

FINANCIAL STATEMENTS

SOLAR ELECTRIC LIGHT FUND

**FOR THE YEAR ENDED DECEMBER 31, 2002
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2001**

SOLAR ELECTRIC LIGHT FUND

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Solar Electric Light Fund
Washington, D.C.

We have audited the accompanying statement of financial position of the Solar Electric Light Fund as of December 31, 2002 and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These statements are the responsibility of the Solar Electric Light Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Solar Electric Light Fund's December 31, 2001 financial statements, and in our report dated May 28, 2002, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solar Electric Light Fund as of December 31, 2002, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman, Rosenberg & Freedman

January 7, 2004

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SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001

ASSETS

	<u>2002</u>	<u>2001</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$407,057	\$623,207
Grants and donations receivable	100,495	115,276
Contracts receivable	-	5,000
Refunds receivable	228	2,051
Inventory	247	300
Prepaid expenses	2,032	5,013
	<u>510,059</u>	<u>750,847</u>
Total current assets		
FIXED ASSETS		
Furniture, equipment and software	51,134	47,782
Less: Accumulated depreciation	<u>(36,764)</u>	<u>(32,335)</u>
	<u>14,370</u>	<u>15,447</u>
Net fixed assets		
OTHER ASSETS		
Refunds receivable	2,794	2,794
Long-term investments (Note 3)	<u>4,551</u>	<u>4,709</u>
	<u>7,345</u>	<u>7,503</u>
Total other assets		
TOTAL ASSETS	<u><u>\$531,774</u></u>	<u><u>\$773,797</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 13,547	\$ 73,396
Deferred revenue and contracts	<u>371,493</u>	<u>430,473</u>
	<u>385,040</u>	<u>503,869</u>
Total current liabilities		
NET ASSETS		
Unrestricted	17,042	80,016
Temporarily restricted (Note 4)	<u>129,692</u>	<u>189,912</u>
	<u>146,734</u>	<u>269,928</u>
Total net assets		
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$531,774</u></u>	<u><u>\$773,797</u></u>

See accompanying notes to financial statements.

SOLAR ELECTRIC LIGHT FUND

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001**

	<u>2002</u>		<u>2001</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			Total
Grants and donations	\$ 222,709	\$ 47,238	\$ 269,947
Hybrid contracts	50,573	-	50,573
Sale of program related materials	80	-	80
Investment income	7,342	-	7,342
Net assets released from restrictions - satisfaction of donor restrictions (Note 5)	107,458	(107,458)	-
Total public support and revenue	<u>388,162</u>	<u>(60,220)</u>	<u>327,942</u>
EXPENSES			
Program services	387,312	-	387,312
Management and general	36,268	-	36,268
Fundraising	27,556	-	27,556
Total expenses	<u>451,136</u>	<u>-</u>	<u>451,136</u>
Change in net assets	(62,974)	(60,220)	(123,194)
Net assets, beginning of year (as adjusted)	80,016	189,912	269,928
NET ASSETS, END OF YEAR	<u>\$ 17,042</u>	<u>\$ 129,692</u>	<u>\$ 146,734</u>
			<u>\$ 269,928</u>

See accompanying notes to financial statements.

SOLAR ELECTRIC LIGHT FUND

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001**

	2002			2001	
	Program Services	Management and General	Fundraising	Total	Total
Cost of goods sold	\$ 52	\$ -	\$ -	\$ 52	\$ 91
Payroll and related expense	209,048	22,552	23,369	254,969	211,102
U.S. independent contractor services	19,449	7,135	-	26,584	41,791
Building occupancy expense	38,444	42	-	38,486	36,833
Depreciation	4,430	-	-	4,430	5,241
Supplies	4,991	-	-	4,991	5,724
Communications	15,007	1,983	-	16,990	14,657
Publications and subscriptions	-	648	995	1,643	3,336
Promotional and educational material	15,273	-	1,549	16,822	29,088
Business meeting and meals	720	113	-	833	1,205
Conference fees	1,428	-	-	1,428	954
Employee travel	24,280	-	869	25,149	23,381
Bank and finance charges	7,283	849	-	8,132	763
Furniture and equipment expense	2,163	-	-	2,163	2,306
Insurance (D&O)	-	2,260	-	2,260	1,287
Purchase of PV insurance	1,500	-	-	1,500	7,468
N-I taxes, licenses and fees	-	70	-	70	90
Other U.S. operating expenses	1,081	616	-	1,697	1,609
Goods purchased U.S. shipped overseas	17,920	-	-	17,920	43,804
Goods purchased overseas	-	-	-	-	9,500
US independent contract services	-	-	-	-	4,219
OS independent contract services	25,936	-	-	25,936	10,360
Funds contributed to OS contributions	-	-	774	774	13,524
Loss/gains U. S. overseas	(1,693)	-	-	(1,693)	5,509
TOTAL EXPENSES	<u>\$387,312</u>	<u>\$36,268</u>	<u>\$27,556</u>	<u>\$451,136</u>	<u>\$473,842</u>

See accompanying notes to financial statements.

