



SOLAR ELECTRIC LIGHT FUND

Financial Statements

For the Year Ended December 31, 2004
(with Summarized Financial Information for 2003)



and
Report Thereon





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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Solar Electric Light Fund

CONSULTING

ACCOUNTING

TECHNOLOGY

Certified Public
Accountants

We have audited the accompanying statement of financial position of the Solar Electric Light Fund (the Fund) as of December 31, 2004, the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the 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 Fund's 2003 financial statements and, in our report dated July 6, 2004, we expressed an unqualified opinion on those 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, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Raffa, P.C.

Washington, DC
September 22, 2005

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2004
(With Summarized Financial Information For the Year Ended December 31, 2003)

	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 78,653	\$ 185,908
Grants and donations receivable	12,777	53,937
Refunds receivable	-	1,265
Prepaid expenses	5,053	4,082
Inventory	11,655	247
Total Current Assets	108,138	245,439
Fixed Assets, net	6,114	9,423
Other Assets		
Deposits	2,349	2,349
Investments	3,828	3,775
Total Other Assets	6,177	6,124
TOTAL ASSETS	\$ 120,429	\$ 260,986
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 21,204	\$ 62,005
Refundable advances	-	10,959
TOTAL LIABILITIES	21,204	72,964
Commitments and Risks		
Net Assets		
Unrestricted	(6,498)	40,151
Temporarily restricted	105,723	147,871
TOTAL NET ASSETS	99,225	188,022
TOTAL LIABILITIES AND NET ASSETS	\$ 120,429	\$ 260,986

The accompanying notes are an integral
part of these financial statements.

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004
(With Summarized Financial Information For the Year Ended December 31, 2003)

	Unrestricted	Temporarily Restricted	2004 Total	2003 Total
REVENUE				
Grants and donations	\$ 136,870	\$ 35,285	\$ 172,155	\$ 345,844
Hybrid contracts	35,831	-	35,831	360,809
Other income	15,711	-	15,711	-
In-kind contributions	11,408	-	11,408	
Investment income	204	-	204	1,288
Net assets released from restrictions:				
Satisfaction of restrictions	77,433	(77,433)	-	-
TOTAL REVENUE	277,457	(42,148)	235,309	707,941
EXPENSES				
Program services	272,247	-	272,247	613,506
Management and general	35,561	-	35,561	31,739
Fundraising	16,298	-	16,298	21,408
TOTAL EXPENSES	324,106	-	324,106	666,653
Change in net assets	(46,649)	(42,148)	(88,797)	41,288
NET ASSETS, BEGINNING OF YEAR	40,151	147,871	188,022	146,734
NET ASSETS, END OF YEAR	\$ (6,498)	\$ 105,723	\$ 99,225	\$ 188,022

**The accompanying notes are an integral
part of these financial statements.**

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2004
(With Summarized Financial Information For the Year Ended December 31, 2003)

	2004			2003	
	Program Services	Management and General	Fundraising	Total	Total
Payroll and related expenses	100,902	15,308	6,006	122,216	142,002
U.S. independent contractor services	60,357	10,921	-	71,278	80,624
Goods purchased U.S., shipped overseas	32,565	-	-	32,565	263,217
Building occupancy expenses	30,102	-	-	30,102	39,387
Planning expense	14,637	-	-	14,637	2,004
Promotional and educational expense	4,695	-	3,482	8,177	9,273
Goods purchased overseas	7,758	-	-	7,758	62,710
Communications	3,407	3,454	559	7,420	17,882
Employee travel	2,895	-	4,193	7,088	11,312
Supplies	7,014	-	-	7,014	4,115
Depreciation	3,309	-	-	3,309	4,599
Insurance (D&O)	-	2,544	-	2,544	1,890
Other U.S. operating expenses	448	46	1,998	2,492	851
Furniture and equipment expense	2,270	-	-	2,270	2,001
Business meetings and meals	1,732	221	60	2,013	135
Publications and subscriptions	-	1,687	-	1,687	325
Bank and finance charges	208	1,310	-	1,518	5,482
Taxes, licenses and fees	-	70	-	70	100
Funds contributed to OS organizations	-	-	-	-	12,568
OS independent contractor services	-	-	-	-	5,600
Losses (gains), U.S. and overseas	(52)	-	-	(52)	576
TOTAL	\$ 272,247	\$ 35,561	\$ 16,298	\$ 324,106	\$ 666,653

The accompanying notes are an integral
part of these financial statements.

