

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

CLASP

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CLASP
Washington, D.C.

Opinion

We have audited the accompanying financial statements of CLASP, which comprise the statement of financial position as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CLASP as of December 31, 2022, and the change in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CLASP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CLASP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CLASP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CLASP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited CLASP's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expense with Allocation of Management and General on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



April 18, 2023

CLASP

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,176,020	\$ 13,317,810
Grants receivable	448,297	119,559
Prepaid expenses	<u>594,139</u>	<u>465,852</u>
Total current assets	<u>21,218,456</u>	<u>13,903,221</u>
PROPERTY AND EQUIPMENT		
Furniture	70,674	38,875
Computer equipment	127,840	127,840
Leasehold improvements	<u>749,682</u>	<u>653,854</u>
	948,196	820,569
Less: Accumulated depreciation and amortization	<u>(529,083)</u>	<u>(405,425)</u>
Net property and equipment	<u>419,113</u>	<u>415,144</u>
OTHER ASSETS		
Deposits	91,136	96,333
Right-of-use assets - operating leases, net	993,695	1,039,001
Right-of-use assets - finance leases, net	<u>7,725</u>	<u>12,018</u>
Total other assets	<u>1,092,556</u>	<u>1,147,352</u>
TOTAL ASSETS	<u>\$ 22,730,125</u>	<u>\$ 15,465,717</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of operating lease liability	\$ 318,267	\$ 225,514
Current portion of finance lease liability	4,546	4,293
Accounts payable and accrued liabilities	1,961,575	1,831,719
Deferred revenue	-	84,000
Refundable advances	<u>16,311,539</u>	<u>9,231,409</u>
Total current liabilities	<u>18,595,927</u>	<u>11,376,935</u>
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	888,676	1,051,241
Finance lease liability, net of current portion	<u>3,179</u>	<u>7,725</u>
Total long-term liabilities	<u>891,855</u>	<u>1,058,966</u>
Total liabilities	<u>19,487,782</u>	<u>12,435,901</u>
NET ASSETS		
Without donor restrictions	2,309,850	1,813,152
With donor restrictions	<u>932,493</u>	<u>1,216,664</u>
Total net assets	<u>3,242,343</u>	<u>3,029,816</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,730,125</u>	<u>\$ 15,465,717</u>

See accompanying notes to financial statements.

CLASP

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
International grants	\$ 2,938,243	\$ -	\$ 2,938,243	\$ 4,581,299
Foundation grants	17,087,477	-	17,087,477	11,042,568
U.S. Government grants	49,624	-	49,624	498,475
Contracts	789,706	-	789,706	702,832
Interest and other income	42,103	-	42,103	1,189
Other revenue	196,449	-	196,449	51,452
Net assets released from donor restrictions	284,171	(284,171)	-	-
Total revenue	21,387,773	(284,171)	21,103,602	16,877,815
EXPENSES				
Program Services:				
Climate	9,908,226	-	9,908,226	6,249,518
Clean Energy Access	2,168,884	-	2,168,884	2,420,496
Research	160,112	-	160,112	242,799
MAKERERE RAN	41,303	-	41,303	490,956
IKEA	4,993,332	-	4,993,332	3,104,002
FCDO	1,079,676	-	1,079,676	1,618,582
World Bank	416,648	-	416,648	400,307
DOEN	32,837	-	32,837	-
Total program services	18,801,018	-	18,801,018	14,526,660
Supporting Services:				
Management and General	2,090,057	-	2,090,057	1,987,088
Total expenses	20,891,075	-	20,891,075	16,513,748
Change in net assets	496,698	(284,171)	212,527	364,067
Net assets at beginning of year	1,813,152	1,216,664	3,029,816	2,665,749
NET ASSETS AT END OF YEAR	\$ 2,309,850	\$ 932,493	\$ 3,242,343	\$ 3,029,816

