

**Center for International
Environmental Law, Inc.**

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2008 AND 2007

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Change in Net Assets	3
Statements of Cash Flows	5
Notes to Financial Statements	6



Watkins, Meegan, Drury
& Company, L.L.C.

*Certified Public Accountants
Business and Financial Advisors*

Independent Auditors' Report

To the Board of Directors
Center for International Environmental Law, Inc.
Washington, DC

We have audited the accompanying statement of financial position of Center for International Environmental Law, Inc. (CIEL), as of June 30, 2008, and the related statement of activities and change in net assets and statement of cash flows for the year 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 audit. The financial statements of Center for International Environmental Law, Inc., as of and for the year ended June 30, 2007, were audited by other auditors, whose report dated September 14, 2007, expressed an unqualified opinion on those statements.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of Center for International Environmental Law, Inc., at June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Watkins, Meegan, Drury & Company, L.L.C.

Bethesda, Maryland
October 6, 2008

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,566,682	\$ 1,342,770
Foundation Pledges Receivable, Current	805,000	710,000
U.S. Government Grants and Fees Receivable	-	928
Foreign Government Grants and Fees Receivable	103,212	384,191
Other Grants and Fees Receivable	18,024	30,232
Other Receivables	26,813	20,344
Prepaid Expense and Other Assets	<u>21,509</u>	<u>40,277</u>
Total Current Assets	2,541,240	2,528,742
FOUNDATION PLEDGES RECEIVABLE, Net of Current Portion	-	450,000
PROPERTY AND EQUIPMENT, Net	95,360	93,949
DEPOSIT	19,666	19,666
INVESTMENTS	<u>8,019</u>	<u>9,984</u>
	<u>\$ 2,664,285</u>	<u>\$ 3,102,341</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 71,228	\$ 147,249
Accrued Payroll Expenses	34,896	60,202
Deferred Revenue	50,128	38,366
Deferred Lease Liability	<u>68,224</u>	<u>21,418</u>
Total Current Liabilities	224,476	267,235
NET ASSETS		
Unrestricted	459,876	577,622
Temporarily Restricted	<u>1,979,933</u>	<u>2,257,484</u>
Total Net Assets	<u>2,439,809</u>	<u>2,835,106</u>
	<u>\$ 2,664,285</u>	<u>\$ 3,102,341</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2008		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Foundation Grants and Fees	\$ 19,700	\$ 1,448,166	\$ 1,467,866
U.S. Government Grants and Fees	-	42,343	42,343
Foreign Government Grants and Fees	-	93,423	93,423
Other Grants and Fees	2,801	281,438	284,239
Contributions	58,584	260,774	319,358
Investment Income	53,870	2,139	56,009
Other Income	43,260	-	43,260
Net Assets Released from Restrictions:			
Satisfaction of Grant Restrictions	2,405,834	(2,405,834)	-
Total Revenue and Support	2,584,049	(277,551)	2,306,498
EXPENSES			
Program Activities			
Climate Change	233,170	-	233,170
Chemicals	837,141	-	837,141
Trade and Sustainable Development	857,765	-	857,765
International Financial Institutions	272,073	-	272,073
Human Rights	78,785	-	78,785
Law and Communities	52,606	-	52,606
Other Programs	78,827	-	78,827
Total Program Activities	2,410,367	-	2,410,367
Supporting Activities			
General and Administration	145,346	-	145,346
Fundraising	146,082	-	146,082
Total Supporting Activities	291,428	-	291,428
Total Expenses	2,701,795	-	2,701,795
CHANGE IN NET ASSETS	(117,746)	(277,551)	(395,297)
NET ASSETS, Beginning of Year	577,622	2,257,484	2,835,106
NET ASSETS, End of Year	\$ 459,876	\$ 1,979,933	\$ 2,439,809

