REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

ENERGY TRUST OF OREGON, INC.

December 31, 2021 and 2020

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Energy Trust of Oregon, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Energy Trust of Oregon, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Energy Trust of Oregon, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Energy Trust of Oregon, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Energy Trust of Oregon, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Energy Trust of Oregon, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Energy Trust of Oregon, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Portland, Oregon
April 6, 2022

ASSETS

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 75,475,435	$ 70,585,988
Investments	-	5,168,914
Other receivables	3,957,122	433,829
Notes receivable, net of allowance	1,282,331	782,331
Accrued interest receivable	-	750
Advances paid to contractor	2,171,668	1,924,827
Prepaid expenses	461,368	376,223
Property and equipment, net	651,551	777,537
Other assets	1,739,803	1,559,790
Total assets	$ 85,739,278	$ 81,610,189

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable and accrued expenses	$ 17,856,251	$ 24,367,938
Accrued payroll and related expenses	2,452,246	2,255,340
Deferred rent liability	1,046,982	1,227,597
Total liabilities	21,355,479	27,850,875
COMMITMENTS AND CONTINGENCIES (NOTE 10, NOTE 12)		
NET ASSETS		
Without donor restrictions		
Undesignated	54,101,524	43,512,496
Designated	10,282,275	10,246,818
Total net assets	64,383,799	53,759,314
Total liabilities and net assets	$ 85,739,278	$ 81,610,189

See accompanying notes.

Energy Trust of Oregon, Inc.
Statements of Activities

	Years Ended December 31, 2021	2020
Funding		
Public purpose funding	$ 108,066,443	$ 98,013,534
Incremental funding	85,596,105	80,144,944
Grant revenue	465,927	501,994
Other revenue	41,380	61,009
Total funding	194,169,855	178,721,481
Investment returns		
Interest and dividends on investments, net of amortization	151,937	489,535
Interest on notes receivable	10,903	8,000
Unrealized loss on investments, net	-	(8,154)
Unrealized gain (loss) on deferred compensation assets	3,305	(3,939)
Total investment returns	166,145	485,442
Total revenues	194,336,000	179,206,923
Expenses		
Program expenses		
Energy efficiency programs	153,947,913	166,720,373
Renewable resources programs	17,222,552	11,564,869
Washington program	2,915,914	2,255,492
Community solar program	252,702	268,568
Targeted load management (TLM) program	113,448	-
PGE storage	54,944	20,439
Low and moderate income (LMI) grant	9,695	8,844
Total program expenses	174,517,168	180,838,585
Administrative expenses		
Management and general	5,392,363	4,737,426
Communication and general outreach	3,788,407	3,925,507
Development	13,577	7,722
Total administrative expenses	9,194,347	8,670,655
Total expenses	183,711,515	189,509,240
CHANGE IN NET ASSETS	10,624,485	(10,302,317)
NET ASSETS, beginning of year	53,759,314	64,061,631
NET ASSETS, end of year	$ 64,383,799	$ 53,759,314

 See accompanying notes.

