FINANCIAL STATEMENTS

clasp

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

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, 2012, 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 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

April 2, 2013

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 752,642	$ 994,550
Accounts receivable	520,550	453,799
Prepaid expenses	44,466	12,348
Total current assets	1,317,658	1,460,697
FIXED ASSETS		
Furniture	162,169	109,675
Leasehold improvements (Note 3)	94,853	94,853
	257,022	204,528
Less: Accumulated depreciation and amortization	(90,872)	(49,059)
Net fixed assets	166,150	155,469
OTHER ASSETS		
Deposits	29,582	32,045
TOTAL ASSETS	**$ 1,513,390**	**$ 1,648,211**

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 208,322	$ 688,306
Refundable advance	85,393	463,615
Current portion of deferred rent abatement (Note 3)	24,365	34,673
Total current liabilities	318,080	1,186,594
LONG-TERM LIABILITIES		
Deferred rent abatement (Note 3)	42,992	51,901
Total liabilities	361,072	1,238,495
NET ASSETS		
Unrestricted	787,084	222,833
Temporarily restricted (Note 2)	365,234	186,883
Total net assets	1,152,318	409,716
TOTAL LIABILITIES AND NET ASSETS	**$ 1,513,390**	**$ 1,648,211**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	$ 1,164,095	$ 5,225,000	$ 6,389,095	$ 5,373,910
Government grants	1,520,640	-	1,520,640	1,058,169
Interest income	5,400	-	5,400	4,383
Contributed services	-	-	-	10,415
Other revenue	-	-	-	300
Net assets released from donor restrictions (Note 2)	5,046,649	(5,046,649)	-	-
Total revenue	7,736,784	178,351	7,915,135	6,447,177
EXPENSES				
Program services:				
Climate Works	5,579,082	-	5,579,082	5,223,857
SEAD	1,546,455	-	1,546,455	1,030,076
Regional Technical Support	10,195	-	10,195	161,720
Total program services	7,135,732	-	7,135,732	6,415,653
Supporting services:				
Management and General	20,046	-	20,046	40,833
Fundraising	16,308	-	16,308	3,980
Total supporting services	36,354	-	36,354	44,813
Total expenses	7,172,086	-	7,172,086	6,460,466
Change in net assets before other item	564,698	178,351	743,049	(13,289)
OTHER ITEM				
Net realized/unrealized (loss) gain on currency exchange	(447)	-	(447)	10,168
Change in net assets	564,251	178,351	742,602	(3,121)
Net assets at beginning of year	222,833	186,883	409,716	412,837
NET ASSETS AT END OF YEAR	**$ 787,084**	**$ 365,234**	**$ 1,152,318**	**$ 409,716**

See accompanying notes to financial statements.

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

				2012
	Program Services			
	Climate Works	**SEAD**	**Regional Technical Support**	**Total Program Services**
Salaries and related expenses (Note 4)	$ 1,084,862	$ 320,581	$ 5,682	$ 1,411,125
Contractor fees	2,936,845	784,007	1,000	3,721,852
Payroll processing, accounting and legal fees	315,093	7,030	-	322,123
Telephone and telecommunications	76,289	17,376	82	93,747
Office expenses	63,664	20,728	1,179	85,571
Occupancy expenses (Note 3)	221,440	-	-	221,440
Travel and meeting expenses	269,137	48,784	474	318,395
Depreciation and amortization	-	-	-	-
Miscellaneous	32,558	3,860	-	36,418
Sub-total	4,999,888	1,202,366	8,417	6,210,671
Allocation of management and general	579,194	344,089	1,778	925,061
TOTAL	**$ 5,579,082**	**$ 1,546,455**	**$ 10,195**	**$ 7,135,732**