CLASP

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022					
	Program Services					
	Clean Energy Access	Research	MAKERERE RAN	IKEA	FCDO	
	Climate					
Salaries and benefits	\$ 2,556,898	\$ 304,601	\$ 85,426	\$ 16,644	\$ 1,158,514	\$ 586,369
Contractors	5,561,260	1,296,484	52,691	8,041	2,522,727	270,410
Subgrants	-	-	-	-	577,350	-
RBF payments	-	77,771	-	-	7,000	-
Professional services	597,826	51,901	6,654	3,561	188,022	45,549
Legal and accounting	23,039	2,463	2	123	31,230	1,975
Non-personnel expense	424,431	317,906	6,418	3,529	232,640	74,109
Occupancy	212,309	23,674	6,447	1,265	80,365	41,694
Travel and meetings	500,336	88,699	2,450	7,675	182,140	55,908
Depreciation and amortization	20,126	2,874	19	380	9,049	2,437
Miscellaneous expenses	12,001	2,511	5	85	4,295	1,225
TOTAL	\$ 9,908,226	\$ 2,168,884	\$ 160,112	\$ 41,303	\$ 4,993,332	\$ 1,079,676

See accompanying notes to financial statements.

CLASP

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022 (Continued)				2021	
	Program Services (Continued)			Supporting Services	Total Expenses	Total Expenses
	World Bank	DOEN	Total Program Services	Management and General		
Salaries and benefits	\$ 114,752	\$ 25,645	\$ 4,848,849	\$ 1,048,373	\$ 5,897,222	\$ 5,493,376
Contractors	240,102	-	9,951,715	6,662	9,958,377	6,567,252
Subgrants	-	1,600	578,950	-	578,950	1,296,979
RBF payments	-	-	84,771	-	84,771	55,325
Professional services	9,568	1,582	904,663	177,717	1,082,380	1,201,843
Legal and accounting	4,128	-	62,960	188,825	251,785	190,574
Non-personnel expense	9,667	2,168	1,070,868	117,415	1,188,283	887,816
Occupancy	6,956	1,567	374,277	64,817	439,094	386,767
Travel and meetings	30,563	97	867,868	261,724	1,129,592	181,592
Depreciation and amortization	579	160	35,624	88,035	123,659	146,184
Miscellaneous expenses	333	18	20,473	136,489	156,962	106,040
TOTAL	\$ 416,648	\$ 32,837	\$ 18,801,018	\$ 2,090,057	\$ 20,891,075	\$ 16,513,748

CLASP

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 212,527	\$ 364,067
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	123,659	146,184
Change in operating lease	(24,506)	(14,207)
Right-of-use asset amortization - finance lease	4,293	4,054
(Increase) decrease in:		
Grants receivable	(328,738)	733,017
Prepaid expenses	(128,287)	(247,225)
Deposits	5,197	11,441
Increase (decrease) in:		
Accounts payable and accrued liabilities	129,856	879,196
Deferred revenue	(84,000)	84,000
Refundable advances	<u>7,080,130</u>	<u>374,113</u>
Net cash provided by operating activities	<u>6,990,131</u>	<u>2,334,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(127,628)</u>	<u>-</u>
Net cash used by investing activities	<u>(127,628)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on finance lease liability	<u>(4,293)</u>	<u>(4,054)</u>
Net cash used by financing activities	<u>(4,293)</u>	<u>(4,054)</u>
Net increase in cash and cash equivalents	6,858,210	2,330,586
Cash and cash equivalents at beginning of year	<u>13,317,810</u>	<u>10,987,224</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 20,176,020</u>	<u>\$ 13,317,810</u>

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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. Founded in 1999, CLASP develops and shares transformative policy and market solutions in collaboration with global experts and local stakeholders. Through smart policy and expansive clean energy access activities, CLASP is accelerating the spread of efficient appliances - protecting people and the planet.

CLASP has programs and staff in the European Union, China, India, Indonesia, Kenya and the United States, and ongoing projects Brazil, South Africa, Bangladesh and Pakistan.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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, 2021, 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.

