

**FINANCIAL STATEMENTS**



**COLLABORATIVE LABELING & APPLIANCE  
STANDARDS PROGRAM, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2016**

**COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.**

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### 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, 2017, 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, 2017, 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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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Report on Summarized Comparative Information**

We have previously audited CLASP's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our reports dated and May 11, 2018, 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

May 11, 2018

## COLLABORATIVE LABELING &amp; APPLIANCE STANDARDS PROGRAM, INC.

**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

| <b>ASSETS</b>                                   |    | <u>2017</u>                | <u>2016</u>                |
|---|----|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>                           |    |                            |                            |
| Cash and cash equivalents                       | \$ | 4,301,300                  | \$ 2,716,788               |
| Grants and contracts receivable                 |    | 1,403,374                  | 1,823,051                  |
| Prepaid expenses                                |    | 6,261                      | 15,542                     |
| Right-of-use asset, net                         |    | <u>89,434</u>              | <u>-</u>                   |
| Total current assets                            |    | <u>5,800,369</u>           | <u>4,555,381</u>           |
| <b>FIXED ASSETS</b>                             |    |                            |                            |
| Leasehold improvements                          |    | 168,769                    | 168,769                    |
| Less: Accumulated depreciation and amortization |    | <u>(16,852)</u>            | <u>-</u>                   |
| Net fixed assets                                |    | <u>151,917</u>             | <u>168,769</u>             |
| <b>OTHER ASSETS</b>                             |    |                            |                            |
| Deposits  |    | 33,058                     | 29,252                     |
| Right-of-use asset, net of current portion      |    | <u>934,393</u>             | <u>-</u>                   |
| Total other assets                              |    | <u>967,451</u>             | <u>29,252</u>              |
| <b>TOTAL ASSETS</b>                             |    | <b><u>\$ 6,919,737</u></b> | <b><u>\$ 4,753,402</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>               |    |                            |                            |
| <b>CURRENT LIABILITIES</b>                      |    |                            |                            |
| Current portion of operating lease payable      | \$ | 75,513                     | \$ -                       |
| Accounts payable and accrued liabilities        |    | 470,189                    | 128,719                    |
| Deferred revenue                                |    | 575,030                    | 901,787                    |
| Current portion of deferred rent                |    | <u>-</u>                   | <u>50,000</u>              |
| Total current liabilities                       |    | <u>1,120,732</u>           | <u>1,080,506</u>           |
| <b>LONG-TERM LIABILITIES</b>                    |    |                            |                            |
| Operating lease payable, net of current portion |    | <u>1,016,897</u>           | <u>-</u>                   |
| Total liabilities                               |    | <u>2,137,629</u>           | <u>1,080,506</u>           |
| <b>NET ASSETS</b>                               |    |                            |                            |
| Unrestricted                                    |    | 1,019,603                  | 893,894                    |
| Temporarily restricted                          |    | <u>3,762,505</u>           | <u>2,779,002</u>           |
| Total net assets                                |    | <u>4,782,108</u>           | <u>3,672,896</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         |    | <b><u>\$ 6,919,737</u></b> | <b><u>\$ 4,753,402</u></b> |

See accompanying notes to financial statements.