Supporting Services				2011
Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
$ 698,934	$ 16,253	$ 715,187	$ 2,126,312	1,718,653
38,977	-	38,977	3,760,829	3,518,113
70,760	-	70,760	392,883	276,197
14,872	-	14,872	108,619	111,775
37,880	55	37,935	123,506	81,825
(3,385)	-	(3,385)	218,055	201,786
33,003	-	33,003	351,398	483,124
41,813	-	41,813	41,813	40,018
12,253	-	12,253	48,671	28,975
945,107	16,308	961,415	7,172,086	6,460,466
(925,061)	-	(925,061)	-	-
$ 20,046	**$ 16,308**	**$ 36,354**	**$ 7,172,086**	**$ 6,460,466**

COLLABORATIVE LABELING & APPLIANCE STANDARDS PROGRAM, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 742,602	$ (3,121)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	41,813	40,018
Deferred rent abatement	(19,217)	86,574
(Increase) in:		
Accounts receivable	(66,751)	(367,128)
Prepaid expenses	(32,118)	(2,449)
Deposits	2,463	-
(Decrease) increase in:		
Accounts payable and accrued liabilities	(479,984)	(108,369)
Refundable advance	(378,222)	463,615
Net cash (used) provided by operating activities	(189,414)	109,140
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(52,494)	(14,093)
Net cash used by investing activities	(52,494)	(14,093)
Net (decrease) increase in cash and cash equivalents	(241,908)	95,047
Cash and cash equivalents at beginning of year	994,550	899,503
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 752,642**	**$ 994,550**

SCHEDULE OF NONCASH INVESTING ACTIVITY:

	2012	2011
Acquisition of Leasehold Improvements Through Tenant Allowance	**$ -**	**$ 92,958**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

CLASP works to:

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

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

Basis of presentation -

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

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, 2011, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the “Dodd-Frank Deposit Insurance Provision”). CLASP maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of $250,000.

At times during the year, CLASP maintains cash balances in interest bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Additionally, as of December 31, 2012 CLASP maintained $75,583 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.

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

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 $447, for the year ended December 31, 2012, is reported as "net realized/unrealized loss on currency exchange" in the accompanying Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Accounts receivable are expected to be collected within one year.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2012 totaled $41,813.

Income taxes -

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

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2012, CLASP has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

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

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

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

Net asset classification (continued) -

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

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by CLASP. There are restrictions placed on the use of investment earnings from these endowment funds. At December 31, 2012, 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.

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, 2012, refundable advances totaled $85,393.

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, 2012:

Climate Works	$ 295,841
SEAD	69,393
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 365,234**

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

Climate Works	$ 5,029,159
SEAD	17,490
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 5,046,649**

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, 2013.

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,	
2013	$ 195,680
2014	182,623
2015	77,030
	$ 455,333

Rent expense, including operating costs and utilities, for the year ended December 31, 2012 was $218,055. The deferred rent liability was $67,357.

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, 2012 totaled $93,439.

5. CONCENTRATION OF REVENUE

Approximately 78% of CLASP's revenue for the year ended December 31, 2012 was derived from grants awarded by one donor. CLASP has no reason to believe that relationship with this donor will be discontinued in the foreseeable future. However, any interruption of the relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect CLASP's ability to finance ongoing operations.

6. CONTINGENCY

CLASP receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2012. 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. LITIGATION

On October 7, 2011, legal action was taken against CLASP and two defendants, the Chief Operating Officer and the Executive Director, in New Delhi India for an alleged wrongful termination of contract by a former contractor. The contractor, whose contract terms stipulated that the contract could be terminated without cause with 30 days notice, was notified on November 20, 2010 that his contract would be terminated effective immediately, but that CLASP would pay his fees through the end of December 2010. The plaintiff is seeking damages in the amount of one year of contractor fees, plus legal fees and 12% annual interest. Nearly one year after termination, the contractor brought a suit against CLASP in the High Court of New Delhi and since then a series of legal delays have prevailed, leading to the court suggesting that parties use mediation as a possible mechanism to settle the dispute. The first mediation session was held in December 2012. Mediation was not successful and no terms of settlement were agreed upon. As a result, the case will eventually go to trial. A potential settlement liability of $22,000 has been accrued as of December 31, 2012, and is included in accounts payable and accrued liabilities.

8. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through April 2, 2013, the date the financial statements were issued.