

**GRID ALTERNATIVES**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED**  
**DECEMBER 31, 2008)**

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INDEPENDENT AUDITORS' REPORT

May 5, 2010

Board of Directors  
GRID Alternatives  
Oakland, California

We have audited the accompanying statement of financial position of GRID Alternatives as of December 31, 2009 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of GRID Alternatives' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized financial information has been derived from the organization's 2008 financial statements, and in our report dated March 30, 2009, 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 GRID Alternatives as of December 31, 2009, and the change in its net assets, functional expenses and cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

The Supplemental Schedule on page 12 is not a required part of the basic financial statements but is supplementary information required by the California Public Utility Commission. The information contained in the schedule has been subjected to the audit procedures applied to the basic financial statements, which are in conformity with generally accepted auditing standards. In our opinion, this additional information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Bedinger & Company*  
Certified Public Accountants

**GRID ALTERNATIVES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2008)**

<u>ASSETS</u>	Total	
	2009	2008
<b>CURRENT ASSETS:</b>		
Cash	\$ 484,717	\$ 238,114
Grants and contracts receivable (Note B)	832,429	309,852
Prepaid expenses	27,536	4,044
<b>TOTAL CURRENT ASSETS</b>	<b>1,344,682</b>	<b>552,010</b>
<b>FURNITURE AND EQUIPMENT, NET (Note C)</b>	<b>32,289</b>	<b>20,730</b>
<b>DEPOSITS</b>	<b>11,847</b>	<b>4,450</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,388,818</b>	<b>\$ 577,190</b>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 253,445	\$ 55,769
Line of credit (Note D)	260,042	46,235
Accrued payroll liabilities	53,201	29,970
Deferred revenue	373,918	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>940,606</b>	<b>131,974</b>
<b>TOTAL LIABILITIES</b>	<b>940,606</b>	<b>131,974</b>
 <b>COMMITMENTS AND CONTINGENCIES (Notes E and I)</b>		
<b>NET ASSETS:</b>		
Unrestricted	448,212	295,216
Temporarily restricted (Note F)	-	150,000
<b>TOTAL NET ASSETS</b>	<b>448,212</b>	<b>445,216</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,388,818</b>	<b>\$ 577,190</b>

**GRID ALTERNATIVES**

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2009

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2008)

	Unrestricted	Temporarily Restricted	Total	
			2009	2008
<u>SUPPORT AND REVENUE</u>				
Grants-Government	\$ -	\$ 167,369	\$ 167,369	\$ 95,793
Foundation		197,857	197,857	64,253
Corporation		273,166	273,166	336,311
Donations-Individual	120,594		120,594	55,666
Service contracts	112,409		112,409	196,224
Utility and Government incentives	2,221,078		2,221,078	93,569
Interest income	1,157		1,157	687
In-kind revenue	130,737		130,737	5,750
	<u>2,585,975</u>	<u>638,392</u>	<u>3,224,367</u>	<u>848,253</u>
Net assets released from restrictions	<u>788,392</u>	<u>(788,392)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,374,367</u>	<u>(150,000)</u>	<u>3,224,367</u>	<u>848,253</u>
<u>EXPENSES</u>				
Program services	2,670,065		2,670,065	722,969
General and administrative	315,664		315,664	275,492
Fundraising	235,642		235,642	80,277
TOTAL EXPENSES	<u>3,221,371</u>	<u>-</u>	<u>3,221,371</u>	<u>1,078,738</u>
INCREASE (DECREASE) IN NET ASSETS	152,996	(150,000)	2,996	(230,485)
NET ASSETS, beginning of year	<u>295,216</u>	<u>150,000</u>	<u>445,216</u>	<u>675,701</u>
NET ASSETS, end of year	<u>\$ 448,212</u>	<u>\$ -</u>	<u>\$ 448,212</u>	<u>\$ 445,216</u>

See Notes to Financial Statements

**GRID ALTERNATIVES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2009**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2008)**

