

CENTER FOR INTERNATIONAL
ENVIRONMENTAL LAW, INC.
FINANCIAL STATEMENTS
June 30, 2006

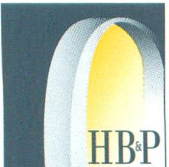


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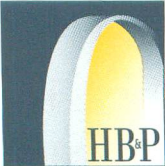
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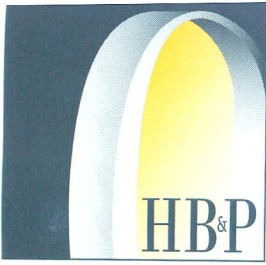
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HALT BUZAS & POWELL, LTD
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

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, 2006 and 2005 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, 2006 and 2005 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
September 12, 2006

Halt, Buzas + Powell, Ltd.
HALT, BUZAS & POWELL, LTD

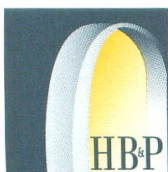
CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,

	ASSETS	
	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 1,118,845	\$ 746,171
Foundation pledges receivable	981,438	830,000
U.S. government grants and fees receivable	-	69,714
Foreign government grants and contracts receivable	-	30,016
Other grants and fees receivable	43,142	45,080
Other receivables	13,387	32,542
Prepaid expenses and other assets	<u>30,536</u>	<u>34,279</u>
Total current assets	2,187,348	1,787,802
Foundation pledges receivable	-	375,000
Furniture and equipment, net of accumulated depreciation	18,364	14,477
Investments	<u>6,888</u>	<u>1,028</u>
Total assets	<u>\$ 2,212,600</u>	<u>\$ 2,178,307</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 44,372	\$ 39,827
Accrued payroll expenses	39,707	32,056
Deferred revenue	<u>19,164</u>	<u>-</u>
Total current liabilities	<u>103,243</u>	<u>71,883</u>
Net assets:		
Unrestricted	353,435	437,692
Temporarily restricted	<u>1,755,922</u>	<u>1,668,732</u>
Total net assets	<u>2,109,357</u>	<u>2,106,424</u>
Total liabilities and net assets	<u>\$ 2,212,600</u>	<u>\$ 2,178,307</u>

See notes to financial statements.



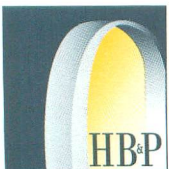
CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITY

For the year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>
Revenues:			
Foundation grants and fees	\$ 20,500	\$ 1,646,921	\$ 1,667,421
U.S. governments grants and fees	-	330,761	330,761
Foreign government grants and fees	-	73,052	73,052
Other grants and fees	674	283,565	284,239
Contributions	66,262	110,028	176,290
Investment income	37,711	1,171	38,882
Other income	30,700	-	30,700
Net assets released from restrictions:			
Satisfaction of grant restrictions	<u>2,358,308</u>	<u>(2,358,308)</u>	<u>-</u>
Total revenues	<u>2,514,155</u>	<u>87,190</u>	<u>2,601,345</u>
Expenses:			
Program services:			
Climate Change	138,158	-	138,158
Biodiversity and Wildlife	10,000	-	10,000
Chemicals	678,423	-	678,423
Trade and Sustainable Development	789,859	-	789,859
International Financial Institutions	103,290	-	103,290
Human Rights	44,898	-	44,898
Law and Communities	552,157	-	552,157
Other Programs	<u>50,660</u>	<u>-</u>	<u>50,660</u>
Total program services	<u>2,367,445</u>	<u>-</u>	<u>2,367,445</u>
Support services:			
General and administrative	81,266	-	81,266
Fundraising	<u>149,701</u>	<u>-</u>	<u>149,701</u>
Total support services	<u>230,967</u>	<u>-</u>	<u>230,967</u>
Total expenses	<u>2,598,412</u>	<u>-</u>	<u>2,598,412</u>
Net (decrease) increase in net assets	(84,257)	87,190	2,933
Net assets, beginning of year	<u>437,692</u>	<u>1,668,732</u>	<u>2,106,424</u>
Net assets, end of year	<u>\$ 353,435</u>	<u>\$ 1,755,922</u>	<u>\$ 2,109,357</u>

See notes to financial statements.



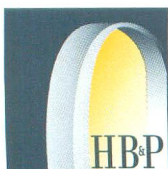
CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

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. governments grants and fees	-	263,797	263,797
Foreign government 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.