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Energy Efficiency Programs	Renewable Resources Programs	Washington Program	Community Solar Program	PGE Storage	NWN TLM GEO	LMI Grant	Total Program Expenses	Management and General	Communication and General Outreach	Development	Total Administrative Expenses	Total Expenses
EXPENSES													
Incentives	$ 89,015,829	$ 12,827,158	$ 1,819,429	$ -	$ 8,000	$ 32,867	$ -	$ 103,703,283	$ -	$ -	$ -	$ -	$ 103,703,283
Program delivery subcontracts	50,793,887	620,396	680,416	-	11,454	61,415	-	52,167,568	-	-	-	-	52,167,568
Employee salaries and fringe benefits	7,208,448	1,732,899	284,781	205,962	30,285	19,166	8,945	9,490,486	3,944,180	2,503,844	13,577	6,461,601	15,952,087
Agency contractor services	798,787	90,154	6,518	1,017	184	-	-	896,660	504,515	75,804	-	580,319	1,476,979
Planning and evaluation services	2,298,165	91,599	5,883	-	-	-	-	2,395,647	272	6,793	-	7,065	2,402,712
Advertising and marketing services	1,378,035	219,425	51	1,400	-	-	-	1,598,911	-	863,898	-	863,898	2,462,809
Other professional services	1,360,022	1,193,938	34,608	16,042	72	-	750	2,605,432	471,351	32,005	-	503,356	3,108,788
Travel, meetings, trainings, and conferences	12,492	4,720	221	926	3	-	-	18,362	31,356	11,435	-	42,791	61,153
Dues, licenses, and fees	142,873	10,247	53,988	7	1	-	-	207,116	20,075	40,057	-	60,132	267,248
Software and hardware	246,206	274,675	7,081	4,828	873	-	-	533,663	71,622	45,692	-	117,314	650,977
Depreciation and amortization	176,143	30,868	5,383	4,418	799	-	-	217,611	65,539	40,874	-	106,413	324,024
Office rent and equipment	461,426	121,757	16,702	17,427	3,151	-	-	620,463	258,515	161,229	-	419,744	1,040,207
Materials, postage, and telephone	28,822	4,716	853	675	122	-	-	35,188	15,722	6,776	-	22,498	57,686
Miscellaneous expenses	26,778	-	-	-	-	-	-	26,778	9,216	-	-	9,216	35,994
Total expenses	$ 153,947,913	$ 17,222,552	$ 2,915,914	$ 252,702	$ 54,944	$ 113,448	$ 9,695	$ 174,517,168	$ 5,392,363	$ 3,788,407	$ 13,577	$ 9,194,347	$ 183,711,515

See accompanying notes.

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Energy Efficiency Programs	Renewable Resources Programs	Washington Program	Community Solar Program	PGE Storage	LMI Grant	Total Program Expenses	Management and General	Communication and General Outreach	Development	Total Administrative Expenses	Total Expenses
EXPENSES												
Incentives	$ 95,952,068	$ 7,403,808	$ 1,225,467	$ -	$ -	$ -	$ 104,581,343	$ -	$ -	$ -	$ -	$ 104,581,343
Program delivery subcontracts	55,499,715	577,625	635,627	-	7,050	-	56,720,017	-	-	-	-	56,720,017
Employee salaries and fringe benefits	7,151,796	1,709,340	267,141	211,219	11,613	6,645	9,357,754	3,628,119	2,384,579	7,722	6,020,420	15,378,174
Agency contractor services	1,004,515	238,548	10,713	1,976	95	3,950	1,259,797	163,001	99,127	-	262,128	1,521,925
Planning and evaluation services	3,081,022	27,224	29,344	-	-	-	3,137,590	21,120	19,786	-	40,906	3,178,496
Advertising and marketing services	1,930,188	137,354	320	-	-	-	2,067,862	1,500	1,006,956	-	1,008,456	3,076,318
Other professional services	1,143,604	932,017	12,563	25,080	18	(7)	2,113,275	501,888	103,725	-	605,613	2,718,888
Travel, meetings, trainings, and conferences	18,752	8,380	513	945	-	-	28,590	44,673	18,687	-	63,360	91,950
Dues, licenses, and fees	55,224	14,850	42,820	6	-	-	112,900	17,278	41,546	-	58,824	171,724
Software and hardware	221,501	327,982	6,555	4,407	308	(245)	560,508	52,706	38,289	-	90,995	651,503
Depreciation and amortization	146,728	31,243	4,702	4,157	268	(282)	186,816	49,742	35,461	-	85,203	272,019
Office rent and equipment	469,399	147,957	17,883	19,680	1,044	(1,114)	654,849	235,536	167,886	-	403,422	1,058,271
Materials, postage, and telephone	42,076	8,506	1,840	1,093	43	(103)	53,455	19,422	9,426	-	28,848	82,303
Miscellaneous expenses	3,785	35	4	5	-	-	3,829	2,441	39	-	2,480	6,309
Total expenses	$ 166,720,373	$ 11,564,869	$ 2,255,492	$ 268,568	$ 20,439	$ 8,844	$ 180,838,585	$ 4,737,426	$ 3,925,507	$ 7,722	$ 8,670,655	$ 189,509,240

See accompanying notes.

