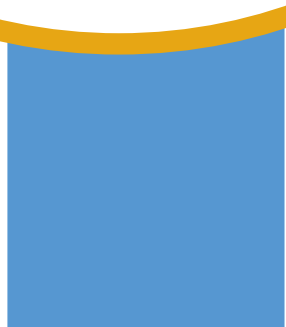



**new directions**  
 CREATING A SECURE ENERGY FUTURE



ALLIANCE TO SAVE ENERGY ANNUAL REPORT 2005

**ALLIANCE TO  
 SAVE ENERGY**  
*Creating an Energy-Efficient World*

## BOARD OF DIRECTORS

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*United States Senate*

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**Stephen Brobeck**  
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*New York State Energy Research  
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**Michael D. Thieneman**  
Executive Vice President and  
Chief Technology Officer  
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**ONE OF THE QUESTIONS** the Alliance and its board of directors strive to answer every year is: what is our global value? Our mission statement defines our goal as promoting energy efficiency worldwide for a healthier economy, cleaner environment and greater energy security. Each year, we evaluate and measure our progress toward this overarching goal, and we believe significant progress was made in 2005. The Alliance continues its recognized role as the premier organization leading energy-efficiency initiatives in public policy advocacy, education, technology, research, and communications. Our value can be seen not only through the achievements and victories we enjoy, but by the simple fact that energy efficiency consistently produces dividends in every sector the Alliance permeates.

The history of the Alliance is one of building: building for government; building for industry; building for the environment and building for consumers. We build through education and outreach, through policy and communications. We build strong partnerships, we create strategic alliances and coalitions. After building through five different Presidential Administrations and a successful internal reorganization in 2004, the Alliance foundation is healthier, and stronger. We are ready to support aggressive movement into new directions to confront the challenge of abating this country's energy needs using tested and proven practices as well as new ideas.

Today, energy efficiency contributes more than any single energy resource to meeting the country's energy needs. One would think that after 30 years, applications for energy efficiency are nearing exhaustion. In fact, the Alliance is just getting started. We pursue energy efficiency globally and across many sectors of the domestic economy, seeking to improve water and heating services at schools, hospitals and residences. In fact, the Alliance opened new doors in 2005, appearing before the United Nations and European Parliament, gaining unprecedented national media exposure and recognition as the source for credible information. We

## A MESSAGE FROM THE CHAIRMEN

successfully advocated for energy-efficiency provisions in the Energy Policy Act of 2005 (P.L. 109-58) and we are pleased to report that energy efficiency was made the first title of the law, thanks to the hard work of the Alliance, its Associates and energy-efficiency advocates across the country who sought to make energy efficiency a cornerstone of our national energy policy.

As the world's energy sources are consumed and commodity prices become more volatile, we stand on the forefront undertaking initiatives from education to market transformation to legislative and regulatory advocacy to create a better, more energy-efficient tomorrow. We equip future consumers, educators, policy makers, businesses, and environmentalists with the necessary resources to make informed decisions about energy use.

In 2004 the Alliance made a commitment to pursue new directions. We are proud to say that decision met with success in 2005. Notwithstanding our many accomplishments, we feel that each victory, each individual achievement simply lays the groundwork for future action. The state of energy efficiency is good. Could it be better? Must it be better? The answer is unequivocally, yes. And that's what will keep us busy throughout 2006 and beyond.

Sincerely,

Senator Mark Pryor    Senator Byron Dorgan    James DeGraffenreid, Jr.



## NEW INITIATIVES promoting efficiency worldwide

FOR NEARLY THREE DECADES, the Alliance to Save Energy has continued to find new and important ways to promote its mission to achieve a healthier economy, a cleaner environment, and greater energy security. In 2005, the Alliance enjoyed unprecedented success in its ongoing effort to bring the energy-efficiency message to consumers, policy makers, and industry leaders. Overall, it was a bigger and better year for our organization, a year in which we tried new approaches and tested new ideas. We maintain our firm belief that energy efficiency is the cheapest, cleanest, and fastest way to address the world's energy problems. While our goals haven't changed all that much, our methods and influence continues to evolve and grow.

