FINANCIAL STATEMENTS

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015

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.

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 6, 2017

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 2,716,788	$ 792,516
Accounts receivable	1,823,051	645,524
Prepaid expenses	15,542	4,083
Total current assets	4,555,381	1,442,123
FIXED ASSETS		
Furniture	-	24,480
Leasehold improvements	168,769	-
	168,769	24,480
Less: Accumulated depreciation and amortization	-	(13,381)
Net fixed assets	168,769	11,099
OTHER ASSETS		
Deposits	29,252	113,214
TOTAL ASSETS	**$ 4,753,402**	**$ 1,566,436**

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 128,719	$ 206,100
Deferred revenue	901,787	57,966
Current portion of deferred rent abatement	50,000	-
Total current liabilities	1,080,506	264,066
NET ASSETS		
Unrestricted	893,894	266,431
Temporarily restricted	2,779,002	1,035,939
Total net assets	3,672,896	1,302,370
TOTAL LIABILITIES AND NET ASSETS	**$ 4,753,402**	**$ 1,566,436**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	$ 112,564	$ 4,050,542	$ 4,163,106	$ 2,127,942
Government grants	1,620,043	-	1,620,043	1,627,407
International grants	1,396,156	-	1,396,156	634,256
Contracts	682,143	-	682,143	602,477
Interest and other income	76	-	76	2
In-kind contributions	83,679	-	83,679	-
Other revenue	15,181	-	15,181	-
Net assets released from donor restrictions	2,307,479	(2,307,479)	-	-
Total revenue	6,217,321	1,743,063	7,960,384	4,992,084
EXPENSES				
Program Services:				
Policy and Analysis	2,660,210	-	2,660,210	3,143,779
SEAD	1,096,905	-	1,096,905	1,565,180
Program Incubator	201,249	-	201,249	-
Market Development	1,551,319	-	1,551,319	475,448
DOS	80,175	-	80,175	62,227
Total program services	5,589,858	-	5,589,858	5,246,634
Supporting Services:				
Management and General	-	-	-	1,457
Total expenses	5,589,858	-	5,589,858	5,248,091
Change in net assets	627,463	1,743,063	2,370,526	(256,007)
Net assets at beginning of year	266,431	1,035,939	1,302,370	1,558,377
NET ASSETS AT END OF YEAR	**$ 893,894**	**$ 2,779,002**	**$ 3,672,896**	**$ 1,302,370**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016								2015
	Program Services						Supporting Services		
	Policy and Analysis	SEAD	Program Incubator	Market Development	DOS	Total Program Services	Management and General	Total Expenses	Total Expenses
Salaries and related expenses	$ 602,853	$ 343,231	$ 81,074	$ 437,753	$ 17,969	$ 1,482,880	$ 1,089,324	$ 2,572,204	$ 2,259,623
Contractor expenses	874,879	271,997	27,370	569,292	45,517	1,789,055	97,720	1,886,775	1,889,212
Payroll processing, accounting and legal fees	21,747	9,122	-	17,134	-	48,003	123,584	171,587	162,568
Telephone and telecommunications	8,671	12,311	3	2,650	232	23,867	40,633	64,500	74,067
Office expenses	38,193	41,173	774	11,286	-	91,426	172,137	263,563	253,229
Occupancy	27,047	26,202	-	-	-	53,249	186,524	239,773	235,110
Travel and meeting expenses	102,940	57,057	15,976	55,916	3,063	234,952	106,968	341,920	296,255
Depreciation and amortization	-	-	-	-	-	-	4,260	4,260	11,128
Miscellaneous	3,040	-	-	128	-	3,168	35,269	38,437	18,890
Loss on disposal	-	-	-	-	-	-	6,839	6,839	48,009
Sub-total	1,679,370	761,093	125,197	1,094,159	66,781	3,726,600	1,863,258	5,589,858	5,248,091
Allocation of management and general	980,840	335,812	76,052	457,160	13,394	1,863,258	(1,863,258)	-	-
TOTAL	**$ 2,660,210**	**$ 1,096,905**	**$ 201,249**	**$ 1,551,319**	**$ 80,175**	**$ 5,589,858**	**$ -**	**$ 5,589,858**	**$ 5,248,091**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,370,526	$ (256,007)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,260	11,128
Loss on disposal of fixed assets	6,839	48,009
(Increase) decrease in:		
Accounts receivable	(1,177,527)	(442,826)
Prepaid expenses	(11,459)	52,401
Deposits	83,962	(35,461)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(77,381)	(44,020)
Deferred revenue	843,821	(75,915)
Deferred rent abatement	50,000	(13,307)
Net cash provided (used) by operating activities	2,093,041	(755,998)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(168,769)	-
Net cash used by investing activities	(168,769)	-
Net increase (decrease) in cash and cash equivalents	1,924,272	(755,998)
Cash and cash equivalents at beginning of year	792,516	1,548,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,716,788**	**$ 792,516**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Collaborative Labeling & Appliance Standards Program, Inc. (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 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, 2015, 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, 2016, CLASP maintained $81,053 of cash on hand and in banks 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.

