

GRID ALTERNATIVES
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE
YEAR ENDED DECEMBER 31, 2010)

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INDEPENDENT AUDITORS' REPORT

February 21, 2012

Board of Directors
GRID Alternatives
Oakland, California

We have audited the accompanying statement of financial position of GRID Alternatives as of December 31, 2011 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 2010 financial statements, and in our report dated May 5, 2011, 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, 2011, 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, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2010)

<u>ASSETS</u>	Total	
	2011	2010
CURRENT ASSETS:		
Cash	\$ 1,414,763	\$ 1,193,001
Grants and contracts receivable (Note B)	2,346,985	1,443,082
Construction-in-process (Note A)	3,078,968	-
Prepaid expenses	91,648	22,805
TOTAL CURRENT ASSETS	6,932,364	2,658,888
FIXED ASSETS, NET	98,743	40,619
DEPOSITS	28,615	13,847
TOTAL ASSETS	\$ 7,059,722	\$ 2,713,354
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 2,883,164	\$ 913,971
Line of credit (Note D)	-	450,612
Accrued payroll liabilities	191,219	107,996
Deferred revenue and other current liabilities	1,030,251	747,384
TOTAL CURRENT LIABILITIES	4,104,634	2,219,963
TOTAL LIABILITIES	4,104,634	2,219,963
 COMMITMENTS AND CONTINGENCIES (Notes E and I)		
NET ASSETS:		
Unrestricted - Undesignated	2,845,088	343,391
Unrestricted - Board designated reserve	50,000	50,000
Temporarily restricted (Note F)	60,000	100,000
TOTAL NET ASSETS	2,955,088	493,391
TOTAL LIABILITIES AND NET ASSETS	\$ 7,059,722	\$ 2,713,354

GRID ALTERNATIVES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2010)

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
SUPPORT AND REVENUE				
Grants-Government	\$ -	\$ 193,503	\$ 193,503	\$ 235,741
Foundation		798,781	798,781	911,005
Corporation		235,169	235,169	150,427
Donations-Individual & Events	186,815		186,815	143,603
Service contracts	18,597,599		18,597,599	6,590,068
Interest income	235		235	468
In-kind revenue	1,180,403		1,180,403	61,706
	19,965,052	1,227,453	21,192,505	8,093,018
Net assets released from restrictions	1,267,453	(1,267,453)	-	
TOTAL SUPPORT AND REVENUE	21,232,505	(40,000)	21,192,505	8,093,018
EXPENSES				
Program services	17,180,879		17,180,879	7,362,250
General and administrative	950,578		950,578	473,092
Fundraising	599,351		599,351	212,497
TOTAL EXPENSES	18,730,808	-	18,730,808	8,047,839
INCREASE (DECREASE) IN NET ASSETS	2,501,697	(40,000)	2,461,697	45,179
NET ASSETS, beginning of year	393,391	100,000	493,391	448,212
NET ASSETS, end of year	\$ 2,895,088	\$ 60,000	\$ 2,955,088	\$ 493,391

GRID ALTERNATIVES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2010)

	Program	Fundraising	General & Administrative	Total	
				2011	2010
Salaries and wages	\$ 2,606,785	\$ 423,765	\$ 385,502	\$ 3,416,052	\$ 1,873,681
Payroll tax & fringe benefits	732,216	90,462	85,942	908,620	565,715
Travel & conferences	229,891	12,350	39,038	281,279	106,130
Supplies	11,035	-	2,416	13,451	1,057
Printing	41,996	4,229	4,469	50,694	27,800
Bank charges	53	1,083	31,833	32,969	8,200
Program material supplies & permits	5,232,077	7,465	-	5,239,542	3,796,458
Program consultants	6,350,474	-	-	6,350,474	1,133,159
Insurance	96,322	11,707	12,175	120,204	103,180
Telephone	66,575	6,799	12,467	85,841	34,448
Staff development	13,528	2,575	4,863	20,966	7,504
Occupancy	181,953	13,336	17,962	213,251	127,711
Professional fees	209,151	17,327	136,211	362,689	119,098
Postage	8,119	393	1,836	10,348	6,444
Office expense	51,638	6,371	16,361	74,370	35,286
Depreciation	21,145	1,113	1,375	23,633	16,048
Miscellaneous taxes and fees	288,000	29	1,811	289,840	12,727
Interest	9,455	347	46,381	56,183	11,487
In-kind	1,030,466	-	149,936	1,180,402	61,706
TOTAL OPERATING EXPENSES	\$ 17,180,879	\$ 599,351	\$ 950,578	\$ 18,730,808	\$ 8,047,839

