

CENTER FOR INTERNATIONAL
ENVIRONMENTAL LAW, INC.
FINANCIAL STATEMENTS
June 30, 2005 and 2004

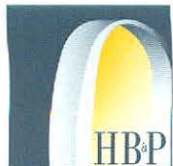
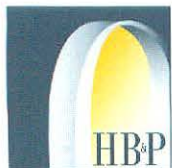
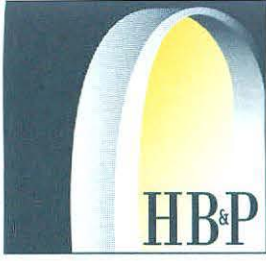


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HALT BUZAS & POWELL, LTD
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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, 2005 and 2004 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 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 the Center For International Environmental Law, Inc. as of June 30, 2005 and 2004 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 25, 2005

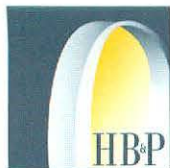
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CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 746,171	\$ 531,609
Foundation pledges receivable	830,000	885,000
U.S. government grants and fees receivable	69,714	106,081
Foreign government grants and contracts receivable	30,016	305,000
Other grants and receivables	45,080	28,569
Other receivables	32,542	33,867
Prepaid expenses and other assets	<u>34,279</u>	<u>32,973</u>
Total current assets	1,787,802	1,923,099
Foundation pledges receivable	375,000	-
Furniture and equipment, net of accumulated depreciation	14,477	17,996
Investments	<u>1,028</u>	<u>855</u>
Total assets	<u>\$ 2,178,307</u>	<u>\$ 1,941,950</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 39,827	\$ 14,249
Accrued payroll expenses	32,056	39,535
Deferred grant revenue	<u>-</u>	<u>13,167</u>
Total current liabilities	<u>71,883</u>	<u>66,951</u>
Net assets:		
Unrestricted	437,692	497,537
Temporarily restricted	<u>1,668,732</u>	<u>1,377,462</u>
Total net assets	<u>2,106,424</u>	<u>1,874,999</u>
Total liabilities and net assets	<u>\$ 2,178,307</u>	<u>\$ 1,941,950</u>

See notes to financial statements.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITY

For the year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Total</u>
Revenues:			
Foundation grants and fees	\$ 234,000	\$ 1,650,500	\$ 1,884,500
U.S. government grants and fees	-	263,797	263,797
Foreign governments grants and fees	-	30,016	30,016
Other grants and fees	13,710	219,354	233,064
Contributions	62,567	150,086	212,653
Investment income	13,568	723	14,291
Other income	30,871	-	30,871
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>2,023,206</u>	<u>(2,023,206)</u>	<u>-</u>
Total revenues	<u>2,377,922</u>	<u>291,270</u>	<u>2,669,192</u>
Expenses:			
Program services:			
Climate Change	123,703	-	123,703
Biodiversity and Wildlife	42,030	-	42,030
Chemicals	471,935	-	471,935
Trade and Sustainable Development	778,619	-	778,619
International Financial Institutions	102,288	-	102,288
Human Rights	90,569	-	90,569
Law and Communities	400,912	-	400,912
Other Programs	<u>80,147</u>	<u>-</u>	<u>80,147</u>
Total program services	<u>2,090,203</u>	<u>-</u>	<u>2,090,203</u>
Support services:			
General and administrative	159,436	-	159,436
Fundraising	<u>188,128</u>	<u>-</u>	<u>188,128</u>
Total support services	<u>347,564</u>	<u>-</u>	<u>347,564</u>
Total expenses	<u>2,437,767</u>	<u>-</u>	<u>2,437,767</u>
Net (decrease) increase in net assets	(59,845)	291,270	231,425
Net assets, beginning of year	<u>497,537</u>	<u>1,377,462</u>	<u>1,874,999</u>
Net assets, end of year	<u>\$ 437,692</u>	<u>\$ 1,668,732</u>	<u>\$ 2,106,424</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
Foreign 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
Biodiversity and Wildlife	19,585	-	19,585
Chemicals	327,967	-	327,967
Trade and Sustainable Development	706,913	-	706,913
International Financial Institutions	114,932	-	114,932
Human Rights	112,679	-	112,679
Law and Communities	484,368	-	484,368
Other Programs	<u>341,948</u>	<u>-</u>	<u>341,948</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.



