)	(36,158)
Miscellaneous	2,542	-	-	2,542
Net assets released from restrictions:				
Satisfaction of program restrictions	1,216,954	1,721,552	(2,938,506)	-
Total Revenues and Other Support	2,322,321	1,721,552	(1,927,916)	2,115,957
Expenses:				
Program expenses				
Legal	525,066	-	-	525,066
Campaigns	305,700	-	-	305,700
Training	405,311	-	-	405,311
Public education and outreach	194,351	-	-	194,351
Management and general Development	131,499	-	-	131,499
	161,790	-	-	161,790
Total Expenses	1,723,717	-	-	1,723,717
Change in Net Assets	598,604	1,721,552	(1,927,916)	392,240
Net Assets, beginning of year	616,735	55,167	2,392,519	3,064,421
Net Assets, end of year	\$ 1,215,339	\$ 1,776,719	\$ 464,603	\$ 3,456,661

EarthRights International, Inc.
Statement of Cash Flows
For the year ended January 31, 2009
(See Independent Auditor's Report and notes to financial statements)

Cash flows from operating activities:	
Change in net assets	\$ 392,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,984
Net unrealized loss on securities	36,158
Realized loss on sale of securities	6,613
Non-cash contributions	(16,414)
(Increase) decrease in pledges receivable	45,000
(Increase) decrease in miscellaneous receivable	(9,233)
(Increase) decrease in prepaid expense	(10,167)
Increase (decrease) in accounts payable	<u>(6,996)</u>
Net cash provided by operating activities	447,185
Cash flows from investing activities:	
Purchase of fixed assets	(7,845)
Proceeds from sale of securities	534,090
Purchase of marketable securities	<u>(2,438,814)</u>
Net cash used by investing activities	<u>(1,912,569)</u>
Net decrease in cash and cash equivalents	(1,465,384)
Cash, beginning of year	<u>2,632,239</u>
Cash, end of year	<u>\$ 1,166,855</u>

Supplemental disclosures:

During the year the Organization had the following noncash transactions:

Net unrealized loss on marketable equity securities and corresponding adjustment of securities to fair market value	\$ <u>(36,158)</u>
In-kind contributions of goods and services and corresponding expenses	\$ <u>1,897</u>
Non-cash contribution of stock	\$ <u>16,414</u>

Cash paid during the year for:

Income taxes	\$ -
Interest expense	<u>\$ 251</u>

EarthRights International, Inc.
Statement of Functional Expenses
For the year ended January 31, 2009
(See Independent Auditor's Report and notes to financial statements)

