FINANCIAL STATEMENTS

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

FOR THE YEAR ENDED DECEMBER 31, 2011

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Collaborative Labeling & Appliance Standards Program, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of the Collaborative Labeling & Appliance Standards Program, Inc. (CLASP) as of December 31, 2011, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CLASP's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CLASP's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CLASP as of December 31, 2011, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

August 15, 2012

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COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 994,550
Accounts receivable	453,799
Prepaid expenses	12,348
Total current assets	1,460,697
FIXED ASSETS	
Furniture	109,675
Leasehold improvements (Note 3)	94,853
	204,528
Less: Accumulated depreciation and amortization	(49,059)
Net fixed assets	155,469
OTHER ASSETS	
Deposits	32,045
TOTAL ASSETS	**$ 1,648,211**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	$ 688,306
Refundable advance	463,615
Current portion of deferred rent abatement (Note 3)	34,673
Total current liabilities	1,186,594
LONG-TERM LIABILITIES	
Deferred rent abatement (Note 3)	51,901
Total liabilities	1,238,495
NET ASSETS	
Unrestricted	222,833
Temporarily restricted (Note 2)	186,883
Total net assets	409,716
TOTAL LIABILITIES AND NET ASSETS	**$ 1,648,211**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Foundation grants	$ 49,932	$ 5,323,978	$ 5,373,910
Government grants	1,058,169	-	1,058,169
Interest income	4,383	-	4,383
Contributed services	10,415	-	10,415
Other revenue	300	-	300
Net assets released from donor restrictions (Note 2)	5,749,518	(5,749,518)	-
Total revenue	6,872,717	(425,540)	6,447,177
EXPENSES			
Program services:			
Climate Works	5,223,857	-	5,223,857
SEAD	1,030,076	-	1,030,076
Regional Technical Support	161,720	-	161,720
Total program services	6,415,653	-	6,415,653
Supporting services:			
Management and General	40,833	-	40,833
Fundraising	3,980	-	3,980
Total supporting services	44,813	-	44,813
Total expenses	6,460,466	-	6,460,466
Change in net assets before other item	412,251	(425,540)	(13,289)
OTHER ITEM			
Net realized/unrealized gain on currency exchange	10,168	-	10,168
Change in net assets	422,419	(425,540)	(3,121)
Net assets at beginning of year	(199,586)	612,423	412,837
NET ASSETS AT END OF YEAR	**$ 222,833**	**$ 186,883**	**$ 409,716**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services			
	Climate Works	**SEAD**	**Regional Technical Support**	**Total Program Services**
Salaries and related expenses (Note 4)	$ 966,181	$ 199,459	$ 23,779	$ 1,189,419
Contractor fees	2,591,437	558,173	45,576	3,195,186
Payroll processing, accounting and legal fees	216,908	34,795	-	251,703
Telephone and telecommunications	70,059	19,909	145	90,113
Office expenses	68,252	2,083	2,356	72,691
Occupancy expenses (Note 3)	189,275	-	-	189,275
Travel and meeting expenses	387,391	25,861	42,859	456,111
Depreciation and amortization	-	-	-	-
Miscellaneous	26,639	-	76	26,715
Sub-total	4,516,142	840,280	114,791	5,471,213
Allocation of management and general	707,715	189,796	46,929	944,440
TOTAL	**$ 5,223,857**	**$ 1,030,076**	**$ 161,720**	**$ 6,415,653**

See accompanying notes to financial statements.

