FINANCIAL STATEMENTS

clasp

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Collaborative Labeling & Appliance Standards Program, Inc. (CLASP), which comprise the statement of financial position as of December 31, 2013, 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. 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.

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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, 2013, 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.

Report on Summarized Comparative Information

We have previously audited CLASP's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rozenberg & Freedman

April 29, 2014

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 1,330,581	$ 752,642
Accounts receivable	96,296	520,550
Prepaid expenses	25,592	44,466
Total current assets	1,452,469	1,317,658
FIXED ASSETS		
Furniture	162,169	162,169
Leasehold improvements (Note 3)	94,853	94,853
	257,022	257,022
Less: Accumulated depreciation and amortization	(139,527)	(90,872)
Net fixed assets	117,495	166,150
OTHER ASSETS		
Deposits	29,082	29,582
TOTAL ASSETS	**$ 1,599,046**	**$ 1,513,390**

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 186,260	$ 208,322
Refundable advance	249,878	85,393
Current portion of deferred rent abatement (Note 3)	29,686	24,365
Total current liabilities	465,824	318,080
LONG-TERM LIABILITIES		
Deferred rent abatement (Note 3)	13,307	42,992
Total liabilities	479,131	361,072
NET ASSETS		
Unrestricted	500,226	787,084
Temporarily restricted (Note 2)	619,689	365,234
Total net assets	1,119,915	1,152,318
TOTAL LIABILITIES AND NET ASSETS	**$ 1,599,046**	**$ 1,513,390**

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, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants (Note 5)	$ 1,062,068	$ 4,323,000	$ 5,385,068	$ 6,389,095
Government grants (Note 6)	1,934,517	-	1,934,517	1,520,640
International grants	111,695	-	111,695	-
Contracts	169,031	-	169,031	-
Interest income	4,478	-	4,478	5,400
Net assets released from donor restrictions (Note 2)	4,068,545	(4,068,545)	-	-
Total revenue	7,350,334	254,455	7,604,789	7,915,135
EXPENSES				
Program Services:				
Climate Works	5,203,260	-	5,203,260	5,579,082
SEAD	2,050,870	-	2,050,870	1,546,455
Global LEAP	318,879	-	318,879	-
Regional Technical Support	53,967	-	53,967	10,195
Total program services	7,626,976	-	7,626,976	7,135,732
Supporting Services:				
Management and General	1,418	-	1,418	20,046
Fundraising	5,283	-	5,283	16,308
Total supporting services	6,701	-	6,701	36,354
Total expenses	7,633,677	-	7,633,677	7,172,086
Change in net assets before other item	(283,343)	254,455	(28,888)	743,049
OTHER ITEM				
Net realized/unrealized loss on currency exchange	(3,515)	-	(3,515)	(447)
Change in net assets	(286,858)	254,455	(32,403)	742,602
Net assets at beginning of year	787,084	365,234	1,152,318	409,716
NET ASSETS AT END OF YEAR	**$ 500,226**	**$ 619,689**	**$ 1,119,915**	**$ 1,152,318**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013				
	Program Services				
	Climate Works	SEAD	Global LEAP	Regional Technical Support	Total Program Services
Salaries and related expenses (Note 4)	$ 1,281,615	$ 352,149	$ 115,389	$ 21,557	$ 1,770,710
Contractor expenses	2,311,063	1,327,110	85,614	13,580	3,737,367
Payroll processing, accounting and legal fees	112,704	-	9,016	-	121,720
Telephone and telecommunications	20,662	18,653	2,842	-	42,157
Office expenses	39,574	20,598	9,950	656	70,778
Occupancy (Note 3)	71,641	-	-	-	71,641
Travel and meeting expenses	270,268	64,621	22,745	5,768	363,402
Depreciation and amortization	-	-	-	-	-
Miscellaneous	20,030	4,120	19	-	24,169
Sub-total	4,127,557	1,787,251	245,575	41,561	6,201,944
Allocation of management and general	1,075,703	263,619	73,304	12,406	1,425,032
TOTAL	**$ 5,203,260**	**$ 2,050,870**	**$ 318,879**	**$ 53,967**	**$ 7,626,976**

Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses	2012 Total Expenses
$ 812,966	$ 5,283	$ 818,249	$ 2,588,959	$ 2,126,312
54,692	-	54,692	3,792,059	3,760,829
114,759	-	114,759	236,479	392,883
70,679	-	70,679	112,836	108,619
120,947	-	120,947	191,725	123,506
162,253	-	162,253	233,894	218,055
18,296	-	18,296	381,698	351,398
48,655	-	48,655	48,655	41,813
23,203	-	23,203	47,372	48,671
1,426,450	5,283	1,431,733	7,633,677	7,172,086
(1,425,032)	-	(1,425,032)	-	-
$ 1,418	**$ 5,283**	**$ 6,701**	**$ 7,633,677**	**$ 7,172,086**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (32,403)	$ 742,602
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	48,655	41,813
Deferred rent abatement	(24,364)	(19,217)
(Increase) in:		
Accounts receivable	424,254	(66,751)
Prepaid expenses	18,874	(32,118)
Deposits	500	2,463
(Decrease) increase in:		
Accounts payable and accrued liabilities	(22,062)	(479,984)
Refundable advance	164,485	(378,222)
Net cash provided (used) by operating activities	577,939	(189,414)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(52,494)
Net cash used by investing activities	-	(52,494)
Net increase (decrease) in cash and cash equivalents	577,939	(241,908)
Cash and cash equivalents at beginning of year	752,642	994,550
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,330,581**	**$ 752,642**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1999 and incorporated on February 25, 2005, 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. CLASP develops and shares transformative policy and market solutions in collaboration with global experts and local stakeholders.

CLASP has been a global leader in promoting technical best practices and international collaboration for standards and labeling (S&L) for appliances, equipment, and lighting. We provide governments, S&L policy experts, and other stakeholders (e.g., advocates and industry) with the resources essential to understanding these policies.

Since 1999, CLASP has worked in over 50 countries and collaborated with the world's foremost S&L experts. Our activities range from local to regional to global, helping decision makers determine and implement the most appropriate and cost-effective appliance energy efficiency solutions.

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 FASB ASC 958, *Not-for-Profit Entities*.

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, 2012, from which the summarized information was derived.

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. Management believes the risk in these situations to be minimal. Additionally, as of December 31, 2013, CLASP maintained $92,298 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 loss from foreign currency of $3,515, for the year ended December 31, 2013, is reported as "net realized/unrealized loss 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 $5,000 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, 2013 totaled $48,655.

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 -

For the year ended December 31, 2013, 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.

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. Investment earnings from the endowment funds would be spent in accordance with donor restrictions. At December 31, 2013, 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. Government funding received in advance of incurring the related expenses is recorded as a refundable advance. At December 31, 2013, refundable advances totaled $249,878.

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, 2013:

Country Programs	$ 449,904
Global LEAP	54,842
Transition Plan	114,943
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 619,689**

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:

Country Programs	$ 3,831,923
Global LEAP	153,565
Transition Plan	83,057
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 4,068,545**

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. In addition, CLASP leases office space in China under a one year agreement expiring April 31, 2014. CLASP also leases office space in Belgium under a nine year agreement that originated in October 2012; however, CLASP gave three months written notice to vacate the space subsequent to year end in order to terminate the lease in June 2014 without penalty. The base quarterly rent is 4,752 euros, increasing annually based on the Belgian health index.

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 Ending December 31,	
2014	$ 182,623
2015	77,030
	$ 259,653

Rent expense, including operating costs and utilities, for the year ended December 31, 2013 was $233,894. The deferred rent liability was $42,993 as of December 31, 2013.

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, 2013 totaled $103,433.

5. CONCENTRATION OF REVENUE

Approximately 70% of CLASP's revenue was derived from grants awarded by one donor, with an additional 25% of revenue through a cooperative agreement with another. Any interruption to either of those relationships (i.e. failure to renew grant agreements or withholding of funds) would adversely affect CLASP's ability to finance current programs and operations. As such, CLASP is working to diversify its funding streams.

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 2013. 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 April 29, 2014, the date the financial statements were issued.

In March 2014, CLASP announced that it would be changing its European program from a staff-based model to a consulting model, due to significant funding reductions. This will result in the office being closed and the staff terminated. CLASP remains committed to maintaining an effective working presence in Europe and will continue to provide technical assistance to the European Commission and the broader appliance energy efficiency community primarily through implementing partners.

Subsequent to year end, the organization obtained a $100,000 bank line of credit. The interest rate is based on the highest prime rate published by the Wall Street Journal and is subject to change. There were no borrowings as of the date of the report.