

**GRID ALTERNATIVES**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED**  
**DECEMBER 31, 2009)**

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INDEPENDENT AUDITORS' REPORT

April 5, 2011

Board of Directors  
GRID Alternatives  
Oakland, California

We have audited the accompanying statement of financial position of GRID Alternatives as of December 31, 2010 and the related statements of activities, functional expenses, and cash flows 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 2009 financial statements, and in our report dated May 5, 2010, 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, 2010, 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, 2010**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)**

<u>ASSETS</u>	Total	
	2010	2009
CURRENT ASSETS:		
Cash	\$ 1,193,001	\$ 484,717
Grants and contracts receivable (Note B)	1,443,082	832,429
Prepaid expenses	22,805	27,536
TOTAL CURRENT ASSETS	2,658,888	1,344,682
FURNITURE AND EQUIPMENT, NET (Note C)	40,619	32,289
DEPOSITS	13,847	11,847
TOTAL ASSETS	<u>\$ 2,713,354</u>	<u>\$ 1,388,818</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 913,971	\$ 253,445
Line of credit (Note D)	450,612	260,042
Accrued payroll liabilities	107,996	53,201
Deferred revenue	747,384	373,918
TOTAL CURRENT LIABILITIES	2,219,963	940,606
TOTAL LIABILITIES	2,219,963	940,606
COMMITMENTS AND CONTINGENCIES (Notes E and I)		
NET ASSETS:		
Unrestricted	393,391	448,212
Temporarily restricted (Note F)	100,000	-
TOTAL NET ASSETS	493,391	448,212
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,713,354</u>	<u>\$ 1,388,818</u>

**GRID ALTERNATIVES****STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED DECEMBER 31, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
<b>SUPPORT AND REVENUE</b>				
Grants-Government	\$ -	\$ 235,741	\$ 235,741	\$ 167,369
Foundation		911,005	911,005	197,857
Corporation		150,427	150,427	273,166
Donations-Individual	41,390		41,390	120,594
Events	102,213		102,213	
Service contracts	868,639		868,639	112,409
Utility and Government incentives	5,721,429		5,721,429	2,221,078
Interest income	468		468	1,157
In-kind revenue	61,706		61,706	130,737
	6,795,845	1,297,173	8,093,018	3,224,367
Net assets released from restrictions	1,197,173	(1,197,173)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>7,993,018</b>	<b>100,000</b>	<b>8,093,018</b>	<b>3,224,367</b>
<b>EXPENSES</b>				
Program services	7,362,250		7,362,250	2,670,065
General and administrative	473,092		473,092	315,664
Fundraising	212,497		212,497	235,642
<b>TOTAL EXPENSES</b>	<b>8,047,839</b>	<b>-</b>	<b>8,047,839</b>	<b>3,221,371</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(54,821)</b>	<b>100,000</b>	<b>45,179</b>	<b>2,996</b>
<b>NET ASSETS, beginning of year</b>	<b>448,212</b>	<b>-</b>	<b>448,212</b>	<b>445,216</b>
<b>NET ASSETS, end of year</b>	<b>\$ 393,391</b>	<b>\$ 100,000</b>	<b>\$ 493,391</b>	<b>\$ 448,212</b>

**GRID ALTERNATIVES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2010**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)**

	Program	Fundraising	General & Administrative	Total	
				2010	2009
Salaries and wages	\$ 1,519,233	\$ 135,779	\$ 218,669	\$ 1,873,681	\$ 1,299,090
Payroll tax & fringe benefits	481,833	31,487	52,395	565,715	212,570
Travel & conferences	95,279	3,249	7,602	106,130	61,470
Supplies		1,057		1,057	
Printing	24,260	1,015	2,525	27,800	12,508
Bank charges	8,234	61	(95)	8,200	9,986
Program material supplies & permits	3,787,139	9,319		3,796,458	1,058,633
Program consultants	1,133,159			1,133,159	109,020
Insurance	86,881	4,825	11,474	103,180	72,213
Telephone	27,040	1,116	6,292	34,448	16,033
Staff development	5,151	1,006	1,347	7,504	6,254
Occupancy	107,071	7,702	12,938	127,711	92,895
Professional fees	15,723	14,160	89,215	119,098	84,014
Postage	4,103	48	2,293	6,444	2,789
Office expense	22,179	1,220	11,887	35,286	30,208
Depreciation	13,338	453	2,257	16,048	12,532
Miscellaneous taxes and fees	9,486		3,241	12,727	13,609
Interest	3,361		8,126	11,487	3,549
Other				-	-
In-kind	18,780		42,926	61,706	123,998
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 7,362,250</b>	<b>\$ 212,497</b>	<b>\$ 473,092</b>	<b>\$ 8,047,839</b>	<b>\$ 3,221,371</b>

