

***CENTER FOR INTERNATIONAL
ENVIRONMENTAL LAW, INC.***

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017 AND 2016



**Halt Buzas &
Powell, LTD**

CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Center for International Environmental Law, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Center for International Environmental Law, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia

October 5, 2017

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,020,403	\$ 1,421,464
Contributions receivable	800,356	696,131
Contracts receivable	124,780	83,799
Other receivables	8,496	3,406
Prepaid expenses	22,209	24,101
Investments	21,503	21,026
Property and equipment, net	51,996	38,386
Deposits	20,712	20,712
 Total assets	 \$ 2,070,455	 \$ 2,309,025
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 11,465	\$ 45,674
Accrued payroll	46,667	32,814
Deferred revenue	53,300	26,284
Deferred rent	3,655	40,886
 Total liabilities	 115,087	 145,658
 Net assets:		
Unrestricted	1,043,775	601,086
Temporarily restricted	911,593	1,562,281
 Total net assets	 1,955,368	 2,163,367
 Total liabilities and net assets	 \$ 2,070,455	 \$ 2,309,025

See accompanying notes to the financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grants	\$ 947,136	\$ 613,050	\$ 1,560,186
Contracts	674,081	-	674,081
In-kind contributions	101,804	-	101,804
Contributions	63,827	13,010	76,837
Investment income	6,294	-	6,294
Other income	80,845	-	80,845
Net assets released from restrictions:			
Satisfaction of grant restrictions	1,276,748	(1,276,748)	-
Total revenues	3,150,735	(650,688)	2,500,047
Expenses:			
Program services:			
Climate and energy	748,432	-	748,432
Human rights and the environment	189,340	-	189,340
Environmental health	534,202	-	534,202
People, land and resources	584,747	-	584,747
IPEN Secretariat and miscellaneous projects	415,235	-	415,235
Total program services	2,471,956	-	2,471,956
Support services:			
Management and general	111,282	-	111,282
Fundraising	124,808	-	124,808
Total support services	236,090	-	236,090
Total expenses	2,708,046	-	2,708,046
Change in net assets	442,689	(650,688)	(207,999)
Net assets, beginning of year	601,086	1,562,281	2,163,367
Net assets, end of year	\$ 1,043,775	\$ 911,593	\$ 1,955,368

See accompanying notes to the financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grants	\$ 424,036	\$ 992,660	\$ 1,416,696
Contracts	651,572	-	651,572
In-kind contributions	180,039	-	180,039
Contributions	49,481	8,950	58,431
Investment income	4,026	-	4,026
Other income	69,569	-	69,569
Net assets released from restrictions:			
Satisfaction of grant restrictions	1,305,406	(1,305,406)	-
Total revenues	2,684,129	(303,796)	2,380,333
Expenses:			
Program services:			
Climate and energy	940,810	-	940,810
Human rights and the environment	213,273	-	213,273
Environmental health	428,377	-	428,377
People, land and resources	429,057	-	429,057
IPEN Secretariat and miscellaneous projects	534,174	-	534,174
Total program services	2,545,691	-	2,545,691
Support services:			
Management and general	26,458	-	26,458
Fundraising	107,242	-	107,242
Total support services	133,700	-	133,700
Total expenses	2,679,391	-	2,679,391
Change in net assets	4,738	(303,796)	(299,058)
Net assets, beginning of year	596,348	1,866,077	2,462,425
Net assets, end of year	\$ 601,086	\$ 1,562,281	\$ 2,163,367

