

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

CLASP

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CLASP
Washington, D.C.

We have audited the accompanying financial statements of CLASP, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 CLASP as of December 31, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited CLASP's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses with Allocation of Management and General on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated and March 26, 2020, on our consideration of CLASP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CLASP's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CLASP's internal control over financial reporting and compliance.



March 26, 2020

CLASP

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,958,196	\$ 4,553,160
Grants receivable	965,968	1,503,614
Contracts receivable	140,225	-
Prepaid expenses	<u>138,385</u>	<u>268,262</u>
Total current assets	<u>7,202,774</u>	<u>6,325,036</u>
PROPERTY AND EQUIPMENT		
Furniture	30,353	-
Computer equipment	119,680	-
Leasehold improvements	<u>653,854</u>	<u>168,769</u>
	803,887	168,769
Less: Accumulated depreciation and amortization	<u>(114,661)</u>	<u>(33,754)</u>
Net property and equipment	<u>689,226</u>	<u>135,015</u>
OTHER ASSETS		
Deposits	78,116	46,827
Right-of-use assets	<u>1,418,870</u>	<u>934,393</u>
Total other assets	<u>1,496,986</u>	<u>981,220</u>
TOTAL ASSETS	<u>\$ 9,388,986</u>	<u>\$ 7,441,271</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of operating leases payable	\$ 182,200	\$ 84,879
Accounts payable and accrued liabilities	949,820	926,628
Deferred revenue	<u>3,183,027</u>	<u>1,427,102</u>
Total current liabilities	<u>4,315,047</u>	<u>2,438,609</u>
LONG-TERM LIABILITIES		
Operating leases payable, net of current portion	<u>1,492,275</u>	<u>932,018</u>
Total liabilities	<u>5,807,322</u>	<u>3,370,627</u>
NET ASSETS		
Without donor restriction	1,648,019	1,309,546
With donor restriction	<u>1,933,645</u>	<u>2,761,098</u>
Total net assets	<u>3,581,664</u>	<u>4,070,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,388,986</u>	<u>\$ 7,441,271</u>

See accompanying notes to financial statements.

CLASP

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE				
Foundation grants	\$ 3,269,463	\$ 834,500	\$ 4,103,963	\$ 1,846,020
U.S. Government grants	1,741,698	-	1,741,698	798,393
International grants	7,625,872	-	7,625,872	6,003,889
Contracts	295,901	-	295,901	609,172
Interest and other income	5,434	-	5,434	1,925
In-kind contributions	1,720	-	1,720	4,660
Other revenue	116,913	-	116,913	49,659
Net assets released from donor restrictions	<u>1,661,953</u>	<u>(1,661,953)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>14,718,954</u>	<u>(827,453)</u>	<u>13,891,501</u>	<u>9,313,718</u>
EXPENSES				
Program Services:				
Climate	4,089,346	-	4,089,346	2,736,021
Clean Energy Access	4,586,266	-	4,586,266	2,856,788
DOS	279,063	-	279,063	103,528
USAID	890,853	-	890,853	25,369
LBNL Global LEAP	332,574	-	332,574	467,939
LBNL SEAD	53,503	-	53,503	69,707
DFID	<u>2,765,783</u>	<u>-</u>	<u>2,765,783</u>	<u>2,464,545</u>
Total program services	<u>12,997,388</u>	<u>-</u>	<u>12,997,388</u>	<u>8,732,365</u>
Supporting Services:				
Management and General	<u>1,383,093</u>	<u>-</u>	<u>1,383,093</u>	<u>1,292,817</u>
Total expenses	<u>14,380,481</u>	<u>-</u>	<u>14,380,481</u>	<u>10,025,182</u>
Change in net assets	338,473	(827,453)	(488,980)	(711,464)
Net assets at beginning of year	<u>1,309,546</u>	<u>2,761,098</u>	<u>4,070,644</u>	<u>4,782,108</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,648,019</u>	<u>\$ 1,933,645</u>	<u>\$ 3,581,664</u>	<u>\$ 4,070,644</u>

