

COMBINED FINANCIAL STATEMENTS



FOR THE YEARS ENDED
JANUARY 31, 2013 AND 2012

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 statements of financial position as of January 31, 2013 and 2012, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years 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 ERI as of January 31, 2013 and 2012, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

Bethesda, Maryland
October 1, 2013

EARTHRIGHTS INTERNATIONAL, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JANUARY 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,138,374	\$ 2,951,260
Certificate of deposit (Note 2)	-	250,000
Escrow - litigation fund	100,000	100,000
Accounts receivable	1,045	13,466
Advances to field offices	100,655	77,862
Pledges receivable	730,000	1,180,558
Prepaid expenses	<u>4,934</u>	<u>4,074</u>
Total current assets	<u>4,075,008</u>	<u>4,577,220</u>
FIXED ASSETS		
Land	198,273	194,408
Property and equipment	<u>108,049</u>	<u>101,787</u>
	306,322	296,195
Less: Accumulated depreciation and amortization	<u>(88,128)</u>	<u>(77,156)</u>
Net fixed assets	<u>218,194</u>	<u>219,039</u>
OTHER ASSETS		
Deposits	5,960	5,960
Investments, long-term (Note 2)	<u>97,742</u>	<u>89,619</u>
Total other assets	<u>103,702</u>	<u>95,579</u>
TOTAL ASSETS	<u>\$ 4,396,904</u>	<u>\$ 4,891,838</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 24,806	\$ 28,884
Accrued salaries and related benefits	62,460	81,288
Fiscal sponsorship	<u>-</u>	<u>18,932</u>
Total current liabilities	<u>87,266</u>	<u>129,104</u>
NET ASSETS		
Unrestricted:		
Unrestricted	576,022	1,085,955
Board designated (Note 3)	<u>2,048,719</u>	<u>2,048,719</u>
Total unrestricted	2,624,741	3,134,674
Temporarily restricted (Note 4)	<u>1,684,897</u>	<u>1,628,060</u>
Total net assets	<u>4,309,638</u>	<u>4,762,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,396,904</u>	<u>\$ 4,891,838</u>

See accompanying notes to combined financial statements.

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JANUARY 31, 2013 AND 2012**

	2013		
	Unrestricted	Temporarily Restricted	Total
REVENUE			
Contributions	\$ 111,953	\$ 338,000	\$ 449,953
Foundation grants	53,116	1,450,238	1,503,354
Investment income (Note 2)	11,900	-	11,900
Contributed services and materials	-	-	-
Other revenue	5,893	-	5,893
Donor tour	2,190	-	2,190
Loss on fixed assets	-	-	-
Net assets released from donor restrictions (Note 4)	<u>1,731,401</u>	<u>(1,731,401)</u>	<u>-</u>
Total revenue	<u>1,916,453</u>	<u>56,837</u>	<u>1,973,290</u>
EXPENSES			
Program Services:			
Legal	714,761	-	714,761
Advocacy and Campaigns	180,006	-	180,006
ER Schools and Training	451,348	-	451,348
International Cross-Cutting	<u>752,778</u>	<u>-</u>	<u>752,778</u>
Total program services	<u>2,098,893</u>	<u>-</u>	<u>2,098,893</u>
Supporting Services:			
Management and General	159,911	-	159,911
Development	<u>167,582</u>	<u>-</u>	<u>167,582</u>
Total supporting services	<u>327,493</u>	<u>-</u>	<u>327,493</u>
Total expenses	<u>2,426,386</u>	<u>-</u>	<u>2,426,386</u>
Changes in net assets	(509,933)	56,837	(453,096)
Net assets at beginning of year	<u>3,134,674</u>	<u>1,628,060</u>	<u>4,762,734</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,624,741</u>	<u>\$ 1,684,897</u>	<u>\$ 4,309,638</u>

See accompanying notes to combined financial statements.

2012		
Unrestricted	Temporarily Restricted	Total
\$ 133,829	\$ 204,268	\$ 338,097
392,510	1,494,074	1,886,584
8,385	(6,514)	1,871
10,001	-	10,001
3,361	-	3,361
18,878	-	18,878
(1,096)	-	(1,096)
<u>1,543,246</u>	<u>(1,543,246)</u>	<u>-</u>
<u>2,109,114</u>	<u>148,582</u>	<u>2,257,696</u>
566,901	-	566,901
330,654	-	330,654
487,021	-	487,021
<u>357,330</u>	<u>-</u>	<u>357,330</u>
<u>1,741,906</u>	<u>-</u>	<u>1,741,906</u>
162,602	-	162,602
<u>179,455</u>	<u>-</u>	<u>179,455</u>
<u>342,057</u>	<u>-</u>	<u>342,057</u>
<u>2,083,963</u>	<u>-</u>	<u>2,083,963</u>
25,151	148,582	173,733
<u>3,109,523</u>	<u>1,479,478</u>	<u>4,589,001</u>
<u>\$ 3,134,674</u>	<u>\$ 1,628,060</u>	<u>\$ 4,762,734</u>

See accompanying notes to combined financial statements.

