

## **COMBINED FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2014**

**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. and the Foundation for Culture and Environment in Southeast Asia, collectively ERI, which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of ERI as of December 31, 2015, and the combined change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We have previously audited ERI's 2014 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 27, 2015. In our opinion, the summarized comparative information presented herein as of December 31, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

May 13, 2016

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

## ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,457,160	\$ 4,082,217
Escrow - litigation fund	97,317	77,247
Accounts receivable	43,584	36,684
Advances to field offices	59,357	37,162
Loans receivable	-	63,193
Grants receivable	2,678,796	990,745
Prepaid expenses	<u>52,395</u>	<u>52,597</u>
Total current assets	<u>5,388,609</u>	<u>5,339,845</u>
<b>FIXED ASSETS</b>		
Land	220,544	220,544
Improvements	11,938	11,650
Buildings	222,052	-
Property and equipment	<u>74,030</u>	<u>133,722</u>
	528,564	365,916
Less: Accumulated depreciation and amortization	<u>(48,399)</u>	<u>(108,939)</u>
Net fixed assets	<u>480,165</u>	<u>256,977</u>
<b>OTHER ASSETS</b>		
Deposits	5,960	5,960
Investments, long-term (Note 2)	<u>1,993,836</u>	<u>130,880</u>
Total other assets	<u>1,999,796</u>	<u>136,840</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,868,570</u></b>	<b><u>\$ 5,733,662</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 47,955	\$ 12,235
Accrued salaries and related benefits	<u>112,917</u>	<u>86,795</u>
Total current liabilities	<u>160,872</u>	<u>99,030</u>
<b>NET ASSETS</b>		
Unrestricted:		
Operating	1,991,124	2,212,607
Board designated (Note 3)	<u>900,000</u>	<u>900,000</u>
Total unrestricted	2,891,124	3,112,607
Temporarily restricted (Note 4)	<u>4,816,574</u>	<u>2,522,025</u>
Total net assets	<u>7,707,698</u>	<u>5,634,632</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,868,570</u></b>	<b><u>\$ 5,733,662</u></b>

See accompanying notes to combined financial statements.

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>					<u>2014</u>
	<u>Unrestricted</u>			<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
	<u>Operating</u>	<u>Board Designated</u>	<u>Total Unrestricted</u>			
<b>REVENUE</b>						
Contributions	\$ 120,771	\$ -	\$ 120,771	\$ 189,500	\$ 310,271	\$ 285,442
Foundation grants	239,571	-	239,571	4,380,372	4,619,943	1,809,397
Investment income (Note 2)	50,293	-	50,293	(1,020)	49,273	10,288
Rental income (Note 5)	-	-	-	-	-	1,500
Other revenue	78,314	-	78,314	-	78,314	(966)
Net assets released from donor restrictions (Note 4)	<u>2,274,303</u>	<u>-</u>	<u>2,274,303</u>	<u>(2,274,303)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,763,252</u>	<u>-</u>	<u>2,763,252</u>	<u>2,294,549</u>	<u>5,057,801</u>	<u>2,105,661</u>
<b>EXPENSES</b>						
Program Services:						
Legal	1,339,200	-	1,339,200	-	1,339,200	1,206,845
Advocacy and Campaigns	279,686	-	279,686	-	279,686	252,511
ER Schools and Training	265,868	-	265,868	-	265,868	292,148
International Cross-Cutting	<u>465,969</u>	<u>-</u>	<u>465,969</u>	<u>-</u>	<u>465,969</u>	<u>710,260</u>
Total program services	<u>2,350,723</u>	<u>-</u>	<u>2,350,723</u>	<u>-</u>	<u>2,350,723</u>	<u>2,461,764</u>
Supporting Services:						
Management and General Development	300,677	-	300,677	-	300,677	197,135
	<u>333,335</u>	<u>-</u>	<u>333,335</u>	<u>-</u>	<u>333,335</u>	<u>201,060</u>
Total supporting services	<u>634,012</u>	<u>-</u>	<u>634,012</u>	<u>-</u>	<u>634,012</u>	<u>398,195</u>
Total expenses	<u>2,984,735</u>	<u>-</u>	<u>2,984,735</u>	<u>-</u>	<u>2,984,735</u>	<u>2,859,959</u>
Change in net assets	(221,483)	-	(221,483)	2,294,549	2,073,066	(754,298)
Net assets at beginning of year	<u>2,212,607</u>	<u>900,000</u>	<u>3,112,607</u>	<u>2,522,025</u>	<u>5,634,632</u>	<u>6,388,930</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,991,124</u></b>	<b><u>\$ 900,000</u></b>	<b><u>\$ 2,891,124</u></b>	<b><u>\$ 4,816,574</u></b>	<b><u>\$ 7,707,698</u></b>	<b><u>\$ 5,634,632</u></b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<b>2015</b>				
	<b>Program Services</b>				
	<b>Legal</b>	<b>Advocacy and Campaigns</b>	<b>ER Schools and Training</b>	<b>International Cross-Cutting</b>	<b>Total Program Services</b>
Salaries and fringe benefits (Note 6)	\$ 802,434	\$ 123,884	\$ 99,876	\$ 363,361	\$ 1,389,555
Interns and volunteers	3,250	2,205	16,185	1,820	23,460
Fellowships	72,843	2,198	-	-	75,041
Professional/consulting fees	149,843	17,195	15,475	8,932	191,445
Rent and utilities (Note 5)	74,335	24,811	17,331	34,893	151,370
Telephone and Internet	8,959	4,538	2,143	10,044	25,684
Office supplies and expenses	16,398	10,405	6,807	11,673	45,283
Travel	179,158	84,810	96,429	31,149	391,546
Outreach and conferences	1,064	345	-	1,050	2,459
Insurance	-	-	-	-	-
Banking, financial services and currency fluctuation	890	2,710	4,990	-	8,590
Depreciation and amortization	1,957	883	605	1,891	5,336
Subscription/reference material	7,604	2,567	76	378	10,625
Program planning	2,093	1,657	4,702	582	9,034
Grants	5,000	-	-	-	5,000
Board expense	465	-	-	-	465
Other	12,907	1,478	1,249	196	15,830
<b>TOTAL</b>	<b>\$ 1,339,200</b>	<b>\$ 279,686</b>	<b>\$ 265,868</b>	<b>\$ 465,969</b>	<b>\$ 2,350,723</b>

