CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013 AND 2012

Halt Buzas & Powell, LTD

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

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TRUST, INTEGRITY AND A COMMITMENT TO YOUR SUCCESS

1199 North Fairfax Street
10th Floor
Alexandria, Virginia 22314
p 703.836.1350
f 703.836.2159

2200 Defense Highway
Suite 403
Crofton, Maryland 21114
p 410.451.5150
f 410.451.5149

www.cpas4you.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Management
Center for International Environmental Law, Inc.
Washington, D.C.

We have audited the accompanying financial statements of the Center for International Environmental Law, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Organization as of June 30, 2012, were audited by other auditors whose report dated November 12, 2012, expressed an unmodified opinion on those statements.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
September 4, 2013

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	743,816	1,006,954
Contributions receivable	264,900	666,905
Contracts receivable	64,841	27,066
Other receivables	12,122	9,543
Prepaid expenses	11,952	18,459
Investments	15,412	12,341
Property and equipment, net	38,516	47,690
Deposits	19,846	20,445
Total assets	$ 1,171,405	$ 1,809,403
LIABILITIES AND NET ASSETS		
Accounts payable	22,955	29,608
Accrued payroll expenses	26,657	25,791
Deferred revenue	24,084	12,678
Deferred rent	110,253	119,858
Total liabilities	183,949	187,935
Net assets:		
Unrestricted	270,406	145,652
Temporarily restricted	717,050	1,475,816
Total net assets	987,456	1,621,468
Total liabilities and net assets	$ 1,171,405	$ 1,809,403

See accompanying notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grant revenue	$ 210,000	$ 885,535	$ 1,095,535
Contract revenue	790,322	-	790,322
In-kind contributions	130,561	-	130,561
Contribution revenue	48,766	400	49,166
Investment income	4,892	-	4,892
Other income	47,768	-	47,768
Net assets released from restrictions:			
Satisfaction of grant restriction	1,644,701	(1,644,701)	-
Total revenues	2,877,010	(758,766)	2,118,244
Expenses:			
Program services:			
Climate change	593,169	-	593,169
IPEN Secretariat	550,281	-	550,281
Biodiversity and wildlife	509,264	-	509,264
Chemicals	365,968	-	365,968
International financial institutions	275,659	-	275,659
Human rights	179,208	-	179,208
Law and communities	63,598	-	63,598
Other programs	16,583	-	16,583
Total program services	2,553,730	-	2,553,730
Support services:			
Management and general	72,829	-	72,829
Fundraising	125,697	-	125,697
Total support services	198,526	-	198,526
Total expenses	2,752,256	-	2,752,256
Change in net assets	124,754	(758,766)	(634,012)
Net assets, July 1, 2012	145,652	1,475,816	1,621,468
Net assets, June 30, 2013	$ 270,406	$ 717,050	$ 987,456

See accompanying notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grant revenue	$ 92,000	$ 2,837,075	$ 2,929,075
Contract revenue	617,859	-	617,859
In-kind contributions	161,697	-	161,697
Contribution revenue	60,335	11,170	71,505
Investment income	2,636	-	2,636
Other income	42,717	-	42,717
Net assets released from restrictions:			
Satisfaction of grant restriction	2,303,307	(2,303,307)	-
Total revenues	3,280,551	544,938	3,825,489
Expenses:			
Program services:			
Climate change	353,722	-	353,722
IPEN Secretariat	286,946	-	286,946
Biodiversity and wildlife	882,629	-	882,629
Chemicals	660,629	-	660,629
International financial institutions	391,459	-	391,459
Human rights	230,726	-	230,726
Law and communities	168,283	-	168,283
Other programs	68,524	-	68,524
Trade and sustainable development	39,402	-	39,402
Total program services	3,082,320	-	3,082,320
Support services:			
Management and general	190,711	-	190,711
Fundraising	111,129	-	111,129
Total support services	301,840	-	301,840
Total expenses	3,384,160	-	3,384,160
Change in net assets	(103,609)	544,938	441,329
Net assets, July 1, 2011	249,261	930,878	1,180,139
Net assets, June 30, 2012	$ 145,652	$ 1,475,816	$ 1,621,468

See accompanying notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ (634,012)	$ 441,329
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	13,516	15,965
Unrealized gain on investments	(3,071)	(584)
Deferred rent	(9,605)	3,365
Decrease (increase) in assets:		
Contributions receivable	359,605	(141,841)
Contracts receivable	4,625	39,919
Other receivables	(2,579)	(4,391)
Prepaid expenses	6,507	1,073
Deposits	599	1
Increase (decrease) in liabilities:		
Accounts payable	(6,653)	(15,261)
Accrued payroll expenses	866	(6,072)
Deferred revenue	11,406	11,925
Total adjustments	375,216	(95,901)
Net cash (used in) provided by operating activities	(258,796)	345,428
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	695
Purchases of property and equipment	(4,342)	(9,157)
Net cash used in investing activities	(4,342)	(8,462)
Net (decrease) increase in cash and cash equivalents	(263,138)	336,966
Cash and cash equivalents, beginning of year	1,006,954	669,988
Cash and cash equivalents, end of year	$ 743,816	$ 1,006,954

See accompanying notes to financial statements.

1. Organization

Center for International Environmental Law, Inc. (the Organization), 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.

2. Summary of significant accounting policies

<u>Basis of presentation</u>

The financial statements are presented in accordance with *U.S. Generally Accepted Accounting Principles* for non-for-profit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization has no permanently restricted net assets at June 30, 2013 and 2012.