	Program	Fundraising	General & Administrative	Total	
				2009	2008
Salaries and wages	\$ 1,030,267	\$ 107,180	\$ 161,643	\$ 1,299,090	\$ 528,663
Payroll tax & fringe benefits	155,917	12,507	44,146	212,570	81,327
Travel & conferences	58,376	641	2,453	61,470	44,396
Printing	11,178	195	1,135	12,508	2,226
Bank charges	229	1	9,756	9,986	2,109
Program material supplies & permits	1,058,607		26	1,058,633	259,673
Program consultants	109,020			109,020	37,164
Insurance	58,256	3,213	10,744	72,213	37,992
Telephone	11,308	393	4,332	16,033	4,637
Staff development	4,458	390	1,406	6,254	3,426
Occupancy	73,483	7,234	12,178	92,895	35,636
Professional fees	52,130	60	31,824	84,014	7,219
Postage	1,623	278	888	2,789	1,080
Office expense	22,404	2,274	5,530	30,208	22,029
Depreciation	12,254		278	12,532	2,609
Miscellaneous taxes and fees	7,750	2,398	3,461	13,609	84
Interest	2,685		864	3,549	1,224
Other				-	1,494
In-kind	120	98,878	25,000	123,998	5,750
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 2,670,065</b>	<b>\$ 235,642</b>	<b>\$ 315,664</b>	<b>\$ 3,221,371</b>	<b>\$ 1,078,738</b>

**GRID ALTERNATIVES**

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2008)

	Total	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess <deficit> of support and revenue over expenditures	\$ 2,996	\$ (230,485)
ADJUSTMENTS TO RECONCILE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	12,532	2,609
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
Increase in deposits	(7,397)	(1,749)
<Increase> decrease in grants and contracts receivable	(522,577)	149,930
<Increase> decrease in prepaid expenses	(23,492)	33,015
Increase in accounts payable and accrued expenses	197,676	47,723
Increase in accrued payroll liabilities	23,231	22,596
Increase in deferred revenue	373,918	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>56,887</u>	<u>23,639</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and fixtures	<u>(24,091)</u>	<u>(19,424)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(24,091)</u>	<u>(19,424)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing under line of credit, net	<u>213,807</u>	<u>46,235</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>213,807</u>	<u>46,235</u>
NET INCREASE IN CASH	246,603	50,450
CASH, beginning of year	<u>238,114</u>	<u>187,664</u>
CASH, end of year	<u>\$ 484,717</u>	<u>\$ 238,114</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 3,549</u>	<u>\$ 1,224</u>

**GRID ALTERNATIVES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)**

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**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General

GRID Alternatives is a non-profit, tax-exempt service organization, which provides alternative renewable energy for low-income residents through consultation and installation of renewal solar energy. The organization is exempt from federal and state income taxes liability under Section 501 (C) (3) of the Internal Revenue Code and Section 23701 (d) of the state of California revenue and taxation code.

Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions based on future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Generally accepted accounting principles require that the organization present information about its financial position and activities in three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. At December 31, 2009 and 2008, the organization did not have any permanently restricted assets.

Summarized Financial Information

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 accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Revenue Recognition and Expenses

The organization reports grants and contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restricted expires, that is, when the time restriction ends or the purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions on contributions are satisfied in the same period as the receipt of the contribution, the organization reports both the contribution revenue and the related expenses as unrestricted.

**GRID ALTERNATIVES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Expenses (Continued)

The organization records deferred revenue in connection with contractual payments under the Single Family Affordable Solar Home Program (SASH), a program the organization administers under the auspice of the California Public Utilities Commission. The payments are recorded as revenue, included with Utility and Government Incentives Revenue, when earned.

Functional Expenses Reporting

The cost of providing the organizations's programs has been summarized on a functional basis in these financial statements. Based on management's estimates, costs have been allocated between programs and supporting services as they related to those functions.

Statement of Cash Flows

Cash includes all highly liquid investments with maturities of six months or less when purchased.

Accounting Method

The accounting records of the organization are maintained on the accrual basis.

Reclassifications

Certain reclassifications have been made in the 2008 comparative totals to conform to the classifications used in 2009.

Furniture, Equipment and Depreciation

Furniture and equipment are reported at cost or donated value at the time it is received and depreciated under the straight-line method over an estimated useful life of five (5) years. The organization's policy is to capitalize purchases over \$500.

Investments

In accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reflected at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

**GRID ALTERNATIVES****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2009****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fair Value**

Substantially all of the assets, except furniture and equipment, and all of the liabilities of the organization approximate fair value.