	Years Ended December 31, 2021	2020
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Cash received in public purpose funding	$ 108,066,443	$ 98,013,534
Cash received in incremental funding	85,596,105	80,144,944
Interest received	163,590	573,708
Cash received from other sources	507,307	563,003
Cash paid to contractors, suppliers, and employees	(193,914,874)	(199,690,194)
Net cash (used in) from operating activities	418,571	(20,395,005)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(198,038)	(260,063)
Purchases of investments	-	(109,827,411)
Sales and maturities of investments	5,168,914	155,729,319
Issuance of notes receivable	(500,000)	-
Net cash from investing activities	4,470,876	45,641,845
INCREASE IN CASH AND CASH EQUIVALENTS	4,889,447	25,246,840
CASH AND CASH EQUIVALENTS, beginning of year	70,585,988	45,339,148
CASH AND CASH EQUIVALENTS, end of year	$ 75,475,435	$ 70,585,988
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH (USED IN) FROM OPERATING ACTIVITIES		
Decrease (increase) in net assets	$ 10,624,485	$ (10,302,317)
Adjustments to reconcile change in net assets to net cash (used in) from operating activities		
Depreciation and amortization	324,024	272,019
Unrealized loss on investments	-	8,154
Unrealized (gain) loss on deferred compensation assets	(3,305)	3,939
Net changes in		
Other receivables	(3,523,293)	(257,355)
Accrued interest receivable	750	76,173
Advances paid to contractor	(246,841)	169,728
Prepaid expenses	(85,145)	16,674
Other assets	(176,708)	(176,406)
Accounts payable and accrued expenses	(6,511,687)	(10,154,285)
Accrued payroll and related expenses	196,906	96,833
Deferred rent liability	(180,615)	(148,162)
Net cash (used in) from operating activities	$ 418,571	$ (20,395,005)

Note 1 – Organization

Energy Trust of Oregon, Inc. (Energy Trust), a nonprofit 501(c)(3) organization, began collecting public purpose revenues in March 2002. By the terms of its grant agreement with the Oregon Public Utility Commission (OPUC), it is charged with investing in cost-effective energy conservation, funding above-market costs of small-scale renewable energy resources, and encouraging energy efficiency market transformation efforts in Oregon.

All Energy Trust funds originally came from a 1999 energy restructuring law, which required Oregon's two largest investor-owned utilities to collect a three percent public purpose charge from their customers. A portion of that charge is transferred to Energy Trust, and the remainder is dedicated to energy conservation efforts in low-income housing and K-12 schools, as well as low-income housing improvements. The sunset date for collection of the public purpose charge is 2026.

The law authorized the OPUC to direct a majority of these public purpose funds to a non-governmental entity for investment. Energy Trust was created for this purpose. In November 2001, Energy Trust entered into a grant agreement with the OPUC to guide Energy Trust's electric energy work. The grant agreement was developed with extensive input from key stakeholders and interested parties, and it has been amended several times since 2001. The agreement is reviewed annually by the OPUC and is automatically extended annually for an additional three years unless Energy Trust or the OPUC give notice otherwise.

In 2007, the Oregon State Legislature passed Senate Bill 838 (OSB 838) and it was signed by the governor, which allowed electric utilities to request an increase in rates to pursue additional energy conservation opportunities. In 2008, PacifiCorp and Portland General Electric elected to send funds related to OSB 838 to Energy Trust to pursue energy conservation opportunities for retail electricity purchasers of less than one average megawatt. This precludes Energy Trust from providing services with this funding to some larger commercial and industrial customers. These funds are reported separately in the statement of activities as "incremental funding." The funds received from PacifiCorp and Portland General Electric may be used for conservation efforts in addition to activity funded by the public purpose funds.

In addition to its work under the 1999 energy restructuring law, Energy Trust administers natural gas conservation programs for residential and commercial customers of NW Natural. Under the terms of the 2003 agreement with the OPUC, NW Natural collects and transfers to Energy Trust a surcharge of the total monthly amount billed to non-industrial customers. Energy Trust uses these funds for energy efficiency efforts to benefit NW Natural's Oregon residential and commercial customers. In 2009, Energy Trust began administering energy efficiency programs for qualified industrial customers of NW Natural.

In 2006, Energy Trust began administering natural gas conservation programs for residential and commercial customers of Cascade Natural Gas Corporation (Cascade) under public purpose agreements. Each agreement provides for a different methodology for determining the amount of funds to be provided to Energy Trust.