We've come a long way — from our first ad campaign in response to the OPEC oil embargo in 1978 — to our responses to the devastating hurricanes in the Gulf of Mexico. 2005 was a year where we decided to come back to where we started — **public education and awareness initiatives.**



### SUPER POWERS PSA CAMPAIGN

The Alliance, together with the EPA, NYSERDA and NAIMA, launched this award winning PSA campaign. Selected as a "TV Spot of the Week" and featured 9,600 times on the Panasonic Board in Times Square, *Super Powers* generated more than 395 million media impressions and had a total donated media value of over \$11 million.

*Powers* generated more than 395 million media impressions and had a total donated media value of over \$11 million.



### THE POWER IS IN YOUR HANDS CAMPAIGN

Targeted, national public education campaign to specifically address high winter energy costs. The Alliance and the American Gas Association joined forces to create a unique and powerful partnership of

more than 20 government agencies, trade associations, state energy offices, utility companies, businesses and public interest groups. The Alliance raised more than \$1 million to fund this effort; reached over 70 million consumers through TV, radio and print media; and garnered over \$4.4 million in earned media. For more information, visit [www.powerisinyourhands.org](http://www.powerisinyourhands.org).



### POWERFUL SAVINGS CAMPAIGN

Public education and outreach partnership campaign with the Department of Energy focused on empowering consumers to save on energy bills through tips on smart energy practices and energy-efficiency home improvements as well as information on federal tax incentives that can support such improvements. Resources included *PowerSmart* booklets, the DOE's *Energy Savers - Tips on Saving Energy & Money at Home*, and three radio public service announcements (PSAs) recorded by Energy Secretary Samuel Bodman. Modest funding of \$150K has allowed the Alliance and DOE to reach out to over 200 million consumers across America.



### ENERGY HOG PSA CAMPAIGN

The Alliance is in partnership with the Ad Council, DOE, leading businesses and trade associations like The Home Depot and the North American Insulation Manufacturers Association, as well as 19 state energy offices on a national public service advertising campaign to raise awareness about the benefits of residential energy efficiency. The "spokesvillain" Energy Hog, who inspires families to take action to make energy improvements to reduce home energy bills, garnered more than \$76 million in donated media time. A second phase of the campaign that targeted adults was also launched and included expanded website content, print ads, and billboards.

→ At current prices the average household spends over \$5,000 each year to power their homes and vehicles. By choosing Energy Star-qualified products, consumers can cut home energy costs by 30 percent, saving about \$400 each year.

→ Improvements in automobile efficiency since 1973 saved consumers \$177 billion in 2005 alone — more than twice as much as the federal government spends each year on education.

"The power to save energy and money is in the hands of each and every consumer. Even small actions by large numbers of people can add up to significant energy and monetary savings."

Kateri Callahan, President, Alliance to Save Energy



## NEW VOICES

expanding our reach

ONE OF THE UNIQUE AND POWERFUL QUALITIES of the Alliance is highlighted in our name: we are a non-partisan, non-profit *alliance* of business leaders, policy makers, public interest advocates and national trade associations united as one effective and powerful voice for the cause of energy efficiency. Our door is always open and our talented staff constantly seeks new opportunities and new alliances that can advance our goal to make the world more energy efficient. 2005 was a hallmark year in this quest. We added more new members to our Associates program than in any other year in the organization's history, and raised the overall number of companies and organizations who contribute ideas and resources to over 100 for the first time in our twenty-eight years of operation. We further increased recognition of our cause and our organization through unprecedented media coverage, reaching opinion leaders, consumers and businesses around the globe.

### INFLUENCING NEW AUDIENCES WAS A HALLMARK OF 2005

- Largest roster of Associates in the history of the organization, 18 new in 2005 for a total of 102
- Unprecedented International Media Coverage
  - Appearances on CNN, ABC, PBS, NPR, Fox News, MSNBC, USA Today.
  - Cites and quotes in major dailies and periodicals including The Wall Street Journal, U.S News and World Report, The Washington Post, The New York Times, AP, Reuters, and Dow Jones newswires.

- Grassroots advocacy increased through expansion of the Alliance "e-Advocates" network of over 50,000 supporters who regularly assist Alliance efforts to secure meaningful federal and state policies to advance energy efficiency.
- Outreach to Hispanic community
  - Consumer information, publication and website tools in both English and Spanish
  - Spanish language Public Service Advertisements (PSAs)
  - Spanish speaking spokesperson appeared on radio, TV and in print

### CREATIVE FORUMS IN AND OUTSIDE THE BELTWAY

- The 2005 Great Energy Efficiency Debate brought together the leading energy voices from government, industry, academia, the media and public interest sectors to debate ideas and position energy efficiency at the front of the national policy stage.
- Congressional Education Day provided Alliance Associates direct access to key federal policy makers to advocate for national legislation to advance energy efficiency.

