Energy Trust of Oregon, Inc.

Financial Statements
For the Years Ended December 31, 2008 and 2007
With Independent Auditors' Report

PERKINS & CO

ENERGY TRUST OF OREGON, INC.
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
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PERKINS & CO

+ 1211 SW Fifth Avenue, Suite 1000
+ Portland, Oregon 97204-3710
+ Telephone: 503.221.0336
+ Fax: 503.294.4378
+ www.perkinsaccounting.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Energy Trust of Oregon, Inc.

We have audited the accompanying statements of financial position of Energy Trust of Oregon, Inc. ("the Organization") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Energy Trust of Oregon, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Perkins & Company PC

April 1, 2009

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Cash and cash equivalents	$ 51,901,589	$ 40,358,008
Investments	9,827,698	12,636,975
Other receivables	316,484	43,106
Accrued interest receivable	7,926	19,102
Advances paid to contractor	784,287	922,974
Prepaid expenses	193,832	77,367
Property and equipment	158,436	135,062
Other assets	94,954	75,684
Restricted cash	10,128,529	8,504,054
Restricted investments	1,049,537	3,592,595
	$ 74,463,272	$ 66,364,927
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 10,173,620	$ 6,248,828
Accrued payroll and related expenses	409,239	325,432
Deferred rent liability	142,828	171,430
Total liabilities	10,725,687	6,745,690
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Board-designated for specific purposes	11,178,066	12,096,649
Available for programs and general operations	52,559,519	47,522,588
Total net assets	63,737,585	59,619,237
	$ 74,463,272	$ 66,364,927

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
UNRESTRICTED NET ASSETS		
FUNDING:		
Public purpose funding	$ 65,433,014	$ 63,328,071
Incremental funding	12,137,218	-
Interest income	1,766,864	3,197,780
Other income	292,714	550,000
Total funding	79,629,810	67,075,851
EXPENSES:		
Program expenses:		
Energy efficiency	62,680,486	44,143,111
Renewable resources	10,176,465	9,928,524
Total program expenses	72,856,951	54,071,635
Administrative expenses:		
Management and general	1,800,193	1,684,965
Communication and outreach - general	854,318	776,748
Total administrative expenses	2,654,511	2,461,713
Total expenses	75,511,462	56,533,348
CHANGE IN UNRESTRICTED NET ASSETS:		
Net assets released from restriction	-	226,686
INCREASE IN UNRESTRICTED NET ASSETS	4,118,348	10,769,189
TEMPORARILY RESTRICTED NET ASSETS		
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restriction	-	(226,686)
TOTAL INCREASE IN NET ASSETS	4,118,348	10,542,503
NET ASSETS AT BEGINNING OF YEAR	59,619,237	49,076,734
NET ASSETS AT END OF YEAR	$ 63,737,585	$ 59,619,237

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES:							
Incentives and program management	$ 56,095,886	$ 7,771,680	$ 63,867,566	$ -	$ -	$ -	$ 63,867,566
Payroll and related expenses	1,226,780	835,912	2,062,692	1,160,584	346,143	1,506,727	3,569,419
Outsourced services	2,651,061	1,004,880	3,655,941	288,858	333,474	622,332	4,278,273
Planning and evaluation	966,140	217,843	1,183,983	15,510	1,431	16,941	1,200,924
Customer service management	551,159	60,438	611,597	-	-	-	611,597
Supplies	8,427	5,913	14,340	8,348	3,599	11,947	26,287
Postage and shipping	6,413	1,993	8,406	4,520	3,873	8,393	16,799
Telephone	6,621	4,434	11,055	5,095	855	5,950	17,005
Printing and publications	89,401	15,445	104,846	3,114	35,816	38,930	143,776
Occupancy expenses	48,801	34,939	83,740	42,347	15,001	57,348	141,088
Insurance	14,586	10,443	25,029	12,657	4,484	17,141	42,170
Equipment	6,098	18,530	24,628	5,187	1,858	7,045	31,673
Travel	44,438	24,938	69,376	22,172	8,723	30,895	100,271
Meetings, trainings and conferences	33,694	9,049	42,743	43,000	9,197	52,197	94,940
Depreciation and amortization	2,671	10,373	13,044	2,317	821	3,138	16,182
Dues, licenses and fees	28,189	1,187	29,376	6,979	4,474	11,453	40,829
Miscellaneous expenses	2,133	222	2,355	83	28	111	2,466
IT services	897,988	148,246	1,046,234	179,422	84,541	263,963	1,310,197
Total expenses	$ 62,680,486	$ 10,176,465	$ 72,856,951	$ 1,800,193	$ 854,318	$ 2,654,511	$ 75,511,462