**NOTE B – GRANTS AND CONTRACTS RECEIVABLE**

Generally accepted accounting principles require the recognition of unconditional promises to give in the period of the pledge, even if the donor has restricted the use and the restriction will not be met until a future reporting period. Grants receivable at December 31, 2009 consist of unconditional promises to give which management believes are fully collectible.

As of December 31, grants and contracts receivable consists of the following:

	<u>2009</u>	<u>2008</u>
California Consumer Protection Foundation	\$0	\$5,000
City of Richmond	9,759	10,000
County of San Mateo - CDBG	0	3,000
Full Circle Fund	0	5,000
City of Oakland	16,040	0
Habitat for Humanity – Greater San Francisco	13,756	0
Habitat for Humanity – Sacramento	11,100	5,716
Habitat for Humanity – Silicon Valley	100	0
City of Inglewood	1,340	0
PG&E	21,724	26,546
SASH Incentives	585,988	0
San Francisco Department of Environment	1,565	330
San Francisco Go Solar Initiative	10,500	60,000
San Francisco LI Program	0	31,510
Solar Richmond	0	7,193
Sunpower	5,557	5,557
The Oak Hill Fund	150,000	150,000
Tulare County Office of Education	5,000	0
	<u>          </u>	<u>          </u>
Total Grant & Contracts Receivable	<u>\$832,429</u>	<u>\$309,852</u>

**GRID ALTERNATIVES****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2009****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)**

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**NOTE C – FURNITURE AND EQUIPMENT**

As of December 31, furniture and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Furniture & equipment	\$48,518	\$24,428
Less: accumulated depreciation	<16,229>	<3,698>
	<u>\$32,289</u>	<u>\$20,730</u>

Total depreciation expense for the years ended December 31, 2009 and 2008 was \$12,532 and \$2,609, respectively.

**NOTE D – LINE OF CREDIT**

The Organization has a line of credit with a bank with a maximum available amount of \$750,000. The line bears interest at the U.S. prime index rate plus 1.25%. The interest rate at December 31, 2009 was 4.5%. The total outstanding balance on the line at December 31, 2009 and 2008 was \$260,042 and \$46,235, respectively. The line is secured by solar rebates receivable from the State of California and renews annually in April. Interest expense for the year ended December 31, 2009 under this line was \$3,549.

**NOTE E – COMMITMENTS**

The Organization leases various office space for locations in Oakland, Fresno, San Diego and Los Angeles. The following schedule reflects future minimum commitments associated with the space rental.

<u>Year Ended December 31</u>	
2010	\$102,064
2011	58,726
2012	<u>22,764</u>
	<u>\$183,554</u>

Total rental expense for the years ended December 31, 2009 and 2008 was \$87,794 and \$35,003, respectively.

**GRID ALTERNATIVES**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2009**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2008)**

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**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Net Assets Released from temporarily restricted net assets in the current year consisted of contributions whose donors had stipulated that the funds be used for a specific purpose or program. Net assets will be released from temporary restrictions in future years when all of purpose restrictions are satisfied.

Temporarily restricted net assets at December 31, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Oak Hill Fund	<u>\$0</u>	<u>\$150,000</u>
	<u>\$0</u>	<u>\$150,000</u>

**NOTE G – IN-KIND REVENUE AND EXPENDITURES**

Services performed or expenditures paid by donors are recorded as in-kind revenues and expensed as in-kind expenditures in off set value in the year they occurred. For the year ended December 31, 2009 and 2008 the in-kind revenue and in-kind expenses are \$130,737 and \$5,750, respectively.

**NOTE H – CONCENTRATION OF CREDIT RISK**

At December 31, 2009 and 2008 the organization had deposits of \$145,093 and \$0, respectively, in banks in excess of federally insured limits. The amounts have not been reduced by items recorded in the accounts not yet clearing the bank.

**NOTE I – CONTINGENCIES**

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Agency deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the organization to the provisions of the grants. The Agency's management is of the opinion that the organization has complied with the terms of all grants.