CLASP

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Cash and cash equivalents (continued) -

Additionally, as of December 31, 2022, CLASP maintained \$313,747 of cash on hand and in banks overseas. The majority of funds invested in foreign countries are uninsured. Management believes the risk in these situations to be minimal. CLASP is required to maintain separate bank accounts for funding received from certain donors, including GIZ and World Bank. As of December 31, 2022, the balance in the GIZ bank account was \$69,702, and the balance in the World Bank account was \$91,731.

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 when the funds are transferred from PNC dollar account to the foreign currency bank accounts. Transactions in foreign currencies for office-related expenses, equipment purchased, filed withholding vendors taxes, net payroll along with payroll taxes, and 403b funding with non-U.S. currency are tracked and translated into Dollars at the exchange rate in the funding transfer tracking sheets. Assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the financial statement date

The exchange rates ranges for the year ended December 31, 2022 are as follows:

		<u>January 1, 2022</u>	<u>December 31, 2022</u>
Euro	EURO/USD	1.2005	1.2005
Indian Rupee	USD/INR	74.6080	81.5529
Kenyan Shilling	USD/KES	102.1597	114.4823

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established. Grants receivable are expected to be collected within one year.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment 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, 2022 totaled \$123,659.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

CLASP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. CLASP is not a private foundation. During the year ended December 31, 2022, CLASP was subject to certain taxes in the country of Kenya in accordance with local regulations.

Uncertain tax positions -

For the year ended December 31, 2022, 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.

Grants and contracts -

CLASP's activities are supported by grants from the U.S. and foreign governments, international organizations and other entities. These amounts are for various activities performed by CLASP. Grants are recognized in the appropriate category of net assets in the period received. CLASP performs an analysis of the individual grants to determine if the revenue streams follow the contribution rules or if they should be recorded as exchange transactions depending upon whether the transactions are deemed nonreciprocal or reciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

The majority of the grants received qualify under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants qualifying as conditional contributions contain a right of return from obligation provision that limits CLASP on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met.

Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. CLASP recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For the year ended December 31, 2022, CLASP had recorded refundable advances in the amount of \$16,311,539.

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Grants and contracts (continued) -

For grants treated as contributions, CLASP had approximately \$23,600,000 in unrecognized conditional awards as of December 31, 2022.

Contracts classified as exchange transactions and cost-reimbursable contracts follow ASU 2014-09, *Revenue from Contracts With Customers*, and are recorded as revenue at a point in time when the performance obligations are met which is when the services are rendered.

CLASP has elected to opt out of all disclosures not required for non-public entities. Transaction price is based on cost. Funding received in advance of incurring the related expenses is recorded as deferred revenue. For the year ended December 31, 2022, CLASP did not have any deferred revenue associated with exchange transactions or cost-reimbursable contracts.

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. Expenses directly attributed to a specific functional area of CLASP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

CLASP's donors allow management and general expenditures to be charged to the respective projects they support. Accordingly, management and general expenditures are allocated to CLASP's programs on a basis of time and effort. In accordance with ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, such allocations have been excluded from the accompanying Statement of Functional Expenses. Refer to Schedule 1 for a summary of management and general expenditures charged to each of CLASP's programs for the year ended December 31, 2022.

New accounting pronouncement (not yet adopted) -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for CLASP for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

CLASP plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

CLASP

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022:

Climate	\$ <u>932,493</u>
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The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Climate	\$ <u>284,171</u>
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3. LINE OF CREDIT

CLASP has a \$100,000 bank line of credit, which matures on March 12th of each year and renews annually. 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 (there was a variable rate at December 31, 2022). There were no outstanding borrowings as of December 31, 2022. The line is secured by cash held in accounts at the same financial institution.

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2022:

Cash and cash equivalents	\$ 20,176,020
Grants receivable	448,297
Financial assets restricted by donor	<u>(932,493)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>19,691,824</u>
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CLASP has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, CLASP has a line of credit agreement (as further discussed in Note 3) which allows for additional available borrowings up to \$100,000.

