CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2014 AND 2013

Halt Buzas & Powell, LTD

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Center for International Environmental Law, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years 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 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 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
October 8, 2014

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 817,441	$ 743,816
Contributions receivable	521,918	264,900
Contracts receivable	50,572	64,841
Other receivables	9,536	12,122
Prepaid expenses	10,837	11,952
Investments	18,930	15,412
Property and equipment, net	28,316	38,516
Deposits	20,712	19,846
Total assets	$ 1,478,262	$ 1,171,405
LIABILITIES AND NET ASSETS		
Accounts payable	$ 38,257	$ 22,955
Accrued payroll	29,883	26,657
Deferred revenue	90,991	24,084
Deferred rent	94,298	110,253
Total liabilities	253,429	183,949
Net assets:		
Unrestricted	137,392	270,406
Temporarily restricted	1,087,441	717,050
Total net assets	1,224,833	987,456
Total liabilities and net assets	$ 1,478,262	$ 1,171,405

See accompanying notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grants	$ 79,880	$ 1,715,255	$ 1,795,135
Contracts	645,286	-	645,286
In-kind contributions	119,003	-	119,003
Contributions	35,632	100	35,732
Investment income	5,317	-	5,317
Other income	32,184	-	32,184
Net assets released from restrictions:			
Satisfaction of grant restrictions	1,344,964	(1,344,964)	-
Total revenues	2,262,266	370,391	2,632,657
Expenses:			
Program services:			
Climate change and energy	590,570	-	590,570
Environmental health	578,334	-	578,334
People, land and resources	564,236	-	564,236
IPEN Secretariat and miscellaneous projects	355,811	-	355,811
Total program services	2,088,951	-	2,088,951
Support services:			
Management and general	162,328	-	162,328
Fundraising	144,001	-	144,001
Total support services	306,329	-	306,329
Total expenses	2,395,280	-	2,395,280
Change in net assets	(133,014)	370,391	237,377
Net assets, beginning of year	270,406	717,050	987,456
Net assets, end of year	$ 137,392	$ 1,087,441	$ 1,224,833

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:			
Grants	$ 210,000	$ 885,535	$ 1,095,535
Contracts	790,322	-	790,322
In-kind contributions	130,561	-	130,561
Contributions	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 restrictions	1,644,701	(1,644,701)	-
Total revenues	2,877,010	(758,766)	2,118,244
Expenses:			
Program services:			
Climate change and energy	593,169	-	593,169
Environmental health	545,176	-	545,176
People, land and resources	848,521	-	848,521
IPEN Secretariat and miscellaneous projects	566,864	-	566,864
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, beginning of year	145,652	1,475,816	1,621,468
Net assets, end of year	$ 270,406	$ 717,050	$ 987,456

See accompanying notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 237,377	$ (634,012)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,629	13,516
Unrealized gain on investments	(3,518)	(3,071)
Deferred rent	(15,955)	(9,605)
Decrease (increase) in assets:		
Contributions receivable	(257,018)	359,605
Contracts receivable	14,269	4,625
Other receivables	2,586	(2,579)
Prepaid expenses	1,115	6,507
Deposits	(866)	599
Increase (decrease) in liabilities:		
Accounts payable	15,302	(6,653)
Accrued payroll	3,226	866
Deferred revenue	66,907	11,406
Total adjustments	(161,323)	375,216
Net cash provided by (used in) operating activities	76,054	(258,796)
Cash flows from investing activities:		
Purchases of property and equipment	(3,562)	(4,342)
Proceeds from disposal of equipment	1,133	-
Net cash used in investing activities	(2,429)	(4,342)
Net increase (decrease) in cash and cash equivalents	73,625	(263,138)
Cash and cash equivalents, beginning of year	743,816	1,006,954
Cash and cash equivalents, end of year	$ 817,441	$ 743,816

See accompanying notes to financial statements.

1. Organization

The 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

Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit 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, 2014 and 2013.

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts 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.

Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs 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 assets 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 the Organization'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 and liabilities held by the Organization at June 30, 2014 and 2013.

