

CENTER FOR INTERNATIONAL  
ENVIRONMENTAL LAW, INC.  
FINANCIAL STATEMENTS  
June 30, 2004 and 2003

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Independent Auditors' Report

Board of Directors  
Center For International Environmental Law, Inc.  
Washington, DC

We have audited the accompanying statements of financial position of the Center For International Environmental Law, Inc. (CIEL) as of June 30, 2004 and 2003 and the related statements of activities and 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 audit 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 the Center For International Environmental Law, Inc. as of June 30, 2004 and 2003 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.

Alexandria, VA  
August 24, 2004

HALT, BUZAS & POWELL, LTD

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.  
STATEMENTS OF FINANCIAL POSITION  
For the years ended June 30,

ASSETS	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 531,609	\$ 1,294,244
Foundation pledges receivable	885,000	700,000
U.S. government grants and fees receivable	106,081	84,030
International government grants and contracts receivable	305,000	183,540
Other grants and receivables	28,569	18,568
Other receivables	33,867	8,782
Prepaid expenses	32,973	48,109
Total current assets	1,923,099	2,337,273
Foundation pledges receivable	-	350,000
Furniture and equipment, net of accumulated depreciation	17,996	24,611
Investments	855	-
Total assets	<u>\$ 1,941,950</u>	<u>\$ 2,711,884</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,249	\$ 37,013
Accrued payroll expenses	39,535	51,170
Deferred grant revenue	13,167	43,071
Total current liabilities	66,951	131,254
Net assets:		
Unrestricted	497,537	731,650
Temporarily restricted	1,377,462	1,848,980
Total net assets	1,874,999	2,580,630
Total liabilities and net assets	<u>\$ 1,941,950</u>	<u>\$ 2,711,884</u>

See notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITY

For the year ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2004 Total</u>
Revenues:			
Foundation grants and fees	\$ 175,000	\$ 589,500	\$ 764,500
U.S. government grants and fees	-	328,082	328,082
International governments grants and fees	-	452,439	452,439
Other grants and fees	14,496	239,445	253,941
Contributions	117,758	256,231	373,989
Investment income	12,030	(73)	11,957
Other income	28,715	8,620	37,335
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>2,345,762</u>	<u>(2,345,762)</u>	<u>-</u>
Total revenues	<u>2,693,761</u>	<u>(471,518)</u>	<u>2,222,243</u>
Expenses:			
Program services:			
Climate Change	319,683	-	319,683
Human Rights	112,679	-	112,679
Biodiversity and Wildlife	19,585	-	19,585
Law and Communities	484,368	-	484,368
Trade and Sustainable Development	706,913	-	706,913
International Financial Institutions	114,932	-	114,932
Other Programs	<u>669,915</u>	<u>-</u>	<u>669,915</u>
Total program services	<u>2,428,075</u>	<u>-</u>	<u>2,428,075</u>
Support services:			
General and administrative	373,983	-	373,983
Fundraising	<u>125,816</u>	<u>-</u>	<u>125,816</u>
Total support services	<u>499,799</u>	<u>-</u>	<u>499,799</u>
Total expenses	<u>2,927,874</u>	<u>-</u>	<u>2,927,874</u>
Net decrease in net assets	(234,113)	(471,518)	(705,631)
Net assets, beginning of year	<u>731,650</u>	<u>1,848,980</u>	<u>2,580,630</u>
Net assets, end of year	<u>\$ 497,537</u>	<u>\$ 1,377,462</u>	<u>\$ 1,874,999</u>

See notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITY

For the year ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2003 Total</u>
Revenues:			
Foundation grants and fees	\$ 153,000	1,587,836	\$ 1,740,836
U.S. government grants and fees	-	460,497	460,497
International governments grants and fees	76	520,409	520,485
Other grants and fees	3,886	109,696	113,582
Investment income	21,684	-	21,684
Contributions	36,698	65,938	102,636
Other income	26,020	14,565	40,585
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>2,700,888</u>	<u>(2,700,888)</u>	<u>-</u>
Total revenues	<u>2,942,252</u>	<u>58,053</u>	<u>3,000,305</u>
Expenses:			
Program services:			
Climate Change	277,554	-	277,554
Human Rights	58,419	-	58,419
Law and Technology	16,185	-	16,185
Biodiversity and Wildlife	84,273	-	84,273
Law and Communities	479,976	-	479,976
Trade and Sustainable Development	793,793	-	793,793
International Financial Institutions	148,187	-	148,187
Other Programs	<u>863,485</u>	<u>-</u>	<u>863,485</u>
Total program services	<u>2,721,872</u>	<u>-</u>	<u>2,721,872</u>
Support services:			
General and administrative	167,518	-	167,518
Fundraising	<u>106,169</u>	<u>-</u>	<u>106,169</u>
Total support services	<u>273,687</u>	<u>-</u>	<u>273,687</u>
Total expenses	<u>2,995,559</u>	<u>-</u>	<u>2,995,559</u>
Net increase (decrease) in net assets	(53,307)	58,053	4,746
Net assets, beginning of year	<u>784,957</u>	<u>1,790,927</u>	<u>2,575,884</u>
Net assets, end of year	<u>\$ 731,650</u>	<u>\$ 1,848,980</u>	<u>\$ 2,580,630</u>

See notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.  
STATEMENTS OF CASH FLOWS  
For the years ended June 30,

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net (decrease) increase in net assets	\$ <u>(705,631)</u>	\$ <u>4,746</u>
Adjustments to reconcile net (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	18,624	23,214
Donated investments	(928)	-
Unrealized loss on investments	73	-
Decrease (increase) in assets:		
Foundation pledges receivable	165,000	113,212
U.S. government grants and fees receivable	(22,051)	(2,799)
International government grants and contract receivable	(121,460)	35,936
Other grants and fees receivable	(10,001)	24,002
Other receivables	(25,085)	(2,922)
Prepaid expenses and other assets	15,136	(16,801)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(22,764)	(2,614)
Accrued payroll expenses	(11,635)	4,424
Deferred grant revenue	<u>(29,904)</u>	<u>40,264</u>
Total adjustments	<u>(44,995)</u>	<u>215,916</u>
Net cash (used in) provided by operating activities	<u>(750,626)</u>	<u>220,662</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(12,009)</u>	<u>(14,275)</u>
Net cash used in investing activities	<u>(12,009)</u>	<u>(14,275)</u>
Net (decrease) increase in cash	(762,635)	206,387
Cash, beginning of year	<u>1,294,244</u>	<u>1,087,857</u>
Cash, end of year	<u>\$ 531,609</u>	<u>\$ 1,294,244</u>

See notes to financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.  
NOTES TO FINANCIAL STATEMENTS  
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1. 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 international and comparative environmental law, policy, and management throughout the world.

2. Summary of significant accounting policies

Basis of accounting

CIEL prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash and cash equivalents

All highly liquid investments purchased with a maturity of less than six months are considered cash equivalents.

Depreciation

All furniture and equipment are recorded at cost and are depreciated over their estimated useful lives, which is three years, using the straight-line method.



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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 to give cash in the future 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. Grants received under cost reimbursement arrangements are recorded as unrestricted revenue.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. During the years ended June 30, 2004 and 2003, indirect costs of \$510,142 and \$630,586 were recovered under the provisions of various restricted grants.

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 and 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.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.  
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Taxes

CIEL 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. CIEL is taxed on net income from unrelated business activities. There was no income derived from unrelated business income during the years ended June 30, 2004 and 2003.

3. Foundation pledges

Foundation pledges receivable at June 30, 2004 and 2003 include amounts due in:

	2004	2003
Less than one year	\$ 885,000	\$ 700,000
One to three years	-	350,000
Total	\$ 885,000	\$ 1,050,000

No allowance for uncollectible pledges has been established since management of CIEL believes all pledges are fully collectible. Pledges due in one or more years have not been discounted because the amount of the discount would be immaterial, as management expects to collect these pledges within two years.

4. Accrued Vacation

At June 30, 2004 and 2003, \$19,100 and \$22,552, respectively, was included in accrued payroll expenses as a provision for accrued vacations.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.  
NOTES TO FINANCIAL STATEMENTS  
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5. Temporarily Restricted Net Assets

At June 30, 2004 and 2003, temporarily restricted net assets were available for the following programs:

	2004	2003
General & Administrative	\$ 1,372	\$ 3,800
Climate Change	2,500	302,055
Human Rights	65,887	94,569
Law and Communities	92,955	262,978
Trade and Sustainable Development	735,824	829,169
International Financial Institutions	69,435	203,773
Other Programs	409,489	152,636
Total	\$ 1,377,462	\$ 1,848,980

6. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the years ended June 30, 2004 and 2003 are as follows:

	2004	2003
General & Administrative	\$ 102,802	\$ 19,385
Climate Change	308,790	277,554
Human Rights	112,678	58,419
Law & Technology	-	16,185
Biodiversity and Wildlife	12,414	53,376
Law and Communities	484,368	479,976
Trade and Sustainable Development	614,814	793,793
International Financial Institutions	114,933	148,187
Other Programs	594,963	854,013
Total	\$ 2,345,762	\$ 2,700,888

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7. Concentration of Credit Risk

CIEL's cash is deposited in five financial institutions. Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of insured limits were approximately \$124,278 and \$200,732 at June 30, 2004 and 2003, respectively.

8. Obligations and commitments

CIEL leases office space in Washington, DC, that expires on May 31, 2007. As of June 30, 2004, minimum future lease payments are as follows:

2005	224,911
2006	233,907
2007	<u>222,251</u>
Total payments	<u>\$ 681,069</u>

CIEL also leases office space in Geneva, Switzerland under a monthly agreement.

The total cost of office space for the years ended June 30, 2004 and 2003 was \$224,955 and \$218,073 respectively.

9. 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 6 months of service. The plan year is January 1 to December 31, and the required annual employer contribution is 5% 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, 2004 and 2003 was \$56,781 and \$57,691 respectively.

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NOTES TO FINANCIAL STATEMENTS  
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10. Property and equipment

The following is a summary of property and equipment held as of December 31:

	<u>2004</u>	<u>2003</u>
Furniture and equipment	\$ 150,025	\$ 155,192
Accumulated depreciation	<u>(132,029)</u>	<u>(130,581)</u>
Net property and equipment	<u>\$ 17,996</u>	<u>\$ 24,611</u>

Depreciation and amortization expense of property and equipment for the years ended June 30, 2004 and 2003 was \$18,624 and \$23,214, respectively.