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2001

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(123,194)	\$(196,609)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,430	5,241
Donated investments	-	(252)
Unrealized loss on investments	162	(89)
Realized gain on investments	(4)	(24,944)
(Increase) decrease in:		
Grants and donations receivable	14,781	119,724
Contracts receivable	5,000	-
Refunds receivable	1,823	(1,970)
Inventory	53	90
Prepaid expenses	2,981	1,904
Increase (decrease) in:		
Accounts payable	(59,849)	62,814
Payroll and related taxes payable	-	(38)
Deferred revenue and contracts	(58,980)	405,520
Net cash provided (used) by operating activities	<u>(212,797)</u>	<u>371,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, fixtures and equipment	(3,353)	(8,434)
Proceeds from sale of investments	-	25,000
Net cash provided (used) by investing activities	<u>(3,353)</u>	<u>16,566</u>
Net increase (decrease) in cash and cash equivalents	(216,150)	387,957
Cash and cash equivalents at beginning of year	<u>623,207</u>	<u>235,250</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 407,057</u>	<u>\$ 623,207</u>

See accompanying notes to financial statements.

SOLAR ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization -

The Solar Electric Light Fund was incorporated in the District of Columbia on August 22, 1990 as a nonprofit corporation. The Fund was founded to promote, develop, and facilitate solar rural electrification and energy self-sufficiency in developing countries. A summary of major accounting policies followed in the preparation of the organization's financial statements is presented below.

Basis of presentation -

The Fund's financial statements are prepared on the accrual basis of accounting. The financial statements have been prepared in accordance with Statements of Financial Accounting Standard (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Inventory -

Inventory is stated at cost, using the first-in, first-out method.

Investments -

Investments are stated at market value.

Furniture and equipment -

Furniture and equipment are stated at cost and are being depreciated using the straight-line method of accounting over the estimated useful life of the assets, which is three, five or seven years, as applicable.

Contributions -

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants and contracts -

The Fund receives revenue in the form of grants and contracts from organizations for various programs. Grants and contributions are recorded when the award is received.

Income tax -

Under provisions of the Internal Revenue Code Section 501(c)(3) and applicable state income tax regulations, the Fund is exempt from income taxes, and is not a private foundation.

Program costs -

Program costs have not been separately reported in the accompanying financial statements. The Fund has three major program areas: public education, project development and project implementation.

SOLAR ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents -

For purposes of the statement of cash flows, the Fund considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Project expenses -

In addition to direct project expenses, the following costs are incurred on projects: travel, telephone, consultants, a portion of salaries, and postage.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CONCENTRATION OF CREDIT RISK

At times during the year, the Fund maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

3. INVESTMENTS

Investments at December 31, 2002 consisted of the following:

	Market Value
Stocks	\$4,551

4. TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of the temporarily restricted net asset balance at December 31, 2002:

Program Development	\$ 895
Overseas Account	6,258
Bhutan Project	81,384
Donations, Tibet	20,155
Tanzania Project	21,000
	\$129,692

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of the net assets which were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Bhutan Project	\$ 705
Program Development	77,343
Solomons Project	12,138
Brazil/Amazon Project	15,897
Tibet	5
SELF Capital Equipment	<u>1,370</u>
	<u>\$107,458</u>

6. COMMITMENTS

The Fund extended its lease for office space from the Airport Council International – North America on August 19, 1999. The lease commenced on November 24, 2001 and expires on November 23, 2002.

The future minimum lease commitments under the office lease are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2002	<u>\$38,399</u>

7. RETIREMENT PLAN

On December 16, 1994, the Board of Directors of the Fund voted to begin a simplified employee pension plan (SEP). Contributions to the plan are to be made once each year in an amount determined by the Board. The plan requires a three-year length of service in order to be an eligible participant of the plan. Total pension expense for 2002 was \$0.

8. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets. Accordingly, certain costs have been allocated among program and supporting services.