Note 1 – Organization (continued)

In 2009, Energy Trust entered into a Washington Customer’s Public Purpose Funds Transfer Agreement with NW Natural. Under the terms of the agreement, NW Natural agrees to transfer funds (Washington Funds) and customer information to Energy Trust to design and administer cost-effective energy efficiency programs for existing homes and businesses to NW Natural customers in Washington. In 2010, the agreement was amended to include similar programs for builders constructing new homes in NW Natural’s Washington service territory. The agreement expires on January 31, 2022. Unless terminated, the agreement will automatically renew for successive one-year terms on February 1 of each year.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed stipulations. The Board of Directors has designated, from net assets without donor restrictions, amounts for various purposes. These designations can be released at any time with Board approval. See Note 8.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Energy Trust and/or the passage of time. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed stipulations which must be maintained in perpetuity by Energy Trust. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. There were no net assets under this category as of December 31, 2021 or 2020.

Concentrations of credit risk

Energy Trust’s cash and cash equivalents may subject Energy Trust to concentrations of credit risk, as the fair value of securities is dependent on the ability of the issuer to honor its contractual commitments. Energy Trust’s non-interest bearing cash balances may exceed federally insured limits. Energy Trust has not experienced any losses in such accounts to date.

Cash and cash equivalents

For purposes of financial statement classification, Energy Trust considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Note 2 – Summary of Significant Accounting Policies (continued)

Investments and investment return
Holdings consist of fixed income investments and certificates of deposit which have initial maturities generally ranging from four to twelve months. Certificates of deposit are generally non-negotiable and non-transferable, and may incur substantial penalties for withdrawal prior to maturity. Investments are measured at fair value in the statements of financial position. Investment return includes realized and unrealized gains and losses, interest and dividends, net of investment expenses, and is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Energy Trust did not have any funds considered investments at December 31, 2021.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and are depreciated using the straight-line method over their estimated useful lives, which generally range from three to eight years. It is Energy Trust's policy to capitalize property and equipment over $5,000.

Deferred rent liability
Energy Trust leases office space under a non-cancellable lease. The lease contains a provision for increases in rental rates as well as abated rent. Rent expense is recognized on the straight-line basis with the difference between the expense and rent payments being recognized as deferred rent. Deferred rent was $1,046,982 and $1,227,597 for the years ended December 31, 2021 and 2020, respectively.

Revenue and revenue recognition
All funding is considered available for general use unless specifically restricted by the donor. Public purpose and incremental funding are recognized when funds are received from the funding source.

A portion of Energy Trust's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Energy Trust has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no amounts reported as refundable advances in the statements of financial position as Energy Trust had recognized all cost-reimbursable grants at December 31, 2021 and 2020 because qualifying expenditures had been incurred.

Energy Trust accounts for grants and contributions under Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of Energy Trust's financial reporting.

Note 2 – Summary of Significant Accounting Policies (continued)

Expense allocation
The costs of Energy Trust's various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Depreciation and amortization of property and equipment is allocated on a square footage basis or directly according to the program it supports. All other expenses are allocated on the basis of estimates of time and effort or directly to the programs benefited.

Advertising
Energy Trust expenses advertising costs as incurred. Advertising costs include activities to create or stimulate a desire to use Energy Trust's services that are provided without charge. Advertising expense amounted to $1,410,172 and $2,033,032 for the years ended December 31, 2021 and 2020, respectively.

Income taxes
Energy Trust is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as Energy Trust has no activities subject to unrelated business income tax. Energy Trust is not a private foundation.

Energy Trust recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Energy Trust recognizes interest and penalties related to income tax matters, if any, in management and general expense.

Energy Trust had no unrecognized tax benefits at December 31, 2021 or 2020. No interest and penalties were accrued for the years ended December 31, 2021 or 2020. Energy Trust files an exempt organization return in the U.S. federal jurisdiction.

Renewable energy certificates
In the process of funding above-market costs of renewable energy resources, Energy Trust negotiates the contractual ownerships of Renewable Energy Certificates (REC) with funding recipients. However, Energy Trust does not hold ownership of the RECs, and as such, no value has been reported at December 31, 2021 or 2020.

