

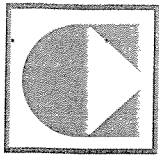
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

EARTHRIGHTS INTERNATIONAL, INC.

January 31, 2011

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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, 2011, 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, 2011, 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.

June 8, 2011

Douglas Corey & Associates, P.C.

EarthRights International, Inc.

Balance Sheet

January 31, 2011

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

Assets

Current Assets

Cash	\$ 1,512,111
Certificates of deposit	1,865,000
Pledges receivable	1,038,520
Other receivables	5,864
Escrow - litigation fund	100,000
Prepaid expenses	<u>3,679</u>

Total current assets 4,525,174

Property and equipment, net of
accumulated depreciation of \$73,904 29,097

Other Assets

Investment in marketable equity securities	103,979
Deposits	<u>5,960</u>

109,939

\$ 4,664,210

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 12,044
Accrued vacation	<u>63,165</u>

Total current liabilities 75,209

Net Assets

Unrestricted	1,060,804
Board designated	2,048,719
Temporarily restricted	<u>1,479,478</u>

Total net assets 4,589,001

EarthRights International, Inc.
Statement of Activities
For the year ended January 31, 2011

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

	Unrestricted			Total
	Unrestricted	Board Designated	Temporarily Restricted	Total
Revenues and Other Support:				
Foundation contributions	\$ 535,082	\$ -	\$ 1,792,184	\$ 2,327,266
Gifts from individuals	61,284	-	100,000	161,284
Non-cash contributions	13,436	-	-	13,436
In-kind contributions	4,247	-	-	4,247
Interest and dividends	8,117	-	1,483	9,600
Gain (loss) on securities	(151)	-	-	(151)
Gain (loss) on fixed assets	(331)	-	-	(331)
Unrealized gain (loss) on securities	-	-	13,159	13,159
Reimbursements	27,064	-	-	27,064
Miscellaneous	42	-	-	42
Net assets released from restrictions:				
Satisfaction of program restrictions	918,273	-	(918,273)	-
Total Revenues and Other Support	1,567,063	-	988,553	2,555,616
Expenses:				
Program expenses				
Legal	403,090	-	-	403,090
Campaigns	238,786	-	-	238,786
Training	405,489	-	-	405,489
International Cross-cutting	438,406	-	-	438,406
Management and general Development	134,768	-	-	134,768
	121,112	-	-	121,112
Total Expenses	1,741,651	-	-	1,741,651
Change in Net Assets	(174,588)	-	988,553	813,965
Net Assets, beginning of year	1,235,392	2,048,719	490,925	3,775,036
Net Assets, end of year	\$ 1,060,804	\$ 2,048,719	\$ 1,479,478	\$ 4,589,001

EarthRights International, Inc.
Statement of Cash Flows
For the year ended January 31, 2011
(See Independent Auditor's Report and notes to financial statements)

Cash flows from operating activities:	
Change in net assets	\$ 813,965
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	11,672
Net unrealized gain on securities	(13,159)
Realized loss on sale of securities	151
Realized loss on disposition of fixed assets	331
Non-cash contributions	(17,683)
(Increase) decrease in pledges receivable	(863,520)
(Increase) decrease in other receivables	53,550
(Increase) decrease in prepaid expense	834
Increase (decrease) in accounts payable	417
Increase (decrease) in accrued vacation	<u>63,165</u>
Net cash provided by operating activities	49,723
Cash flows from investing activities:	
Purchase of fixed assets	(4,588)
Proceeds from sale of securities and matured certificates of deposit	2,479,285
Purchase of marketable securities and certificates of deposit	<u>(4,347,359)</u>
Net cash provided by investing activities	<u>(1,872,662)</u>
Net decrease in cash and cash equivalents	(1,822,939)
Cash, beginning of year	<u>3,335,050</u>
Cash, end of year	<u>\$ 1,512,111</u>

Supplemental disclosures:

During the year the Organization had the following noncash transactions:

Net unrealized gain on marketable equity securities and corresponding adjustment of securities to fair market value	<u>\$ 13,159</u>
In-kind contributions of goods and services and corresponding expenses	<u>\$ 4,247</u>
Non-cash contribution of stock	<u>\$ 13,436</u>

Cash paid during the year for:

Income taxes	<u>\$ -</u>
Interest expense	<u>\$ 109</u>

EarthRights International, Inc.
Statement of Functional Expenses
For the year ended January 31, 2011
(See Independent Auditor's Report and notes to financial statements)