See accompanying notes to the financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ <u>(207,999)</u>	\$ <u>(299,058)</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	17,980	13,987
Unrealized gain on investments	(2,298)	(915)
Deferred rent	(37,231)	(30,262)
Loss on disposal of assets	357	535
Decrease (increase) in assets:		
Contributions receivable	(104,225)	676,446
Contracts receivable	(40,981)	(42,550)
Other receivables	(5,090)	3,601
Prepaid expenses	1,892	(9,528)
Increase (decrease) in liabilities:		
Accounts payable	(34,209)	(4,618)
Accrued payroll	13,853	3,382
Deferred revenue	<u>27,016</u>	<u>1,810</u>
Total adjustments	<u>(162,936)</u>	<u>611,888</u>
Net cash (used in) provided by operating activities	<u>(370,935)</u>	<u>312,830</u>
Cash flows from investing activities:		
Purchases of property and equipment	(31,947)	(20,708)
Proceeds from sales of investments	<u>1,821</u>	<u>-</u>
Net cash used in investing activities	<u>(30,126)</u>	<u>(20,708)</u>
Net (decrease) increase in cash and cash equivalents	(401,061)	292,122
Cash and cash equivalents, beginning of year	<u>1,421,464</u>	<u>1,129,342</u>
Cash and cash equivalents, end of year	<u>\$ 1,020,403</u>	<u>\$ 1,421,464</u>

See accompanying notes to the financial statements.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Organization

The Center for International Environmental Law, Inc. (the Organization), 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 presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization has no permanently restricted net assets at June 30, 2017 and 2016.

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no level 3 inputs for any assets and liabilities held by the Organization at June 30, 2017 and 2016.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended June 30, 2017 and 2016, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2017 and 2016, no uncertain tax positions existed for which the Organization should recognize a liability.

Cash and cash equivalents

For financial statement purposes, the Organization considers highly liquid investments with an original maturity of one year or less to be cash equivalents.

Contracts receivable

Contracts receivable represent amounts due in less than one year principally from non-governmental organizations and international institutions and are stated at their net realizable value. In the opinion of management, all receivables are considered collectible. Accordingly, no allowance for doubtful contracts receivable has been recorded at June 30, 2017 and 2016.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Amounts expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. There were no unconditional promises to give that are expected to be collected in future years for the year ended June 30, 2017. Cash flows are discounted at discount rates commensurate with the risks involved, at the date the promises were made. The rate was .48% as of June 30, 2016. Due to the immaterial amount of the discount, management elected not to report such amounts at their present value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2017 and 2016, management estimates that all receivables are fully collectible, therefore, no allowance for doubtful accounts has been recognized.

Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3-10 years
Leasehold and improvements	Life of lease

The Organization's policy is to capitalize major additions and improvements over \$500 with estimated useful lives of greater than one year. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

Deferred rent and lease incentives

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required. Lease incentives received as part of a lease agreement are recognized on a straight-line basis over the life of the lease as a reduction to rent expense.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Revenue recognition

Contributions and grants

Contributions and certain foundation and corporate grants are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Contracts

Contract revenue is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position.

In-kind contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. The Organization's primary form of contributed services is from legal interns classified as program services.

Functional allocation of expenses

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.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

3. Concentrations of credit risk

The Organization maintains bank deposits that, for brief periods of time, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2016, there were deposits in excess of FDIC limits in the amount of \$114,761. There were no deposits in excess of FDIC limits at June 30, 2017.

4. Contributions receivable

Contributions receivable consist of unconditional promises to give and are summarized as follows:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 800,356	\$ 446,131
One to five years	<u>-</u>	<u>250,000</u>
Total	800,356	696,131
Less:		
Allowance for uncollectible amounts	-	-
Discount to present value	<u>-</u>	<u>-</u>
Contributions receivable	<u>\$ 800,356</u>	<u>\$ 696,131</u>

5. Investments and fair value measurements

Investments consist of equity securities and are recorded at fair value. Such investments are classified as Level 1 fair value hierarchy assets based on quoted market prices in active markets for identical assets using Level 1 inputs. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment income is comprised of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 3,996	\$ 3,111
Unrealized gain on investments	<u>2,298</u>	<u>915</u>
Total investment income	<u>\$ 6,294</u>	<u>\$ 4,026</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. Property and equipment, net

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

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 99,341	\$ 97,210
Leasehold improvements	<u>78,036</u>	<u>58,920</u>
Property and equipment	177,377	156,130
Accumulated depreciation and amortization	<u>(125,381)</u>	<u>(117,744)</u>
Total property and equipment, net	<u>\$ 51,996</u>	<u>\$ 38,386</u>

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$17,980 and \$13,987, respectively.