5. LEASE COMMITMENTS

On April 27, 2016, CLASP entered into a 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 was the date the Landlord delivered possession. 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 includes a 2.5% annual escalation clause.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 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.

CLASP

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

5. LEASE COMMITMENTS (Continued)

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. 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, 2022, the unamortized right-of-use asset net of the landlord allowance was \$524,973 and the unamortized operating lease liability was \$611,990. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022, was \$76,137. Total payments on the lease during the year ended December 31, 2022 were \$213,183.

During 2019, CLASP entered into an agreement for additional office space at 1401 K Street, NW, Washington, D.C. The lease term is ninety two (92) full calendar months, beginning on May 1, 2019. The initial base rent for the first year is \$113,750, plus CLASP's share of the annual operating costs and real estate taxes. The lease also includes a 2.5% annual escalation clause. In connection with this lease CLASP recorded a right-of-use asset in the amount of \$408,418, net of the landlord allowance of \$169,840 and an operating lease liability in the amount of \$578,258 by calculating the net present value using a 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, 2021, the unamortized right-of-use asset net of the landlord allowance was \$242,796 and the unamortized operating lease liability was \$356,034. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022 was \$44,293. Total payments on the lease during the year ended December 31, 2022 were \$123,750.

During 2019, CLASP entered into an agreement for office space in Nairobi, Kenya. The lease term is sixty one (61) full calendar months, beginning on November 1, 2019. The initial base rent for the first year is \$34,242, with an annual escalation of 7.5%. In connection with this lease, CLASP recorded a right-of-use asset and a corresponding operating lease liability in the amount of \$185,377 by calculating the net present value using a discount rate of 4.2%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2022, the unamortized right-of-use asset was \$74,313 and the unamortized operating lease liability was \$83,217. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022 was \$3,161. Total payments on the lease during the year ended December 31, 2022 were \$40,560.

During 2022, CLASP entered into an agreement for office space in New Delhi, India. The lease term is thirty six (36) full calendar months, beginning on March 1, 2022. The initial base rent for the first year is 4,25,000 Rupee per month (approximately \$5,696), with an annual escalation of 6%. In connection with this lease, CLASP recorded a right-of-use asset of net of the landlord allowance of \$8,544, and a corresponding operating lease liability in the amount of \$208,073, by calculating the net present value using a discount rate of 2.75%. The right-of-use asset and the operating lease liability are being amortized over the life of the lease agreement. As of December 31, 2022, the unamortized right-of-use asset was \$151,613 and the unamortized operating lease liability was \$155,702. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022 was \$4,952. Total payments on the lease during the year ended December 31, 2022 were \$56,963.

CLASP

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. LEASE COMMITMENTS (Continued)

During 2019, CLASP entered into a finance lease for a copier for a term of 64 months beginning on May 1, 2019. The annual base rent is \$4,872 for the entire lease term. In connection with this lease CLASP recorded a right of use asset and a corresponding finance lease liability in the amount of \$22,139 using an interest rate 5.75%. The right-of-use asset and finance lease liability are being amortized over the life of the lease agreement. As of December 31, 2022, the unamortized right-of-use asset and unamortized finance lease liability were \$7,725. The lease cost, including imputed interest and amortization of the right-of-use asset for the year ended December 31, 2022 was \$395. Total payments on the lease during the year ended December 31, 2022 were \$4,872.

The following is a schedule of the future minimum lease payments under the leases described above:

<u>Year Ended December 31,</u>	<u>Operating Lease Liability</u>	<u>Finance Lease Liability</u>	<u>Total Lease Liability</u>
2023	\$ 460,736	\$ 4,872	\$ 465,608
2024	472,865	3,248	476,113
2025	375,658	-	375,658
2026	371,930	-	371,930
	1,681,189	8,120	1,689,309
Less: Building operating costs	(345,703)	-	(345,703)
Less: Imputed interest	(128,543)	(395)	(128,938)
TOTAL OPERATING LEASE LIABILITY	\$ 1,206,943	\$ 7,725	\$ 1,214,668

6. RETIREMENT PLAN

CLASP provides retirement benefits to its U.S. 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 6% of gross wages. Contributions to the Plan during the year ended December 31, 2022 totaled \$239,499. CLASP provides Provident Funds to its Kenya and India full-time employees. The total funded Provident Funds during the year ended December 31, 2022 totaled \$58,464.