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on 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 income taxes on taxable income from unrelated business activities. For the years ended June 30, 2014 and 2013, 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 its tax-exempt status that would require recognition in the accompanying financial statements. 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 the accompanying financial statements. As of June 30, 2014 and 2013, the Organization had no accruals for interest and/or penalties.

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.

Contracts receivable

Contracts receivable represent amounts due in less than one year principally from non-governmental organizations and international institutions and are stated at their net realizable value. In the opinion of management, all receivables are considered collectible. Accordingly, no allowance for doubtful contracts receivable has been recorded at June 30, 2014 and 2013.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2014 and 2013, no allowance for doubtful contributions receivable has been recorded.

Property and equipment

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

Furniture and equipment	3-10 years
Leasehold and 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.

Deferred rent and lease incentives

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required. Lease incentives received as part of a lease agreement are recognized on a straight-line basis over the life of the lease as a reduction to rent expense.

<u>Revenue recognition</u>

Contributions and grants

Contributions and certain foundation and corporate grants are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. 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 recognized.

Contracts

Contract revenue is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

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 expense charged to 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 classified as program services.

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

For comparative purposes, certain 2013 amounts have been reclassified to conform to the 2014 presentation.

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, 2014, there were deposits in excess of FDIC limits in the amount of $34,688. There were no deposits in excess of FIDC limits at June 30, 2013.

4. Investments and fair value measurements

Investments consist of equity securities and are recorded at fair value. Such investments are classified as Level one fair value hierarchy assets based on quoted market prices in active markets for identical assets using Level one inputs. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

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

	2014	2013
Interest and dividends	$ 1,799	$ 1,821
Unrealized gain on investments	3,518	3,071
Total investment income	$ 5,317	$ 4,892

5. Property and equipment, net

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

	2014	2013
Furniture and equipment	$ 75,176	$ 81,400
Leasehold improvements	58,920	58,920
Property and equipment	134,096	140,320
Accumulated depreciation and amortization	(105,780)	(101,804)
Total property and equipment, net	$ 28,316	$ 38,516

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was $12,629 and $13,516, respectively.

6. Temporarily restricted net assets

Net assets were released from grant restrictions during the years ended June 30, 2014 and 2013 for the following purposes:

	2014	2013
People, land and resources	$ 537,427	$ 814,447
Climate and energy	402,956	450,670
Environmental health	389,687	321,733
IPEN Secretariat and miscellaneous projects	14,894	57,851
Total net assets released from restrictions	$ 1,344,964	$ 1,644,701

At June 30, 2014 and 2013, temporarily restricted net assets were available for the following purposes:

	2014	2013
Environmental health	$ 498,509	$ 198,467
Climate and energy	341,873	372,703
People, land and resources	247,059	130,986
IPEN Secretariat and miscellaneous projects	-	14,894
Total temporarily restricted net assets	$ 1,087,441	$ 717,050

7. 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 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 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 the base amount.

In January 2011, the Organization entered into a lease for office space in Berkeley, California, which commenced in February 2011 and expired in January 2014. Base monthly rental payments were $783 for the first year and increased approximately three percent per year, thereafter. In February 2014, the Organization entered into a new lease for office space in Berkeley, California. The lease commenced in February 2014 and expires in January 2016. Monthly rental payments are $866 for the first year and increases to $892 afterwards.

The total cost of office space for the years ended June 30, 2014 and 2013 was $316,121 and $312,172, respectively.

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

2015	$ 290,599
2016	293,320
2017	294,256
2018	25,082
Total	$ 903,257

The Organization subleases space on a short-term basis with multiple unaffiliated organizations. Total sublease revenue received was $31,656 and $29,975 for the years ended June 30, 2014 and 2013, respectively, and is reported in other income in the accompanying statements of activities.

8. 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, 2014 and 2013.

9. Concentration of revenue and support risk

During the year ended June 30, 2013, the Organization received 54% of its total revenue and support from four different sources. There was no such concentration of revenue for the year ended June 30, 2014.

10. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 8, 2014, 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.