



SOLAR ELECTRIC LIGHT FUND

Financial Statements

For the Year Ended December 31, 2005
(with Summarized Financial Information for 2004)



and
Report Thereon





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Solar Electric Light Fund

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of the Solar Electric Light Fund (the Fund) as of December 31, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's 2004 financial statements and, in our report dated September 22, 2005, we expressed an unqualified opinion on those 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 the Solar Electric Light Fund as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

RAFFA, P.C.

Washington, DC
June 23, 2006

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FINANCIAL POSITION
December 31, 2005
(With Summarized Financial Information For the Year Ended December 31, 2004)

ASSETS	<u>2005</u>	<u>2004</u>
Current Assets		
Cash and cash equivalents	\$ 315,613	\$ 78,653
Investments	3,806	3,828
Grants and donations receivable	300,000	12,777
Prepaid expenses	6,718	5,053
Inventory	11,655	11,655
Deposits	2,349	2,349
Fixed assets, net of accumulated depreciation of \$44,384 and \$41,024 for 2005 and 2004, respectively	<u>6,077</u>	<u>6,114</u>
TOTAL ASSETS	<u>\$ 646,218</u>	<u>\$ 120,429</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	<u>\$ 12,654</u>	<u>\$ 21,204</u>
TOTAL LIABILITIES	<u>12,654</u>	<u>21,204</u>
Net Assets		
Unrestricted	\$ 239,202	(6,498)
Temporarily restricted	<u>394,362</u>	<u>105,723</u>
TOTAL NET ASSETS	<u>633,564</u>	<u>99,225</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 646,218</u>	<u>\$ 120,429</u>

The accompanying notes are an integral part
of these financial statements

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005
(With Summarized Financial Information For the Year Ended December 31, 2004)

	Unrestricted	Temporarily Restricted	2005 Total	2004 Total
REVENUE				
Grants and donations	\$ 567,649	\$ 352,657	\$ 920,306	\$ 172,155
Investment income	3,592	-	3,592	204
Hybrid contracts	-	-	-	35,831
Other income	-	-	-	15,711
In-kind contributions	-	-	-	11,408
Net assets released from restrictions:				
Satisfaction of restrictions	64,018	(64,018)	-	-
	635,259	288,639	923,898	235,309
EXPENSES				
Program services	261,396	-	261,396	272,247
Management and general	66,275	-	66,275	35,561
Fundraising	61,888	-	61,888	16,298
	389,559	-	389,559	324,106
Change in net assets	245,700	288,639	534,339	(88,797)
NET ASSETS, BEGINNING OF YEAR	(6,498)	105,723	99,225	188,022
NET ASSETS, END OF YEAR	\$ 239,202	\$ 394,362	\$ 633,564	\$ 99,225

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of these financial statements

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2005
(With Summarized Financial Information For the Year Ended December 31, 2004)

	Program Services	Supporting Services		2005 Total	2004 Total
		Management and General	Fundraising		
Payroll and related expenses	\$ 67,140	\$ 31,596	\$ 32,912	\$ 131,648	\$ 122,216
U.S. independent contractor services	79,342	12,916	-	92,258	71,278
Building occupancy expenses	18,815	8,854	9,223	36,892	30,102
Goods purchased U.S., shipped overseas	32,892	-	-	32,892	32,565
Other U.S. operating expenses	14,362	53	8,803	23,218	2,510
Supplies	8,082	3,803	3,962	15,847	7,014
Employee travel	11,953	-	900	12,853	7,088
Funds contributed to overseas organizations	12,386	-	-	12,386	-
Communications	6,232	4,298	214	10,744	7,420
Promotional and educational expense	1,815	-	5,000	6,815	8,177
Depreciation	1,714	806	840	3,360	3,309
Conference fees	2,637	-	-	2,637	-
Insurance (D&O)	-	2,025	-	2,025	2,544
Planning expense	2,000	-	-	2,000	14,637
Furniture and equipment expense	1,862	-	-	1,862	2,270
Bank and finance charges	164	1,380	-	1,544	1,518
Publications and subscriptions	-	544	34	578	1,687
Business meetings and meals	-	-	-	-	2,013
Goods purchased overseas	-	-	-	-	7,758
TOTAL	\$ 261,396	\$ 66,275	\$ 61,888	\$ 389,559	\$ 324,106

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of these financial statements

SOLAR ELECTRIC LIGHT FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005
(With Summarized Financial Information For the Year Ended December 31, 2004)
Increase (Decrease) in Cash and Cash Equivalents

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 534,339	\$ (88,797)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,360	3,309
Donated inventory	-	(11,408)
Unrealized (gain) loss on investments	22	(53)
Changes in assets and liabilities:		
Grants and donations receivable	(287,223)	41,160
Prepaid expenses	(1,665)	(971)
Refunds receivable	-	1,265
Accounts payable and accrued expenses	(8,550)	(40,801)
Refundable advances	-	(10,959)
	240,283	(107,255)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(3,323)	-
NET CASH USED IN INVESTING ACTIVITIES	(3,323)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	236,960	(107,255)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	78,653	185,908
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 315,613	\$ 78,653

The accompanying notes are an integral part
of these financial statements

SOLAR ELECTRIC FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

1. Organization and Summary of Significant Accounting Policies

Organization

The Solar Electric Light Fund (the Fund) was incorporated in the District of Columbia on August 22, 1990 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 non-federal grants and donations.

Cash Equivalents

The Fund considers all money market funds to be cash equivalents.

Investments

Investments consist of corporate stock. These investments are recorded in the accompanying financial statements at their fair market value, as based upon quoted market prices as of December 31, 2005.

Fixed Assets and Related Depreciation

Furniture and equipment are stated at cost and are depreciated using the straight-line method over the estimated service lives of the assets of three to seven years. Expenditures for major additions, renewals and betterments are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses.

Classification of Net Assets

The net assets of the Fund are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Fund's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors for various programs or future periods.

SOLAR ELECTRIC FUND

NOTES TO FINANCIAL STATEMENTS **For the Year Ended December 31, 2005**

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

Revenue Recognition

The Fund reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction 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.

Unrestricted contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses based upon various methods deemed to justify the benefits received by those programs and supporting services.

Estimates

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

2. Concentration of Credit Risk

The cash and cash equivalents of the Fund are comprised of amounts in accounts at various financial institutions. While the amounts at times exceed the amount guaranteed by federal agencies and, therefore, bear some risk, the Fund has not experienced, nor does it anticipate, any loss of funds. As of December 31, 2005, the amount in excess of the amount guaranteed by federal agencies was \$231,005.

SOLAR ELECTRIC FUND

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2005

3. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs and time periods as of December 31, 2005:

Tanzania Project	\$ 33,519
Tibet	20,352
Solomon Islands	12,835
Business planning, board development, fundraising	10,501
Indian Tsunami	9,407
Sri Lanka	5,824
Benin	1,924
General operations for the year ending December 31, 2006	<u>300,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 394,362</u>

4. Operating Lease

The Fund leases office space under an agreement that expires December 31, 2006. At December 31, 2005 future minimum payments required under the lease are \$29,904. Rent expense for the year ended December 31, 2005 was \$29,033.

5. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Fund is exempt from federal taxes on income other than unrelated business income. No provision for income taxes is required for the year ended December 31, 2005 as the Fund had no net unrelated business income.

6. Reclassifications

Certain 2004 amounts have been reclassified to conform with the 2005 presentation.

7. 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended December 31, 2004 from which the summarized information was prepared.