7. 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. CLASP did not meet the threshold to require an audit under Uniform Guidance for the year ended December 31, 2022.

8. FOREIGN, COMMONWEALTH AND DEVELOPMENT OFFICE GRANT

Included in the total program services and management and general expenses in the Statement of Activities and Change in Net Assets are the Foreign, Commonwealth and Development Office (FCDO) costs to support the Low-Energy Inclusive Appliances (LEIA) initiative.

CLASP

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. FOREIGN, COMMONWEALTH AND DEVELOPMENT OFFICE GRANT (Continued)

Expenses associated with this award for the year ended December 31, 2022 were as follows:

Salaries and benefits	\$ 586,368
Contractors	270,410
Professional services	45,549
Non-personnel expense	74,109
Occupancy	41,694
Travel and meetings	55,907
Legal and accounting	1,975
Depreciation and amortization	2,437
Miscellaneous expenses	<u>1,227</u>
Sub-total	1,079,676
Allocation of management and general	<u>246,004</u>
TOTAL	<u>\$ 1,325,680</u>

9. AWARDS FROM DOEN FOUNDATION

Effective March 1, 2021, CLASP was awarded \$190,000 from DOEN Foundation under project number 201249 for a project entitled "Driving Off-Grid Cold Storage Innovation: 2021 Global LEAP Awards Off-Grid Cold Chain Challenge". The project's original period is from March 1, 2021 to September 31, 2022. The grant agreement was amended to extend the project to February 28, 2023. During the year ended December 31, 2022, CLASP incurred expenditures of \$43,596 under the award and recognized a corresponding amount of revenue, which is included in the US and International grants in the accompanying Statement of Activities and Change in Net Assets. All expenditures incurred are allowed costs under the grant.

10. AWARDS FROM IKEA FOUNDATION

Effective August 20, 2019, CLASP was awarded \$5,583,843 from IKEA Foundation under agreement number RG-1809-01189 for a project entitled "Efficiency for Access Coalition". The project period is from October 1, 2019 to September 30, 2022. During the year ended December 31, 2022, CLASP incurred expenditures of \$720,104 under the award and recognized a corresponding amount of revenue, which is included in Foundation grants in the accompanying Statement of Activities and Change in Net Assets. The full awarded amount of \$5,583,843 was completed at the end of the grant period in September 2022.

Effective August 2, 2021, CLASP was awarded \$1,170,000 from IKEA Foundation under agreement number G-2102-01733 for a project entitled "VeraSol". The project period is July 1, 2021 to June 30, 2022. During the year ended December 31, 2022, CLASP incurred expenditures of \$500,811. Of the total expenditures \$489,639 was under the award and recognized a corresponding amount of revenue and the remaining \$11,172 was covered by CLASP's co-funding, which is included in Foundation grants in the accompanying Statement of Activities and Change in Net Assets. The full awarded amount of \$11,170,000 was completed at the end of the grant period in June 2022.

Effective October 6, 2021, CLASP was awarded \$1,154,945 from IKEA Foundation under agreement number G-2105-01765 for a project entitled "Resilient Appliances - Delivering Rural Economic Growth & Emissions Reductions". The project period is September 1, 2021 to August 31, 2023.

CLASP

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. AWARDS FROM IKEA FOUNDATION (Continued)

During the year ended December 31, 2022, CLASP incurred expenditures of \$181,658 under the award and recognized a corresponding amount of revenue, which is included in Foundation grants in the accompanying Statement of Activities and Change in Net Assets.