"Our greatest national energy resource is the energy we currently waste."  
Former Energy Secretary Spence Abraham




ALLIANCE TO SAVE ENERGY STAFF


## NEW OPPORTUNITIES


exciting new partnerships

THE ALLIANCE CONSTANTLY SEEKS OUT new opportunities and new partnerships to drive energy efficiency in every sector of the global economy. At every turn we are working to bring together representatives from the utility industry, state and federal government agencies, advocacy groups, businesses and manufacturers. The Alliance operates as a unifying force, often aligning groups that are rarely allies under the banner of energy efficiency. From diversity we create opportunity — opportunities for education, for a cleaner environment, a more prosperous economy, and a higher quality of life.

### 2005 WITNESSED A HOST OF NEW ALLIANCES AND PARTNERSHIPS

 The Alliance teamed with Procter & Gamble and General Electric to broaden their product advertising to include energy saving tips for consumers. The companies benefited from showcasing the energy savings of their products; the Alliance leveraged the companies' advertising to teach consumers how to save energy.

 The Alliance, working with the Environmental Protection Agency and key stakeholders in eleven southeastern states, created the Southeast Energy Efficiency Alliance (SEEA) to build regional partnerships for the advancement and promotion of energy efficiency.

 P&G "Cold Water Challenge" Campaign: The Alliance participated with Procter and Gamble in its promotion of Tide Coldwater to provide consumers with energy saving tips. The campaign was chosen as one of the top 50 marketing campaigns of the year, prompting P&G to invite the Alliance to participate in a second phase beginning in 2006. More than one million people took the Challenge - pledging to switch to cold water for laundry and saving a potential \$63 million nationwide.

"The Alliance professionals and its associates have developed a comprehensive approach to blending efficiency initiatives, political realities and practical solutions into realistic national programs."  
Ross Pillari, President, BP America and co-chair,  
Alliance Policy and Programs Committee





## NEW FEDERAL ENERGY POLICY a landmark for energy efficiency

2005 WAS PERHAPS MOST NOTABLE as the year in which landmark federal energy legislation that included energy efficiency as Title I of the Act was finally signed into law by the President. Passage of the Energy Policy Act of 2005 (EPACT '05) — from the perspective of creating meaningful federal policy on energy efficiency — is a major achievement and the product of many years of hard work by the Alliance and energy-efficiency advocates across the country. Yet, as significant as the legislation is, realizing the promise of energy efficiency in this bill will require significant work. The Alliance will have to work doubly hard throughout 2006 to ensure that adequate funding for major energy-efficiency provisions are appropriated. Likewise, we will advocate extensions of the energy-efficiency tax credits provided in the bill. And, finally, we will focus concerted efforts on addressing the big "missing piece" in EPACT '05 — transportation. As you can see from the summary of the efficiency provisions in EPACT, we really have put only the framework in place for a better future that will require continued federal advocacy.

### MAJOR ENERGY-EFFICIENCY PROVISIONS INCLUDED IN NEW ENERGY LAW:

15 NEW APPLIANCE STANDARDS AND DOE DIRECTED TO UNDERTAKE 3 ADDITIONAL APPLIANCE STANDARD RULEMAKINGS:

- Ceiling fans, compact fluorescent lamps, coin-op clothes washers, exit signs, traffic signals, ice makers, dehumidifiers

NEW FEDERAL TAX INCENTIVES FOR ENERGY-EFFICIENT COMMERCIAL BUILDINGS, NEW HOMES, HOME RETROFITS AND HEATING AND COOLING EQUIPMENT, APPLIANCES AND HYBRID VEHICLES:

- Homeowner tax credit up to \$500 to cover cost of installation of energy-efficient insulation, doors, windows, central air, water heaters, furnaces and boilers
- Home builder credit up to \$2000 for new homes that reduce energy costs by at least 50%
- Deduction up to \$1.80/square foot for buildings designed to use 50% less energy
- Buyer tax credit for light-duty hybrids ranging from \$250-\$3400

MORE THAN \$6 BILLION AUTHORIZED FOR FEDERAL ENERGY-EFFICIENCY PROGRAMS INCLUDING:

- \$25 million per year for five years for state building energy codes programs
- \$5 million per year for five years for state utility policy pilot programs
- \$90 million per year for five years for energy-efficiency public information and education programs
- Extends the federal Energy Savings Performance Contracts (ESPC) program for ten years, which facilitates energy-efficiency upgrades to federal facilities.