## COLLABORATIVE LABELING &amp; APPLIANCE STANDARDS PROGRAM, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

|  | <u>2017</u>                |                                   |                            | <u>2016</u>                |
|--|----------------------------|-----------------------------------|----------------------------|----------------------------|
|  | <u>Unrestricted</u>        | <u>Temporarily<br/>Restricted</u> | <u>Total</u>               | <u>Total</u>               |
| <b>REVENUE</b>                                 |                            |                                   |                            |                            |
| Foundation grants                              | \$ 93,534                  | \$ 2,609,493                      | \$ 2,703,027               | \$ 4,163,106               |
| Government grants                              | 1,707,020                  | -                                 | 1,707,020                  | 1,620,043                  |
| International grants                           | 2,062,001                  | -                                 | 2,062,001                  | 1,396,156                  |
| Contracts                                      | 744,138                    | -                                 | 744,138                    | 682,143                    |
| Interest and other income                      | 297                        | -                                 | 297                        | 76                         |
| In-kind contributions                          | -                          | -                                 | -                          | 83,679                     |
| Other revenue                                  | 11,013                     | -                                 | 11,013                     | 15,181                     |
| Net assets released from donor<br>restrictions | <u>1,625,990</u>           | <u>(1,625,990)</u>                | <u>-</u>                   | <u>-</u>                   |
| Total revenue                                  | <u>6,243,993</u>           | <u>983,503</u>                    | <u>7,227,496</u>           | <u>7,960,384</u>           |
| <b>EXPENSES</b>                                |                            |                                   |                            |                            |
| Program Services:                              |                            |                                   |                            |                            |
| Policy and Analysis                            | 2,289,785                  | -                                 | 2,289,785                  | 2,660,210                  |
| SEAD   | 772,399                    | -                                 | 772,399                    | 1,096,905                  |
| Program Incubator                              | 966,834                    | -                                 | 966,834                    | 201,249                    |
| Market Development                             | 770,369                    | -                                 | 770,369                    | 1,103,728                  |
| DOS  | 81,323                     | -                                 | 81,323                     | 80,175                     |
| NREL   | 32,739                     | -                                 | 32,739                     | 395,257                    |
| DFID   | 416,765                    | -                                 | 416,765                    | 52,334                     |
| LBNL Global LEAP                               | <u>788,070</u>             | <u>-</u>                          | <u>788,070</u>             | <u>-</u>                   |
| Total expenses                                 | <u>6,118,284</u>           | <u>-</u>                          | <u>6,118,284</u>           | <u>5,589,858</u>           |
| Change in net assets                           | 125,709                    | 983,503                           | 1,109,212                  | 2,370,526                  |
| Net assets at beginning of year                | <u>893,894</u>             | <u>2,779,002</u>                  | <u>3,672,896</u>           | <u>1,302,370</u>           |
| <b>NET ASSETS AT END OF YEAR</b>               | <b><u>\$ 1,019,603</u></b> | <b><u>\$ 3,762,505</u></b>        | <b><u>\$ 4,782,108</u></b> | <b><u>\$ 3,672,896</u></b> |

## COLLABORATIVE LABELING &amp; APPLIANCE STANDARDS PROGRAM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

|   | 2017                |                   |                   |                    |                  |                  |                   |                     | 2016                   |                        |                     |                     |
|---|---------------------|-------------------|-------------------|--------------------|------------------|------------------|-------------------|---------------------|------------------------|------------------------|---------------------|---------------------|
|   | Program Services    |                   |                   |                    |                  |                  |                   | Supporting Services |                        |                        |                     |                     |
|   | Policy and Analysis | SEAD              | Program Incubator | Market Development | DOS              | NREL             | DFID              | LBNL Global LEAP    | Total Program Services | Management and General | Total Expenses      | Total Expenses      |
| Salaries and related expenses                 | \$ 634,385          | \$ 242,093        | \$ 442,097        | \$ 219,152         | \$ 31,738        | \$ 18,610        | \$ 196,071        | \$ 273,448          | \$ 2,057,594           | \$ 862,826             | \$ 2,920,420        | \$ 2,572,204        |
| Contractor expenses                           | 730,168             | 255,014           | 112,938           | 261,324            | 584              | 3,125            | 37,824            | 221,425             | 1,622,402              | 241,855                | 1,864,257           | 1,886,775           |
| Payroll processing, accounting and legal fees | 11,488              | 3,031             | 24,152            | 11,705             | 1,313            | 656              | 665               | 4,546               | 57,556                 | 235,043                | 292,599             | 171,587             |
| Telephone and telecommunications              | 7,519               | 3,358             | 1,365             | 1,500              | 92               | -                | 343               | 580                 | 14,757                 | 49,371                 | 64,128              | 64,500              |
| Office expenses                               | 28,175              | 21,680            | 1,318             | 1,900              | 18               | 44               | 2,927             | 15,108              | 71,170                 | 139,658                | 210,828             | 263,563             |
| Occupancy                                     | 48,602              | 14,747            | 8,185             | -                  | -                | -                | 6,860             | 8,185               | 86,579                 | 59,463                 | 146,042             | 239,773             |
| Lease cost                                    | -                   | -                 | -                 | -                  | -                | -                | -                 | -                   | -                      | 150,278                | 150,278             | -                   |
| Travel and meeting expenses                   | 122,231             | 25,233            | 72,998            | 58,739             | 22,031           | 17               | 41,127            | 27,642              | 370,018                | 69,044                 | 439,062             | 341,920             |
| Depreciation and amortization                 | -                   | -                 | -                 | -                  | -                | -                | -                 | -                   | -                      | 16,852                 | 16,852              | 4,260               |
| Miscellaneous                                 | 1,253               | 511               | -                 | 62                 | -                | -                | -                 | -                   | 1,826                  | 11,992                 | 13,818              | 38,437              |
| Loss on disposal                              | -                   | -                 | -                 | -                  | -                | -                | -                 | -                   | -                      | -                      | -                   | 6,839               |
| Sub-total                                     | 1,583,821           | 565,667           | 663,053           | 554,382            | 55,776           | 22,452           | 285,817           | 550,934             | 4,281,902              | 1,836,382              | 6,118,284           | 5,589,858           |
| Allocation of management and general          | 705,964             | 206,732           | 303,781           | 215,987            | 25,547           | 10,287           | 130,948           | 237,136             | 1,836,382              | (1,836,382)            | -                   | -                   |
| <b>TOTAL</b>                                  | <b>\$ 2,289,785</b> | <b>\$ 772,399</b> | <b>\$ 966,834</b> | <b>\$ 770,369</b>  | <b>\$ 81,323</b> | <b>\$ 32,739</b> | <b>\$ 416,765</b> | <b>\$ 788,070</b>   | <b>\$ 6,118,284</b>    | <b>\$ -</b>            | <b>\$ 6,118,284</b> | <b>\$ 5,589,858</b> |

