



Solar Electric Light Fund

Financial Statements

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)



**and
Report Thereon**



SOLAR ELECTRIC LIGHT FUND

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Solar Electric Light Fund

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, 2018, 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.

Continued

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Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of the Solar Electric Light Fund as of December 31, 2018, 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

The Fund's 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated April 23, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
May 2, 2019

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)

	2018	2017
ASSETS		
Cash	\$ 261,810	\$ 758,917
Grants and donations receivable	665,993	582,046
Prepaid expenses	19,595	113,091
Deposit and other assets	7,752	6,554
TOTAL ASSETS	\$ 955,150	\$ 1,460,608
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 80,319	\$ 124,597
Refundable advances	190,362	484,511
TOTAL LIABILITIES	270,681	609,108
Net Assets		
Without donor restrictions	4,290	248,856
With donor restrictions	680,179	602,644
TOTAL NET ASSETS	684,469	851,500
TOTAL LIABILITIES AND NET ASSETS	\$ 955,150	\$ 1,460,608

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

SOLAR ELECTRIC LIGHT FUND

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
REVENUE AND SUPPORT				
Grants and donations	\$ 705,595	\$ 692,347	\$ 1,397,942	\$ 1,223,637
Contracts	778,684	-	778,684	3,318,811
In-kind revenue	16,384	-	16,384	125,438
Interest and other income (loss)	(3,337)	-	(3,337)	1,881
Net assets released from restrictions:				
Satisfaction of program restrictions	614,812	(614,812)	-	-
TOTAL REVENUE AND SUPPORT	<u>2,112,138</u>	<u>77,535</u>	<u>2,189,673</u>	<u>4,669,767</u>
EXPENSES				
Program services	1,939,980	-	1,939,980	4,143,513
Management and general	191,203	-	191,203	226,937
Fundraising	225,521	-	225,521	224,526
TOTAL EXPENSES	<u>2,356,704</u>	<u>-</u>	<u>2,356,704</u>	<u>4,594,976</u>
CHANGE IN NET ASSETS	(244,566)	77,535	(167,031)	74,791
NET ASSETS, BEGINNING OF YEAR	<u>248,856</u>	<u>602,644</u>	<u>851,500</u>	<u>776,709</u>
NET ASSETS, END OF YEAR	<u>\$ 4,290</u>	<u>\$ 680,179</u>	<u>\$ 684,469</u>	<u>\$ 851,500</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, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Program Services			Supporting Services		2018 Total	2017 Total
	Other Program Services	United Nations Environment Programme – Haiti Sustainable Energy Project	Total Program Services	Management and General	Fundraising		
Salaries and benefits	\$ 854,413	\$ 27,268	\$ 881,681	\$ 154,789	\$ 176,921	\$ 1,213,391	\$ 1,439,640
Goods purchased overseas	617,081	20,085	637,166	-	-	637,166	2,547,802
Independent contractors	210,994	-	210,994	26,968	-	237,962	152,236
Occupancy and office expenses	127,388	1,350	128,738	2,741	20,191	151,670	152,699
Employee travel and meals	42,844	1,491	44,335	-	10,081	54,416	143,455
Promotional and educational expenses	13,243	-	13,243	379	8,636	22,258	107,043
Communications	15,266	121	15,387	3,405	2,505	21,297	24,737
Other	4,736	262	4,998	878	841	6,717	15,585
Business meetings	36	-	36	-	5,137	5,173	4,258
Supplies	2,257	-	2,257	1,983	30	4,270	6,167
Publications and subscriptions	1,145	-	1,145	60	1,179	2,384	1,354
TOTAL EXPENSES	\$ 1,889,403	\$ 50,577	\$ 1,939,980	\$ 191,203	\$ 225,521	\$ 2,356,704	\$ 4,594,976

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, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (167,031)	\$ 74,791
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in assets and liabilities:		
Grants and donations receivable	(83,947)	(318,351)
Prepaid expenses	93,496	(45,869)
Deposit and other assets	(1,198)	8,309
Accounts payable and accrued expenses	(44,278)	68,897
Refundable advances	<u>(294,149)</u>	<u>(1,092,965)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(497,107)</u>	<u>(1,305,188)</u>
NET DECREASE IN CASH	(497,107)	(1,305,188)
CASH, BEGINNING OF YEAR	<u>758,917</u>	<u>2,064,105</u>
CASH, END OF YEAR	<u>\$ 261,810</u>	<u>\$ 758,917</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, 2018

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. In-kind contributions consist of online search engine services, which were used in program and fundraising activities.