GRID ALTERNATIVES

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2010)

	Total	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess <deficit> of support and revenue over expenditures	\$ 2,461,697	\$ 45,179
ADJUSTMENTS TO RECONCILE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	23,633	16,188
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
Increase in deposits	(14,768)	(2,000)
<Increase> decrease in grants and contracts receivable	(903,903)	(610,653)
<Increase> decrease in construction-in-process	(3,078,968)	
<Increase> decrease in prepaid expenses	(68,843)	4,731
Increase in accounts payable and accrued expenses	1,969,193	660,526
<Increase> decrease in accrued payroll liabilities	83,223	54,795
Increase in deferred revenue	282,867	373,466
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>754,131</u>	<u>542,232</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment and fixtures	<u>(81,757)</u>	<u>(24,518)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(81,757)</u>	<u>(24,518)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing under line of credit, net	<u>(450,612)</u>	<u>190,570</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(450,612)</u>	<u>190,570</u>
NET INCREASE IN CASH	221,762	708,284
CASH, beginning of year	<u>1,193,001</u>	<u>484,717</u>
CASH, end of year	<u>\$ 1,414,763</u>	<u>\$ 1,193,001</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 56,183</u>	<u>\$ 11,487</u>

GRID ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010)

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, 2011 and 2010, 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, 2010, 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, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010)

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 2010 comparative totals to conform to the classifications used in 2011.

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.

GRID ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction-in-Process

All subcontractor fees and equipment purchases are captured in the construction-in-process account when purchased and removed and recognized as an expense when the job meets the criteria for revenue recognition and the utility has been invoiced for the underlying Incentive Claim related to the respective project. The balance as of December 31, 2011 is comprised of subcontractor fees and solar panels for future jobs and jobs that are not yet complete.

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, 2011 consists of grants, contracts and unconditional promises to give which management believes are fully collectible. Two funders represent 78% of the total receivables (45% and 33%). 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>2011</u>	<u>2010</u>
Furniture & equipment	\$154,793	\$73,036
Less: accumulated depreciation	<56,050>	<32,417>
	<u>\$98,743</u>	<u>\$40,619</u>

Total depreciation expense for the years ended December 31, 2011 and 2010 was \$23,633 and \$16,188, respectively.

GRID ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010)

NOTE D – LINE OF CREDIT

The Organization has a line of credit with a bank with a maximum available amount of \$3,500,000. The line bears interest at the U.S. prime index rate plus 1.25%. The interest rate at December 31, 2011 was 4.5%. The total outstanding balance on the line at December 31, 2011 and 2010 was \$0 and \$450,612, respectively. The line is secured by solar rebates receivable from the State of California and renews annually in September. Interest expense for the year ended December 31, 2011 under their line was \$46,361.

NOTE E – COMMITMENTS

The Organization leases various office space for locations throughout California. The following schedule reflects future minimum commitments associated with the space rental.

<u>Year Ended December 31</u>	
2012	\$128,803
2013	86,155
2014	64,515
2015	66,450
2016	11,129
	<u>\$357,052</u>

Total rental expense for the years ended December 31, 2011 and 2010 was \$151,839 and \$116,706, respectively.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 consisted of \$0.

	<u>2011</u>	<u>2010</u>
Oak Hill Foundation	\$ 60,000	\$ 0
James Irvine Foundation	0	75,000
SunPower Foundation	0	25,000
	<u>\$ 60,000</u>	<u>\$ 100,000</u>

NOTE G – IN-KIND REVENUE AND EXPENDITURES

Donated materials, 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, 2011 and 2010 the in-kind revenue and in-kind expenses are \$1,180,403 and \$61,706, respectively.

GRID ALTERNATIVES**NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2011****(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010)**

NOTE H – CONCENTRATION OF CREDIT RISK

At December 31, 2011 and 2010 the organization had deposits of \$0 and \$0, respectively, in banks in excess of federally insured limits.

NOTE I – CONTINGENCY

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, 2011.