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

Foreign currency (continued) -

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. For the year ended December 31, 2016, there was no exchange gain or loss on foreign currency.

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, 2016 totaled $4,260.

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, 2016, 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.

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, 2016, CLASP had no permanently restricted net assets.

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

Grants -

Unrestricted and temporarily restricted grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted 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. Funding received in advance of incurring the related expenses is recorded as deferred revenue. At December 31, 2016, deferred revenue totaled $901,787, all of which were from non-Federal sources.

In-kind contributions -

In-kind contributions consist of donated rent. In-kind contributions are recorded at their fair market value as of the date of the gift. See Note 3 for further details.

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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments.

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

New accounting pronouncement (continued) -

The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of the CLASP's financial statements, it is not expected to alter the CLASP's reported financial position activities.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Policy and Analysis	$ 2,121,364
Market Development	316,170
Core	285,878
Program Incubator	55,590
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 2,779,002**

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:

Policy and Analysis	$ 2,044,134
Market Development	136,391
Program Incubator	125,927
Core	1,027
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 2,307,479**

3. LEASE COMMITMENTS

In February 2015, CLASP moved into a new shared workspace environment. Base rent under the lease agreement was $13,650 per month, with a 50% discount for the months of December 2014 through February 2015. Starting in March 2015, CLASP paid $11,603 base monthly rent at a 15% discount. The agreement could be terminated at any time with one months notice. CLASP ended this lease on June 30, 2016.

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 the "Commencement Date", which is the date the Landlord delivers possession, which was anticipated to be September 30, 2016.

3. LEASE COMMITMENTS (Continued)

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 calls for a 2.5% annual escalation clause. The landlord did not deliver possession of the space until subsequent to year-end, January 2, 2017, which became the "Commencement Date" of the lease.

Due to the delay of delivery, CLASP received seven months of free space in a different location valued at $83,679, which was recorded as in-kind contributions. CLASP also received $50,000 of leasehold improvements, which was recorded within fixed assets and related deferred rent.

Subsequent to year-end, CLASP moved into the space on January 3, 2017.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 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 generally straight line basis.

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 present value using the discount rate of 5.75%.

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

Year Ending December 31,	
2017	$ 186,507
2018	191,170
2019	195,849
2020	200,847
2021	205,869
Thereafter	1,120,659
	2,100,901
Less: Building operating costs	(548,124)
Interest expense	(388,030)
TOTAL OPERATING LEASE LIABILITY	**$ 1,164,747**

During the year, CLASP also leased office space in India. The India office lease was extended, and is set to expire on October 31, 2018 Future minimum lease payments for the India office in 2017 and 2018 are $49,071 and $40,893 respectively.

Rent expense, including operating costs and utilities, for the year ended December 31, 2016, was $239,773. The deferred rent liability was $50,000 as of December 31, 2016.

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% 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, 2016 totaled $116,241.

Approximately 20% of CLASP's revenue for the year ended December 31, 2016 was derived from grants and contracts awarded by agencies of the United States Government. 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 adversely affect CLASP's ability to finance ongoing operations.

5. 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 2016. 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.

6. LINE OF CREDIT

CLASP has a $100,000 bank line of credit, which matures March 12, 2018. 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, 2016). There were no outstanding borrowings as of December 31, 2016. The line is secured by cash held in accounts at the same financial institution.

7. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through April 6, 2017, the date the financial statements were issued.