	Program Services					Supporting Services			
	Legal	Advocacy & Campaigns	Training	Public Education and Outreach	Total Program Services	Management and General	Development	Total Supporting Services	Total Expenses
International									
Salaries	\$ 39,585	\$ 37,501	\$ 16,667	\$ 60,607	\$ 154,360	\$ 43,017	\$ 107,926	\$ 150,943	\$ 305,303
Payroll taxes	3,040	2,879	1,280	5,067	12,266	3,335	8,315	11,650	23,916
Employee benefits	1,975	1,658	754	3,048	7,435	4,505	7,279	11,784	19,219
Consultants	-	-	-	5,527	5,527	83	-	83	5,610
Accounting	-	-	-	-	-	18,920	-	18,920	18,920
Outside services	-	-	-	-	-	1,567	-	1,567	1,567
Board expenses	-	-	-	1,654	1,654	4,236	-	4,236	5,890
Bank service charges	-	-	1,153	39	1,192	1,708	-	1,708	2,900
Interest	-	-	-	-	-	251	-	251	251
Overhead	-	-	-	-	-	965	-	965	965
Rent/utilities	-	9,807	-	11,527	21,334	5,121	5,121	10,242	31,576
Office supplies and expense	-	-	-	2,141	2,141	1,719	103	1,822	3,963
Insurance	-	-	-	-	-	8,690	-	8,690	8,690
Fundraising - direct	-	-	-	-	-	-	5,316	5,316	5,316
Communications	-	1,888	-	770	2,658	129	662	791	3,449
Direct mail	-	-	-	-	-	-	7,826	7,826	7,826
Outreach/conferences	65	251	-	77,937	78,253	1,426	360	1,786	80,039
Travel	-	403	-	5,680	6,083	8,381	3,275	11,656	17,739
Publications	18	-	-	6,041	6,059	3,415	-	3,415	9,474
Trainings/grants	-	-	-	1,153	1,153	1,239	240	1,479	2,632
Miscellaneous	-	208	357	-	565	-	-	-	565
Planning	-	-	-	1,423	1,423	129	26	155	1,578
	<u>44,683</u>	<u>54,595</u>	<u>20,211</u>	<u>182,614</u>	<u>302,103</u>	<u>108,836</u>	<u>146,449</u>	<u>255,285</u>	<u>557,388</u>
United States									
Salaries	193,300	125,709	5,000	-	324,009	-	-	-	324,009
Payroll taxes	14,793	9,229	384	-	24,406	-	-	-	24,406
Employee benefits	6,470	10,264	306	-	17,040	-	-	-	17,040
Consultants	32,573	2,400	-	-	34,973	-	-	-	34,973
Board expenses	-	-	-	-	-	305	-	305	305
Overhead	-	-	-	-	-	160	-	160	160
Rent/utilities	20,910	10,667	-	-	31,577	-	-	-	31,577
Office supplies and expense	4,897	676	-	662	6,235	1,993	97	2,090	8,325
Insurance	-	-	-	-	-	3,319	-	3,319	3,319
Depreciation	911	3,694	-	792	5,397	651	174	825	6,222
Fundraising - direct	-	-	-	-	-	-	2,251	2,251	2,251
Communications	5,984	3,178	-	1,595	10,757	707	8,008	8,715	19,472
Fieldwork/research	1,215	-	-	-	1,215	-	-	-	1,215
Litigation	87,426	-	-	-	87,426	-	-	-	87,426
Outreach/conferences	32,120	4,154	-	2,203	38,477	2,803	1,752	4,555	43,032
Travel	30,547	4,285	1,267	2,638	38,737	699	1,589	2,288	41,025
Publications	1,461	1,209	-	1,317	3,987	-	1,221	1,221	5,208
Trainings	25,843	539	27,648	2,404	56,434	176	-	176	56,610
Planning	436	240	-	126	802	1,657	249	1,906	2,708
	<u>458,886</u>	<u>176,244</u>	<u>34,605</u>	<u>11,737</u>	<u>681,472</u>	<u>12,470</u>	<u>15,341</u>	<u>27,811</u>	<u>709,283</u>
SE Asia									
Salaries	11,868	30,360	92,445	-	134,673	-	-	-	134,673
Employee benefits	2,305	4,514	11,281	-	18,100	4,545	-	4,545	22,645
Consultants	-	-	11,163	-	11,163	-	-	-	11,163
Overhead	-	-	735	-	735	-	-	-	735
Currency fluctuation	-	-	1,356	-	1,356	-	-	-	1,356
Rent/utilities	2,038	6,826	26,227	-	35,091	-	-	-	35,091
Office supplies and expense	73	4,119	12,611	-	16,803	744	-	744	17,547
Depreciation	-	-	3,762	-	3,762	-	-	-	3,762
Communications	106	3,663	4,789	-	8,558	72	-	72	8,630
Fieldwork/research	-	9,241	25,314	-	34,555	-	-	-	34,555
Outreach/conferences	86	3,503	7,184	-	10,773	225	-	225	10,998
Travel	4,777	6,905	31,931	-	43,613	3,945	-	3,945	47,558
Publications	-	5,016	4,778	-	9,794	-	-	-	9,794
Trainings	-	406	115,576	-	115,982	17	-	17	115,999
Planning	244	308	1,343	-	1,895	645	-	645	2,540
	<u>21,497</u>	<u>74,861</u>	<u>350,495</u>	<u>-</u>	<u>446,853</u>	<u>10,193</u>	<u>-</u>	<u>10,193</u>	<u>457,046</u>
	<u>\$ 525,066</u>	<u>\$ 305,700</u>	<u>\$ 405,311</u>	<u>\$ 194,351</u>	<u>\$ 1,430,428</u>	<u>\$ 131,499</u>	<u>\$ 161,790</u>	<u>\$ 293,289</u>	<u>\$ 1,723,717</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note A - Nature of Organization

