

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

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2009 AND 2008

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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 statements of financial position of Center for International Environmental Law, Inc. (CIEL), as of June 30, 2009 and 2008, and the related statements of activities and change in net assets and statements of 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 Center for International Environmental Law, Inc., at June 30, 2009 and 2008, 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.

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

September 28, 2009  
Bethesda, Maryland

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,770,136	\$ 1,566,682
Foundation Pledges Receivable, Current	217,522	805,000
Foreign Government Grants and Fees Receivable	-	103,212
Other Grants and Fees Receivable	40,006	18,024
Other Receivables	3,801	26,813
Prepaid Expense and Other Assets	21,655	21,509
	<u>2,053,120</u>	<u>2,541,240</u>
Total Current Assets		
PROPERTY AND EQUIPMENT, Net	83,328	95,360
DEPOSIT	19,666	19,666
INVESTMENTS	7,264	8,019
	<u>\$ 2,163,378</u>	<u>\$ 2,664,285</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 48,388	\$ 71,228
Accrued Payroll Expenses	54,387	34,896
Deferred Revenue	68,121	50,128
Deferred Lease Liability	90,721	68,224
	<u>261,617</u>	<u>224,476</u>
Total Current Liabilities		
<b>NET ASSETS</b>		
Unrestricted	607,695	459,876
Temporarily Restricted	1,294,066	1,979,933
Total Net Assets	<u>1,901,761</u>	<u>2,439,809</u>
	<u>\$ 2,163,378</u>	<u>\$ 2,664,285</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2009		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Foundation Grants and Fees	\$ 234,000	\$ 1,182,339	\$ 1,416,339
U.S. Government Grants and Fees	-	200	200
Foreign Government Grants and Fees	-	155,123	155,123
Other Grants and Fees	10,954	436,216	447,170
Contributions	49,901	213,895	263,796
Investment Income	37,126	1,488	38,614
Other Income	59,417	-	59,417
Net Assets Released from Restrictions:			
Satisfaction of Grant Restrictions	2,675,128	(2,675,128)	-
Total Revenue and Support	3,066,526	(685,867)	2,380,659
<b>EXPENSES</b>			
Program Activities			
Climate Change	460,057	-	460,057
Chemicals	432,562	-	432,562
IPEN Secretariat	723,155	-	723,155
Biodiversity and Wildlife	17,295	-	17,295
Trade and Sustainable Development	667,463	-	667,463
International Financial Institutions	224,410	-	224,410
Human Rights	38,109	-	38,109
Law and Communities	29,630	-	29,630
Other Programs	77,974	-	77,974
Total Program Activities	2,670,655	-	2,670,655
Supporting Activities			
General and Administration	92,596	-	92,596
Fundraising	155,456	-	155,456
Total Supporting Activities	248,052	-	248,052
Total Expenses	2,918,707	-	2,918,707
<b>CHANGE IN NET ASSETS</b>	147,819	(685,867)	(538,048)
<b>NET ASSETS, Beginning of Year</b>	459,876	1,979,933	2,439,809
<b>NET ASSETS, End of Year</b>	\$ 607,695	\$ 1,294,066	\$ 1,901,761

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2008		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
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
<b>EXPENSES</b>			
Program Activities			
Climate Change	233,170	-	233,170
Chemicals	422,860	-	422,860
IPEN Secreteriat	414,281	-	414,281
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
<b>CHANGE IN NET ASSETS</b>	(117,746)	(277,551)	(395,297)
<b>NET ASSETS, Beginning of Year</b>	577,622	2,257,484	2,835,106
<b>NET ASSETS, End of Year</b>	\$ 459,876	\$ 1,979,933	\$ 2,439,809