Effective November 15, 2021, CLASP was awarded \$850,000 from IKEA Foundation under agreement number G-2107-01859 for a project entitled "Kenya PURE Anchor Programme Design". The project period is November 1, 2021 to October 31, 2022. The grant agreement was amended in October 2022, additional funding of \$80,000 was added to the grant to increase the award amount from \$850,000 to \$930,000, and the grant ending period was extended from October 31, 2021 to March 31, 2023. During the year ended December 31, 2022, CLASP incurred expenditures of \$819,107 under the award and recognized a corresponding amount of revenue, which is included in Foundation grants in the accompanying Statement of Activities and Change in Net Assets.

Effective April 1, 2022, CLASP was awarded \$17,000,000 from IKEA Foundation under agreement number G-2110-02012 for a project entitled "Efficiency for Access Coalition". The project period is April 1, 2022 to March 31, 2025. During the year ended December 31, 2022, CLASP incurred expenditures of \$2,328,992 under the award and recognized a corresponding amount of revenue, which is included in Foundation grants in the accompanying Statement of Activities and Change in Net Assets. On February 3, 2023, the grant was suspended due to the absence of the required match from FCDO. A new grant is currently being negotiated with revised terms, and is expected to be finalized in April, 2023

Effective July 1, 2022, CLASP was awarded \$2,310,715 from IKEA Foundation under agreement number G-2112-02077 for a project entitled "Green for Access First Loss Facility". The project period is July 1, 2022 to June 30, 2025. During the year ended December 31, 2022, CLASP incurred expenditures of \$951,549 under the award and recognized a corresponding amount of revenue, which is included in Foundation grants in the accompanying Statement of Activities and Change in Net Assets.

Following is a summary of expenditures incurred under the awards for the year ended December 31, 2022:

	Efficiency for Access		Resilient Appliances		Efficiency for Access 2.0		G for A	Total
	VeraSol		Anchor					
Salaries and benefits	\$ 184,640	\$ 110,623	\$ 65,142	\$ 221,292	\$ 550,139	\$ 26,678	\$ 1,158,514	
Contractors	308,838	297,180	52,116	334,927	1,208,461	321,205	2,522,727	
Subgrants	15,600	-	-	-	-	561,750	577,350	
Professional services	36,506	6,818	5,841	51,505	85,440	1,912	188,022	
Non-personnel expense	39,885	17,817	7,595	46,676	100,249	20,419	232,641	
Occupancy	11,028	7,531	5,605	13,362	41,002	1,837	80,365	
Travel and meetings	39,063	97	10,738	51,525	78,202	2,514	182,139	
Legal and accounting	207	159	27	2,019	24,933	3,884	31,229	
Depreciation and amortization	982	352	217	3,332	4,070	96	9,049	
Miscellaneous expenses	320	124	7,047	1,628	2,115	62	11,296	
Sub-total	637,069	440,701	154,328	726,266	2,094,611	940,357	4,993,332	
Allocation of management and general expenses	83,035	60,110	27,330	92,841	234,379	11,192	508,887	
TOTAL EXPENSES	\$ 720,104	\$ 500,811	\$ 181,658	\$ 819,107	\$ 2,328,990	\$ 951,549	\$ 5,502,219	
CLASP CO-FUNDING	\$ -	\$ 11,172	\$ -	\$ -	\$ -	\$ -	\$ -	
IKEA FUNDED EXPENSES	\$ 720,104	\$ 489,639	\$ 181,658	\$ 819,107	\$ 2,328,990	\$ 951,549	\$ 5,502,219	

CLASP

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

10. AWARDS FROM IKEA FOUNDATION (Continued)

During the year ended December 31, 2022, CLASP received payments from IKEA Foundation of \$4,695,845. The inception to date unspent balance as of December 31, 2022 was \$2,120,827, which is included in refundable advance in the accompanying Statement of Financial Position.

