

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
JUNE 30, 2012 AND 2011

WATKINS | MEEGAN

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

Independent Auditors' Report

To the Board of Trustees
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, 2012 and 2011, 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, 2012 and 2011, 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.



Bethesda, Maryland
November 12, 2012

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,006,954	\$ 669,988
Foundation Pledges Receivable	640,350	505,893
Foreign Government Grants and Fees Receivable	25,105	17,721
Other Grants and Fees Receivable	28,516	68,435
Other Receivables	9,543	5,152
Prepaid Expense and Other Assets	18,459	19,532
	<u>1,728,927</u>	<u>1,286,721</u>
Total Current Assets		
PROPERTY AND EQUIPMENT, Net	47,690	55,193
DEPOSIT	20,445	20,446
INVESTMENTS	12,341	11,757
	<u>12,341</u>	<u>11,757</u>
	<u>\$ 1,809,403</u>	<u>\$ 1,374,117</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 29,608	\$ 44,869
Accrued Payroll Expenses	25,791	31,863
Deferred Revenue	12,678	753
Deferred Lease Liability, Current	9,605	-
	<u>77,682</u>	<u>77,485</u>
Total Current Liabilities		
NON-CURRENT LIABILITIES		
Deferred Lease Liability, Net of Current Portion	110,253	116,493
NET ASSETS		
Unrestricted	145,652	249,261
Temporarily Restricted	1,475,816	930,878
Total Net Assets	<u>1,621,468</u>	<u>1,180,139</u>
	<u>\$ 1,809,403</u>	<u>\$ 1,374,117</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Foundation Grants and Fees	\$ 92,000	\$ 2,837,075	\$ 2,929,075
U.S. Government Grants and Fees	-	400	400
Foreign Government Grants and Fees	-	76,080	76,080
Other Grants and Fees	718	540,661	541,379
Contributions	60,336	172,866	233,202
Investment Income	2,460	176	2,636
Other Income	42,717	-	42,717
Net Assets Released from Restrictions:			
Satisfaction of Grant Restrictions	3,082,320	(3,082,320)	-
Total Revenue and Support	3,280,551	544,938	3,825,489
EXPENSES			
Program Activities			
Climate Change	353,722	-	353,722
Chemicals	660,629	-	660,629
IPEN Secretariat	286,946	-	286,946
Biodiversity and Wildlife	882,629	-	882,629
Trade and Sustainable Development	39,402	-	39,402
International Financial Institutions	391,459	-	391,459
Human Rights	230,726	-	230,726
Law and Communities	168,283	-	168,283
Other Programs	68,524	-	68,524
Total Program Activities	3,082,320	-	3,082,320
Supporting Activities			
General and Administration	190,711	-	190,711
Fundraising	111,129	-	111,129
Total Supporting Activities	301,840	-	301,840
Total Expenses	3,384,160	-	3,384,160
CHANGE IN NET ASSETS	(103,609)	544,938	441,329
NET ASSETS, Beginning of Year	249,261	930,878	1,180,139
NET ASSETS, End of Year	\$ 145,652	\$ 1,475,816	\$ 1,621,468

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

	Year Ended June 30, 2011		
	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Foundation Grants and Fees	\$ 209,000	\$ 1,562,367	\$ 1,771,367
U.S. Government Grants and Fees	388	400	788
Foreign Government Grants and Fees	-	97,173	97,173
Other Grants and Fees	2,475	919,373	921,848
Contributions	53,308	223,921	277,229
Investment Income	7,301	184	7,485
Other Income	42,115	-	42,115
Net Assets Released from Restrictions:			
Satisfaction of Grant Restrictions	2,867,179	(2,867,179)	-
Total Revenue and Support	3,181,766	(63,761)	3,118,005
EXPENSES			
Program Activities			
Climate Change	486,169	-	486,169
Chemicals	964,679	-	964,679
IPEN Secretariat	354,698	-	354,698
Biodiversity and Wildlife	29,404	-	29,404
Trade and Sustainable Development	105,207	-	105,207
International Financial Institutions	377,273	-	377,273
Human Rights	275,215	-	275,215
Law and Communities	162,322	-	162,322
Other Programs	112,212	-	112,212
Total Program Activities	2,867,179	-	2,867,179
Supporting Activities			
General and Administration	244,319	-	244,319
Fundraising	182,353	-	182,353
Total Supporting Activities	426,672	-	426,672
Total Expenses	3,293,851	-	3,293,851
CHANGE IN NET ASSETS	(112,085)	(63,761)	(175,846)
NET ASSETS, Beginning of Year	361,346	994,639	1,355,985
NET ASSETS, End of Year	\$ 249,261	\$ 930,878	\$ 1,180,139