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2007		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Foundation Grants and Fees	\$ 323,400	\$ 1,734,338	\$ 2,057,738
U.S. Government Grants and Fees	-	258,808	258,808
Foreign Government Grants and Fees	-	695,071	695,071
Other Grants and Fees	1,494	238,353	239,847
Contributions	60,450	116,052	176,502
Investment Income	59,115	2,542	61,657
Other Income	36,967	532	37,499
Net Assets Released from Restrictions:			
Satisfaction of Grant Restrictions	2,544,134	(2,544,134)	-
Total Revenue and Support	3,025,560	501,562	3,527,122
EXPENSES			
Program Activities			
Climate Change	103,705	-	103,705
Chemicals	986,520	-	986,520
Trade and Sustainable Development	891,524	-	891,524
International Financial Institutions	146,074	-	146,074
Human Rights	92,513	-	92,513
Law and Communities	269,646	-	269,646
Other Programs	64,750	-	64,750
Total Program Activities	2,554,732	-	2,554,732
Supporting Activities			
General and Administration	89,325	-	89,325
Fundraising	157,316	-	157,316
Total Supporting Activities	246,641	-	246,641
Total Expenses	2,801,373	-	2,801,373
CHANGE IN NET ASSETS	224,187	501,562	725,749
NET ASSETS, Beginning of Year	353,435	1,755,922	2,109,357
NET ASSETS, End of Year	\$ 577,622	\$ 2,257,484	\$ 2,835,106

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (395,297)	\$ 725,749
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	20,020	12,721
Unrealized Loss (Gain) on Investments	1,965	(3,096)
Loss on Write-Off of Property and Equipment	2,214	-
Change in:		
Foundation Pledges Receivable	355,000	(178,562)
U.S. Government Grants and Fees Receivable	928	(928)
Foreign Government Grants and Fees Receivable	280,979	(384,191)
Other Grants and Fees Receivable	12,208	12,910
Other Receivables	(6,469)	(6,957)
Prepaid Expenses and Other Assets	18,768	(9,741)
Deposit	-	(19,666)
Accounts Payable	(76,021)	102,877
Accrued Payroll Expenses	(25,306)	20,495
Deferred Revenue	11,762	19,202
Deferred Lease Liability	46,806	21,418
Net Cash Provided by Operating Activities	247,557	312,231
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of Property and Equipment	(23,645)	(88,306)
NET INCREASE IN CASH AND CASH EQUIVALENTS	223,912	223,925
CASH AND CASH EQUIVALENTS, Beginning of Year	1,342,770	1,118,845
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,566,682	\$ 1,342,770

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, and, accordingly, revenue is recognized when earned and expenses are recognized when the obligation is 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 the reported amounts of assets of 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.

Cash and Cash Equivalents

For financial statement purposes, CIEL considers cash in bank and all highly liquid debt instruments with a maturity of one year or less to be cash equivalents.

Foundation Pledges, Grants, and Other Accounts Receivable

Foundation pledges and grants that are expected to be collected within one year are reflected as current pledges receivable and are recorded at their net realizable values in the period in which CIEL is notified by the Foundation of its commitment to make a contribution. Pledges and grants that are expected to be collected in future years are reflected as non-current and are recorded at their net realizable values, which approximate present value. Management considers all pledges and grants receivable to be fully collectible.

CIEL records trade and other grant receivables net of an allowance for doubtful accounts, when necessary. The allowance is determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be worthless.

Property and Equipment

Furniture, equipment, and leasehold improvements are recorded at cost. Depreciation and amortization is computed using the straight-line method over three years for furniture and fixtures and computer equipment, and ten years for leasehold improvements. CIEL capitalizes acquisitions greater than \$500 with estimated useful lives of greater than one year.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Certain contracts received under cost reimbursement arrangements are recorded as unrestricted revenue in the period the expenses are incurred.

Allocation of Expenses

Salaries and related costs and indirect costs are allocated between program, fundraising, and management and general classifications based upon the amount of effort within each activity.

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. During the years ended June 30, 2008 and 2007, indirect costs of \$723,971 and \$738,296, respectively, were recovered under the provisions of various restricted grants.