CLASP

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019								2018		
	Program Services							Supporting Services		Total Expenses	Total Expenses
	Climate	Clean Energy Access	DOS	USAID	LBNL Global LEAP	LBNL SEAD	DFID	Total Program Services	Management and General		
Salary and benefits	\$ 1,552,487	\$ 631,157	\$ 104,780	\$ 96,888	\$ 182,738	\$ 37,395	\$ 878,783	\$ 3,484,228	\$ 658,158	\$ 4,142,386	\$ 3,313,694
Contractors	1,290,624	1,038,944	94,807	125,079	58,169	1,793	1,082,641	3,692,057	17,311	3,709,368	3,155,436
Accounting and legal fees	30,382	44,363	-	10,402	4,851	-	22,786	112,784	162,264	275,048	443,947
Professional fees	611,272	270,691	21,928	38,763	51,029	6,509	211,871	1,212,063	57,881	1,269,944	1,031,110
Telephone, telecommunications	23,073	11,623	1,901	1,707	3,108	2,438	16,394	60,244	10,722	70,966	62,630
Office expense	79,808	14,583	6,105	12,528	6,132	898	172,358	292,412	219,999	512,411	263,815
Travel and meeting expense	362,459	165,902	42,223	73,591	8,981	1,868	178,707	833,731	120,978	954,709	677,719
RBF expenses	-	2,360,288	-	-	-	-	-	2,360,288	-	2,360,288	707,729
Innovation prize	-	-	-	512,016	-	-	127,270	639,286	-	639,286	-
Occupancy	128,838	46,645	7,308	13,519	15,968	2,602	65,776	280,656	28,825	309,481	268,694
Depreciation and amortization	490	1,146	-	228	-	-	872	2,736	78,171	80,907	16,902
Miscellaneous expenses	9,913	924	11	6,132	1,598	-	8,325	26,903	28,784	55,687	83,506
TOTAL	\$ 4,089,346	\$ 4,586,266	\$ 279,063	\$ 890,853	\$ 332,574	\$ 53,503	\$ 2,765,783	\$ 12,997,388	\$ 1,383,093	\$ 14,380,481	\$ 10,025,182

See accompanying notes to financial statements.

CLASP

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (488,980)	\$ (711,464)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,907	16,902
Change in operating lease	173,101	13,921
Decrease (increase) in:		
Grants receivable	537,646	(100,240)
Contracts receivable	(140,225)	-
Prepaid expenses	129,877	(262,001)
Deposits	(31,289)	(13,769)
Increase in:		
Accounts payable and accrued liabilities	23,192	456,439
Deferred revenue	<u>1,755,925</u>	<u>852,072</u>
Net cash provided by operating activities	<u>2,040,154</u>	<u>251,860</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(635,118)</u>	<u>-</u>
Net cash used by investing activities	<u>(635,118)</u>	<u>-</u>
Net increase in cash and cash equivalents	1,405,036	251,860
Cash and cash equivalents at beginning of year	<u>4,553,160</u>	<u>4,301,300</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,958,196</u>	<u>\$ 4,553,160</u>

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

CLASP improves the environmental and energy performance of the appliances and related systems we use every day, lessening their impacts on people and the world around us. Since 1999, CLASP has worked in over 50 economies, developing and sharing transformative policy and market solutions in collaboration with global experts and local stakeholders. As the leading international voice and resource for appliance standards and labeling (S&L) policies, CLASP:

- Convenes stakeholders
- Conducts analyses
- Identifies best practices
- Shares knowledge
- Guides decision-makers
- Builds capacity
- Transforms markets

All with the goal of drastically increasing market uptake of affordable, low-impact and high-quality appliances.