EPACT includes \$2.1 billion in tax incentives for efficiency measures, including incentives for energy-efficient commercial buildings, new homes, retrofits, heating and cooling equipment, and hybrid vehicles.



## NEW HORIZONS

educating tomorrow's leaders

THE ALLIANCE EDUCATES tomorrow's industry leaders, lawmakers and consumers. Public education and outreach plays a key role in both the history and continued success of the Alliance. We strive to increase awareness about the many simple, everyday behavioral things young and old people can do to save energy and money. At the same time, we realize the overarching importance of taking our message directly to industry leaders, manufacturers, and government bodies. Some of our best ideas were born from collaborating with foreign governments, students, teachers, children, and policy makers. It is in this spirit of new horizons that we reflect on a few of the many successes and achievements of 2005.

- The Alliance publishes world-class newsletters and bulletins for key audiences from consumers to manufacturing executives. In 2005, publications included: e-FICIENCY News, State Energy Efficiency Bulletin, Steaming Ahead, News You Can Use.
- "Outside the Beltway" Associate Breakfasts reached new audiences in Austin, TX and New York City, NY, introducing the Alliance and its mission to key stakeholders around the country.
- Brown Bag lunches: this popular series continued to address topical energy-efficiency and environmental issues.



- Speeches before such impressive organizations as the Western Governors Association and the United Nations.
- European Fact Finding Trip: toured energy-efficient facilities and engaged European policy makers in Germany, Belgium and the Netherlands. Dialogued with European Parliament about current and planned energy-efficiency measures in both Europe and the United States.
- As a direct result of the Building Codes Assistance Project (BCAP), Phoenix, Arizona became the first city in the United States to adopt the International Energy Conservation Code.
- The Alliance expanded its leadership role in organizations critical to the promotion of energy efficiency. Alliance staff is now on the IECC development committee, hold board of director positions in the Midwest Energy Efficiency Alliance (MEEA), chair the Responsible Energy Codes Alliance (RECA), and have been appointed to voting positions on the ASHRAE Standard 90.1 committee that develops the national model code for commercial buildings.

- Green Campus, moving into university sector. Program brought home several prestigious awards and was extended to 3 additional California campuses.
- The award-winning Green Schools program successfully completed its first pilot program in Washington, DC. A new iteration of the program was launched in Maryland, servicing 7 schools.



ALLIANCE TO SAVE ENERGY'S  
**Green Schools Program**  
Empowering Schools through Energy Efficiency



"I just wanted to let you know that I really appreciate your website. What a creative, fun and engaging way for kids to learn about conserving energy, etc. I am very impressed with your site, and my students loved it too! Thanks for making learning fun!"  
Stephen Ferraro, 5th grade teacher, Owego, NY





## NEW OUTPOSTS

expanding global work

THE ALLIANCE OPENED ITS FIRST INTERNATIONAL OFFICE in Kaliningrad, Russia in 1996. Since that time we have expanded our influence to include 22 countries on 5 continents — including the opening of two new offices in Armenia and India in 2005.

Many of the areas we concentrate on have limited resources and little knowledge or support for energy-efficiency measures. Our goal is to work within an existing framework, providing the means for local communities, businesses, utilities and governments to achieve previously impossible energy savings.

- + Watergy efforts in South Africa: One of the first efforts to apply performance contracting to water, this Alliance sponsored project in Emfuleni, South Africa was completed in August 2005 and is predicted to save \$4.5 million and reduce CO<sub>2</sub> emissions by over 12,000 tons per year. It won a prestigious Engineering Excellence Award from the South African Association of Consulting Engineers.
 
- + Together with the Renewable Energy & Energy Efficiency Partnership, the Alliance conducted a series of case studies in Armenia, Bulgaria, Latvia, Poland, and the Ukraine to identify barriers to investment in residential energy efficiency.
 