**GRID ALTERNATIVES**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2009)**

	Total	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess <deficit> of support and revenue over expenditures	\$ 45,179	\$ 2,996
<b>ADJUSTMENTS TO RECONCILE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation	16,188	12,532
<b>CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:</b>		
Increase in deposits	(2,000)	(7,397)
<Increase> decrease in grants and contracts receivable	(610,653)	(522,577)
<Increase> decrease in prepaid expenses	4,731	(23,492)
Increase in accounts payable and accrued expenses	660,526	197,676
Increase in accrued payroll liabilities	54,795	23,231
Increase in deferred revenue	373,466	373,918
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>542,232</b>	<b>56,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment and fixtures	(24,518)	(24,091)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(24,518)</b>	<b>(24,091)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowing under line of credit, net	190,570	213,807
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>190,570</b>	<b>213,807</b>
<b>NET INCREASE IN CASH</b>	<b>708,284</b>	<b>246,603</b>
CASH, beginning of year	484,717	238,114
CASH, end of year	<u>\$ 1,193,001</u>	<u>\$ 484,717</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	<u>\$ 11,487</u>	<u>\$ 3,549</u>

**GRID ALTERNATIVES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)**

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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 renewable 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, 2010 and 2009, 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, 2009, 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 restriction 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, 2010  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)

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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 three 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 2009 comparative totals to conform to the classifications used in 2010.

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 FASB ASC 958-320 (formerly 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, 2010

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)

**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 award, 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, 2010 consists of grants, contracts and unconditional promises to give which management believes are fully collectible. Three funders represent 79% of the total receivables (40%, 21% and 18%). The solvency of the funders is not of concern to management at this time.

**NOTE C – FURNITURE AND EQUIPMENT**

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

	<u>2010</u>	<u>2009</u>
Furniture & equipment	\$73,036	\$48,518
Less: accumulated depreciation	<u>&lt;32,417&gt;</u>	<u>&lt;16,229&gt;</u>
	<u>\$40,619</u>	<u>\$32,289</u>

Total depreciation expense for the years ended December 31, 2010 and 2009 was \$16,048 and \$12,532, respectively.

**NOTE D – LINE OF CREDIT**

The Organization has a line of credit with a bank with a maximum available amount of \$1,000,000. The line bears interest at the U.S. prime index rate plus 1.25%. The interest rate at December 31, 2010 was 4.5%. The total outstanding balance on the line at December 31, 2010 and 2009 was \$450,611 and \$260,042, respectively. The line is secured by solar rebates receivable from the State of California and renews annually in July. Interest expense for the year ended December 31, 2010 under this line was \$11,486.

**GRID ALTERNATIVES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)

**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>	
2011	\$85,326
2012	83,287
2013	62,636
2014	64,515
2015	66,450
2016	11,129
	<u>\$373,343</u>

Total rental expense for the years ended December 31, 2010 and 2009 was \$116,706 and \$87,794, respectively.

**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, 2010 consist of the following:

	<u>2010</u>
James Irvine Foundation	\$75,000
SunPower Foundation	25,000
	<u>\$100,000</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, 2010 and 2009 the in-kind revenue and in-kind expenses are \$61,706 and \$130,737, respectively.

## **GRID ALTERNATIVES**

### **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2010**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2009)**

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#### **NOTE H – CONCENTRATION OF CREDIT RISK**

At December 31, 2010 and 2009 the organization had deposits of \$0 and \$145,093, respectively, in banks in excess of federally insured limits. These 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.

#### **NOTE J – RETIREMENT PLAN**

The Organization offers a 403(b) retirement plan to all of its employees. The Organization did not match employee contributions during the year ended December 31, 2010.

#### **NOTE K – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date of the audit report pursuant to ASC 855, Subsequent Events.