**SUPPLEMENTAL INFORMATION**

**GRID ALTERNATIVES**  
**CALIFORNIA PUBLIC UTILITY COMPANY - SASH REPORT**  
**SASH EXPENDITURES, ADVANCES AND INCENTIVES**  
**YEAR ENDED DECEMBER 31, 2009**

CONTRACT PERIOD:	FISCAL YEAR ENDED DECEMBER 31, 2009				TOTAL
	Q1	Q2	Q3	Q4	
<b>BUDGET</b>					
<b>ADMINISTRATION</b>					
TASK 1 *					
TASK 2 **					
TASK 4 ***					
TOTAL T1, T2, T4 Budget	\$ 10,830,000				
TASK 3 *** (M&O)	4,330,000				
<b>TOTAL</b>	<b>\$ 15,160,000</b>				

CONTRACT PERIOD:	FISCAL YEAR ENDED DECEMBER 31, 2009				TOTAL
	Q1	Q2	Q3	Q4	
<b>ADMINISTRATION EXPENSE</b>					
	\$ 97,681	\$ 185,865	\$ 254,453	\$ 216,015	\$ 754,014
	7,765	7,857	13,642	39,118	68,383
	105,447	193,722	268,096	255,132	822,397
	33,610	21,488	39,371	94,657	189,125
	<b>\$ 193,056</b>	<b>\$ 215,210</b>	<b>\$ 307,467</b>	<b>\$ 349,789</b>	<b>\$ 1,011,522</b>

ADMINISTRATION ADVANCE RECEIVED	
\$ 352,515	\$ 292,292
\$ 128,794	\$ 642,187
\$ 1,415,788	

UNEARNEED PORTION OF ADVANCE	
\$ (213,458.36)	\$ (77,081.85)
\$ 178,672.52	\$ (292,398.29)
\$ (404,265.98)	

CONTRACT PERIOD:	FISCAL YEAR ENDED DECEMBER 31, 2009				TOTAL
	Q1	Q2	Q3	Q4	
<b>BUDGET</b>					
<b>INCENTIVES</b>					
PG&E	40,239,000				
SD&GE	9,520,000				
SCE	42,330,000				
<b>TOTAL</b>	<b>\$ 92,089,000</b>				

ADMINISTRATION ADVANCE PAID	
-	-
-	-
-	\$ 30,348.33

UNEARNEED PORTION OF ADVANCE	
-	-
-	-
-	\$ 30,348.33

CONTRACT PERIOD:	FISCAL YEAR ENDED DECEMBER 31, 2009				TOTAL
	Q1	Q2	Q3	Q4	
<b>INCENTIVES INVOICED</b>					
	-	19,240	134,460	419,137	572,836
	-	-	73,852	158,294	232,146
	-	-	24,485	228,909	253,394
	<b>\$ -</b>	<b>\$ 19,240</b>	<b>\$ 232,797</b>	<b>\$ 806,340</b>	<b>\$ 1,058,376</b>

INCENTIVES PAID	
-	19,239.50
-	115,672
-	22,953
-	27,763
<b>\$ -</b>	<b>\$ 138,625</b>

UNEXPENDED INCENTIVES AS OF DECEMBER 31, 2009	
39,666,164	
9,287,854	
42,076,806	
<b>\$ 91,030,624</b>	

TOTAL CONTRACT PERIOD TO DECEMBER 31, 2009	
14,478	
766,307	
70,758	
822,397	
190,328	
<b>\$ 1,041,870</b>	

TOTAL ADVANCES RECEIVED / CONTRACT PERIOD TO DECEMBER 31, 2009	
\$ 1,415,788	

TOTAL UNEXPENDED AS OF DECEMBER 31, 2009	
\$ 373,918	

TOTAL INCENTIVES INVOICED	
572,836	
232,146	
253,394	
<b>\$ 1,058,376</b>	

UNEXPENDED INCENTIVES AS OF DECEMBER 31, 2009	
39,666,164	
9,287,854	
42,076,806	
<b>\$ 91,030,624</b>	

Notes:  
 \* Task 1 Develop and Execute Comprehensive Program Implementation Plan  
 \*\* Task 2 Identify, Establish Relationships, and Generate Partnership With Stakeholders  
 \*\*\* Task 3 Create and Execute a Targeted Marketing and Outreach Campaign  
 \*\*\*\* Task 4 Develop and Regularly Update a System for Program Monitoring and Evaluation