- + The Alliance helped implement revolving fund assistance programs in the towns of Aparan and Gyumri, Armenia to facilitate several municipal condominium energy-efficiency projects.
- + The Alliance brokered a formal water and wastewater utilities and technical assistance initiative agreement for the Mexican state of Coahuila.
- + In Tijuana our efforts helped reduce total water output volume by over one-third while providing service to 20,000 additional residences per year.
- + Implementation of no and low cost efficiency improvements from the water and energy audit conducted by the Alliance in the Delhi Jal Board (Delhi Water Board) in India have resulted in annual financial savings of \$367,000.



WHERE WE WORKED IN 2005

## NEW GROWTH AND NEW LEADERSHIP

a tradition of excellence

EVERY DAY THE ALLIANCE CONTINUES the work and heritage laid out by our founders. 2005 continued the tradition of expanding in new directions. While we announced the departure of long-standing chair Byron Dorgan (D-ND), he remains an active member of our Board of Directors and his departure cleared the way for new leadership in 2006 by Senator Mark Pryor (D-AR) whose commitment to cleaner, healthier and more diverse energy sources and practices will serve the Alliance mission well. Likewise, we expanded our senior management staff with the addition of Vice President and Chief Operating Officer, Brian Castelli, who brings to the Alliance nearly 30 years of expertise in the energy field, including 6 years as chief of staff to the U.S. Department of Energy's assistant secretary for energy efficiency and renewable energy.

- + New Congressional Chair Senator Mark Pryor lends strength and character to the Alliance's already stellar leadership. Senator Pryor was a principal author of legislation creating the Asia-Pacific Partnership to advance new and efficient technologies to address climate change.
- + After ten years at its current location, the Alliance secured new office space at 1850 M Street, NW in downtown Washington, DC. The move allows our organization to accommodate recent growth and provides the opportunity to make renovations to the existing space in order to apply for LEED-CI Silver certification.
- + In 2005, we added two new Congressional Board members, Representatives Zach Wamp and Ralph Hall. Both Congressmen have displayed a strong commitment to crafting sustainable and efficient national energy legislation and we are proud to welcome them to our board.



Zach Wamp



Ralph Hall

- + The Alliance was fortunate to elect Jan Schori, General Manager, Sacramento Municipal Utility District and Jackalyn Pfannenstiel, Chair, California Energy Commission, to its Board of Directors. Both are dedicated leaders who, together, bring over a half century of experience to the Alliance and its mission.

"Moving our nation towards greater energy independence not only strengthens national security, but protects the environment and stimulates the economy. The Alliance's vision to improve energy efficiency in the workplace and at home is achievable."  
Sen. Mark Pryor (D-AR)



## ALLIANCE ASSOCIATES

**3M Company**  
 Acuity Brands-Lighting Group  
**Advanced Micro Devices, Inc.**  
 Advanced Power Control, Inc.  
 American Chemistry Council  
 American Council On Renewable Energy  
 American Gas Association  
 American Public Power Association  
**Andersen Corporation**  
 Armstrong International, Inc.  
 Association of Energy Engineers®  
 Association of Home Appliance  
 Manufacturers (AHAM)  
 Association of State Energy Research  
 & Technology Transfer Institutions  
**Bank of America**  
 Barnstable County/Cape Light Compact  
**BC Hydro**  
**Bonneville Power Administration**  
**BP America, Inc.**  
 Brookhaven National Laboratory  
 California Climate Action Registry  
 California Energy Commission  
 Calmac Manufacturing Corporation  
 Canadian Energy Efficiency Alliance  
 Cardinal Glass Industries  
 Carnegie Mellon University  
 CertainTeed Corporation  
**City of Austin/Austin Energy**  
 CMC Energy Services, Inc.  
 Con Edison Solutions  
 Constellation Energy  
 Consumer Energy Council of America  
 Copper Development Association  
**Dewey Ballantine**  
**DFW International Airport**  
**Dow Chemical Company**  
 Duke Energy  
 Edison Electric Institute  
 Electric Power Research Institute