<u>Basis of accounting</u>

The financial statements are prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when obligations are 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 certain reported amounts of assets and liabilities and disclosures 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, the Organization considers highly liquid investments with an original maturity of one year or less to be cash equivalents.

Contributions receivable

Contributions receivable or promises to give are expected to be collected within one year and are recorded at their net realizable value. The write-off of receivables occur when all collection efforts have been exhausted or certain conditions have been reached. No provision has been made for uncollectible balances as all contributions receivable were deemed collectible by management at June 30, 2013 and 2012.

Contracts receivable

Contracts receivable consist of amounts due in less than one year and are stated at their net realizable value. Management estimates that all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized at June 30, 2013 and 2012.

Property and equipment

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3-10 years
Leasehold improvements	Life of lease

The Organization's policy is to capitalize major additions and improvements over $500 with estimated useful lives of greater than one year. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Fair value measurements

The Organization follows *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical securities or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no level 3 inputs for any assets, held by the Organization at June 20, 2013 and 2012.

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to tax on net income from unrelated business activities. For the years ended June 30, 2013 and 2012, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize their tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *ASC for Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is the Organization’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. At June 30, 2013 and 2012, the Organization had no accruals for interest and/or penalties.

<u>Revenue recognition</u>

Grants and Contracts

Contract revenue and certain grants considered to be exchange transactions are recognized as earned revenue in the same period as the qualifying costs are incurred.

Contributions

Contributions and grants that are considered to be non-exchange transactions are recognized as revenue when received or promised. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted if the restriction expires in the same reporting period in which the contribution is required.

In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and various programs and supporting services based on the program or support services directly benefited. The Organization's primary form of contributed services is from legal interns.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Reclassification

Certain amounts in the 2012 financial statements have been reclassified to conform with 2013 presentation. None of these reclassifications, however, affected the 2012 change in net assets.

3. Concentrations of credit risk

The Organization maintains bank deposits that, for brief periods of time, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2013 and 2012, there were no deposits in excess of FDIC limits.

4. Investments and fair value measurements

Investments consist of equity securities and are recorded at fair value in accordance with the *ASC* 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 the change in net assets on the accompanying statements of activities. Donated investments are recorded at fair value on the date of receipt and recorded as contributions on the statements of activities.

Investment income is comprised of the following for the years ended June 30:

	2013	2012
Interest and dividends	$ 1,821	$ 2,052
Unrealized gain on investments	3,071	584
Total investment income	$ 4,892	$ 2,636

5. Property and equipment, net

The following is a summary of property and equipment held at June 30:

	2013	2012
Furniture and equipment	$ 81,400	$ 89,061
Leasehold improvements	58,920	58,920
Property and equipment	140,320	147,981
Accumulated depreciation and amortization	(101,804)	(100,291)
Total property and equipment, net	$ 38,516	$ 47,690

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was $13,516 and $15,965, respectively.

6. Temporarily restricted net assets

Temporarily restricted net assets were available for the following programs at June 30:

	2013	2012
Climate change	$ 372,703	$ 237,939
Chemicals	147,160	199,331
Biodiversity and wildlife	130,986	623,765
Human rights	51,307	120,369
IPEN Secretariat	14,894	72,744
International financial institutions	-	159,820
Law and communities	-	61,848
Total temporarily restricted net assets	$ 717,050	$ 1,475,816

7. Net assets released from restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished were as follows during the years ended June 30:

	2013	2012
Climate change	$ 450,670	$ 299,937
IPEN Secretariat	57,851	27,256
Biodiversity and wildlife	492,779	876,235
Chemicals	202,670	403,615
International financial institutions	259,820	360,697
Human rights	119,063	157,029
Law and communities	61,848	167,639
Other programs	-	10,899
Total net assets released from restrictions	$ 1,644,701	$ 2,303,307

8. Commitments

Operating leases

In February 2007, the Organization entered into a lease for office space in Washington, D.C., which commenced in June 2007 and expires in July 2017. Base monthly rental payments are $19,067 for the first year and increases 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 the Organization on a straight-line basis over the life of the lease. The unrecognized portion of the abated rent and rental increases are reflected as deferred rent on the accompanying statements of financial position. The Organization also reimburses the landlord for its share of operating costs and real estate taxes in excess of a base amount.

In January 2011, the Organization entered into a lease for office space in Berkeley, California, which commenced in February 2011 and expires in January 2014. Base monthly rental payments were $783 for the first year and increase approximately three percent per year, thereafter. The total cost of office space for the years ended June 30, 2012 and 2013 was $312,172 and $288,655, respectively.

Aggregate future minimum lease payments are as follows for the years ending June 30:

2014	$ 279,070
2015	280,077
2016	287,076
2017	294,256
2018	25,082
Total	$ 1,165,561

The Organization subleases space on a short-term basis with multiple unaffiliated organizations. Total sublease revenue received was $29,975 and $28,226 for the years ended June 30, 2013 and 2012, respectively.

9. Retirement Plan

The Organization sponsors a retirement plan classified under Section 403(b) of the Internal Revenue Code. All employees who have attained the age of 18 are eligible to participate after completing six months of service. The Organization may at times contribute five percent of the total compensation paid to eligible employees, as defined within the plan. The Organization elected not to make contributions to the retirement plan for the years ended June 30, 2013 and 2012.

10. Concentration of revenue

The Organization received approximately 54% and 61% of its total revenue from four sources for the years ended June 30, 2013 and 2012, respectively. Any significant reduction in revenue may adversely impact the Organization's financial position and ability to carry out its existing program activities.

11. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 4, 2013, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.