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004
(With Summarized Financial Information For the Year Ended December 31, 2003)
Increase (Decrease) in Cash and Cash Equivalents

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (88,797)	\$ 41,288
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	3,309	4,599
Donated inventory	(11,408)	
Loss on disposal of fixed assets	-	348
Unrealized gain (loss) on investments	(53)	195
Realized loss (gain) on investments	-	32
Changes in assets and liabilities:		
Grants and donations receivable	41,160	46,558
Refunds receivable	1,265	(592)
Prepaid expenses	(971)	(2,050)
Accounts payable and accrued expenses	(40,801)	48,458
Refundable advances	(10,959)	(360,534)
	<u>\$ (107,255)</u>	<u>\$ (221,698)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	549
	<u>-</u>	<u>549</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(107,255)	(221,149)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>185,908</u>	<u>407,057</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 78,653</u>	<u>\$ 185,908</u>

The accompanying notes are an integral part of these financial statements.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS **For the Year Ended December 31, 2004**

1. Organization and Summary of Significant Accounting Policies

Organization

The Solar Electric Light Fund (the 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers all demand deposits and investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Investments

Investments include stock recorded at fair market value. Interest, dividends and realized gains or losses are recorded when earned, net of portfolio commissions. Fluctuations in the fair market value of the investment portfolio are recorded as unrealized gains or losses.

Inventory

Inventory includes donated solar modules valued at fair market value.

Fixed Assets and Related Depreciation

Furniture and equipment are stated at cost and are depreciated using the straight-line method over the estimated service lives of the assets of three to seven years. Expenditures for major additions, renewals and betterments are capitalized; expenditures for minor repairs and equipment maintenance are charged to expense when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses.

Classification of Net Assets and Expenses

The net assets of the Fund are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Fund's operations, as well as the Fund's investment in property and equipment.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2004

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and donations are recorded as revenue when awarded. The Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Fund has a contracts with a United States government agencies. Revenue under this contract is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue received in advance of expenses being incurred under this contract is recorded as refundable advances in the accompanying statement of financial position.

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.

Functional Costs

The costs of providing 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 between program and supporting services.

2. Fixed Assets and Accumulated Depreciation

The Fund held the following property and equipment as of December 31, 2004:

Equipment	\$	35,437
Furniture		11,066
Software		<u>635</u>
Total Fixed Assets		47,138
Less: Accumulated depreciation		<u>(41,024)</u>
Net Fixed Assets	\$	<u>6,114</u>

Continued

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2004

3. Temporarily Restricted Net Assets

Temporarily restricted net assets are designated by donors for the following purposes as of December 31, 2004:

Tanzania Project	\$ 47,275
Tibet	20,352
Solomon Islands	17,835
Business planning, board development, fundraising	10,501
Bhutan Project	7,142
Benin	1,924
Sri Lanka	<u>694</u>
Total Temporarily Restricted Net Assets	<u>\$ 105,723</u>

4. Operating Lease

The Fund leases office space under an agreement that expires December 31, 2006. At December 31, 2004 future minimum payments required under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 29,033
2006	<u>29,904</u>
Total	<u>\$ 58,973</u>

Rent expense for the year ended December 31, 2004 was \$28,189.

5. Pension 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 for an employee to be an eligible participant of the plan. There was no pension expense for 2004.

6. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code the Fund is exempt from the payment of taxes on income other than unrelated business income. No provision for income taxes is required for the year ended December 31, 2004, as the Fund had no net unrelated business income.