Encellum Technologies, Inc.  
 EPS Capital Corporation  
**Exelon Corporation**  
 GasNetworks®  
 Greenbiz.com  
 GridPoint  
 Hannon Armstrong  
 Hearth, Patio & Barbecue Association  
 Honeywell Corporation  
 Hunt Power, LP  
 ICF International  
 International Copper Association  
 Johanne Wallerstein Institute  
**Johns Manville**  
 Johnson Controls  
 Jupiter Oxygen Corporation  
 Kentucky Office of Energy Policy  
 KeySpan Energy  
 Kimberly-Clark Corporation  
 Knauf Insulation  
 Lawrence Berkeley National Laboratory  
 Lockheed Martin  
 Maryland Energy Administration  
 Michelin North America, Inc.  
 MicroPlanet, Ltd.  
 Midwest Energy Efficiency Alliance  
 Modular Process Control  
**National Electrical Manufacturers Association**  
 National Grid USA  
 National Insulation Association  
 National Renewable Energy Laboratory  
 National Roofing Contractors Association  
**National Rural Electric Cooperative Association**  
**New York State Energy Research  
 and Development Authority**  
 Niagara Conservation  
 NORESCO  
 North American Insulation  
 Manufacturers Association  
 NSTAR Electric and Gas Corporation

Oak Ridge National Laboratory  
 Optimum Energy  
 Orion Energy Services  
**OSRAM SYLVANIA**  
 Owens Corning  
**Pacific Gas and Electric Company**  
**Panasonic**  
 PepsiCo, Inc.  
 Perseus, LLC  
 Polyisocyanurate Insulation  
 Manufacturers Association  
**Procter & Gamble/Tide**  
 Rinnai Tankless Hot Water Corporation  
 Sacramento Municipal Utility District  
 Sandia National Laboratory  
 San Diego Regional Energy Office  
**Sempria Energy**  
 Sensor Switch, Inc.  
 Shelton Group  
**Siemens Building Technologies, Inc.**  
**Southern California Edison**  
**Southern Company**  
 Spirax Sarco  
 Tennessee Valley Authority  
 Texas A&M University -  
 Energy Systems Laboratory  
 Texas State Energy Conservation Office  
 The Air-Conditioning and  
 Refrigeration Institute  
 The Berkshire Gas Company  
**The Home Depot**  
**Trane**  
 United Financial of Illinois, Inc.  
 University of Illinois -  
 Energy Resources Center  
 U.S. Green Buildings Council  
**Wal-Mart Stores, Inc.**  
**Washington Gas**  
**Whirlpool Corporation**

## 2005 RESTRICTED CONTRIBUTIONS

### \$500,000 OR GREATER

- U.S. Agency for International Development
- U.S. Department of Energy
- California Public Utilities Commission (CPUC)

### \$100,000 TO \$499,999

- Building Media, Inc
- City of Mogale, South Africa
- Dow Chemical Company
- Energy Outreach Colorado
- Lawrence Berkeley National Laboratory
- New York State Energy Research and Development Authority
- North American Insulation Manufacturers Association
- Pacific Northwest National Laboratory
- Procter & Gamble
- Renewable Energy & Energy Efficiency Partnership
- South Africa Dept. of Water, Affairs & Forestry
- The Energy Foundation
- U.S. Environmental Protection Agency
- Wendel Energy Services

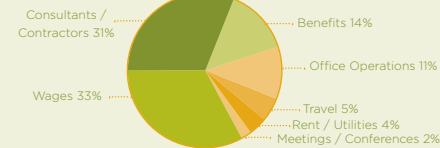
### \$50,000 TO \$99,999

- American Petroleum Institute
- Coca Cola Company
- Edison Electric Institute
- Inter-American Development Bank
- Sacramento Municipal Utility District

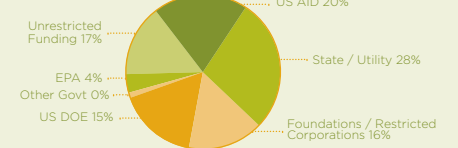
### 0 TO \$49,999

- ADM Associates
- Air Barrier Association of America
- American Chemistry Council
- American Council for an Energy-Efficient Economy
- Australian Greenhouse Office
- Brickfield, Burchette, Ritts, & Stone, PC
- California Energy Commission
- CHF International
- Educational Foundation of America
- Energy Resource Solutions, Inc.
- Ford Motor Company
- Georgia Environmental Facilities Authority
- Guardian Industries
- Howard County, Maryland Schools
- International Finance Corporation
- Inter-American Development Bank
- Interstate Natural Gas Association of America
- Maryland Energy Office
- Metropolitan Mayors Caucus
- MSX International, Inc.
- National Association of Manufacturers
- National Fenestration Ratings Council
- National Insulation Association
- New Jersey Natural Gas
- Pactiv Corporation
- Patagonia, Inc.
- Pennsylvania Department of Environmental Protection
- Polyisocyanurate Insulation Manufacturing Association
- State of Ohio
- The Aluminum Association
- The Manufacturing Institute
- United Nations Development Program
- Washington Gas Company
- Wedgemere Group, Inc.