<b>2014</b>				
<b>Supporting Services</b>				
<b>Management and General</b>	<b>Development</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
\$ 214,632	\$ 240,291	\$ 454,923	\$ 1,844,478	\$ 1,705,039
-	-	-	23,460	23,735
-	-	-	75,041	44,110
33,365	29,624	62,989	254,434	257,062
18,444	16,794	35,238	186,608	199,483
4,793	5,226	10,019	35,703	34,291
11,881	1,837	13,718	59,001	66,393
10,930	688	11,618	403,164	425,046
660	-	660	3,119	5,274
-	7,264	7,264	7,264	6,238
513	3,908	4,421	13,011	(12,739)
153	3,749	3,902	9,238	9,281
79	-	79	10,704	10,580
463	997	1,460	10,494	14,284
-	-	-	5,000	30,375
64	21,457	21,521	21,986	25,230
4,700	1,500	6,200	22,030	16,277
<b>\$ 300,677</b>	<b>\$ 333,335</b>	<b>\$ 634,012</b>	<b>\$ 2,984,735</b>	<b>\$ 2,859,959</b>

## EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,073,066	\$ (754,298)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	9,238	9,281
Unrealized (gain) loss on investments	(26,987)	4,595
Realized loss on investments	8,894	895
(Increase) decrease in:		
Accounts receivable	(6,900)	32,378
Advances to field offices	(22,195)	46,865
Loans receivable	63,193	(63,193)
Grants receivable	(1,688,051)	412,135
Prepaid expenses	202	(43,740)
Increase (decrease) in:		
Accounts payable and accrued liabilities	35,720	(359)
Accrued salaries and related benefits	26,122	(14,164)
Grants payable	-	(60,000)
Plaintiff settlement payable	-	(100,000)
Net cash provided (used) by operating activities	<u>472,302</u>	<u>(529,605)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets and improvements	(232,426)	(16,925)
Purchase of investments	(1,941,938)	(28,190)
Proceeds from sale of investments	<u>97,075</u>	<u>18,972</u>
Net cash used by investing activities	<u>(2,077,289)</u>	<u>(26,143)</u>
Net decrease in cash and cash equivalents	(1,604,987)	(555,748)
Cash and cash equivalents at beginning of year, including escrow-litigation fund	<u>4,159,464</u>	<u>4,715,212</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING ESCROW-LITIGATION FUND</b>	<b>\$ 2,554,477</b>	<b>\$ 4,159,464</b>
<b>SCHEDULE OF NONCASH FINANCING TRANSACTIONS</b>		
<b>Donated Securities</b>	<b>\$ 10,084</b>	<b>\$ 5,114</b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

Organization -

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

The accompanying combined financial statements also includes the Foundation for Culture and Environment in Southeast Asia (the Foundation). The Foundation was established to afford ERI the legal capacity to hold title to land in Thailand, which it does, and nominatively assist in acquiring visas and other support functions for ERI staff based in Asia. The Foundation enters into limited financial activity with oversight by ERI.

