

**Center for International
Environmental Law, Inc.**

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2011 AND 2010

WATKINS | MEEGAN

TABLE OF CONTENTS

| | <u>Page</u> |
|---------------------------------------------------|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 2 |
| Statements of Activities and Change in Net Assets | 3 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

Independent Auditors' Report

To the Board of Directors
Center for International Environmental Law, Inc.
Washington, DC

We have audited the accompanying statements of financial position of Center for International Environmental Law, Inc. (CIEL), as of June 30, 2011 and 2010, and the related statements of activities and change in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of CIEL's management. Our responsibility is to express an opinion on these 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 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 audits provide 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 Center for International Environmental Law, Inc., at June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



November 4, 2011
Bethesda, Maryland

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|-----------------------------------------------|---------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 669,988 | \$ 1,047,071 |
| Foundation Pledges Receivable, Current | 505,893 | 457,721 |
| Foreign Government Grants and Fees Receivable | 17,721 | - |
| Other Grants and Fees Receivable | 68,435 | 52,995 |
| Other Receivables | 5,152 | 641 |
| Prepaid Expense and Other Assets | 19,532 | 18,827 |
| | <u>1,286,721</u> | <u>1,577,255</u> |
| Total Current Assets | 1,286,721 | 1,577,255 |
| PROPERTY AND EQUIPMENT, Net | 55,193 | 68,221 |
| DEPOSIT | 20,446 | 19,666 |
| INVESTMENTS | 11,757 | 9,351 |
| | <u>\$ 1,374,117</u> | <u>\$ 1,674,493</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 44,869 | \$ 36,964 |
| Accrued Payroll Expenses | 31,863 | 57,822 |
| Deferred Revenue | 753 | 117,353 |
| Deferred Lease Liability | 116,493 | 106,369 |
| | <u>193,978</u> | <u>318,508</u> |
| Total Current Liabilities | 193,978 | 318,508 |
| NET ASSETS | | |
| Unrestricted | 249,261 | 361,346 |
| Temporarily Restricted | 930,878 | 994,639 |
| Total Net Assets | <u>1,180,139</u> | <u>1,355,985</u> |
| | <u>\$ 1,374,117</u> | <u>\$ 1,674,493</u> |

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

| | Year Ended June 30, 2011 | | |
|----------------------------------------|--------------------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total |
| REVENUE AND SUPPORT | | | |
| Foundation Grants and Fees | \$ 209,000 | \$ 1,562,367 | \$ 1,771,367 |
| U.S. Government Grants and Fees | 388 | 400 | 788 |
| Foreign Government Grants and Fees | - | 97,173 | 97,173 |
| Other Grants and Fees | 2,475 | 919,373 | 921,848 |
| Contributions | 53,308 | 223,921 | 277,229 |
| Investment Income | 7,301 | 184 | 7,485 |
| Other Income | 42,115 | - | 42,115 |
| Net Assets Released from Restrictions: | | | |
| Satisfaction of Grant Restrictions | 2,867,179 | (2,867,179) | - |
| Total Revenue and Support | 3,181,766 | (63,761) | 3,118,005 |
| EXPENSES | | | |
| Program Activities | | | |
| Climate Change | 486,169 | - | 486,169 |
| Chemicals | 964,679 | - | 964,679 |
| IPEN Secretariat | 354,698 | - | 354,698 |
| Biodiversity and Wildlife | 29,404 | - | 29,404 |
| Trade and Sustainable Development | 105,207 | - | 105,207 |
| International Financial Institutions | 377,273 | - | 377,273 |
| Human Rights | 275,215 | - | 275,215 |
| Law and Communities | 162,322 | - | 162,322 |
| Other Programs | 112,212 | - | 112,212 |
| Total Program Activities | 2,867,179 | - | 2,867,179 |
| Supporting Activities | | | |
| General and Administration | 244,319 | - | 244,319 |
| Fundraising | 182,353 | - | 182,353 |
| Total Supporting Activities | 426,672 | - | 426,672 |
| Total Expenses | 3,293,851 | - | 3,293,851 |
| CHANGE IN NET ASSETS | (112,085) | (63,761) | (175,846) |
| NET ASSETS, Beginning of Year | 361,346 | 994,639 | 1,355,985 |
| NET ASSETS, End of Year | \$ 249,261 | \$ 930,878 | \$ 1,180,139 |