See accompanying notes to financial statements.

## COLLABORATIVE LABELING &amp; APPLIANCE STANDARDS PROGRAM, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

|   | <u>2017</u>                | <u>2016</u>                |
|---|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |                            |
| Change in net assets  | \$ 1,109,212               | \$ 2,370,526               |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                            |                            |
| Depreciation and amortization   | 16,852                     | 4,260                      |
| Change in the right-of-use asset  | 90,920                     | -                          |
| Change in operating lease   | (72,337)                   | -                          |
| Loss on disposal of fixed assets  | -                          | 6,839                      |
| Decrease (increase) in:   |                            |                            |
| Grants and contracts receivable   | 419,677                    | (1,177,527)                |
| Prepaid expenses  | 9,281                      | (11,459)                   |
| Deposits  | (3,806)                    | 83,962                     |
| Increase (decrease) in:   |                            |                            |
| Accounts payable and accrued liabilities  | 341,470                    | (77,381)                   |
| Deferred revenue  | (326,757)                  | 843,821                    |
| Deferred rent   | -                          | 50,000                     |
| Net cash provided by operating activities   | <u>1,584,512</u>           | <u>2,093,041</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |                            |
| Purchase of fixed assets  | <u>-</u>                   | <u>(168,769)</u>           |
| Net cash used by investing activities   | <u>-</u>                   | <u>(168,769)</u>           |
| Net increase in cash and cash equivalents   | 1,584,512                  | 1,924,272                  |
| Cash and cash equivalents at beginning of year  | <u>2,716,788</u>           | <u>792,516</u>             |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b><u>\$ 4,301,300</u></b> | <b><u>\$ 2,716,788</u></b> |
| <b>SCHEDULE OF NONCASH INVESTING ACTIVITY:</b>  |                            |                            |
| Right-of-Use Asset, Net of Leasehold Improvements<br>in the Amount of \$50,000              | <u>\$ 1,154,747</u>        | <u>\$ -</u>                |



## COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

#### 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, 2016, 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, 2017, CLASP maintained \$38,664 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.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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 financial statement date. For the year ended December 31, 2017, CLASP realized foreign currency exchange gains of \$4,378. These gains are included in Other Revenue in the accompanying statement of activities.

Grants and contracts receivable -

Grants and contracts 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, 2017 totaled \$16,852.

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, 2017, 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, 2017, CLASP had no permanently restricted net assets.

**COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 donors 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 and contracts 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 or contract agreements.

