



Solar Electric Light Fund

Financial Statements

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)



**and
Report Thereon**



SOLAR ELECTRIC LIGHT FUND

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For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Solar Electric Light Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the Solar Electric Light Fund (the Fund), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from 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 auditors' 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.

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Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of the Solar Electric Light Fund as of December 31, 2019, and the changes 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.

Report on Summarized Comparative Information

We have previously audited the Fund's 2018 financial statements, and in our report dated May 2, 2019, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
May 21, 2020

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Summarized Financial Information as of December 31, 2018)

| | 2019 | 2018 |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 518,959 | \$ 261,810 |
| Grants and donations receivable | 242,586 | 665,993 |
| Prepaid expenses | 133,181 | 19,595 |
| Deposit and other assets | 6,090 | 7,752 |
| TOTAL ASSETS | \$ 900,816 | \$ 955,150 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 45,564 | \$ 80,319 |
| Refundable advances | 424,574 | 190,362 |
| TOTAL LIABILITIES | 470,138 | 270,681 |
| Net Assets | | |
| Without donor restrictions | 155,483 | 4,290 |
| With donor restrictions | 275,195 | 680,179 |
| TOTAL NET ASSETS | 430,678 | 684,469 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 900,816 | \$ 955,150 |

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

SOLAR ELECTRIC LIGHT FUND

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

| | Without Donor Restrictions | With Donor Restrictions | 2019 Total | 2018 Total |
|--|----------------------------------|-------------------------------|-------------------|-------------------|
| REVENUE AND SUPPORT | | | | |
| Grants and donations | \$ 1,330,169 | \$ 352,720 | \$ 1,682,889 | \$ 2,176,626 |
| In-kind revenue | - | - | - | 16,384 |
| Interest and other income (loss) | 484 | - | 484 | (3,337) |
| Net assets released from restrictions: | | | | |
| Satisfaction of time restrictions | 400,000 | (400,000) | - | - |
| Satisfaction of program restrictions | 357,704 | (357,704) | - | - |
| TOTAL REVENUE AND SUPPORT | <u>2,088,357</u> | <u>(404,984)</u> | <u>1,683,373</u> | <u>2,189,673</u> |
| EXPENSES | | | | |
| Program services | 1,514,974 | - | 1,514,974 | 1,939,980 |
| Management and general | 226,232 | - | 226,232 | 191,203 |
| Fundraising | 195,958 | - | 195,958 | 225,521 |
| TOTAL EXPENSES | <u>1,937,164</u> | <u>-</u> | <u>1,937,164</u> | <u>2,356,704</u> |
| CHANGE IN NET ASSETS | 151,193 | (404,984) | (253,791) | (167,031) |
| NET ASSETS, BEGINNING OF YEAR | <u>4,290</u> | <u>680,179</u> | <u>684,469</u> | <u>851,500</u> |
| NET ASSETS, END OF YEAR | <u>\$ 155,483</u> | <u>\$ 275,195</u> | <u>\$ 430,678</u> | <u>\$ 684,469</u> |

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, 2019
(With Summarized Financial Information for the Year Ended December 31, 2018)

| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>2019 Total</u> | <u>2018 Total</u> |
|--------------------------------------|-----------------------------|---------------------------------------|--------------------------|----------------------------|----------------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| Salaries and benefits | \$ 683,524 | \$ 171,069 | \$ 162,175 | \$ 1,016,768 | \$ 1,213,391 |
| Goods purchased overseas | 646,028 | - | - | 646,028 | 637,166 |
| Occupancy and office expenses | 110,535 | 17,629 | 20,585 | 148,749 | 151,670 |
| Independent contractors | 38,510 | 29,736 | - | 68,246 | 237,962 |
| Communications | 17,753 | 3,756 | 1,706 | 23,215 | 21,297 |
| Employee travel and meals | 11,733 | 76 | 5,002 | 16,811 | 54,416 |
| Other | 4,250 | 1,173 | 820 | 6,243 | 6,717 |
| Promotional and educational expenses | 1,262 | 333 | 4,340 | 5,935 | 22,258 |
| Supplies | 879 | 2,205 | 31 | 3,115 | 4,270 |
| Publications and subscriptions | 361 | 255 | 1,299 | 1,915 | 2,384 |
| Business meetings | 139 | - | - | 139 | 5,173 |
| TOTAL EXPENSES | <u>\$ 1,514,974</u> | <u>\$ 226,232</u> | <u>\$ 195,958</u> | <u>\$ 1,937,164</u> | <u>\$ 2,356,704</u> |

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, 2019
(With Summarized Financial Information for the Year Ended December 31, 2018)

| | 2019 | 2018 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (253,791) | \$ (167,031) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Changes in assets and liabilities: | | |
| Grants and donations receivable | 423,407 | (83,947) |
| Prepaid expenses | (113,586) | 93,496 |
| Deposit and other assets | 1,662 | (1,198) |
| Accounts payable and accrued expenses | (34,755) | (44,278) |
| Refundable advances | 234,212 | (294,149) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 257,149 | (497,107) |
| NET INCREASE (DECREASE) IN CASH | 257,149 | (497,107) |
| CASH, BEGINNING OF YEAR | 261,810 | 758,917 |
| CASH, END OF YEAR | \$ 518,959 | \$ 261,810 |

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, 2019

1. Organization and Summary of Significant Accounting Policies

Organization

The Solar Electric Light Fund (the Fund) was incorporated on August 22, 1990, in the District of Columbia as a nonprofit corporation. The Fund was founded to promote, develop and facilitate solar rural electrification and energy self-sufficiency in developing countries. These activities are funded principally through nonfederal contracts, grants and donations.

Basis of Accounting

The financial statements of the Fund have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Classification of Net Assets

The Fund's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Fund's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors for various programs or future periods.