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

| | Year Ended June 30, 2010 | | |
|----------------------------------------|--------------------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total |
| REVENUE AND SUPPORT | | | |
| Foundation Grants and Fees | \$ 19,000 | \$ 1,264,565 | \$ 1,283,565 |
| U.S. Government Grants and Fees | - | 200 | 200 |
| Foreign Government Grants and Fees | - | 41,503 | 41,503 |
| Other Grants and Fees | 1,088 | 543,412 | 544,500 |
| Contributions | 84,895 | 291,917 | 376,812 |
| Investment Income | 19,365 | 565 | 19,930 |
| Other Income | 16,298 | - | 16,298 |
| Net Assets Released from Restrictions: | | | |
| Satisfaction of Grant Restrictions | 2,441,589 | (2,441,589) | - |
| Total Revenue and Support | 2,582,235 | (299,427) | 2,282,808 |
| EXPENSES | | | |
| Program Activities | | | |
| Climate Change | 543,222 | - | 543,222 |
| Chemicals | 649,656 | - | 649,656 |
| IPEN Secretariat | 246,822 | - | 246,822 |
| Biodiversity and Wildlife | 8,465 | - | 8,465 |
| Trade and Sustainable Development | 296,087 | - | 296,087 |
| International Financial Institutions | 296,879 | - | 296,879 |
| Human Rights | 127,885 | - | 127,885 |
| Law and Communities | 85,853 | - | 85,853 |
| Other Programs | 186,720 | - | 186,720 |
| Total Program Activities | 2,441,589 | - | 2,441,589 |
| Supporting Activities | | | |
| General and Administration | 142,471 | - | 142,471 |
| Fundraising | 244,524 | - | 244,524 |
| Total Supporting Activities | 386,995 | - | 386,995 |
| Total Expenses | 2,828,584 | - | 2,828,584 |
| CHANGE IN NET ASSETS | (246,349) | (299,427) | (545,776) |
| NET ASSETS, Beginning of Year | 607,695 | 1,294,066 | 1,901,761 |
| NET ASSETS, End of Year | \$ 361,346 | \$ 994,639 | \$ 1,355,985 |

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

| | Year Ended June 30, | |
|-----------------------------------------------------------------------------------------|---------------------|--------------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (175,846) | \$ (545,776) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities: | | |
| Depreciation and Amortization | 17,062 | 19,271 |
| Unrealized Gain on Investments | (2,406) | (2,087) |
| Deferred Lease Liability | 10,124 | 15,648 |
| Change in: | | |
| Foundation Pledges Receivable | (48,172) | (240,199) |
| Foreign Government Grants and Fees Receivable | (17,721) | - |
| Other Grants and Fees Receivable | (15,440) | (12,989) |
| Other Receivables | (4,511) | 3,160 |
| Prepaid Expenses and Other Assets | (705) | 2,828 |
| Deposits | (780) | - |
| Accounts Payable | 7,905 | (11,424) |
| Accrued Payroll Expenses | (25,959) | 3,435 |
| Deferred Revenue | (116,600) | 49,232 |
| Net Cash Used in Operating Activities | (373,049) | (718,901) |
| CASH USED IN INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (4,034) | (4,164) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (377,083) | (723,065) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 1,047,071 | 1,770,136 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 669,988 | \$ 1,047,071 |

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Center for International Environmental Law, Inc. (CIEL), was founded in 1989 to bring the energy and experience of the public interest environmental law movement in the United States to the critical task of strengthening and developing foreign and comparative environmental law, policy, and management throughout the world.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, and, accordingly, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets of liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, CIEL considers cash in bank and all highly liquid debt instruments with an original maturity of one year or less to be cash equivalents.

Foundation Pledges, Grants, and Other Accounts Receivable

Foundation pledges and grants that are expected to be collected within one year are reflected as current pledges receivable and are recorded at their net realizable values in the period in which CIEL is notified by the Foundation of its commitment to make a contribution. Management considers all pledges and grants receivable to be fully collectible.

CIEL records trade and other grant receivables net of an allowance for doubtful accounts when necessary. The allowance is determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be worthless.

Property and Equipment

Furniture, equipment, and leasehold improvements are recorded at cost. Depreciation and amortization is computed using the straight-line method over three years for furniture and fixtures and computer equipment, and ten years for leasehold improvements. CIEL capitalizes acquisitions greater than \$500 with estimated useful lives of greater than one year.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of marketable securities and are recorded at fair value in accordance with the FASB Accounting Standard Codes (FASC) topic on *Fair Value Measurements and Disclosures*, as determined by quoted market prices in active markets for identical assets using level 1 inputs. Unrealized gains and losses are included in change in net assets on the accompanying statements of activities and change in net assets. Investment income includes interest and dividends and realized and unrealized appreciation and depreciation on investments. Donated investments are recorded at fair value on the date of receipt and recorded as contributions on the statements of activities and change in net assets.

Net Assets

In accordance with generally accepted accounting principles, net assets are classified into two categories: unrestricted and temporarily restricted. Unrestricted net assets are available for the general operations of CIEL, whereas temporarily restricted net assets arise from contributions, foundation and government grants of cash, or pledges which are subject to donor-imposed stipulations as to their use for specific programs conducted by CIEL.

Grants

Grants are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction is satisfied.

Certain contracts received under cost reimbursement arrangements are recorded as unrestricted revenue in the period the expenses are incurred.

Allocation of Expenses

Salaries and related costs and indirect costs are allocated between program, fundraising, and management and general classifications based upon the amount of effort within each activity.

The costs of providing the various programs and other activities have been summarized on a functional basis on the statements of activities and change in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited. During the years ended June 30, 2011 and 2010, indirect costs of \$780,190 and \$774,910, respectively, were recovered under the provisions of various restricted grants.