CLASP's headquarters are located in Washington, D.C.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CLASP's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements adopted -

During 2019, CLASP adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way CLASP recognized revenue; however, the presentation and disclosures of revenue have been enhanced. CLASP has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, CLASP adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. CLASP adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

CLASP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, CLASP maintains cash balances in excess of the FDIC insurance limits. Additionally, as of December 31, 2019, CLASP maintained \$380,682 of cash on hand and in banks overseas. The majority of funds invested in foreign countries are uninsured. Management believes the risk in these situations to be minimal. CLASP is required to maintain a separate bank account for funding received from a specific donor (GIZ). As of December 31, 2019, the balance in the GIZ bank account was \$530,037.

Foreign currency -

The U.S. Dollar is the functional currency of CLASP. Transactions in currencies other than Dollars are translated into Dollars at the rates of exchange in effect during the month of the transaction.

Property and equipment purchased with non-U.S. currency are translated into Dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the financial statement date.

Grants and contracts receivable -

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Accounts receivable are expected to be collected within one year.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost.

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Property and equipment (continued) -

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2019 totaled \$80,907.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

CLASP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. CLASP is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, CLASP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Grants and contracts -

The majority of CLASP's activities are performed under cost-reimbursable contracts and grants with the U.S. and foreign governments, international organizations and other entities. CLASP recognizes grants and contracts as either contributions or exchange transactions, depending on whether the transaction is reciprocal or nonreciprocal.

For grants and contracts classified as contributions, revenue is recognized when a contribution becomes unconditional. Typically, grant and contract agreements contain a right of return or right of release from obligation provision and CLASP has limited discretion over how funds transferred should be spent. As such, CLASP recognizes revenue for these conditional contributions when the related barrier has been overcome.

For grants and contracts treated as contributions, CLASP had approximately \$24.9 million in unrecognized conditional contributions as of December 31, 2019. The revenue related to these awards is conditioned on incurring allowable expenditures under the terms of the agreements.

Grants and contracts classified as exchange transactions are recorded as revenue without donor restrictions to the extent that expenses are incurred in compliance with the criteria stipulated in the grant or contract agreements.

Of the total grants and contracts, approximately 2.15% were considered exchange transactions for the year ended December 31, 2019. The performance obligations under such contracts are satisfied as the services are rendered.

CLASP

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Grants and contracts (continued) -

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue. For transactions treated as contributions, the grants receivable balance at December 31, 2019 was \$965,968 and the deferred revenue balance was \$3,183,027. For transactions classified as exchange transactions, the contracts receivable balance as of December 31, 2019 was \$140,225 and there was no deferred revenue.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of CLASP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. CLASP's donors allow management and general expenditures to be charged to the respective projects they support. Accordingly, management and general expenditures are allocated to CLASP's programs on a basis of time and effort. In accordance with ASU 2016-14 Presentation of Financial Statements for Not-for-Profit Entities, such allocations have been excluded from the accompanying Statement of Functional Expenses. Please refer to Schedule 1 for a summary of management and general expenditures charged to each of CLASP's programs for the year ended December 31, 2019.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Program expenses previously classified as "Policy and Analysis" and "Market Development" have been reclassified as "Climate" and "Clean Energy Access," respectively. Additionally, in accordance with ASU 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*, the prior year summarized comparative program expenditures presented for the year ended December 31, 2018 in the accompanying Statement of Activities and Change in Net Assets do not include allocations of management and general expenditures. These changes had no effect on the previously reported changes in net assets.

2. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2019:

Climate	<u>\$ 1,933,645</u>
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CLASP

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Climate	<u>\$ 1,661,953</u>
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3. LINE OF CREDIT

CLASP has a \$100,000 bank line of credit, which matures March 12, 2021. Amounts borrowed under this agreement bear interest at the highest prime rate published by the Wall Street Journal and the rate is subject to change (There was a variable rate at December 31, 2019). There were no outstanding borrowings as of December 31, 2019. The line is secured by cash held in accounts at the same financial institution.

