

# Financial Report



## California Center for Sustainable Energy

December 31, 2008



## **CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	2
Statement of Activities .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements .....	5 – 7



3104 Fourth Avenue  
San Diego, California 92103  
619.615.5380 Fax 619.615.5389

## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

Board of Directors  
California Center for Sustainable Energy  
San Diego, California

We have audited the accompanying statement of financial position of California Center for Sustainable Energy (CCSE) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CCSE's management. 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 of material misstatement. We were not engaged to perform an audit of CCSE's internal control over financial reporting. Our audit includes consideration, 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 California Center for Sustainable Energy as of December 31, 2008, 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.

Christopher M. Roberts, CPA  
for WEST RHODE & ROBERTS

San Diego, California  
May 11, 2009

**CALIFORNIA CENTER FOR SUSTAINABLE ENERGY**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2008**

---

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 870,124
Certificate of deposit	375,000
Accounts receivable:	
Programs	641,237
Contribution	75,000
Other receivables	5,973
Deposits and prepaid expenses	<u>114,007</u>
Total current assets	<u>2,081,341</u>

Property and equipment, net of accumulated depreciation	<u>448,582</u>
	<u>\$ 2,529,923</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable and accrued expenses	\$ 710,578
Refundable application fees	528,617
Deferred revenue	<u>204,597</u>
Total current liabilities	<u>1,443,792</u>

Commitment (Note 7)

Concentrations (Note 10)

Net assets:

Unrestricted:	
Expended for property and equipment	448,582
Undesignated	<u>453,097</u>
Total unrestricted	901,679
Temporarily Restricted	<u>184,452</u>
	<u>1,086,131</u>
	<u>\$ 2,529,923</u>

**CALIFORNIA CENTER FOR SUSTAINABLE ENERGY**

**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Grant Revenues			
Program Support	\$ 6,209,117	\$ -	\$ 6,209,117
Consumer rebates and incentives	<u>14,498,396</u>	<u>-</u>	<u>14,498,396</u>
	20,707,513	-	20,707,513
Contributions	-	235,000	235,000
Rental income	132,620	-	132,620
Investment income	43,461	-	43,461
Other	7,367	-	7,367
Net assets released from restrictions	<u>50,548</u>	<u>(50,548)</u>	<u>-</u>
Total revenues and other support	<u>20,941,509</u>	<u>184,452</u>	<u>21,125,961</u>
<b>EXPENSES</b>			
Program			
Incentive programs	14,535,823	-	14,535,823
Public and program service	2,642,336	-	2,642,336
Outreach and education	<u>1,968,033</u>	<u>-</u>	<u>1,968,033</u>
Total program expenses	19,146,192	-	19,146,192
Management and general	1,715,023	-	1,715,023
Fundraising	<u>113,285</u>	<u>-</u>	<u>113,285</u>
Total expenses	<u>20,974,500</u>	<u>-</u>	<u>20,974,500</u>
<b>CHANGE IN NET ASSETS</b>	(32,991)	184,452	151,461
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>934,670</u>	<u>-</u>	<u>934,670</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 901,679</u>	<u>\$ 184,452</u>	<u>\$ 1,086,131</u>

**CALIFORNIA CENTER FOR SUSTAINABLE ENERGY**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2008**

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 151,461
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	94,068
Loss on disposal of assets	11,584
(Increase) decrease in operating assets:	
Receivables	103,284
Contribution receivable	(75,000)
Prepaid expenses	6,379
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	119,213
Refundable application fees	75,764
Deferred revenue	<u>(327,347)</u>
Net cash provided by operating activities	<u>159,406</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from certificate of deposit	302,850
Purchase of property and equipment	<u>(99,346)</u>
Net cash provided by investing activities	<u>203,504</u>
 <b>INCREASE IN CASH</b>	362,910
<b>CASH AT BEGINNING OF YEAR</b>	<u>507,214</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 870,124</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Interest paid	<u>\$ 360,163</u>

**CALIFORNIA CENTER FOR SUSTAINABLE ENERGY**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization** – The California Center for Sustainable Energy (CCSE) is an independent, nonprofit 501(c)(3) corporation that helps residents, businesses and public agencies save energy, reduce grid demand and generate their own power through a variety of rebate, technical assistance and education programs. CCSE also provides the community with objective information, research, analysis and long-term planning on energy issues and technologies.