In-Kind Contributions

The Fund's programs are furthered through contributions of goods and services by various individuals and organizations. In-kind contributions are recorded at fair value as of the date of donation and are included in in-kind revenue in the accompanying statement of activities.

Revenue Recognition

Unconditional grants and contributions are reported as revenue and support in the year in which payments are received and/or unconditional promises are made. Unconditional grants and contributions are considered without donor restrictions unless specifically restricted by the grantor. Amounts received that are designated for future periods or restricted by the grantor for specific purposes are reported as revenue and support with donor restrictions. When a grantor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets are reclassified from net assets with donor restriction to net assets without donor restriction and reported in the accompanying statement of activities as net assets released from restrictions. Unconditional grants that have been committed to the Fund but have not been received as of year-end are reflected as grants and donations receivable in the accompanying statement of financial position. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Amounts related to these conditional grants that are recognized and released in the same year are included as grants and donations without donor restrictions in the accompanying statement of activities. Contracts which represent services performed are recognized at the time the services are provided based on deliverables established in the contracts.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

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

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 functional expenses. Expenses directly attributed to specific functional areas of the Fund are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets. Fringe benefits and shared costs (such as rent, insurance and telephone services) that benefit multiple functional areas have been allocated among the various functional areas based on the actual time and effort expended on those functional areas.

Estimates

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

New Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Fund adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact the Fund's results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Fund implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

2. Grants and Donations Receivable

Grants and donations receivable of \$242,586 as of December 31, 2019, are recorded at net realizable value and are all due within one year. All amounts were deemed to be fully collectible.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

2. Grants and Donations Receivable (continued)

The Fund had cost-reimbursable grants with foreign government agencies totaling \$8,213,268 conditioned upon the incurrence of qualifying expenditures. During the year ended December 31, 2019, the Fund recognized \$724,216 under these conditional grants. As of December 31, 2019, amounts totaling \$424,574 had not yet been recognized under the agreements as qualifying expenditures had not yet been incurred.

3. Program Services Expenses

For the year ended December 31, 2019, program services expenses consisted of the following:

| | |
|-----------------------------|---------------------|
| Africa | \$ 431,015 |
| Caribbean and South America | 680,218 |
| Other global programs | 338,130 |
| Communications | <u>65,611</u> |
| Total Program Services | <u>\$ 1,514,974</u> |

4. Concentration of Credit Risk

The Fund maintains its cash with certain commercial financial institutions; the aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2019, the Fund had approximately \$535,000 composed of demand deposits, which exceeded the maximum limit insured by FDIC by approximately \$285,000. The Fund monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

In addition, the Fund has programs in Haiti, and holds cash accounts in Haiti which are uninsured. As of December 31, 2019, the Fund's cash balance in Haiti totaled approximately \$11,000, representing approximately 1.2% of the Fund's total assets.

5. Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

| | |
|--|------------------|
| Caribbean | \$ 2,829 |
| Africa | 37,483 |
| Other global programs | <u>34,883</u> |
| Total Subject to Expenditure for Specified Purpose | <u>\$ 75,195</u> |

Continued

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

5. Net Assets With Donor Restrictions (continued)

Subject to passage of time:

| | |
|--|-------------------|
| Grants and donations receivable | \$ 200,000 |
| Total Subject to Passage of Time | <u>\$ 200,000</u> |
| Total Net Assets With Donor Restrictions | <u>\$ 275,195</u> |

6. Liquidity and Availability of Resources

The Fund's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | |
|--|-------------------|
| Financial assets at year-end: | |
| Cash | \$ 518,959 |
| Grants and donations receivable | <u>242,586</u> |
| Total Financial Assets | 761,545 |
| Less Amounts Not Available to Be Used Within One Year: | |
| Restricted by donor for time and/or purpose | <u>(275,195)</u> |
| Financial Assets Available to Meet General Expenditures | <u>\$ 486,350</u> |

The Fund has various sources of liquidity at its disposal, including cash and grants and donations receivable, which are available for general expenditures, liabilities and other obligations as they come due. The Fund's working capital and cash flows come from contracts and grants and contributions that are received at various times throughout the year. Management is focused on sustaining the financial liquidity of the Fund throughout the year. This is done through monitoring and reviewing the Fund's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Fund's cash flows related to the Fund's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. The Fund can adjust the timing of disbursements when necessary.

7. Income Taxes

The Fund is exempt from federal taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the year ended December 31, 2019, no provision for income taxes was made, as the Fund had no significant net unrelated business income.

The Fund has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an

Continued

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

7. Income Taxes (continued)

entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Fund evaluated its uncertainty in income taxes for the year ended December 31, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status; and there are currently no examinations in progress. It is the Fund's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2019, the Fund had no accruals for interest and/or penalties.

8. Summarized Financial Information

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

9. Reclassifications

Certain 2018 balances were reclassified to conform to the 2019 financial statement presentation.

10. Subsequent Events

On May 3, 2020, the Fund's Small Business Administration loan application for the amount of \$130,200 has been approved by a financial institution. The loan will mature on May 3, 2022, with a fixed interest rate of 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which minimally requires at least 75% of the loan are used to cover payroll costs and the remainder is used for mortgage interest, rent and utility costs over 8 weeks period after the loan is made; and the number of employees and compensation levels are maintained.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Fund has been able to continue most of its operations in a disrupted environment and is making plans to adjust activities that cannot; however, at this point, the extent to which COVID-19 may impact the Fund's financial condition or results of operations is evolving and uncertain.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

10. Subsequent Events (continued)

In the preparation of the financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through May 21, 2020, the date the financial statements were available to be issued. Except for subsequent event as disclosed above, there were no subsequent events identified through May 21, 2020, that require recognition or disclosure in these financial statements.