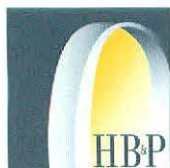
CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30,

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net increase (decrease) in net assets	\$ 231,425	\$ (705,631)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,535	18,624
Donated investments	-	(928)
Unrealized (gain) loss on investments	(173)	73
Decrease (increase) in assets:		
Foundation pledges receivable	(320,000)	165,000
U.S. government grants and fees receivable	36,367	(22,051)
Foreign government grants and contracts receivable	274,984	(121,460)
Other grants and receivables	(16,511)	(10,001)
Other receivables	1,325	(25,085)
Prepaid expenses and other assets	(1,305)	15,136
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	25,578	(22,764)
Accrued payroll expenses	(7,480)	(11,635)
Deferred grant revenue	(13,167)	(29,904)
Total adjustments	<u>(7,847)</u>	<u>(44,995)</u>
Net cash provided by (used in) operating activities	<u>223,578</u>	<u>(750,626)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(9,016)</u>	<u>(12,009)</u>
Net cash used in investing activities	<u>(9,016)</u>	<u>(12,009)</u>
Net increase (decrease) in cash	214,562	(762,635)
Cash, beginning of year	<u>531,609</u>	<u>1,294,244</u>
Cash, end of year	<u>\$ 746,171</u>	<u>\$ 531,609</u>

See notes to financial statements.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

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 foreign and comparative environmental law, policy, and management throughout the world.

2. Summary of significant accounting policies

Basis of accounting

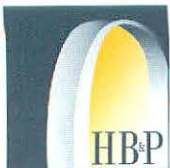
CIEL prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

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.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

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

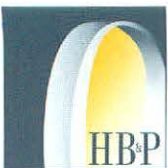
Grants are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction 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, 2005 and 2004, indirect costs of \$536,159 and \$510,142 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.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2005 and 2004

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, 2005 and 2004.

3. Foundation pledges

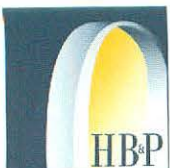
Foundation pledges receivable at June 30, 2005 and 2004 include amounts due in:

	<u>2005</u>	<u>2004</u>
Less than one year	\$ 830,000	\$ 885,000
One to three years	<u>375,000</u>	<u>-</u>
Total	<u>\$ 1,205,000</u>	<u>\$ 885,000</u>

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.

4. Accrued vacation

At June 30, 2005 and 2004, \$25,091 and \$19,100, 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

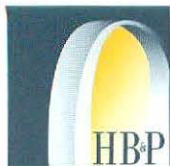
At June 30, 2005 and 2004, temporarily restricted net assets were available for the following programs:

	2005	2004
General and Administrative	-	1,372
Climate Change	\$ 140,669	\$ 2,500
Chemicals	288,684	401,064
Trade and Sustainable Development	842,515	735,824
International Financial Institutions	103,046	69,435
Human Rights	118,400	65,887
Law and Communities	172,974	92,955
Miscellaneous Programs	2,444	8,425
Total	\$ 1,668,732	\$ 1,377,462

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, 2005 and 2004 are as follows:

	2005	2004
General & Administrative	\$ 33,738	\$ 102,802
Climate Change	95,420	308,790
Biodiversity and Wildlife	39,998	12,414
Chemicals	464,168	290,693
Trade and Sustainable Development	778,619	614,814
International Financial Institutions	102,288	114,932
Human Rights	90,569	112,679
Law and Communities	374,424	484,368
Miscellaneous Programs	43,982	304,270
Total	\$ 2,023,206	\$ 2,345,762



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

7. Obligations and commitments

CIEL leases office space in Washington, DC, that expires on May 31, 2007. As of June 30, 2005, minimum future lease payments are as follows:

2006	233,907
2007	<u>222,251</u>
Total payments	<u>\$ 456,158</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, 2005 and 2004 was \$238,567 and \$224,955, respectively.

8. 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 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, 2005 and 2004 was \$43,461 and \$56,781, respectively.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

9. Property and equipment

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

	<u>2005</u>	<u>2004</u>
Furniture and equipment	\$ 115,653	\$ 150,025
Accumulated depreciation	<u>(101,176)</u>	<u>(132,029)</u>
Property and equipment, net	<u>\$ 14,477</u>	<u>\$ 17,996</u>

Depreciation and amortization expense of property and equipment for the years ended June 30, 2005 and 2004 was \$12,535 and \$18,624, respectively.

10. Contributed services

CIEL's primary form of contributed services is in the form of time from lawyers and 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, 2005 and 2004, CIEL received \$161,461 and \$247,352, respectively, in donated services which was included in contributions revenue.

11. Subsequent events

On July 13, 2005, CIEL entered in a lease agreement with a non-profit organization in which CIEL would lease part of the organization's office space located in Berkeley, California for a monthly payment of \$599. The lease commenced on July 15, 2005 and expires July 15, 2007.