The California Center for Sustainable Energy promotes change for a clean energy future.

**Method of Accounting** – The accompanying financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Financial Statement Presentation** – CCSE's financial statement presentation is in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, CCSE reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no permanently restricted net assets at December 31, 2008. In addition, a statement of cash flows is presented.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

**Cash and Cash Equivalents** – CCSE considers all cash accounts that are not subject to withdrawal restrictions or penalties, with initial maturity of three months or less, to be cash equivalents.

**Property and Equipment and Depreciation Method** – Property and equipment are recorded at cost, except for donated items, which are recorded at fair value as of the date received. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. CCSE's capitalizes assets with an individual cost of over \$5,000.

**Contributions** – Contributions are recorded in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**Contracts** – CCSE recognizes income from contracts when earned. If CCSE receives funds in advance they are recorded as a deferred revenue liability until earned. Many contracts are fixed price contracts which allow for the reimbursement of direct material costs and the billing of labor costs at a rate that allows for the recovery of direct labor costs, indirect costs and profit.

**Rebates/Incentives** – CCSE processes rebates and incentives for several contracts. A customer requests a rebate from CCSE it is then forwarded to the granting agency for approval. Once approval is received CCSE records the incentive Rebate income and corresponding expense.

**CALIFORNIA CENTER FOR SUSTAINABLE ENERGY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. CERTIFICATES OF DEPOSITS**

Certificate of deposits, not subject to withdrawal restrictions, have original maturity dates greater than 90 days, with staggered maturities dates to afford increased liquidity.

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2008 as follows:

Furniture and equipment	\$ 512,734
Kiosks and displays	264,047
Vehicles	19,588
Leasehold improvements	7,725
Construction in process	<u>19,500</u>
	823,594
Less accumulated depreciation	<u>375,012</u>
	<u>\$ 448,582</u>

**NOTE 4. LINE OF CREDIT**

CCSE has a \$750,000 revolving line of credit with a bank. The line of credit expires May 15, 2009 and bears interest at prime plus .5%. The line is collateralized by CCSE assets. There were no amounts outstanding at December 31, 2008.

**NOTE 5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available to assist fire victims rebuild using energy-efficient and fire-resistant technologies, methods, and materials.

**NOTE 6. PENSION PLANS**

CCSE has a defined contribution 403(b) plan. The contribution to the plan is based on a percentage of employee compensation. CCSE contributes an amount equal to 10% of employee compensation. In addition employees may make tax deferred contributions to a 403(b) plan. During the year ended December 31, 2008 CCSE contributed \$198,366 to the plan.

**NOTE 7. COMMITMENT**

CCSE leases office space, under a lease that expires through the year 2013. CCSE subleases a portion of the space. Total rent expense for the year ended December 31, 2008 was \$406,438. Total minimum rental commitments under the leases are \$1,854,646 which is due as follows:

<u>Years Ending December 31,</u>	<u>Lease</u>	<u>Less sublease</u>	<u>Net amount</u>
2009	\$ 419,326	\$ 95,639	\$ 323,687
2010	440,165	48,806	391,359
2011	463,555	-	463,555
2012	489,072	-	489,072
2013	<u>42,528</u>	<u>-</u>	<u>42,528</u>
	<u>\$ 1,854,646</u>	<u>\$ 144,445</u>	<u>\$ 1,710,201</u>

**CALIFORNIA CENTER FOR SUSTAINABLE ENERGY**

**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 9. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 10. CONCENTRATIONS OF CREDIT RISK**

**Credit Risk** – At times, CCSE maintains cash balances in excess of the insurance limit provided by the Federal Deposit Insurance Corporation. CCSE has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Concentration of Revenue** – CCSE receives the majority of its revenue in the form of grants and contracts that are sponsored by the California Public Utilities Commission (CPUC). As with any government-related program, there is a risk that funding could be reduced or discontinued.

**NOTE 11. INCOME TAX STATUS**

CCSE, a California not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.