Use of estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events
Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. Energy Trust recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Energy Trust's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

Energy Trust has evaluated subsequent events through April 6, 2022, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following for the years ended December 31:

	2021	2020
Cash and cash equivalents	$ 75,475,435	$ 70,585,988
Other receivables	3,957,122	433,829
Deferred compensation asset	1,472,244	1,292,237
	$ 80,904,801	$ 72,312,054

As part of Energy Trust's liquidity plan, Energy Trust invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. At December 31, 2020, Energy Trust had $5,168,914 in investments which could be released for general expenditure if needed with Board approval, and $0 at December 31, 2021. Additionally, the Board has designated net assets for various purposes as disclosed in Note 8. These amounts totaling $10,282,275 and $10,246,818 at December 31, 2021 and 2020, respectively, could be used for general expenditure upon approval by the Board, if necessary.

Note 4 – Investments

Investments are stated at fair value as determined by quoted market prices and consist of the following at December 31:

	2021	2020
Certificates of deposit greater than 90 days	$ -	$ 5,168,914

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Computer equipment and software	$ 4,593,953	$ 4,330,739
Office equipment and furniture	803,782	803,782
Leasehold improvements	654,214	652,340
	6,051,949	5,786,861
Less accumulated depreciation	5,408,398	5,084,374
	643,551	702,487
Work in process	8,000	75,050
	$ 651,551	$ 777,537

At December 31, 2021 and 2020, work in process consisted of various software development projects.

Note 6 – Fair Value Measurements

Accounting literature defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Energy Trust determines fair value based on quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Energy Trust’s market assumptions.

Note 6 – Fair Value Measurements (continued)

These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Energy Trust's own data used to develop unobservable inputs is adjusted for market consideration when reasonably available.

Energy Trust used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the financial statements:

Investments – Investments are comprised of fixed income investments and certificates of deposit. Investments fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Deferred compensation assets – Deferred compensation assets are comprised of U.S. mutual funds for which the fair value is obtained from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, cash flows, or the U.S. Treasury yield curve. Deferred compensation assets are recorded in other assets within the statements of financial position.

There were no changes in the valuation methodologies or assumptions used by Energy Trust for the years ended December 31, 2021 or 2020.

It is Energy Trust's policy to recognize transfers of investments between levels in the fair value hierarchy on December 31st of each year.

Note 6 – Fair Value Measurements (continued)

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques utilized by Energy Trust to determine such fair value:

	Fair Value Measurements at Report Date Using:			
	Fair Value at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Deferred compensation assets				
U.S. mutual funds	$ 1,472,245	$ 1,472,245	$ -	$ -
Total deferred compensation assets	$ 1,472,245	$ 1,472,245	$ -	$ -

	Fair Value Measurements at Report Date Using:			
	Fair Value at December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Deferred compensation assets				
U.S. mutual funds	$ 1,292,237	$ 1,292,237	$ -	$ -
Total deferred compensation assets	1,292,237	1,292,237	-	-
Investments				
Certificates of deposit	5,168,914	-	5,168,914	-
Total investments	5,168,914	-	5,168,914	-
Total assets measured at fair value	$ 6,461,151	$ 1,292,237	$ 5,168,914	$ -

Assets are to be classified in the table above by recurring or non-recurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date. There were no assets measured on a non-recurring basis at December 31, 2021 or 2020.

As of December 31, 2021 and 2020, Energy Trust does not have any liabilities that are required to be measured in accordance with fair value standards.

Note 7 – Notes Receivable

Energy Trust has entered into agreements with Craft3 to loan up to $1,300,000 in support of the Savings Within Reach Loan Program. At December 31, 2021 and 2020, Energy Trust had loaned $1,300,000, which accrues interest at 1% and is payable quarterly. $800,000 is due and payable on June 30, 2025 and $500,000 is due and payable on December 31, 2031.

In 2018, Energy Trust entered into a second agreement with Craft3 to loan up to $1,000,000 in support of the Manufactured Home Loan Pilot. At December 31, 2021 and 2020, no amounts were outstanding in connection with this agreement.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts outstanding per the terms of the agreement. Balances are written off only when they are deemed to be uncollectible. The allowance for doubtful accounts was $17,669 for the years ended December 31, 2021 and 2020.