Revenue Recognition

The Fund reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose of a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants without donor restrictions are reported as revenue and support in the year in which payments are received and/or unconditional promises to give are made. Revenue recognized on grants and donations that have been promised to the Fund, but have not been received, is reflected as grants and donations receivable in the accompanying statement of financial position.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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

Revenue Recognition (continued)

The Fund has cost-reimbursable grants and contracts with other organizations. Revenue from these grants and contracts is recognized as the costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as grants and donations receivable in the accompanying statement of financial position. Funds received, but not yet expended, under these grants and contracts are reflected as refundable advances in the accompanying statement of financial position.

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 Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Fund has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The major changes of the ASU affecting the Fund include (a) requiring the representation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring that all nonprofits present an analysis of expenses by function and nature in the statement of activities, in a separate statement or in the notes to the statements and disclose a summary of the allocation methods used to allocate costs; and (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

SOLAR ELECTRIC LIGHT FUND

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

2. Cash

As part of agreements with various donors, the Fund is required to maintain funds received under the grant agreements with the donors in separate bank accounts. As of December 31, 2018, the Fund held approximately \$65,000 in separate bank accounts as required under the terms of these agreements with the donors.

3. Grants and Donations Receivable

Grants and donations receivable are recorded at net realizable value and were due as follows as of December 31, 2018:

Less than one year	\$ 265,993
One to two years	<u>400,000</u>
Total Grants and Donations Receivable	<u>\$ 665,993</u>

Grants and donations receivable were not discounted to present value, as the amount of the discount was not significant to the financial statements. All amounts were deemed to be fully collectible.

4. Other Program Services Expenses

For the year ended December 31, 2018, other program services expenses consisted of the following:

Africa	\$ 897,658
Caribbean and South America	563,217
Other global programs	351,697
Communications	<u>76,831</u>
Total Other Program Services	<u>\$ 1,889,403</u>

5. 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, 2018, the Fund had approximately \$256,000 composed of demand deposits, which exceeded the maximum limit insured by FDIC by approximately \$6,000. 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, 2018, the Fund's cash balance in Haiti totaled approximately \$3,700, representing approximately 0.4% of the Fund's total assets.

SOLAR ELECTRIC LIGHT FUND

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

6. Contract Revenue

The Fund receives awards which constitute collection of fees for services performed or to be performed. Revenue on these exchange transaction contracts is recognized as expenses are incurred or as the project is completed. For the year ended December 31, 2018, the Fund received cash payments of \$481,124 from contracts with various organizations. The Fund earned revenue totaling \$778,684 from these contracts, which is reflected as contracts revenue in the accompanying statement of activities.

At January 1, 2018, there was deferred revenue from the United Nations Environment Programme – Haiti Sustainable Energy Project (UNEP) totaling \$30,577, which is included in refundable advances in the accompanying statement of financial position. During the year ended December 31, 2018, the Fund received a cash payment of \$10,000 from UNEP for its contracts. The Fund earned revenue totaling \$50,577 from these contracts for the year ended December 31, 2018, which is included in contracts revenue in the accompanying statement of activities. As of December 31, 2018, the Fund had a receivable balance from UNEP totaling \$10,000, which is included in grants and donations receivable in the accompanying statement of financial position.

7. Net Assets With Donor Restrictions

As of December 31, 2018, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

Caribbean	\$ 50,385
Africa	19,794
Other global programs	<u>10,000</u>
Total Subject to Expenditure for Specified Purpose	<u>\$ 80,179</u>

Subject to passage of time:

Grants and donations receivable	<u>\$ 600,000</u>
Total Subject to Passage of Time	<u>\$ 600,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 680,179</u>

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

8. 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	\$ 261,810
Grants and donations receivable	<u>665,993</u>
Total Financial Assets	927,803
Less Amounts Not Available to Be Used Within One Year:	
Restricted by donor for time and/or purpose	<u>(680,179)</u>
Financial Assets Available to Meet General Expenditures	<u>\$ 247,624</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.

9. 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, 2018, 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 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, 2018, 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. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Fund files tax returns; however, 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, 2018, the Fund had no accruals for interest and/or penalties.

SOLAR ELECTRIC LIGHT FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

10. 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, 2017, from which the summarized information was derived.

11. Risk and Uncertainties

For the year ended December 31, 2018, the Fund incurred an operating loss without donor restrictions of \$244,566 resulting in ending net assets without donor restrictions of \$4,290. The Fund expects to meet future cash needs with major donor promises of \$550,000 for general operations, and over \$300,000 in cash for current projects in Haiti. The Fund is also finalizing a \$750,000 agreement with Millennium Challenge Corporation for work in Benin. The Fund has received funding and has pending proposals totaling more than \$200,000 for work in Uganda in 2019. In addition, the Fund is continuing targeted development efforts to raise funding for both current and new projects and also to raise new funding for general supports.

12. Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions, for potential recognition or disclosure, through May 2, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.