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2013**

	Program Services				
	Legal	Advocacy and Campaigns	ER Schools and Training	International Cross-Cutting	Total Program Services
Grants	\$ 1,000	\$ -	\$ 47,491	\$ 75,000	\$ 123,491
Compensation (Note 6)	398,178	92,225	159,267	379,246	1,028,916
Payroll taxes	21,871	4,855	2,999	26,893	56,618
Fees for service	50,816	9,144	8,174	137,026	205,160
Development and outreach	2,375	140	6,833	10,007	19,355
Office and organizational expense	17,133	2,491	6,160	18,029	43,813
Occupancy (Note 5)	37,050	2,575	35,298	29,961	104,884
Travel	67,995	19,665	14,313	64,656	166,629
Interest and banking fees	4	81	305	1,435	1,825
Depreciation and amortization	777	1,942	1,791	344	4,854
Insurance	-	-	-	-	-
Other program costs	117,562	46,888	168,717	10,181	343,348
TOTAL	\$ 714,761	\$ 180,006	\$ 451,348	\$ 752,778	\$ 2,098,893

See accompanying notes to combined financial statements.

Supporting Services			
Management and General	Development	Total Supporting Services	Total Expenses
\$ -	\$ -	\$ -	\$ 123,491
57,431	133,790	191,221	1,220,137
4,240	9,570	13,810	70,428
27,727	-	27,727	232,887
5,440	10,877	16,317	35,672
29,460	4,092	33,552	77,365
10,382	5,192	15,574	120,458
6,613	4,061	10,674	177,303
2,119	-	2,119	3,944
6,118	-	6,118	10,972
10,381	-	10,381	10,381
-	-	-	343,348
\$ 159,911	\$ 167,582	\$ 327,493	\$ 2,426,386

EARTHRIGHTS INTERNATIONAL, INC.

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2012**

	Program Services				
	Legal	Advocacy and Campaigns	ER Schools and Training	International Cross-Cutting	Total Program Services
Grants	\$ 12,608	\$ 10,838	\$ 1,890	\$ 53	\$ 25,389
Compensation (Note 6)	310,246	213,160	170,108	259,118	952,632
Payroll taxes	19,317	13,736	4,331	19,309	56,693
Fees for service	28,082	9,182	41,392	9,170	87,826
Development and outreach	-	1,737	7,254	191	9,182
Office and organizational expense	12,374	13,962	185,683	14,266	226,285
Occupancy (Note 5)	28,470	13,464	(1,481)	17,392	57,845
Travel	68,991	20,576	1,073	27,532	118,172
Interest and banking fees	311	183	1,203	19	1,716
Depreciation and amortization	749	1,780	2,681	5,139	10,349
Insurance	4,475	2,217	21,884	180	28,756
Other program costs	81,278	29,819	51,003	4,961	167,061
TOTAL	\$ 566,901	\$ 330,654	\$ 487,021	\$ 357,330	\$ 1,741,906

See accompanying notes to combined financial statements.

Supporting Services			
Management and General	Development	Total Supporting Services	Total Expenses
\$ 950	\$ -	\$ 950	\$ 26,339
55,552	124,722	180,274	1,132,906
3,872	8,987	12,859	69,552
37,322	43	37,365	125,191
89	6,876	6,965	16,147
34,270	1,617	35,887	262,172
7,538	5,733	13,271	71,116
5,548	5,744	11,292	129,464
3,340	-	3,340	5,056
1,366	-	1,366	11,715
10,368	-	10,368	39,124
2,387	25,733	28,120	195,181
\$ 162,602	\$ 179,455	\$ 342,057	\$ 2,083,963

EARTHRIGHTS INTERNATIONAL, INC.