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (538,048)	\$ (395,297)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	20,847	20,020
Donated Investments	1,044	-
Unrealized (Gain) Loss on Investments	(289)	1,965
Loss on Write-Off of Property and Equipment	-	2,214
Deferred Lease Liability	22,497	46,806
Change in:		
Foundation Pledges Receivable	587,478	355,000
U.S. Government Grants and Fees Receivable	-	928
Foreign Government Grants and Fees Receivable	103,212	280,979
Other Grants and Fees Receivable	(21,982)	12,208
Other Receivables	23,012	(6,469)
Prepaid Expenses and Other Assets	(146)	18,768
Accounts Payable	(22,840)	(76,021)
Accrued Payroll Expenses	19,491	(25,306)
Deferred Revenue	17,993	11,762
Net Cash Provided by Operating Activities	<u>212,269</u>	<u>247,557</u>
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	<u>(8,815)</u>	<u>(23,645)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	203,454	223,912
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,566,682</u>	<u>1,342,770</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,770,136</u>	<u>\$ 1,566,682</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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 an original 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. 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, 2009 AND 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value in accordance with SFAS No.157, *Fair Value Measurements*, as determined by quoted market prices in active markets for identical assets. Investments consist of marketable securities. Unrealized gains and losses are included in change in net assets in the accompanying statements of activities. Investment income includes interest and dividends and realized and unrealized appreciation and depreciation on investments. Donated investments are recorded at fair value on the date of receipt and recorded as contributions in the statements of activities.

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, 2009 and 2008, indirect costs of \$737,768 and \$723,971, 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, 2009 and 2008, and, accordingly, no income taxes are included in the accompanying financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

CIEL has elected to defer the provisions of FIN 48, *Accounting for Income Taxes*, under the provisions of FSP FIN 48-3. CIEL uses a FAS 5, *Loss Contingencies*, approach for evaluating uncertain tax positions. CIEL continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Subsequent Events

In accordance with Statement of Financial Accounting Standards No. 165, *Subsequent Events*, CIEL has evaluated subsequent events from the financial position date through the date of this report and determined no transactions are required to be recognized or disclosed in the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment includes:

	June 30,	
	2009	2008
Furniture and Computer Equipment	\$ 82,540	\$ 84,879
Leasehold Improvements	58,920	58,920
	141,460	143,799
Accumulated Depreciation and Amortization	(58,132)	(48,439)
	<u>\$ 83,328</u>	<u>\$ 95,360</u>

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2009	2008
Climate Change	\$ 305,409	\$ 86,402
Chemicals	295,148	252,215
IPEN Secretariat	119,685	652,905
Biodiversity & Wildlife	37,547	-
Trade and Sustainable Development	263,236	698,199
International Financial Institutions	25,398	179,167
Human Rights	150,861	61,653
Law and Communities	96,782	45,984
General and Administrative	-	3,408
	<u>\$ 1,294,066</u>	<u>\$ 1,979,933</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 3 – 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>2009</u>	<u>2008</u>
Climate Change	\$ 460,057	\$ 233,170
Chemicals	432,562	422,860
IPEN Secretariat	723,155	414,281
Biodiversity & Wildlife	17,295	-
Trade and Sustainable Development	667,473	857,765
International Financial Institutions	224,410	272,073
Human Rights	38,109	78,785
Law and Communities	29,630	47,359
Other Programs	16,676	44,045
General and Administrative	65,761	35,496
	<u>\$ 2,675,128</u>	<u>\$ 2,405,834</u>

NOTE 4 – 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. CIEL reimburses the landlord for its share of operating costs and real estate taxes in excess of a base amount. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 240,860
2011	246,891
2012	253,650
2013	266,620
2014	273,258
Thereafter	886,491
	<u>\$ 2,167,770</u>

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

The total cost of office space for the years ended June 30, 2009 and 2008, was \$292,450 and \$283,393, respectively.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 4 – OFFICE SPACE (Continued)

During 2009, two of CIEL's three tenants terminated their subleases with CIEL. The remaining sublease is a month-to-month lease. Total sublease revenue received for the years ended June 30, 2009 and 2008, was \$58,560 and \$41,759, respectively, which is included in other income in the statements of activities and change in net assets.

NOTE 5 – 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, 2009 and 2008, was \$59,773 and \$63,073, respectively.

NOTE 6 – 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. For the years ended June 30, 2009 and 2008, CIEL received \$192,895 and \$234,744, 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.