**SUPPLEMENTAL INFORMATION**

**GRID ALTERNATIVES**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION - SINGLE-FAMILY AFFORDABLE SOLAR HOMES PROGRAM**  
**SASH EXPENDITURES, ADVANCES AND INCENTIVES**  
**YEAR ENDED DECEMBER 31, 2010**

<b>BUDGET</b>		<b>FISCAL YEAR ENDED DECEMBER 31, 2010</b>		<b>FISCAL YEAR ENDED DECEMBER 31, 2010</b>		<b>TOTAL CONTRACT PERIOD TO DECEMBER 31, 2010</b>		<b>UNEXPENDED ADMINISTRATIVE EXPENSE AS OF DECEMBER 31, 2010</b>	
CONTRACT PERIOD: 12/7/08-12/31/15		Q1	Q2	Q3	Q4	2009	2008	TOTAL	
<b>ADMINISTRATION</b>		<b>ADMINISTRATION EXPENSE</b>		<b>ADMINISTRATION EXPENSE</b>		<b>ADMINISTRATION EXPENSE</b>		<b>TOTAL EXPENDED CONTRACT PERIOD TO DECEMBER 31, 2010</b>	
TASK 1 *		\$ 267,848	\$ 286,346	\$ 292,088	\$ 277,340	\$ 754,014	\$ 14,478	\$ 14,478	\$ 1,889,928
TASK 2 **		53,938	34,993	49,683	20,464	88,383	2,376	70,759	229,837
TASK 4 ****		321,786	321,339	341,771	297,804	822,397	29,146	851,543	2,134,243
<b>TOTAL T1, T2, T4 Budget</b>		<b>\$ 10,830,000</b>			<b>1,282,700</b>				
TASK 3 *** (M&O)		4,330,000	59,099	94,155	114,341	178,517	1,203	179,720	493,279
<b>TOTAL</b>		<b>\$ 15,160,000</b>	<b>\$ 374,438</b>	<b>\$ 435,926</b>	<b>\$ 412,145</b>	<b>\$1,000,914</b>	<b>\$ 30,349</b>	<b>\$ 1,031,263</b>	<b>\$ 2,627,522</b>

<b>BUDGET</b>		<b>FISCAL YEAR ENDED DECEMBER 31, 2010</b>		<b>FISCAL YEAR ENDED DECEMBER 31, 2010</b>		<b>TOTAL CONTRACT PERIOD TO DECEMBER 31, 2010</b>		<b>UNEXPENDED INCENTIVES AS OF DECEMBER 31, 2010</b>	
CONTRACT PERIOD:		Q1	Q2	Q3	Q4	2009	2008	TOTAL	
<b>ADMINISTRATION</b>		<b>ADMINISTRATION EXPENSE</b>		<b>ADMINISTRATION EXPENSE</b>		<b>ADMINISTRATION EXPENSE</b>		<b>TOTAL EXPENDED CONTRACT PERIOD TO DECEMBER 31, 2010</b>	
TASK 1 *		\$ 439,927	\$ 434,593	\$ 469,218	\$ 615,980	\$ 1,415,788	\$ -	\$ 1,415,788.00	\$ 3,374,906
TASK 2 **		(65,577)	(60,153)	(33,292)	(203,834)	(404,268)	30,348	(373,918)	(747,384)
TASK 4 ****		323,226	600,106	656,845	727,882	572,836	-	572,836	2,880,895
<b>TOTAL T1, T2, T4 Budget</b>		<b>\$ 10,830,000</b>			<b>1,282,700</b>				
TASK 3 *** (M&O)		98,293	155,642	178,580	20,784	232,146	232,146	232,146	685,445
<b>TOTAL</b>		<b>\$ 42,330,000</b>	<b>\$ 77,287.00</b>	<b>\$ 491,651</b>	<b>\$ 503,067</b>	<b>\$ 253,394</b>	<b>\$ -</b>	<b>\$ 253,394</b>	<b>\$ 1,486,493</b>
<b>TOTAL</b>		<b>\$ 32,089,000</b>	<b>\$ 833,035</b>	<b>\$ 1,327,076</b>	<b>\$ 1,251,733</b>	<b>\$ 1,058,376</b>	<b>\$ -</b>	<b>\$ 1,058,376</b>	<b>\$ 5,062,833</b>
<b>TOTAL BUDGET:</b>		<b>\$ 107,249,000</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