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (453,096)	\$ 173,733
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	10,972	11,715
Unrealized gain	(7,177)	-
Realized loss	-	8,055
Loss on fixed assets	-	1,096
(Increase) decrease in:		
Accounts receivable	12,421	(7,602)
Advances to field offices	(22,793)	(77,862)
Pledges receivable	450,558	(142,038)
Prepaid expenses	(860)	(395)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(4,078)	16,842
Accrued salaries and related benefits	(18,828)	18,123
Fiscal sponsorship	<u>(18,932)</u>	<u>18,932</u>
Net cash (used) provided by operating activities	<u>(51,813)</u>	<u>20,599</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(10,127)	(8,345)
Purchase of investments	(946)	(26,114)
Proceeds from sale of investments	250,000	1,898,807
Purchase of land	<u>-</u>	<u>(445,798)</u>
Net cash provided by investing activities	<u>238,927</u>	<u>1,418,550</u>
Net increase in cash and cash equivalents	187,114	1,439,149
Cash and cash equivalents at beginning of year	<u>2,951,260</u>	<u>1,512,111</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,138,374</u>	<u>\$ 2,951,260</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 104</u>	<u>\$ 365</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 5,008</u>	<u>\$ -</u>

See accompanying notes to combined financial statements.

EARTHRIGHTS INTERNATIONAL, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS JANUARY 31, 2013 AND 2012

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.

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 Burma 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 Program - 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.

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*.

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
JANUARY 31, 2013 AND 2012**

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

Basis of presentation (continued) -

The combined financial statements include the accounts of ERI and the Foundation, collectively referred to as "ERI". All significant intercompany transactions and balances have been eliminated in 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 Statements of Activities and Changes in Net Assets.

Accounts and pledges receivable -

Accounts and pledges 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. The cost of maintenance and repairs is recorded as expenses are incurred.

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 years currently under examination, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

EARTHRIGHTS INTERNATIONAL, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS JANUARY 31, 2013 AND 2012

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

Net asset classification -

The net assets are reported in three 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 Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by ERI. There were no permanently restricted net assets at January 31, 2013 and 2012.

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.

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 Statements of Activities and Changes 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.

2. INVESTMENTS AND FAIR VALUE

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

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
JANUARY 31, 2013 AND 2012**

2. INVESTMENTS AND FAIR VALUE (Continued)

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 January 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Certificates of deposit	\$ -	\$ 250,000
Mutual funds - equities	60,206	-
Mutual funds - fixed income	<u>37,536</u>	<u>-</u>
TOTAL INVESTMENTS	<u>\$ 97,742</u>	<u>\$ 250,000</u>

All of these investments are classified as Level 1 and reported at fair value, which reflects the price at which additional shares can be obtained.

Included in investment income are the following at January 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 4,805	\$ 9,929
Unrealized gain (loss)	7,177	(7,890)
Realized loss	<u>(82)</u>	<u>(168)</u>
TOTAL INVESTMENT INCOME	<u>\$ 11,900</u>	<u>\$ 1,871</u>

3. BOARD DESIGNATED NET ASSETS

As of January 31, 2013 and 2012, net assets have been designated by the Board of Directors for the following purposes:

	<u>2013</u>	<u>2012</u>
Emergency Fund	\$ 55,167	\$ 55,167
Legal and Burma Programs and Organizational Reserve	<u>1,993,552</u>	<u>1,993,552</u>
TOTAL BOARD DESIGNATED NET ASSETS	<u>\$ 2,048,719</u>	<u>\$ 2,048,719</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at January 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Legal	\$ 681,314	\$ 377,557
Advocacy and Campaigns	322,316	433,332
ER Schools and Training	266,341	171,553
Time Restricted	250,000	636,000
Capital Campaign	<u>164,926</u>	<u>9,618</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 1,684,897</u>	<u>\$ 1,628,060</u>

EARTHRIGHTS INTERNATIONAL, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
JANUARY 31, 2013 AND 2012**

4. TEMPORARILY RESTRICTED NET ASSETS

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>2013</u>	<u>2012</u>
Legal	\$ 275,152	\$ 287,562
Advocacy and Campaigns	663,296	200,901
ER Schools and Training	402,261	323,370
Capital Campaign	4,692	194,407
Passage of Time	<u>386,000</u>	<u>537,006</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,731,401</u>	<u>\$ 1,543,246</u>

5. LEASE COMMITMENTS

During the year ended January 31, 2013, ERI leased office space under a month-to-month lease. 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. Those leases expire within one year.

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

Year Ending January 31,

2014	\$ 98,029
2015	108,364
2016	111,492
2017	<u>37,512</u>
	<u>\$ 355,397</u>

Rent expense for the years ended January 31, 2013 and 2012 was \$120,458 and \$71,116, respectively.

6. RETIREMENT PLAN

ERI provides retirement benefits to its employees through a Simple IRA. This plan covers all employees in the United States. ERI contributes 2% percent of gross wages. Contributions to the plan during the years ended January 31, 2013 and 2012 totaled \$16,158 and \$16,062, respectively.

7. SUBSEQUENT EVENTS

In preparing these combined financial statements, ERI has evaluated events and transactions for potential recognition or disclosure through October 1, 2013, the date the combined financial statements were available to be issued.