Grant ID	Grant Name	2021 Refundable Advance Balance	2022 Amount Paid	Total Advance Payment Available for 2022	2022 Expenditures	2022 Refundable Advance Balance	2022 Receivable Balance
1809-01189*	Efficiency for Access	\$ 720,103	\$ -	\$ 720,103	\$ (720,103)	\$ -	\$ -
2102-01733	VeraSol	489,639	-	489,639	(489,639)	-	-
2105-01765	Resilient Appliances	709,832	430,945	1,140,777	(181,658)	959,119	-
2107-01859	Anchor	807,464	80,000	887,464	(819,107)	68,357	-
G-2110-02012	Efficiency for Access 2.0	-	2,140,000	2,140,000	(2,328,990)	-	(188,990)
G2112-02077	G and A	-	2,044,900	2,044,900	(951,549)	1,093,351	-
TOTAL		\$ 2,727,038	\$ 4,695,845	\$ 7,422,883	\$ (5,491,046)	\$ 2,120,827	\$ (188,990)

* The advance payment balance of grant #1809-01189 as of December 31, 2021 has been updated from \$720,068 to \$720,103. This is because a wire fee of \$35 was deducted from IKEA's first payment made in 2019, and this fee was included in the total amount spent in 2022, which tied out to the total IKEA payment of \$5,583,843.

11. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through April 18, 2023, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

CLASP

**SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF MANAGEMENT AND GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services					
	Climate	Clean Energy Access	Research	MAKERERE RAN	IKEA	FCDO
Salaries and benefits	\$ 2,556,898	\$ 304,601	\$ 85,426	\$ 16,644	\$ 1,158,514	\$ 586,369
Contractors	5,561,260	1,296,484	52,691	8,041	2,522,727	270,410
Subgrants	-	-	-	-	577,350	-
RBF payments	-	77,771	-	-	7,000	-
Professional services	597,826	51,901	6,654	3,561	188,022	45,549
Non-personnel expense	23,039	2,463	2	123	31,230	1,975
Occupancy	424,431	317,906	6,418	3,529	232,640	74,109
Travel and meetings	212,309	23,674	6,447	1,265	80,365	41,694
Legal and accounting	500,336	88,699	2,450	7,675	182,140	55,908
Depreciation and amortization	20,126	2,874	19	380	9,049	2,437
Miscellaneous expenses	12,001	2,511	5	85	4,295	1,225
Subtotal	9,908,226	2,168,884	160,112	41,303	4,993,332	1,079,676
Allocation of management and general	1,101,978	128,199	37,737	8,349	508,888	246,004
TOTAL	\$ 11,010,204	\$ 2,297,083	\$ 197,849	\$ 49,652	\$ 5,502,220	\$ 1,325,680

CLASP

SCHEDULE OF FUNCTIONAL EXPENSES WITH ALLOCATION OF MANAGEMENT AND GENERAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services (Continued)			Supporting Services	Total Expenses
	World Bank	DOEN	Total Program Services	Management and General	
Salaries and benefits	\$ 114,752	\$ 25,645	\$ 4,848,849	\$ 1,048,373	\$ 5,897,222
Contractors	240,102	-	9,951,715	6,662	9,958,377
Subgrants	-	1,600	578,950	-	578,950
RBF payments	-	-	84,771	-	84,771
Professional services	9,568	1,582	904,663	177,717	1,082,380
Non-personnel expense	4,128	-	62,960	188,825	251,785
Occupancy	9,667	2,168	1,070,868	117,415	1,188,283
Travel and meetings	6,956	1,567	374,277	64,817	439,094
Legal and accounting	30,563	97	867,868	261,724	1,129,592
Depreciation and amortization	579	160	35,624	88,035	123,659
Miscellaneous expenses	333	18	20,473	136,489	156,962
Subtotal	416,648	32,837	18,801,018	2,090,057	20,891,075
Allocation of management and general	48,143	10,759	2,090,057	(2,090,057)	-
TOTAL	\$ 464,791	\$ 43,596	\$ 20,891,075	\$ -	\$ 20,891,075