FINANCIAL STATEMENTS

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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.

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, 2014, 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited CLASP's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rozenberg & Freedman

May 11, 2015

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	$ 1,548,514	$ 1,330,581
Accounts receivable	202,698	96,296
Prepaid expenses	56,484	25,592
Total current assets	1,807,696	1,452,469
FIXED ASSETS		
Furniture	162,169	162,169
Leasehold improvements (Note 3)	94,853	94,853
	257,022	257,022
Less: Accumulated depreciation and amortization	(186,786)	(139,527)
Net fixed assets	70,236	117,495
OTHER ASSETS		
Deposits	77,753	29,082
TOTAL ASSETS	**$ 1,955,685**	**$ 1,599,046**

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 250,120	$ 186,260
Refundable advance	133,881	249,878
Current portion of deferred rent abatement (Note 3)	13,307	29,686
Total current liabilities	397,308	465,824
LONG-TERM LIABILITIES		
Deferred rent abatement (Note 3)	-	13,307
Total liabilities	397,308	479,131
NET ASSETS		
Unrestricted	693,195	500,226
Temporarily restricted (Note 2)	865,182	619,689
Total net assets	1,558,377	1,119,915
TOTAL LIABILITIES AND NET ASSETS	**$ 1,955,685**	**$ 1,599,046**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014			2013
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
REVENUE				
Foundation grants (Note 5)	$ 700,000	$ 2,850,000	$ 3,550,000	$ 5,385,068
Government grants (Note 6)	1,717,994	-	1,717,994	1,934,517
International grants	195,942	-	195,942	111,695
Contracts	159,971	-	159,971	169,031
Interest and other income	45,755	-	45,755	4,478
Net assets released from donor restrictions (Note 2)	2,604,507	(2,604,507)	-	-
Total revenue	5,424,169	245,493	5,669,662	7,604,789
EXPENSES				
Program Services:				
Climate Works	3,063,946	-	3,063,946	5,203,260
SEAD	1,783,456	-	1,783,456	2,050,870
Global LEAP	235,759	-	235,759	318,879
Regional Technical Support	110,309	-	110,309	53,967
DOS - Chile	28,927	-	28,927	-
Total program services	5,222,397	-	5,222,397	7,626,976
Supporting Services:				
Management and General	17	-	17	1,418
Fundraising	481	-	481	5,283
Total supporting services	498	-	498	6,701
Total expenses	5,222,895	-	5,222,895	7,633,677
Change in net assets before other item	201,274	245,493	446,767	(28,888)
OTHER ITEM				
Net realized/unrealized loss on currency exchange	(8,305)	-	(8,305)	(3,515)
Change in net assets	192,969	245,493	438,462	(32,403)
Net assets at beginning of year	500,226	619,689	1,119,915	1,152,318
NET ASSETS AT END OF YEAR	**$ 693,195**	**$ 865,182**	**$ 1,558,377**	**$ 1,119,915**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014					
	Program Services					
	Climate Works	SEAD	Global LEAP	Regional Technical Support	DOS - Chile	Total Program Services
Salaries and related expenses (Note 4)	$ 1,000,230	$ 530,431	$ 112,895	$ 52,216	$ 6,098	$ 1,701,870
Contractor expenses	883,471	701,313	25,203	23,131	6,623	1,639,741
Payroll processing, accounting and legal fees	110,185	2,008	-	-	-	112,193
Telephone and telecommunications	14,120	10,309	375	491	-	25,295
Office expenses	13,200	27,529	2,158	-	-	42,887
Occupancy (Note 3)	68,302	-	-	-	-	68,302
Travel and meeting expenses	137,815	104,657	29,592	3,807	8,165	284,036
Depreciation and amortization	-	-	-	-	-	-
Miscellaneous	8,026	-	-	-	-	8,026
Sub-total	2,235,349	1,376,247	170,223	79,645	20,886	3,882,350
Allocation of management and general	828,597	407,209	65,536	30,664	8,041	1,340,047
TOTAL	**$ 3,063,946**	**$ 1,783,456**	**$ 235,759**	**$ 110,309**	**$ 28,927**	**$ 5,222,397**

See accompanying notes to financial statements.