Income Taxes

CIEL is an organization described in Section 501(c)(3) of the Internal Revenue Code and has been classified as a charity under Section 509(a)(1). Revenue received by CIEL which is unrelated to its mission is considered to be unrelated business income. No unrelated business income was received during the years ended June 30, 2008 and 2007, and, accordingly, no income taxes are included in the accompanying financial statements.

Reclassifications

Certain reclassifications were made to the 2007 financial statement presentation in order to conform to 2008 financial statement presentation.

NOTE 2 – CONCENTRATION OF CREDIT RISK

CIEL has deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits in its primary checking account only. CIEL had bank deposits in excess of FDIC limits of approximately \$113,000 at June 30, 2008.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 3 – FOUNDATION PLEDGES

Foundation pledges receivable include receivables due in:

	June 30,	
	<u>2008</u>	<u>2007</u>
Less than One Year	\$ 805,000	\$ 710,000
One to Five Years	-	450,000
	<u>\$ 805,000</u>	<u>\$ 1,160,000</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment includes:

	June 30,	
	<u>2008</u>	<u>2007</u>
Furniture and Computer Equipment	\$ 84,879	\$ 78,032
Leasehold Improvements	58,920	61,134
	<u>143,799</u>	<u>139,166</u>
Accumulated Depreciation and Amortization	<u>(48,439)</u>	<u>(45,217)</u>
	<u>\$ 95,360</u>	<u>\$ 93,949</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	<u>2008</u>	<u>2007</u>
Climate Change	\$ 86,402	\$ 213,141
Chemicals	905,120	731,845
Trade and Sustainable Development	698,199	1,076,644
International Financial Institutions	179,167	178,921
Human Rights	61,653	54,025
Law and Communities	45,984	1,000
General and Administrative	3,408	1,908
	<u>\$ 1,979,933</u>	<u>\$ 2,257,484</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Climate Change	\$ 233,170	\$ 103,705
Chemicals	837,141	986,520
Trade and Sustainable Development	857,765	891,524
International Financial Institutions	272,073	146,074
Human Rights	78,785	92,513
Law and Communities	47,359	259,048
Other Programs	44,045	28,238
General and Administrative	35,496	36,512
	<u>\$ 2,405,834</u>	<u>\$ 2,544,134</u>

NOTE 6 – OFFICE SPACE

In January of 2008, CIEL entered into a lease for office space in Washington, D.C., which expires July 2017. Base monthly rental payments are \$19,543 for the first year, and increase approximately 2.5 percent per year. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 235,005
2010	240,860
2011	246,891
2012	253,650
2013	266,620
Thereafter	<u>1,159,749</u>
	<u>\$ 2,402,775</u>

The total cost of office space for the years ended June 30, 2008 and 2007, was \$283,393 and \$279,286, respectively.

CIEL also leases office space under separate lease agreements in Geneva, Switzerland, through a month-to-month lease and Berkeley, California, through an annual lease.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 6 – OFFICE SPACE (Continued)

Additionally, CIEL subleases a portion of its office space in Washington, DC, through 2017. Future minimum lease payments to be received are:

<u>Year Ending June 30,</u>	
2009	\$ 57,154
2010	58,575
2011	60,052
2012	61,690
2013	64,839
Thereafter	<u>275,986</u>
	<u>\$ 578,296</u>

Total sublease revenue received for the years ended June 30, 2008 and 2007, was \$41,759 and \$36,591, respectively.

NOTE 7 – 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 July 1 to June 30, and the required annual employer contribution is 5 percent 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, 2008 and 2007, was \$63,073 and \$59,501, respectively.

NOTE 8 – CONTRIBUTED SERVICES

CIEL's primary form of contributed services is from legal interns. Where a measure of such services is estimable, CIEL has calculated such donated services as an item of both revenue and expense. During the year ended June 30, 2008, management re-evaluated the value of the services provided and increased the estimated dollar per hour of the in-kind services from \$10 to \$23. For the years ended June 30, 2008 and 2007, CIEL received \$234,774 and \$103,145, respectively, in donated services which were included in contributions revenue and program and supporting services in the accompanying statements of activities and change in net assets.