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

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

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

**ER Schools and Training** - ERI's Training program equips the current and next generations of grassroots human rights and environmental defenders with the necessary skills to defend human rights and protect natural resources from harmful and unsustainable development. At ERI's EarthRights Schools, local leaders develop the experience and knowledge they need to work at the community level and to advocate nationally and internationally on behalf of their own communities. ERI currently has EarthRights Schools for Myanmar and for the Mekong region, which brings together persons from the six countries of the Mekong watershed, and focuses on sustainable water resource management and oversight of projects funded by international financial institutions. ERI conducts training for local leaders and legal advocates in the Amazon and Asia, and provides support for the alumni of its schools in these regions. In 2009, ERI launched the Mekong Legal Advocacy Institute, to provide training for lawyers in the Mekong region, and sustaining the Mekong Legal network for these lawyers.

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

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

Cash and cash equivalents -

ERI considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ERI maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Combined Statement of Activities and Change in Net Assets.

Accounts and grants receivable -

Accounts, loans and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, no allowance for doubtful accounts has been established.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Improvements are amortized over the remaining life of the related improvements, generally three to five years.

Income taxes -

ERI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC). Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. ERI is also classified as a private foundation in accordance with Section 509(a)2 of the IRC.

Uncertain tax positions -

For the year ended December 31, 2015, ERI has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

EARTHRIGHTS INTERNATIONAL, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Net asset classification -

The net assets are reported in two groups as follows:

- **Unrestricted net assets** include earned revenue and contributions and grants received without donor-imposed restrictions. These net assets are available for the operation of ERI and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include contributions and grants subject to donor-imposed stipulations that will be met by the actions of ERI and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support as actual expenses are incurred in compliance with the donor-imposed restrictions or as time restrictions are satisfied.

Fair value measurement -

ERI adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. ERI accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

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.

Risks and uncertainties -

ERI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**2. INVESTMENTS AND FAIR VALUE**

In accordance with FASB ASC 820, *Fair Value Measurement*, ERI has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments consisted of the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Mutual funds - equities	\$ 1,408,664	\$ 108,259
Mutual funds - fixed income	585,172	22,621
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,993,836</b>	<b>\$ 130,880</b>

All of these investments are reported at fair value and classified as Level 1. Level 1 investments are investments where values are based on unadjusted quoted prices for identical assets in an active market that ERI has the ability to access. Included in investment income are the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Interest and dividends	\$ 31,180	\$ 15,778
Unrealized gain (loss)	26,987	(4,595)
Realized loss	(8,894)	(895)
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ 49,273</b>	<b>\$ 10,288</b>

**3. BOARD DESIGNATED NET ASSETS**

As of December 31, 2015 and 2014, net assets have been designated by the Board of Directors for the following purposes:

	<b>2015</b>	<b>2014</b>
Legal and Myanmar Programs and Organizational Reserve	\$ 600,000	\$ 600,000
Litigation Reserve	300,000	300,000
<b>TOTAL BOARD DESIGNATED NET ASSETS</b>	<b>\$ 900,000</b>	<b>\$ 900,000</b>

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Legal	\$ 2,662,634	\$ 1,016,583
Capital Campaign	893,580	528,008
Advocacy and Campaigns	913,967	391,365
ER Schools and Training	98,218	232,439
Time Restricted	248,175	353,630
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ 4,816,574</b>	<b>\$ 2,522,025</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:

	<b>2015</b>	<b>2014</b>
Legal	\$ 1,043,160	\$ 924,018
Capital Campaign	23,928	28,655
Advocacy and Campaigns	305,845	205,712
ER Schools and Training	363,416	199,990
International Cross-Cutting	201,582	211,563
Passage of Time	336,372	291,122
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ 2,274,303</b>	<b>\$ 1,861,060</b>

**5. LEASE COMMITMENTS**

On January 24, 2013, ERI signed a 37-month lease, commencing on May 1, 2013 and terminating on May 31, 2016. Base rent is \$103,158 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. ERI also maintains short-term operating leases on property in Thailand, Myanmar and Peru. Those leases expire within one year.

The following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

2016	\$ 114,505
2017	117,941
2018	121,479
2019	51,238
	<b>\$ 405,163</b>

Rent expense for the years ended December 31, 2015 and 2014 was \$179,444 and \$176,914, respectively.

**EARTHRIGHTS INTERNATIONAL, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**6. RETIREMENT PLAN**

ERI provides retirement benefits to its employees through a Simple IRA Plan. This plan covers all employees in the United States. ERI contributes 2% of gross wages. Contributions to the plan for the years ended December 31, 2015 and 2014 totaled \$23,416 and \$20,344, respectively.

**7. SUBSEQUENT EVENTS**

In preparing these combined financial statements, ERI has evaluated events and transactions for potential recognition or disclosure through May 13, 2016, the date the combined financial statements were available to be issued.