7. Temporarily restricted net assets

Net assets were released from grant restrictions during the years ended June 30, 2017 and 2016 for the following purposes:

	<u>2017</u>	<u>2016</u>
Climate and energy	\$ 674,013	\$ 806,315
Human rights and environment	5,627	22,351
Environmental health	376,350	181,119
People, land and resources	164,564	150,821
IPEN Secretariat and miscellaneous projects	<u>56,194</u>	<u>144,800</u>
Total net assets released from restrictions	<u>\$ 1,276,748</u>	<u>\$ 1,305,406</u>

At June 30, 2017 and 2016, temporarily restricted net assets were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Climate and energy	\$ 472,854	\$ 948,691
Human rights and environment	41,745	47,127
Environmental health	196,994	393,344
People, land and resources	200,000	131,964
IPEN Secretariat and miscellaneous projects	<u>-</u>	<u>41,155</u>
Total temporarily restricted net assets	<u>\$ 911,593</u>	<u>\$ 1,562,281</u>

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

8. Management's designation of unrestricted net assets

Management has elected to designate a certain portion of its unrestricted net assets for its programs. Net assets were released from management designation during the years ended June 30, 2017 and 2016 for the following purposes:

	<u>2017</u>	<u>2016</u>
Climate and energy	\$ 51,328	\$ 11,536
Human rights and environment	146,432	119,484
Environmental health	103,228	132,834
People, land and resources	<u>214,103</u>	<u>173,734</u>
Total unrestricted net assets released from management designation	<u>\$ 515,091</u>	<u>\$ 437,588</u>

At June 30, 2017 and 2016, unrestricted net assets were designated for the following purposes:

	<u>2017</u>	<u>2016</u>
Climate and energy	\$ 8,250	\$ 19,578
Human rights and environment	247,139	18,571
Environmental health	296,300	99,529
People, land and resources	195,897	200,000
Undesignated net assets	<u>296,189</u>	<u>263,408</u>
Total unrestricted net assets	<u>\$ 1,043,775</u>	<u>\$ 601,086</u>

9. Commitments

Operating leases

In February 2007, the Organization entered into a lease for office space in Washington, D.C., which commenced in June 2007 and expired July 2017. Base monthly rental payments were \$19,067 for the first year and increased 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 the Organization on a straight-line basis over the life of the lease. The unrecognized portion of the abated rent and rental increases are reflected as deferred rent on the accompanying statements of financial position. The Organization also reimburses the landlord for its share of operating costs and real estate taxes in excess of the base amount.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

In January 2017, the Organization entered into a lease for office space in Washington, DC, which commenced in August 2017 and expires in August 2022. Monthly rental payments will be \$16,481, which includes a service fee of \$2,345, for the first year and increases by 2.5% each year afterwards.

In February 2016, the Organization entered into a lease for office space in Berkeley, California, which commenced in February 2016 and expires in January 2019. Monthly rental payments are \$1,825 for the first year and increases by 3% each year afterwards.

The total cost of office space for the years ended June 30, 2017 and 2016 was \$345,608 and \$347,717, respectively.

Aggregate future minimum lease payments are as follows for the years ending June 30:

2018	\$ 229,215
2019	215,860
2020	207,365
2021	212,549
2022 and thereafter	<u>236,056</u>
Total	<u>\$ 1,101,045</u>

The Organization subleases space on a short-term basis with multiple unaffiliated organizations. Total sublease revenue received was \$79,499 and \$68,695 for the years ended June 30, 2017 and 2016, respectively, and is reported in other income in the accompanying statements of activities.

10. Retirement plan

The Organization sponsors a retirement plan classified under Section 403(b) of the Internal Revenue Code. All employees who have attained the age of 18 are eligible to participate after completing six months of service. The Organization may at times make a discretionary nonelective contribution as defined within the plan. The Organization elected not to make contributions to the retirement plan for the years ended June 30, 2017 and 2016.

CENTER FOR INTERNATIONAL ENVIRONMENTAL LAW, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. Concentration of revenue and support risk

During the year ended June 30, 2017 the Organization received 29% of its total revenue and support from two sources. During the year ended June 30, 2016, the Organization received 22% of its total revenue and support from two sources.

12. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 5, 2017, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.