Note 8 – Designated Net Assets Without Donor Restrictions

The following funds have been designated by the Board of Directors at December 31:

	2021	2020
Emergency contingency reserve	$ 3,000,000	$ 5,000,000
Operational contingency reserve	4,982,275	2,946,818
Loans made or reserved (see Note 7)	2,300,000	2,300,000
	$ 10,282,275	$ 10,246,818

Note 9 – Public Purpose Funding and Incremental Funding

Public purpose funding and incremental funding received are as follows for the years ended December 31:

	2021	2020
Public purpose funding		
Portland General Electric		
Energy efficiency	$ 34,880,255	$ 29,858,937
Renewable resources	9,401,570	8,643,886
Storage	71,703	29,402
	44,353,528	38,532,225
PacifiCorp		
Energy efficiency	21,528,353	21,381,128
Renewable resources	6,181,248	6,169,989
	27,709,601	27,551,117
Northwest Natural – Oregon		
Energy efficiency	27,170,358	24,074,589
Cascade		
Energy efficiency	3,388,789	3,230,028
Northwest Natural – Washington		
Energy efficiency	3,000,874	2,552,283
Avista		
Energy efficiency	2,443,293	2,073,292
Total public purpose funding	$ 108,066,443	$ 98,013,534
Incremental funding		
Portland General Electric	$ 50,674,639	$ 47,834,756
PacifiCorp	34,921,466	32,310,188
Total incremental funding	$ 85,596,105	$ 80,144,944

Note 10 – Operating Lease Commitments

Energy Trust leases its administrative offices under an operating lease agreement which expires in June 2025. At December 31, 2021, the aggregate annual commitments under the terms of this lease is payable as follows for the years ending December 31:

2022	$ 1,072,871
2023	1,104,254
2024	1,136,707
2025	1,169,160
	$ 4,482,992

Total rent expense under operating leases was $870,027 and $883,227 for the years ended December 31, 2021 and 2020, respectively.

Note 11 – Retirement Plans

Retirement plan

Energy Trust provides all employees with a qualified profit sharing retirement plan as prescribed under Section 401(k) of the Internal Revenue Code. Generally, employees who have completed at least three consecutive months of work may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. Employees select from various investment options. On a discretionary basis, as determined annually by the Board of Directors, Energy Trust may make contributions to the plan. For each of the years ended December 31, 2021 and 2020, Energy Trust contributed to the plan an amount equal to 6% of the compensation earned by each eligible employee during the period. Employees are immediately vested in all contributions to the plan. Retirement plan expense recorded by Energy Trust was $801,938 and $749,398 for the years ended December 31, 2021 and 2020, respectively.

Deferred compensation plan

Energy Trust sponsors a non-qualified deferred compensation plan for selected employees. Investments are owned by Energy Trust and managed individually by each participant. At the time an employer contribution is made, the Board will, in its sole discretion, determine whether the employer contribution will be initially fully vested or will become vested in accordance with vesting terms designated by the Board of Directors. Until paid to participants, plan assets are subject to the claims of Energy Trust's creditors.

Energy Trust did not make discretionary contributions to the plan during the years ended December 31, 2021 or 2020. Energy Trust recorded an asset and a liability in the amount of $1,465,634 and $1,292,237 and $1,474,684 and $1,297,981 as of December 31, 2021 and 2020, respectively.

The deferred compensation asset and liability are recorded in other assets and accrued payroll and related expenses, respectively, in the statements of financial position.

Note 12 – Contractual Commitments

Energy Trust enters into contract commitments for various goods and services. As of December 31, 2021, Energy Trust expects to pay approximately $73,000,000 in future periods under these commitments. Expenditures for these commitments are recorded in the period in which they are incurred.

Energy Trust entered into incentive funding agreements for energy efficiency and renewable resource projects not completed as of December 31, 2021 totaling no more than $43,000,000. These amounts will be paid in the period in which they are completed.

Energy Trust also has projects and incentive payment requests in progress that did not meet its recognition criteria at both December 31, 2021 and 2020. These amounts are unquantifiable and, as such, not disclosed in the notes to the financial statements.

Note 13 – Related Party Transactions

Energy Trust, along with a number of other northwest regional utilities, provides funding to Northwest Energy Efficiency Alliance (NEEA). Energy Trust benefits from the arrangement by achieving low cost, long lasting electric energy savings through NEEA's regional market transformation activities. In 2021 and 2020, Energy Trust's executive director served on the NEEA's board of directors. Total payments to NEEA were approximately $8,184,000 and $7,363,000 for the years ended December 31, 2021 and 2020, respectively.

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