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 5,958,196
Grants receivable	965,968
Financial assets restricted by donor	<u>(1,933,645)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 4,990,519</u>
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CLASP has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, CLASP has financial assets equal to approximately four months of operating expenses. In addition, CLASP has a line of credit agreement (as further discussed in Note 10) which allows for additional available borrowings up to \$100,000.

5. LEASE COMMITMENTS

On April 27, 2016, CLASP entered into a new lease agreement for space located at 1401 K Street, NW, Washington, D.C. The lease term is one hundred twenty (120) full calendar months, beginning on January 2, 2017, which is the date the Landlord delivered possession. The initial base rent for the first year is \$186,507, plus CLASP's share of the annual operating costs and real estate taxes. The lease also includes a 2.5% annual escalation clause.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 related to *Leases* (Topic 842), in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements for operating leases that are greater than one year in duration. The ASU specifically requires an organization to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the Statement of Financial Position and recognize a single lease cost, calculated so the cost of the lease is allocated over the lease term on a straight line basis.

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

5. LEASE COMMITMENTS (Continued)

The guidance in the ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2019 and early adoption is permitted. CLASP elected on January 3, 2017 to early implement the ASU. As a result, CLASP recorded a right-of-use asset in the amount of \$1,114,747, net of the landlord allowance of \$50,000. CLASP recorded an operating lease liability in the amount of \$1,164,747 by calculating the net present value using the discount rate of 5.75%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2019, the unamortized right-of-use asset net of the landlord allowance was \$840,373 and the unamortized operating lease liability was \$932,018. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2019, was \$155,278. Total payments on the lease during the year ended December 31, 2019 were \$195,949.

During 2019, CLASP entered into an agreement for additional office space at 1401 K Street, NW, Washington, D.C. The lease term is ninety two (92) full calendar months, beginning on May 1, 2019. The initial base rent for the first year is \$113,750, plus CLASP's share of the annual operating costs and real estate taxes. The lease also includes a 2.5% annual escalation clause. In connection with this lease CLASP recorded a right-of-use asset in the amount of \$408,418, net of the landlord allowance of \$169,840 and an operating lease liability in the amount of \$578,258 by calculating the net present value using a discount rate of 5.75%.

The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2019, the unamortized right-of-use asset net of the landlord allowance was \$379,320 and the unamortized operating lease liability was \$542,250. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2019 was \$62,617. Total payments on the lease during the year ended December 31, 2019 were \$75,834.

During 2019, CLASP entered into an agreement for office space in Nairobi, Kenya. The lease term is sixty one (61) full calendar months, beginning on November 1, 2019. The initial base rent for the first year is \$34,242, with an annual escalation of 7.5%.

In connection with this lease CLASP recorded a right-of-use asset and a corresponding operating lease liability in the amount of \$185,377 by calculating the net present value using a discount rate of 4.2%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2019, the unamortized right-of-use asset was \$179,277 and the unamortized operating lease liability was \$180,307. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2019 was \$6,737. Total payments on the lease during the year ended December 31, 2019 were \$5,707.

During 2019, CLASP entered into an agreement to lease a copier for a term of 64 months beginning on May 1, 2019. The annual base rent is \$4,872 for the entire lease term. In connection with this lease CLASP recorded a right-of-use asset and a corresponding operating lease liability in the amount of \$22,139 by calculating the net present value using a discount rate of 5.75%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2019, the unamortized right-of-use asset and unamortized operating lease liability were \$19,900.

The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2019 was \$2,842. Total payments on the lease during the year ended December 31, 2019 were \$2,842.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments under the leases described above:

<u>Year Ending December 31,</u>	
2020	\$ 357,413
2021	367,975
2022	382,365
2023	393,836
2024	400,033
Thereafter	<u>734,786</u>
	2,636,408
Less: Building operating costs	(604,980)
Less: Imputed interest	<u>(356,953)</u>
TOTAL OPERATING LEASE LIABILITY	<u>\$ 1,674,475</u>

During the year, CLASP also leased office space in India under a lease that expires on October 31, 2020. CLASP has not recorded a right-of-use asset and lease liability associated with this lease because the remaining lease term is less than one year from the date of the financial statements. The lease payments due on this lease in 2020 amount to \$38,512.