Income Taxes

CIEL is an organization described in Section 501(c)(3) of the Internal Revenue Code and has been classified as a charity under Section 509(a)(1). Revenue received by CIEL which is unrelated to its mission is considered to be unrelated business income. No unrelated business income was received during the years ended June 30, 2011 and 2010, and, accordingly, no income taxes are included in the accompanying financial statements. For tax years prior to 2007, CIEL is no longer subject to examination by the IRS and the tax jurisdiction of the District of Columbia.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

CIEL has evaluated events and transactions for potential recognition or disclosure through November 4, 2011, the date the financial statements were available to be issued. CIEL has determined no transactions are required to be recognized or disclosed in the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment includes:

| | June 30, | |
|-------------------------------------------|------------------|------------------|
| | 2011 | 2010 |
| Furniture and Computer Equipment | \$ 82,199 | \$ 85,766 |
| Leasehold Improvements | 58,920 | 58,920 |
| | 141,119 | 144,686 |
| Accumulated Depreciation and Amortization | (85,926) | (76,465) |
| | <u>\$ 55,193</u> | <u>\$ 68,221</u> |

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following programs at:

| | June 30, | |
|--------------------------------------|-------------------|-------------------|
| | 2011 | 2010 |
| Climate Change | \$ 219,264 | \$ 223,417 |
| Chemicals | 292,945 | 273,697 |
| Biodiversity and Wildlife | - | 29,082 |
| Trade and Sustainable Development | - | 18,753 |
| International Financial Institutions | 49,018 | 223,601 |
| Human Rights | 276,515 | 70,460 |
| Law and Communities | 82,737 | 129,129 |
| Emerging Opportunities Fund | 2,009 | 20,000 |
| General and Administrative | 8,390 | 6,500 |
| | <u>\$ 930,878</u> | <u>\$ 994,639</u> |

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished are as follows during the years ended:

| | June 30, | |
|--------------------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| Climate Change | \$ 486,169 | \$ 543,222 |
| Chemicals | 964,679 | 649,656 |
| IPEN Secretariat | 354,698 | 246,822 |
| Biodiversity and Wildlife | 29,404 | 8,465 |
| Trade and Sustainable Development | 105,207 | 296,087 |
| International Financial Institutions | 377,273 | 296,879 |
| Human Rights | 275,215 | 127,885 |
| Law and Communities | 162,322 | 85,853 |
| Other Programs | 41,457 | 149,205 |
| General and Administrative | 70,755 | 37,515 |
| | <u>\$ 2,867,179</u> | <u>\$ 2,441,589</u> |

NOTE 4 – OFFICE SPACE

In January of 2008, CIEL entered into a lease for office space in Washington, D.C., which expires July 2017. Base monthly rental payments are \$19,543 for the first year, and increase approximately 2.5 percent per year. As an incentive, the landlord abated the first two months of rent expense. The effects of the abated rent and scheduled rent increases are being recognized by CIEL on a straight-line basis over the life of the lease. The unrecognized portion of the abated rent and the rent increases are reflected as deferred rent expense (a liability) on the accompanying financial statements. CIEL reimburses the landlord for its share of operating costs and real estate taxes in excess of a base amount. Future minimum lease payments are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2012 | \$ 253,650 |
| 2013 | 266,620 |
| 2014 | 273,258 |
| 2015 | 280,077 |
| 2016 | 287,076 |
| Thereafter | <u>319,338</u> |
| | <u>\$ 1,680,019</u> |

CIEL also leases office space under separate month-to-month lease agreements in Geneva, Switzerland, and Berkeley, California.

The total cost of office space for the years ended June 30, 2011 and 2010, was \$291,797 and \$289,823, respectively.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE 4 – OFFICE SPACE (Continued)

During 2011, CIEL entered into or continued existing lease agreements with multiple unaffiliated organizations to sublease space on a month-to-month basis. As of June 30, 2011, three of CIEL's tenants remained, one of which terminated its agreement in July 2011. CIEL entered into a fourth sublease agreement with a new tenant covering the one-year period ending June 30, 2012. Total sublease revenue received for the years ended June 30, 2011 and 2010, was \$40,677 and \$15,732, respectively, which is included in other income on the statements of activities and change in net assets.

NOTE 5 – RETIREMENT PLAN

CIEL sponsors a money purchase, defined contribution retirement plan. All employees who have attained the age of 18 are eligible to participate after completing six months of service. The plan year is July 1 to June 30, and the required annual employer contribution is 5 percent of the total compensation paid to eligible employees. The contribution is allocated between eligible employees on the basis of their compensation. CIEL's pension contribution for the years ended June 30, 2011 and 2010, was \$66,266 and \$63,606, respectively.

NOTE 6 – CONTRIBUTED SERVICES

CIEL's primary form of contributed services is from legal interns. Where a measure of such services is estimable, CIEL has calculated such donated services as an item of both revenue and expense. For the years ended June 30, 2011 and 2010, CIEL received \$206,987 and \$183,456, respectively, in donated services which were included in contributions revenue and program and supporting services on the accompanying statements of activities and change in net assets.

WATKINS | MEEGAN

www.WatkinsMeegan.com

BETHESDA | ANNAPOLIS | TYSONS CORNER | HERNDON