Supporting Services				2013
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 811,423	$ 481	$ 811,904	$ 2,513,774	$ 2,588,959
55,975	-	55,975	1,695,716	3,792,059
44,693	-	44,693	156,886	236,479
57,671	-	57,671	82,966	112,836
79,059	-	79,059	121,946	191,725
159,143	-	159,143	227,445	233,894
63,458	-	63,458	347,494	381,698
47,259	-	47,259	47,259	48,655
21,383	-	21,383	29,409	47,372
1,340,064	481	1,340,545	5,222,895	7,633,677
(1,340,047)	-	(1,340,047)	-	-
$ 17	**$ 481**	**$ 498**	**$ 5,222,895**	**$ 7,633,677**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 438,462	$ (32,403)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	47,259	48,655
Deferred rent abatement	(29,686)	(24,364)
(Increase) in:		
Accounts receivable	(106,402)	424,254
Prepaid expenses	(30,892)	18,874
Deposits	(48,671)	500
(Decrease) increase in:		
Accounts payable and accrued liabilities	63,860	(22,062)
Refundable advance	(115,997)	164,485
Net cash provided by operating activities	217,933	577,939
Net increase in cash and cash equivalents	217,933	577,939
Cash and cash equivalents at beginning of year	1,330,581	752,642
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,548,514**	**$ 1,330,581**

See accompanying notes to financial statements.

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, 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 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, 2013, 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, 2014, CLASP maintained $23,016 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 $8,305, for the year ended December 31, 2014, 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, 2014 totaled $47,259.

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, 2014, 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, 2014, CLASP had no permanently restricted net assets.

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.

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

Contributions and grants (continued) -

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. Funding received in advance of incurring the related expenses is recorded as a refundable advance. At December 31, 2014, refundable advances totaled $133,881, all of which were from non-federal sources.

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, 2014:

Country Programs	**$ 865,182**

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	$ 2,434,723
Global LEAP	54,842
Transition Plan	114,942
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 2,604,507**

3. LEASE COMMITMENTS

CLASP leases office space under a five-year agreement, which originated in June 2010 and is set to expire May 31, 2015. Base rent is $164,256 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. Subsequent to year-end, CLASP terminated the existing lease (in February 2015) and moved to a new shared workspace environment. Base rent under the new lease agreement is $13,650 per month, with a 50% discount for the months of December 2014 through February 2015. Starting March 2015, CLASP pays $11,603 base monthly rent at a 15% discount. The agreement can be terminated at any time with one (1) months notice.

3. LEASE COMMITMENTS (Continued)

In addition, CLASP leases office space in China, India and Belgium. The China space is under a one-year agreement, expiring April 30, 2015. The India office lease was entered into effect November 2014, and is set to expire on October 30, 2016. Furthermore, CLASP leased office space in Belgium through June 2014, at which time it terminated the agreement and closed the office.

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 (on the old lease) 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,	
2015	$ 60,705
2016	48,900
	$ 109,605

Rent expense, including operating costs and utilities, for the year ended December 31, 2014 was $227,445. The deferred rent liability was $13,307 as of December 31, 2014.

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, 2014 totaled $113,053.

5. CONCENTRATION OF REVENUE

CLASP has invested significant resources to diversify its funding stream over the past year and more. In 2014, CLASP attracted several new and returning donors, including the Global Alliance for Clean Cookstoves (the United Nations Foundation), the United Nations Environmental Program, the United States Department of State, the World Bank Group, and others. A majority of CLASP's revenue is still derived from two primary donors (approximately 63% of revenue from grants awarded by one donor, with an additional 30% of revenue through a cooperative agreement with another for the year ended December 31, 2014), though this trend is changing. However, any interruption to either of those relationships (i.e. failure to renew grant agreements or withholding of funds) would still adversely affect CLASP's ability to finance current programs and 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 2014. 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. LINE OF CREDIT

CLASP has a $100,000 bank line of credit, which matures March 12, 2016. Amounts borrowed under this agreement bear interest at the highest prime rate published by the Wall Street Journal and is subject to change (5.35% at December 31, 2014). There were no outstanding borrowings as of December 31, 2014. The line is secured by cash held in accounts at the same financial institution.

8. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through May 11, 2015, the date the financial statements were issued.