EarthRights International, Inc. (ERI) is a non-governmental, non-profit organization founded in 1995 that combines the power of law and the power of people in defense of human rights and the environment (earth rights). ERI specializes in fact-finding, legal actions against perpetrators of earth rights abuses, training for grassroots and community leaders, and advocacy campaigns. Through these cutting edge strategies, ERI seeks to end earth rights abuses, to provide real solutions for real people, and to promote and protect human rights and the environment in the communities where we work.

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

Legal – ERI’s legal program seeks to bring the power of the legal system to bear directly on earth rights abusers and thereby change the way that governments and corporations conduct business. To do so, we use a variety of legal tools-especially litigation-to attach real costs to human rights and environmental abuses; thus encouraging public and private actors to respect earth rights everywhere.

We are advancing the law in unique ways as no other organization has done; best exemplified by our historic settlement against Unocal for human rights abuses in Burma. We currently represent human rights victims in groundbreaking cases against Chevron, Shell, and Union Carbide/Dow Chemical, and are considering other cases that further develop and enforce international human rights and environmental law in various fora.

Advocacy and Campaigns - ERI's Advocacy and Campaigns program seeks to raise awareness and build broad support for earth rights issues. Our goal is to ensure that there are strong legal mechanisms for corporate accountability with regard to human rights and environmental abuses, and to prevent abuses in the first place by showing public and private actors that there are heavy costs associated with those violations. ERI's campaigns organize public support for earth rights issues and aim to hold corporate and government human rights and environmental offenders accountable in the "court of public opinion".

Training - ERI's Training program equips the next generation of grassroots human rights and environmental defenders with the necessary skills to defend human rights and protect natural resources from unsustainable development. At our EarthRights Schools, local leaders develop the experience and knowledge they need to work at the community level and to advocate nationally or internationally on behalf of their own communities. When members of affected communities raise their own voices, they can directly communicate the effects of a particular development project and protect natural resources from unsustainable extraction processes and exploitation. We currently have EarthRights Schools for Burma and in 2006 established an EarthRights School for the Mekong region, which brings together persons from the six countries of the Mekong watershed, and focuses n

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note A - Nature of Organization, continued

sustainable water resource management and funding of projects by international financial institutions. ERI conducts training for local leaders and legal advocates in the Amazon and Asia.

Public Education and Outreach – This program category encompasses costs incurred to educate the public on EarthRight’s mission and current projects.

Note B - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Method of Accounting

ERI’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

ERI has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, ERI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, ERI is required to present a statement of cash flows. For the year ended January 31, 2009, ERI had no permanently restricted net assets.

Unrestricted net assets - consists of assets, grants, contributions, program revenues, and other income that is available and used for operations and programs. Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. On behalf of the Organization, the board voted to designate \$55,167 for use in an emergency situation and an additional \$1,721,552 for use for litigation, litigation support, Burma programs and organizational reserves.

Temporarily restricted net assets – includes funds with donor-imposed or legal restrictions that permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from grants and fees from foundations and gifts from individuals.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

3. Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in temporarily restricted net assets until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

4. Functional Expenses

ERI allocates its expenses on a functional basis among its various programs and management and general. Expenses that can be identified with a specific program, management and general, or development are allocated directly according to their natural expenditure classification. Other expenses that are common to program functions and management and general are allocated based on management's estimate of time and expense spent in each of the categories.