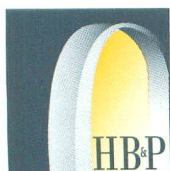
CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

For the years ended June 30,

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net (decrease) increase in net assets	\$ <u>2,933</u>	\$ <u>231,425</u>
Adjustments to reconcile net (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	9,868	12,535
Donated investments	(6,076)	-
Unrealized loss (gain) on investments	216	(173)
Decrease (increase) in assets:		
Foundation pledges receivable	223,562	(320,000)
U.S. government grants and fees receivable	69,714	36,367
Foreign government grants and contracts receivable	30,016	274,984
Other grants and receivables	1,938	(16,511)
Other receivables	19,155	1,325
Prepaid expenses and other assets	3,744	(1,305)
Increase (decrease) in liabilities:		
Accounts payable	4,545	25,578
Accrued payroll expenses	7,650	(7,480)
Deferred revenue	<u>19,165</u>	<u>(13,167)</u>
Total adjustments	<u>383,497</u>	<u>(7,847)</u>
Net cash provided by operating activities	<u>386,430</u>	<u>223,578</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(13,756)</u>	<u>(9,016)</u>
Net cash used in investing activities	<u>(13,756)</u>	<u>(9,016)</u>
Net increase in cash	372,674	214,562
Cash and cash equivalents, beginning of year	<u>746,171</u>	<u>531,609</u>
Cash and cash equivalents, end of year	<u>\$ 1,118,845</u>	<u>\$ 746,171</u>

See notes to financial statements.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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

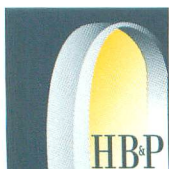
CIEL prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

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, 2006

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

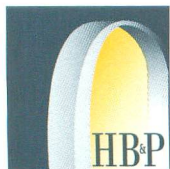
Grants are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction 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, 2006 and 2005, indirect costs of \$692,781 and \$536,159 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, 2006

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, 2006 and 2005.

3. Foundation pledges

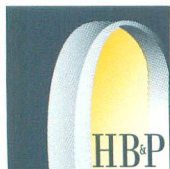
Foundation pledges receivable at June 30, 2006 and 2005 include amounts due in:

	<u>2006</u>	<u>2005</u>
Less than one year	\$ 981,438	\$ 830,000
One to three years	<u>-</u>	<u>375,000</u>
Total	<u>\$ 981,438</u>	<u>\$ 1,205,000</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, 2006 and 2005, \$25,693 and \$25,091, respectively, was included in accrued payroll expenses as a provision for accrued vacations.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

5. Temporarily restricted net assets

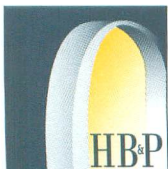
At June 30, 2006 and 2005, temporarily restricted net assets were available for the following programs:

	<u>2006</u>	<u>2005</u>
General and Administrative	\$ 1,111	\$ -
Climate Change	76,788	140,669
Chemicals	666,294	288,684
Trade and Sustainable Development	633,136	842,515
International Financial Institutions	246,916	103,046
Human Rights	129,233	118,400
Law and Communities	-	172,974
Miscellaneous Programs	<u>2,444</u>	<u>2,444</u>
Total	<u>\$ 1,755,922</u>	<u>\$ 1,668,732</u>

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, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
General & Administrative	\$ 7,875	\$ 22,163
Education & Outreach	15,757	11,575
Climate Change	138,158	95,420
Biodiversity and Wildlife	10,000	39,998
Chemicals	678,423	464,168
Trade and Sustainable Development	789,859	778,619
International Financial Institutions	103,290	102,288
Human Rights	44,898	90,569
Law and Communities	543,020	374,424
Miscellaneous Programs	<u>27,028</u>	<u>43,982</u>
Total	<u>\$ 2,358,308</u>	<u>\$ 2,023,206</u>



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

7. Obligations and commitments

CIEL leases office space in Washington, DC that expires on May 31, 2007. CIEL also leases office space in Berkley, CA that expires on July 15, 2007. As of June 30, 2006, minimum future lease payments are as follows:

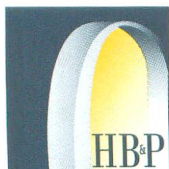
2007	\$ 230,627
2008	<u>349</u>
Total payments	<u>\$ 230,976</u>

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

The total cost of office space for the years ended June 30, 2006 and 2005 was \$249,336 and \$238,567, 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, 2006 and 2005 was \$53,161 and \$43,461, respectively.



CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

9. Property and equipment

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

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 121,070	\$ 115,653
Accumulated depreciation	<u>(102,706)</u>	<u>(101,176)</u>
Property and equipment, net	<u>\$ 18,364</u>	<u>\$ 14,477</u>

Depreciation and amortization expense of property and equipment for the years ended June 30, 2006 and 2005 was \$9,868 and \$12,535, respectively.

10. Contributed services

CIEL's primary form of contributed services is 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, 2006 and 2005, CIEL received \$111,143 and \$161,461, respectively, in donated services which was included in contributions revenue.