	Program Services				Supporting Services				Total Expenses
	Legal	Advocacy & Campaigns	Training	International Cross-cutting	Total Program Services	Management and General	Development	Total Supporting Services	
International									
Salaries	\$ -	\$ 810	\$ -	\$ 303,105	\$ 303,915	\$ 52,501	\$ 93,393	\$ 145,894	\$ 449,809
Payroll taxes	-	76	-	19,323	19,399	4,312	7,449	11,761	31,160
Employee benefits	-	-	-	19,541	19,541	3,417	8,360	11,777	31,318
Consultants	-	-	-	17,935	17,935	3,452	-	3,452	21,387
Accounting	-	-	-	-	-	24,839	-	24,839	24,839
Outside services	-	-	-	-	-	2,468	-	2,468	2,468
Board expenses	-	175	-	-	375	11,895	-	11,895	12,270
Bank service charges	-	7	1,070	395	1,472	1,494	-	1,494	2,966
Interest	-	-	-	-	-	109	-	109	109
Overhead	-	-	-	1,093	1,093	290	-	290	1,383
Currency fluctuation	-	(281)	-	-	(281)	-	-	-	(281)
Rent/utilities	-	-	-	20,100	20,100	6,767	6,699	13,466	33,566
Office supplies and expense	377	-	-	1,301	1,678	93	252	345	2,023
Insurance	-	-	-	-	-	3,472	-	3,472	3,472
Depreciation	809	-	-	-	809	-	-	-	809
Fundraising - direct	-	-	-	-	-	-	582	582	582
Communications	868	413	2	5,438	6,721	526	377	903	7,624
Direct mail	-	-	-	-	-	-	1,596	1,596	1,596
Outreach/conferences	-	-	-	189	189	-	-	-	189
Travel	1,964	-	-	12,099	14,063	3,325	179	3,504	17,567
Publications	-	-	-	9,348	9,348	31	357	388	9,736
Trainings/grants	-	-	-	781	781	241	-	241	1,022
Planning	-	206	-	12,322	12,528	103	-	103	12,631
Staff development and fees	50	-	-	2,038	2,088	769	18	787	2,875
	<u>4,068</u>	<u>1,606</u>	<u>1,072</u>	<u>425,008</u>	<u>431,754</u>	<u>120,104</u>	<u>119,262</u>	<u>239,366</u>	<u>671,120</u>
United States									
Salaries	233,395	86,768	-	-	320,163	-	-	-	320,163
Payroll taxes	18,706	6,763	-	-	25,469	-	-	-	25,469
Employee benefits	11,506	4,951	-	-	16,457	-	-	-	16,457
Consultants	263	197	-	-	460	-	-	-	460
Bank fees	-	2	-	-	2	46	-	46	48
Overhead	-	75	-	-	75	309	-	309	384
Rent/utilities	20,100	13,400	-	-	33,500	-	-	-	33,500
Office supplies and expense	1,318	487	-	943	2,748	1,466	5	1,471	4,219
Insurance	-	-	-	-	-	4,653	-	4,653	4,653
Depreciation	-	-	-	4,068	4,068	1,548	29	1,577	5,645
Fundraising - direct	-	-	-	-	-	-	121	121	121
Communications	3,721	1,862	-	1,296	6,879	977	693	1,670	8,549
Fieldwork/research	1,364	-	-	-	1,364	-	-	-	1,364
Litigation	12,541	-	-	-	12,541	-	-	-	12,541
Outreach/conferences	100	1,000	-	-	1,100	-	-	-	1,100
Travel	17,560	3,827	-	1,763	23,150	-	-	-	23,150
Publications	3,067	2,167	-	864	6,098	403	-	403	6,501
Trainings	-	-	-	100	100	-	-	-	100
Planning	475	817	-	1,459	2,451	945	97	1,042	3,493
Staff development and fees	1,874	-	-	55	1,929	-	-	-	1,929
Interns/volunteers	-	98	-	-	98	-	-	-	98
	<u>325,990</u>	<u>122,414</u>	<u>-</u>	<u>10,248</u>	<u>458,652</u>	<u>10,347</u>	<u>945</u>	<u>11,292</u>	<u>469,944</u>
SE Asia									
Salaries	24,862	41,546	117,391	-	183,799	-	-	-	183,799
Payroll taxes	1,209	2,281	3,377	-	6,867	-	-	-	6,867
Employee benefits	2,397	11,486	25,765	-	39,648	-	-	-	39,648
Consultants	103	10,661	14,233	-	24,997	16	-	16	25,013
Bank fees	-	26	20	2	48	-	-	-	48
Overhead	6	7	83	-	96	-	-	-	96
Currency fluctuation	-	(1,689)	(5,467)	-	(5,156)	-	-	-	(5,156)
Rent/utilities	2,422	4,379	31,537	-	38,338	30	-	30	38,368
Office supplies and expense	3,090	4,113	11,605	375	19,183	807	-	807	19,990
Depreciation	-	2,262	2,956	-	5,218	-	-	-	5,218
Fundraising - direct	-	-	-	-	-	-	905	905	905
Communications	2,002	1,460	4,039	65	7,566	367	-	367	7,933
Fieldwork/research	-	17,252	6,060	-	23,312	-	-	-	23,312
Outreach/conferences	52	634	145	165	996	-	-	-	996
Travel	11,676	12,898	13,882	1,334	39,790	2,745	-	2,745	42,535
Staff Visa runs	664	2,672	3,041	965	7,342	-	-	-	7,342
Publications	22	3,085	2,057	-	5,164	-	-	-	5,164
Trainings	23,708	23	132,779	-	156,510	-	-	-	156,510
Planning	519	671	2,469	244	3,903	352	-	352	4,255
Staff development and fees	300	362	247	-	909	-	-	-	909
Interns/volunteers	-	637	774	-	1,411	-	-	-	1,411
Legal fees	-	-	606	-	606	-	-	-	606
Grants	-	-	34,818	-	34,818	-	-	-	34,818
	<u>73,032</u>	<u>114,766</u>	<u>404,417</u>	<u>3,150</u>	<u>595,365</u>	<u>4,517</u>	<u>905</u>	<u>5,222</u>	<u>600,587</u>
	<u>\$ 403,090</u>	<u>\$ 238,786</u>	<u>\$ 405,489</u>	<u>\$ 438,406</u>	<u>\$ 1,485,771</u>	<u>\$ 134,768</u>	<u>\$ 121,112</u>	<u>\$ 255,880</u>	<u>\$ 1,741,651</u>