Supporting Services				
Management and General	**Fundraising**	**Total Supporting Services**	**Total Expenses**
$ 525,254	$ 3,980	$ 529,234	$ 1,718,653
322,927	-	322,927	3,518,113
24,494	-	24,494	276,197
21,662	-	21,662	111,775
9,134	-	9,134	81,825
12,511	-	12,511	201,786
27,013	-	27,013	483,124
40,018	-	40,018	40,018
2,260	-	2,260	28,975
985,273	3,980	989,253	6,460,466
(944,440)	-	(944,440)	-
$ 40,833	**$ 3,980**	**$ 44,813**	**$ 6,460,466**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (3,121)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	40,018
Deferred rent abatement	86,574
(Increase) in:	
Accounts receivable	(367,128)
Prepaid expenses	(2,449)
(Decrease) increase in:	
Accounts payable and accrued liabilities	(108,369)
Refundable advance	463,615
Net cash provided by operating activities	109,140
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(14,093)
Net cash used by investing activities	(14,093)
Net increase in cash and cash equivalents	95,047
Cash and cash equivalents at beginning of year	899,503
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 994,550**
SCHEDULE OF NONCASH INVESTING ACTIVITY:	
Acquisition of Leasehold Improvements through Tenant Allowance	**$ 92,958**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Collaborative Labeling & Appliance Standards Program, Inc. (CLASP) is a non-profit organization, incorporated in the District of Columbia on February 25, 2005, for the following purposes: to enhance the design, implementation and enforcement of energy efficiency standards and labels for residential and commercial appliances, equipment, and lighting worldwide.

CLASP works to:

1. lower energy use, carbon emissions, and criteria pollutant emissions worldwide;
2. create a higher level of efficiency for energy consuming appliances, equipment, and lighting products manufactured and sold worldwide;
3. increase the resources spent on programs to implement energy efficiency labels and standards; and
4. increase the number of stakeholders supporting and involved in promoting energy efficiency labels and standards worldwide.

CLASP's headquarters are located in Washington, D.C. CLASP has a regional office in Brussels, Belgium.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). CLASP maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, CLASP maintains cash balances in interest-bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Additionally, CLASP maintained $95,454 of cash on hand and in a bank overseas, and all such funds are largely uninsured. Management believes the risk in these situations to be minimal.

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 purchases 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 date of the balance sheet. The net exchange gains from foreign currency of $10,168, for the year ended December 31, 2011, are reported as "net realized/unrealized gain on currency exchange" in the accompanying Statement of Activities and Change in Net Assets.

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

Accounts receivable -

Accounts receivable approximate 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.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Fixed assets 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, 2011 totaled $40,018.

Income taxes -

CLASP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. CLASP is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2011, CLASP has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of CLASP and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of CLASP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by CLASP. There are restrictions placed on the use of investment earnings from these endowment funds. At December 31, 2011, CLASP had no permanently restricted net assets.

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

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

CLASP receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Accounts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance. At December 31, 2011, non-Federal refundable advances totaled $463,615.

Contributed services -

Contributed services consist of professional fees. Contributed services are recorded at their fair market value as of the date of the gift. During the year ended December 31, 2011, the value of such contributed services totaled $10,415.

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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2011:

Climate Works and Regional Technical Support	$ 100,000
SEAD	86,883
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 186,883**

2. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

Climate Works and Regional Technical Support	$5,255,139
SEAD	65,710
Passage of time	428,669
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$5,749,518**

3. LEASE COMMITMENTS

CLASP leases office space under a five-year agreement, which originated in June 2010. Base rent is $164,256 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year.

Accounting principles generally accepted in the United States of America require that when lease agreements contain fixed increases in the annual rental amount that the total rent commitment should be recognized on a straight-line basis over the term of the lease. In addition, CLASP received leasehold improvements paid for by the landlord in the amount of $94,853, which was recorded as leasehold improvements and a related deferred rent liability and will be amortized using the straight-line method over the life of the lease.

The following is a schedule of the future minimum lease payments:

Year Ended December 31,	
2012	$ 172,154
2013	177,302
2014	182,622
2015	77,030
	$ 609,108

Rent expense for the year ended December 31, 2011 was $201,786. The deferred rent liability was $86,574.

4. 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 1.5% of gross wages and matches 100% of employee contributions up to 5.50% of gross wages. Contributions to the plan during the year ended December 31, 2011 totaled $76,298.

5. CONCENTRATION OF REVENUE

Approximately 80% of CLASP's revenue for the year ended December 31, 2011 was derived from grants awarded by one donor. CLASP has no reason to believe that relationship with this donor will be discontinued in the foreseeable future. However, any interruption of the relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect CLASP's ability to finance ongoing operations.

6. CONTINGENCY

CLASP receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. 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 provisions of OMB Circular A-133 have been completed for all required fiscal years through 2011. 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.

7. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through August 15, 2012, the date the financial statements were issued.