5. Miscellaneous Receivables

Miscellaneous receivables consist of amounts due to the Organization for reimbursements of various expenses and advances and accrued interest receivable on various certificates of deposit. Management periodically reviews those receivables to verify that they are collectible. Accordingly, no reserve for doubtful accounts has been established.

6. Property and Equipment

Furniture and equipment are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives.

7. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses on investments are included in the change in net assets.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

8. Income Taxes

ERI is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements

9. Cash and cash equivalents

For purposes of the statement of cash flows, ERI considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note C – Fair Value of Investments

The Organization's investments are stated at fair value and are comprised of marketable equity securities, as follows:

	<u>Cost/Adjusted Basis</u>	<u>Fair Value</u>	<u>Unrealized gain (loss)</u>
Mutual funds	\$ 119,871	\$83,878	\$ (35,993)
Fixed income securities	<u>1,920,000</u>	<u>1,919,835</u>	<u>(165)</u>
	<u>\$2,039,871</u>	<u>\$2,003,713</u>	<u>\$ (36,158)</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note C – Fair Value of Investments, continued

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

Interest and dividends	<u>\$ 53,483</u>
Proceeds from sale of securities	\$534,090
Cost basis	<u>540,703</u>
Realized loss on sale of securities	<u>\$ (6,613)</u>

Note D – Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At January 31, 2009, pledges receivable totaled \$225,000. Management believes that amounts will be received when due, therefore no allowance for uncollectible pledges receivable has been provided. Pledges receivable are recorded as temporarily restricted net assets until they are received.

Note E – Property and Equipment

Property and equipment are as follows:

Computer equipment	\$47,397
Computer software	5,273
Other property	<u>28,896</u>
	81,566
Accumulated depreciation	<u>(54,570)</u>
Net book value	<u>\$26,996</u>

Depreciation expense for the year ended January 31, 2009 is \$9,984.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note F – Commitments and Contingencies

The Organization maintains operating leases for various office space and office equipment. The Organization maintains an operating lease for office space in Washington, D.C. through May 2012. The Organization also maintains short term operating leases on property in Thailand. Those leases expire within one year. Rent expense charged to current operations was \$96,547 for the year ended January 31, 2009.

In June 2005, the Organization entered into an operating lease for a copier. The lease expires in June 2010.

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

January 31, 2010	66,776
January 31, 2011	67,720
January 31, 2012	69,008
January 31, 2013	<u>22,428</u>
	<u>\$225,932</u>

Note G – Major Support

Amounts received and pledged from two sources comprised 30% of total revenue and support for the year ended January 31, 2009.

Note H – Concentration of Credit Risk – Cash Deposits

Total cash held by ERI at January 31, 2009 includes \$737,469 that is in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2009
(See Independent Auditor's Report)

Note I – In-kind and Non-cash Contributions

In-kind contributions consist of non-cash assets, which the organization would have to purchase if they were not donated. They are recorded at their fair market value in the period received. In-kind contributions of \$1,897 were recorded for the year ended January 31, 2009.

Contributions of donated non-cash assets are recorded at their fair market values in the period received. For the year ended January 31, 2009, ERI received stock with a fair value of \$16,414.

Note J – Temporarily Restricted Net Assets

Temporarily restricted net assets at January 31, 2009 were available for the following purposes:

Periods after January 31, 2009	225,000
International Alumni Program	9,169
Burma Alumni Program	23,553
Southeast Asia Legal	53,429
US Litigation	12,574
Legal – Chevron	9,384
Legal - General	3,170
EarthRights School – Mekong	33,663
Amazon Campaign	4,535
Memorial Fund	<u>90,126</u>
	<u>\$ 464,603</u>

Note K – Retirement Plan

ERI maintained a defined contribution 403(b) plan covering substantially all full time employees. Under the plan, ERI may, at its discretion, make matching contributions as a percentage of employee contributions. There were no matching contributions for the year ended January 31, 2009.

As of December 31, 2008, the above plan was terminated and a Simple IRA retirement plan was established. This plan covers substantially all full time employees. The organization contributes 2% of each employee's salary.