Accounts 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. At December 31, 2017, deferred revenue totaled \$575,030, all of which was 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.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. 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.

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 the ASU is first applied. While the ASU will change the presentation of CLASP's financial statements, it is not expected to alter CLASP's reported financial position.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

New accounting pronouncements (not yet adopted) (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. CLASP has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

CLASP plans to adopt the new ASUs at the respective required implementation dates.

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, 2017:

|  |                            |
|--|----------------------------|
| Policy and Analysis                            | \$ 3,537,842               |
| Market Development                             | <u>224,663</u>             |
| <b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b> | <b><u>\$ 3,762,505</u></b> |

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                                      | \$ 1,299,608               |
| Core   | 216,905                    |
| Market Development                                       | <u>109,477</u>             |
| <b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b> | <b><u>\$ 1,625,990</u></b> |

3. 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.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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.

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 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 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, 2017, the unamortized right-of-use asset net of the landlord allowance was \$934,393 and the unamortized operating lease liability was \$1,092,410. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2017, was \$150,278.

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

| <u>Year Ending December 31,</u>        |                            |
|--|----------------------------|
| 2018                                   | \$ 191,170                 |
| 2019                                   | 195,949                    |
| 2020                                   | 200,847                    |
| 2021                                   | 205,869                    |
| 2022                                   | 213,183                    |
| Thereafter                             | <u>907,376</u>             |
|  | 1,914,394                  |
| Less: Building operating costs         | (493,311)                  |
| Imputed interest                       | <u>(328,673)</u>           |
| <b>TOTAL OPERATING LEASE LIABILITY</b> | <b><u>\$ 1,092,410</u></b> |

During the year, CLASP also leased office space in India and Nairobi. These leases periods are less than one year and are not required to be capitalized under the ASU. The India office lease was extended, and is set to expire on October 31, 2018. The Nairobi office lease is set to expire on November 14, 2018. Future minimum lease payments for the India and Nairobi offices in 2018 are \$40,893 and \$22,000 respectively.

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.

**COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**4. RETIREMENT PLAN (Continued)**

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, 2017 totaled \$112,053.

**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 2017.

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. 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, 2017 were as follows:

|   |           |                       |
|---|-----------|-----------------------|
| Salaries and related expenses                 | \$        | 196,071               |
| Contractor expenses                           |           | 37,824                |
| Payroll processing, accounting and legal fees |           | 665                   |
| Telephone and telecommunications              |           | 343                   |
| Office expenses                               |           | 2,927                 |
| Occupancy                                     |           | 6,860                 |
| Travel and meeting expenses                   |           | <u>41,127</u>         |
| Sub-total                                     |           | 285,817               |
| Allocation of management and general          |           | <u>130,948</u>        |
| <b>TOTAL</b>                                  | <b>\$</b> | <b><u>416,765</u></b> |

**7. NATIONAL RENEWABLE ENERGY LABORATORY**

Included in the total program services expense balance on the Statement of Activities and Change in Net Assets are the National Renewable Energy Laboratory (NREL) cost to support the program entitled "Clean Energy Solutions Center Policy Resource Team Development".

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**NOTES TO FINANCIAL STATEMENTS  
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**7. NATIONAL RENEWABLE ENERGY LABORATORY (Continued)**

Expenses associated with this award for the year ended December 31, 2017 were as follows:

|   |           |                      |
|---|-----------|----------------------|
| Salaries and related expenses                 | \$        | 18,610               |
| Contractor expenses                           |           | 3,125                |
| Payroll processing, accounting and legal fees |           | 656                  |
| Office expenses                               |           | 44                   |
| Travel and meeting expenses                   |           | <u>17</u>            |
| Sub-total                                     |           | 22,452               |
| Allocation of management and general          |           | <u>10,287</u>        |
| <b>TOTAL</b>                                  | <b>\$</b> | <b><u>32,739</u></b> |

**8. LINE OF CREDIT**

CLASP has a \$100,000 bank line of credit, which matures March 12, 2019. 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 (The rate was 6.35% at December 31, 2017). There were no outstanding borrowings as of December 31, 2017. The line is secured by cash held in accounts at the same financial institution.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through May 11, 2018, the date the financial statements were issued.