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, 2011**

BUDGET	
CONTRACT PERIOD: 12/1/08-12/31/15	
TASK 1*	
TASK 2**	
TASK 4***	
TOTAL 11, 12, 14 Budget	\$ 10,830,000
TASK 3**** (M&O)	4,330,000
TOTAL	\$ 15,160,000

FISCAL YEAR ENDED DECEMBER 31, 2011					
Q1	Q2	Q3	Q4	TOTAL	
ADMINISTRATION EXPENSE					
\$ 305,992	\$ 355,017	\$ 259,794	\$ 201,282	\$ 1,121,464	
\$ 36,236	\$ 28,397	\$ 23,213	\$ 21,945	\$ 109,791	
\$ 341,628	\$ 383,413	\$ 233,007	\$ 223,207	\$ 1,231,255	
\$ 164,230	\$ 142,203	\$ 263,495	\$ 282,185	\$ 852,083	
\$ 505,858	\$ 525,616	\$ 546,503	\$ 505,362	\$ 2,083,338	

FISCAL YEAR ENDED DECEMBER 31,					
2010	2009	2008	TOTAL		
ADMINISTRATION EXPENSE					
\$ 1,123,622	\$ 754,014	\$ 12,292	\$ 14,478	\$ 1,898,928	
\$ 159,078	\$ 68,883	\$ 2,376	\$ 2,376	\$ 229,896	
\$ 1,282,700	\$ 822,897	\$ 29,146	\$ 29,146	\$ 2,134,243	
\$ 313,659	\$ 178,517	\$ 1,203	\$ 1,203	\$ 493,278	
\$ 1,596,259	\$ 1,000,914	\$ 30,348	\$ 30,348	\$ 2,627,521	

TOTAL CONTRACT PERIOD TO DECEMBER 31, 2011	
\$ 14,478	
\$ 3,014,392	
\$ 339,627	
\$ 1,345,961	
\$ 4,710,859	

UNEXPENDED ADMINISTRATIVE EXPENSE AS OF DECEMBER 31, 2011	
\$ 7,464,503	
\$ 2,994,639	
\$ 10,449,141	

ADMINISTRATION ADVANCE RECEIVED			
\$ 653,865	\$ 516,624	\$ 640,489	\$ 655,256
\$ 2,386,204			

ADMINISTRATION ADVANCE PAID			
\$ 1,959,117	\$ 1,415,788	-	\$ 3,374,905,17

TOTAL ADVANCES RECEIVED CONTRACT PERIOD TO DECEMBER 31, 2011	
\$ 5,741,110	

UNEARNED PORTION OF ADVANCE			
\$ (48,008)	\$ 9,022	\$ (93,986)	\$ (149,895)
\$ (282,867)			

UNEARNED PORTION OF ADVANCE			
\$ (362,859)	\$ (414,874)	\$ 30,348	\$ (747,384)

TOTAL UNEARNED AS OF DECEMBER 31, 2011	
\$ (1,030,251)	

BUDGET	
CONTRACT PERIOD:	
INCENTIVES	
PG&E	\$ 40,239,000
SD&E	9,520,000
SC&E	42,330,000
TOTAL	\$ 92,089,000

INCENTIVES INVOICED					
\$ 1,182,019	\$ 1,666,256	\$ 1,822,506	\$ 3,422,091	\$ 8,092,870	
\$ 414,240	\$ 456,581,39	\$ 438,987	\$ 847,717	\$ 1,957,534	
\$ 660,738	\$ 803,459,18	\$ 2,160,823	\$ 1,976,108	\$ 5,601,128	
\$ 2,255,996,79	\$ 2,926,305	\$ 4,422,315	\$ 6,045,916	\$ 15,651,534	

INCENTIVES INVOICED					
\$ 2,308,060	\$ 572,636	\$ 752,636	\$ 2,890,896		
\$ 453,236	\$ 232,146	\$ 232,146	\$ 685,444		
\$ 1,243,099	\$ 253,394	\$ 1,203	\$ 1,496,493		
\$ 4,004,457	\$ 1,058,576	-	\$ 5,062,833		

TOTAL INCENTIVES INVOICED	
\$ 10,673,766	
\$ 2,642,978	
\$ 7,091,622	
\$ 20,714,366	

UNEXPENDED INCENTIVES AS OF DECEMBER 31, 2011	
\$ 29,265,234	
\$ 6,877,022	
\$ 36,232,378	
\$ 71,374,634	

INCENTIVES PAID					
\$ 1,060,402	\$ 1,166,722	\$ 1,712,100	\$ 3,406,079	\$ 7,344,304	
\$ 350,194	\$ 520,637	\$ 346,384	\$ 951,267	\$ 1,778,682	
\$ 648,340	\$ 716,444	\$ 1,894,475	\$ 2,156,284	\$ 5,406,543	
\$ 2,059,936	\$ 2,402,803	\$ 3,943,159	\$ 6,123,630	\$ 14,529,528	

INCENTIVES PAID					
\$ 2,291,488	\$ 288,849		\$ 2,580,337		
\$ 526,437	\$ 160,007		\$ 686,444		
\$ 927,382	\$ 27,763		\$ 955,145		
\$ 3,744,307	\$ 476,619		\$ 4,220,926		

- 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