6. RETIREMENT PLAN

CLASP provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. CLASP contributes 1% of gross wages and matches 100% of employee contributions up to 6% of gross wages. Contributions to the Plan during the year ended December 31, 2019 totaled \$197,874.

7. CONCENTRATION OF REVENUE

Approximately 58% of CLASP's revenue for the year ended December 31, 2019 was derived from grants awarded by Aspen Global Change Institute, GIZ, and the U.K. Department for International Development (DFID).

CLASP has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would result in a significant reduction in revenue.

8. CONTINGENCY

CLASP receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. CONTINGENCY (Continued)

Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

9. DEPARTMENT FOR INTERNATIONAL DEVELOPMENT GRANT

Included in the total program services expense balance on the Statement of Activities and Change in Net Assets are the Department for International Development (DFID) costs to support the Low-Energy Inclusive Appliances (LEIA) initiative.

Expenses associated with this award for the year ended December 31, 2019 were as follows:

Salaries and related expenses	\$ 878,783
Contractors and professional fees	1,421,782
Accounting and legal fees	22,786
Telephone and telecommunications	16,394
Office expenses	172,358
Occupancy	65,776
Travel and meeting expenses	178,707
Other expenses	<u>9,197</u>
TOTAL	<u>\$ 2,765,783</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through March 26, 2020, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

CLASP

**SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF MANAGEMENT AND GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services							Supporting Services	Total Expenses	
	Climate	Clean Energy Access	DOS	USAID	LBNL Global LEAP	LBNL SEAD	DFID	Total Program Services		Management and General
Salary and benefits	\$ 1,552,487	\$ 631,157	\$ 104,780	\$ 96,888	\$ 182,738	\$ 37,395	\$ 878,783	\$ 3,484,228	\$ 658,158	\$ 4,142,386
Contractors	1,290,624	1,038,944	94,807	125,079	58,169	1,793	1,082,641	3,692,057	17,311	3,709,368
Accounting and legal fees	30,382	44,363	-	10,402	4,851	-	22,786	112,784	162,264	275,048
Professional fees	611,272	270,691	21,928	38,763	51,029	6,509	211,871	1,212,063	57,881	1,269,944
Telephone, telecommunications	23,073	11,623	1,901	1,707	3,108	2,438	16,394	60,244	10,722	70,966
Office expense	79,808	14,583	6,105	12,528	6,132	898	172,358	292,412	219,999	512,411
Travel and meeting expense	362,459	165,902	42,223	73,591	8,981	1,868	178,707	833,731	120,978	954,709
RBF expenses	-	2,360,288	-	-	-	-	-	2,360,288	-	2,360,288
Innovation prize	-	-	-	512,016	-	-	127,270	639,286	-	639,286
Occupancy	128,838	46,645	7,308	13,519	15,968	2,602	65,776	280,656	28,825	309,481
Depreciation and amortization	490	1,146	-	228	-	-	872	2,736	78,171	80,907
Miscellaneous expenses	9,913	924	11	6,132	1,598	-	8,325	26,903	28,784	55,687
Subtotal	4,089,346	4,586,266	279,063	890,853	332,574	53,503	2,765,783	12,997,388	1,383,093	14,380,481
Allocation of management and general	613,030	253,634	41,976	38,466	75,391	15,459	345,137	1,383,093	(1,383,093)	-
TOTAL	\$ 4,702,376	\$ 4,839,900	\$ 321,039	\$ 929,319	\$ 407,965	\$ 68,962	\$ 3,110,920	\$ 14,380,481	\$ -	\$ 14,380,481