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 441,329	\$ (175,846)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	15,965	17,062
Unrealized Gain on Investments	(584)	(2,406)
Deferred Lease Liability	3,365	10,124
Change in:		
Foundation Pledges Receivable	(134,457)	(48,172)
Foreign Government Grants and Fees Receivable	(7,384)	(17,721)
Other Grants and Fees Receivable	39,919	(15,440)
Other Receivables	(4,391)	(4,511)
Prepaid Expenses and Other Assets	1,073	(705)
Deposit	1	(780)
Accounts Payable	(15,261)	7,905
Accrued Payroll Expenses	(6,072)	(25,959)
Deferred Revenue	11,925	(116,600)
Net Cash Provided by (Used in) Operating Activities	345,428	(373,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property and Equipment	695	-
Purchases of Property and Equipment	(9,157)	(4,034)
Net Cash Used in Investing Activities	(8,462)	(4,034)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	336,966	(377,083)
CASH AND CASH EQUIVALENTS, Beginning of Year	669,988	1,047,071
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,006,954	\$ 669,988

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments consist of marketable securities and are recorded at fair value in accordance with the FASB Accounting Standard Codes (FASC) topic on *Fair Value Measurements and Disclosures*, as determined by quoted market prices in active markets for identical assets using Level 1 inputs. Unrealized gains and losses are included in change in net assets on the accompanying statements of activities and change in net assets. 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 on the statements of activities and change in net assets.

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 on the statements of activities and change in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited. During the years ended June 30, 2012 and 2011, indirect costs of \$704,111 and \$780,190, respectively, were recovered under the provisions of various restricted grants.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012 and 2011; therefore, no provision for income tax has been recorded in the financial statements. CIEL believes it has appropriate support for any tax position taken and, as such, does not have any uncertain tax positions that are material to the financial statements. CIEL recognizes interest expense and penalties on its tax positions in management and general expenses on the statements of activities and change in net assets. For tax years prior to 2008, CIEL is no longer subject to examination by the IRS and the tax jurisdiction of the District of Columbia.

Subsequent Events

CIEL has evaluated events and transactions for potential recognition or disclosure through November 12, 2012, the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment includes:

	June 30,	
	2012	2011
Furniture and Computer Equipment	\$ 89,061	\$ 82,199
Leasehold Improvements	58,920	58,920
	147,981	141,119
Accumulated Depreciation and Amortization	(100,291)	(85,926)
	<u>\$ 47,690</u>	<u>\$ 55,193</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

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

	June 30,	
	2012	2011
Climate Change	\$ 237,939	\$ 219,264
Chemicals	199,331	292,945
IPEN Secretariat	72,744	-
Biodiversity and Wildlife	623,765	-
International Financial Institutions	159,820	49,018
Human Rights	120,369	276,515
Law and Communities	61,848	82,737
Emerging Opportunities Fund	-	2,009
General and Administrative	-	8,390
	<u>\$ 1,475,816</u>	<u>\$ 930,878</u>

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

	June 30,	
	2012	2011
Climate Change	\$ 353,722	\$ 486,169
Chemicals	660,629	964,679
IPEN Secretariat	286,946	354,698
Biodiversity and Wildlife	882,629	29,404
Trade and Sustainable Development	39,402	105,207
International Financial Institutions	391,459	377,273
Human Rights	230,726	275,215
Law and Communities	168,283	162,322
Other Programs	31,509	41,457
General and Administrative	37,015	70,755
	<u>\$ 3,082,320</u>	<u>\$ 2,867,179</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. As an incentive, the landlord abated the first two months of rent expense. The effects of the abated rent and scheduled rent increases are being recognized by CIEL on a straight-line basis over the life of the lease. The unrecognized portion of the abated rent and the rent increases are reflected as deferred rent expense (a liability) on the accompanying financial statements. CIEL reimburses the landlord for its share of operating costs and real estate taxes in excess of a base amount.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NOTE 4 – OFFICE SPACE (Continued)

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 266,620
2014	273,258
2015	280,077
2016	287,076
2017	294,256
Thereafter	<u>25,083</u>
	<u>\$ 1,426,370</u>

CIEL also leases office space under separate lease agreements in Geneva, Switzerland (month-to-month), and Berkeley, California (through January 31, 2014).

The total cost of office space for the years ended June 30, 2012 and 2011, was \$288,655 and \$291,797, respectively.

During 2011, CIEL entered into or continued existing lease agreements with multiple unaffiliated organizations to sublease space on a short-term basis. As of June 30, 2012, two of CIEL's tenants remained. Total sublease revenue received for the years ended June 30, 2012 and 2011, was \$28,226 and \$40,677, respectively, which is included in other income on the statements of activities and change in net assets.

NOTE 5 – RETIREMENT PLAN

Prior to June 30, 2011, CIEL sponsored two pension plans: a money purchase, defined contribution retirement plan and a plan classified under Section 403(b) of the Internal Revenue Code (IRC). Effective July 1, 2011, both plans were merged into a new plan classified under Section 403(b) of the IRC. 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. CIEL may contribute 5 percent of the total compensation paid to eligible employees, as defined within the plan. No employer contribution was made for the year ended June 30, 2012. The contribution is allocated between eligible employees on the basis of their compensation. CIEL's pension contribution for the year ended June 30, 2011, totaled \$66,266.

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, 2012 and 2011, CIEL received \$161,697 and \$206,987, respectively, in donated services which were included in contributions revenue and program and supporting services on the accompanying statements of activities and change in net assets.

WATKINS | MEEGAN

www.WatkinsMeegan.com

BETHESDA | ANNAPOLIS | TYSONS CORNER | HERNDON