### 2005 TOTAL EXPENSES — \$9.9M



### 2005 TOTAL REVENUE — \$9.978 M





# FINANCIAL REPORT

## December 31, 2005

### Independent Auditor's Report

To the Board of Directors  
Alliance To Save Energy  
Washington, D.C.

**McGladrey & Pullen**  
Certified Public Accountants

We have audited the accompanying balance sheet of the Alliance to Save Energy (the Alliance) 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 Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Alliance's 2004 financial statements and in our report dated April 13, 2005, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

*McGladrey & Pullen, LLP*

Alexandria, Virginia  
March 17, 2006

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of the Alliance to Save Energy 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.

In accordance with Government Auditing Standards, we have also issued a report dated March 17, 2006, on our consideration of the Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

### BALANCE SHEET December 31, 2005

With Comparative Totals For 2004

	2005	2004
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,041,058	\$ 823,285
Investments	677,962	703,915
Grants Receivable, net	2,402,991	1,922,589
Other Receivables	55,312	54,037
Prepaid Expenses and Deposit	35,030	52,217
Property and Equipment, net	186,225	260,311
	<b>\$ 4,398,578</b>	<b>\$ 3,816,352</b>
<b>Liabilities And Net Assets</b>		
Liabilities		
Accounts payable	\$ 946,845	\$ 488,711
Accrued expenses	232,176	313,990
Refundable advances	913,424	740,818
Capital lease obligation	23,845	30,452
Deferred rent	19,309	37,925
	<b>\$ 2,135,599</b>	<b>\$ 1,631,896</b>
Commitments and Contingencies		
Net Assets - Unrestricted	2,262,979	2,184,456
	<b>\$ 4,398,578</b>	<b>\$ 3,816,352</b>

### STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2005

With Comparative Totals For 2004

	PROGRAM SERVICES				General and Administrative	Fundraising	2005 Total	2004 Total
	Demonstration	Policy	Communications	Total Program Services				
Salaries	\$ 1,801,834	\$ 85,066	\$ 147,528	\$ 2,034,428	\$ 1,074,343	\$ 71,828	\$ 3,180,599	\$ 2,986,552
Employee benefits and payroll taxes	742,757	41,491	64,752	849,000	470,829	32,686	1,352,515	1,279,512
Professional fees and contract services	2,161,343	47,405	678,879	2,887,627	213,506	8,212	3,109,345	3,770,237
Travel	410,201	4,549	6,227	420,977	81,369	7,472	509,818	511,272
Supplies and miscellaneous	114,631	-	16,126	130,757	279,581	6,577	418,915	335,654
Occupancy and utilities	26,490	-	-	26,490	342,193	-	368,683	454,200
Meetings and conferences	94,671	936	2,327	97,934	27,211	118,788	243,935	131,831
Telephone	65,278	13,450	1,591	80,319	93,100	3,727	177,146	179,228
Bad debt expense	-	-	-	-	209,500	-	209,500	-
Printing and publication	39,023	1,091	23,291	63,405	28,956	17,295	109,656	120,915
Depreciation	-	-	-	-	99,312	-	99,312	107,845
Periodicals, dues, and subscriptions	7,985	2,000	782	10,767	17,546	6,427	34,740	61,486
Repairs and maintenance	6,477	169	-	6,646	28,427	-	35,073	19,943
Postage and shipping	27,788	199	5,482	33,469	13,869	3,210	50,548	41,387
<b>Total direct costs</b>	<b>5,498,478</b>	<b>196,356</b>	<b>946,985</b>	<b>6,641,819</b>	<b>2,979,742</b>	<b>278,222</b>	<b>9,899,783</b>	<b>10,000,062</b>
Indirect allocation	2,166,661	127,554	220,111	2,514,326	(2,649,676)	135,350	-	-
<b>Total expenses</b>	<b>\$ 7,665,139</b>	<b>\$ 323,910</b>	<b>\$ 1,167,096</b>	<b>\$ 9,156,145</b>	<b>\$ 330,066</b>	<b>\$ 413,572</b>	<b>\$ 9,899,783</b>	<b>\$ 10,000,062</b>