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(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, Union Carbide/Dow Chemical, Occidental Petroleum, and Chiquita, 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". ERI pursues this work in various national and international fora, such as with the OECD and UN bodies.

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 our 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. 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 for the Mekong region,

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(See Independent Auditor's Report)

Note A - Nature of Organization, continued

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.

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

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 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, 2011, 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 \$1,993,552 for use for litigation, litigation support, Burma programs and organizational reserves.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

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.

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. 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.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

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.

8. Income Taxes

ERI is exempt from income taxes on all activities directly related to its exempt purpose under the Internal Revenue Service Code Section 501(c)(3). The Organization is liable for income taxes on unrelated business income. There was no taxable net unrelated business income for the year ended January 31, 2011. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization evaluated its tax positions and determined it has no uncertain tax positions as of January 31, 2011. The Organization's 2007 through 2010 tax years are open for examination by federal taxing authorities.

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 - Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 8, 2011, the date that the financial statements were available to be issued.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(See Independent Auditor's Report)

Note D – 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	<u>\$ 90,820</u>	<u>\$103,979</u>	<u>\$ 13,159</u>

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

Interest and dividends	<u>\$9,600</u>
Proceeds from sale of securities and certificates of deposit	\$2,479,285
Cost basis	<u>2,479,436</u>
Realized loss on sale of securities	<u>\$ (151)</u>

Note E – Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. At January 31, 2011, pledges receivable totaled \$1,038,520. Management believes that amounts will be received when due, therefore no allowance for uncollectible pledges receivable has been provided. Pledges receivable that relate to unrestricted contributions are part of temporarily restricted net assets until they are received. Pledges receivable that relate to otherwise temporarily restricted contributions are part of temporarily restricted net assets until the original restriction is satisfied.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(See Independent Auditor's Report)

Note F – Property and Equipment

Property and equipment are as follows:

Computer equipment	\$50,036
Computer software	24,923
Other property	<u>28,042</u>
	103,001
Accumulated depreciation	<u>(73,904)</u>
Net book value	<u>\$29,097</u>

Depreciation expense for the year ended January 31, 2011 is \$11,672.

Note G – 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 \$103,257 for the year ended January 31, 2011.

In June 2008, the Organization entered into an operating lease for a copier. The lease expires in June 2013.

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

January 31, 2012	\$ 70,772
January 31, 2013	24,192
January 31, 2014	<u>735</u>
	<u>\$95,699</u>

Note H – Major Support

Contributions recorded from one source comprised 11% of total revenue and support for the year ended January 31, 2011. The total amount of this contribution was part of pledges receivable as of January 31, 2011.

EarthRights International, Inc.
Notes to Financial Statements
January 31, 2011
(See Independent Auditor's Report)

Note I – Concentration of Credit Risk – Cash Deposits

Total cash held by ERI at January 31, 2011 includes amounts on deposit 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.

Note J – 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 \$4,247 were recorded for the year ended January 31, 2011.

Contributions of donated non-cash assets are recorded at their fair market values in the period received. For the year ended January 31, 2011, ERI received stock with a fair value of \$13,436.

Note K – Temporarily Restricted Net Assets

Temporarily restricted net assets at January 31, 2011 were available for the following purposes:

Periods after January 31, 2011	1,038,520
Campaigns - ACTA	24,995
Burma Alumni Program	35,006
Litigation - revolving	100,000
EarthRights School – Mekong	61,257
Burma Campus	20,000
ICAR	86,139
Memorial Fund	<u>113,561</u>
	<u>\$1,479,478</u>

Note L – Retirement Plan

ERI maintains a Simple IRA retirement plan. This plan covers substantially all full time employees in the United States. The organization contributes 2% of each employee's salary. ERI's expense for the year ended January 31, 2011 totaled \$13,986.