### STATEMENT OF ACTIVITIES Year Ended December 31, 2005

With Comparative Totals For 2004

	2005	2004
<b>Revenue and support:</b>		
Grants		
Corporations and foundations	\$ 4,355,409	\$ 3,245,248
Government	3,941,958	4,984,266
Membership contributions	998,500	1,110,569
Special events, net of cost of direct benefit to donors	523,571	287,273
Donated services	119,385	170,575
Administrative and advisory fees	3,015	21,563
Other income	36,468	7,239
<b>Total revenue and support</b>	<b>9,978,306</b>	<b>9,826,733</b>
<b>Expenses:</b>		
Program services	6,641,819	7,430,765
General and administrative	2,979,742	2,385,478
Fundraising	278,222	183,919
<b>Total expenses</b>	<b>9,899,783</b>	<b>10,000,062</b>
<b>Change in net assets</b>	<b>78,523</b>	<b>(173,329)</b>
Net assets:		
Beginning	2,184,456	2,357,785
Ending	<b>\$ 2,262,979</b>	<b>\$ 2,184,456</b>

**STATEMENT OF CASH FLOWS** Year Ended December 31, 2005  
With Comparative Totals For 2004

	2005	2004		2005	2004
<b>Cash Flows from Operating Activities</b>			<b>Cash Flows from Investing Activities</b>		
Change in net assets	\$ 78,523	\$ (173,329)	+ Purchases of property and equipment	\$ (25,226)	\$ (66,700)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			+ Purchases of investments	(31,711)	(706,601)
+ Depreciation	99,312	107,845	+ Proceeds from sale of investments	57,000	-
+ Bad debt expense	209,500	7,500	<b>Net cash provided by (used in) investing activities</b>	<b>63</b>	<b>(773,301)</b>
+ Unrealized loss on investments	664	2,686	<b>Cash Flows from Financing Activities</b>		
+ Loss on disposal of property and equipment	-	1,633	+ Principal payments on capital lease obligation	(6,607)	(3,203)
+ Deferred rent	(38,616)	(38,616)	<b>Net cash (used in) financing activities</b>	<b>(6,607)</b>	<b>(3,203)</b>
+ Changes in assets and liabilities:			<b>Net increase (decrease) in cash and cash equivalents</b>	<b>217,775</b>	<b>(1,565,621)</b>
- (Increase) decrease in:			<b>Cash and Cash Equivalents</b>		
- Grants receivable	(689,902)	(848,023)	Beginning	823,283	2,388,904
- Other receivables	(1,275)	(13,792)	<b>Ending</b>	<b>\$1,041,058</b>	<b>\$ 823,283</b>
- Prepaid expenses and deposit	17,187	(31,530)	Supplemental Schedule of Noncash Investing Activities		
+ Increase (decrease) in:			Equipment acquired under capital lease	\$ -	\$ 33,655
- Accounts payable	458,134	(21,587)			
- Accrued expenses	(81,814)	88,847			
- Refundable advances	172,606	129,249			
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 224,319</b>	<b>\$ (789,117)</b>			

Auditors notes to Financial Statements available upon request.

**OUR MISSION**

The Alliance to Save Energy promotes energy efficiency worldwide to achieve a healthier economy, a cleaner environment, and greater energy security.

**CORPORATE STATEMENT**

The Alliance to Save Energy strives to be the world's premier organization promoting energy efficiency to achieve a healthier economy, a cleaner environment, and greater energy security. To achieve this goal, the Alliance to Save Energy:

**LEADS** worldwide energy-efficiency initiatives in research, policy advocacy, education, technology deployment, and communications that impact all sectors of the economy;

**PROVIDES** vision and activism through its board of directors, which includes leaders from business, government, the public interest sector, and academia;

**INITIATES** and participates in public-private partnerships, collaborative efforts, and strategic alliances to optimize resources and expand its sphere of influence; and

**EXECUTES** its mission through a team of recognized energy-efficiency experts and professionals.



# ALLIANCE TO SAVE ENERGY

*Creating an Energy-Efficient World*



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