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES:							
Incentives and program management	$ 39,377,824	$ 8,322,269	$ 47,700,093	$ -	$ -	$ -	$ 47,700,093
Payroll and related expenses	934,794	665,108	1,599,902	1,028,865	395,255	1,424,120	3,024,022
Outsourced services	1,744,708	567,598	2,312,306	238,238	224,199	462,437	2,774,743
Planning and evaluation	666,563	80,209	746,772	13,829	-	13,829	760,601
Customer service management	315,903	30,826	346,729	-	-	-	346,729
Supplies	5,000	3,935	8,935	5,538	3,124	8,662	17,597
Postage and shipping	40,947	1,111	42,058	3,462	1,132	4,594	46,652
Telephone	3,765	2,835	6,600	2,701	701	3,402	10,002
Printing and publications	64,498	8,846	73,344	4,778	26,825	31,603	104,947
Occupancy expenses	80,534	58,061	138,595	75,151	35,269	110,420	249,015
Insurance	12,834	9,253	22,087	11,976	5,620	17,596	39,683
Equipment	3,180	6,812	9,992	2,967	1,420	4,387	14,379
Travel	31,968	18,714	50,682	24,683	3,798	28,481	79,163
Meetings, trainings and conferences	25,620	10,979	36,599	58,533	5,515	64,048	100,647
Interest expense and bank fees	-	250	250	88	-	88	338
Depreciation and amortization	6,212	5,825	12,037	5,797	2,721	8,518	20,555
Dues, licenses and fees	22,848	1,608	24,456	5,701	4,077	9,778	34,234
Miscellaneous expenses	1,211	240	1,451	1,046	251	1,297	2,748
IT services	804,702	134,045	938,747	201,612	66,841	268,453	1,207,200
Total expenses	$ 44,143,111	$ 9,928,524	$ 54,071,635	$ 1,684,965	$ 776,748	$ 2,461,713	$ 56,533,348

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received in public purpose funding	$ 65,433,014	$ 63,328,071
Cash received in incremental funding	12,137,218	-
Cash received from other sources	-	550,000
Interest received	1,778,040	3,202,902
Cash paid to contractors, suppliers, and employees	(71,424,982)	(56,148,563)
Net cash provided by operating activities	7,923,290	10,932,410
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments	(20,429,151)	(16,665,625)
Proceeds from sale of investments	23,238,429	8,951,385
Acquisition of property and equipment	(107,570)	(105,897)
Increase in restricted cash	(1,624,475)	(8,028,695)
Acquisition of restricted investments	(1,608,245)	(3,551,684)
Proceeds from sale of restricted investments	4,151,303	6,231,182
Net cash provided by (used in) investing activities	3,620,291	(13,169,334)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,543,581	(2,236,924)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	40,358,008	42,594,932
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 51,901,589	$ 40,358,008
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	$ 4,118,348	$ 10,542,503
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	84,195	131,616
Net changes in:		
Other receivables	(273,378)	(15,572)
Accrued interest receivable	11,176	5,122
Advances paid to contractor	138,687	79,849
Prepaid expenses	(116,465)	(5,676)
Other assets	(19,270)	(14,615)
Accounts payable and accrued expenses	3,924,792	156,147
Accrued payroll and related expenses	83,807	69,924
Deferred rent liability	(28,602)	(16,888)
	3,804,942	389,907
Net cash provided by operating activities	$ 7,923,290	$ 10,932,410

See notes to financial statements.

NOTE 1 - ORGANIZATION

The Energy Trust of Oregon, Inc. ("Energy Trust"), a nonprofit 501(c)(3) organization ("the 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 efficiency, funding above-market costs of renewable energy resources, and encouraging energy efficiency market transformation efforts in Oregon.

Energy Trust funds come from a 1999 energy restructuring law, which required Oregon's two largest investor-owned utilities to collect a three percent "public purposes" 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 original sunset date for collection of the public purpose charge was 2012. In 2007, the legislature extended the sunset date to 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 sole purpose. In November 2001, Energy Trust entered into a grant agreement with the OPUC to guide the Energy Trust's electric energy work. The grant agreement was developed with extensive input from key stakeholders and interested parties, and has been amended several times since 2001. The agreement is reviewed annually by the OPUC and is effective through March 1, 2011.

In 2007, the Oregon Senate passed Bill 838 ("OSB 838"), 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 those funds for energy efficiency efforts to benefit NW Natural's Oregon residential and commercial customers.

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

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 - The Energy Trust is required to report information regarding its financial position and activities according to three classes of net assets under generally accepted accounting principles: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Energy Trust had no temporarily restricted or permanently restricted net assets as of December 31, 2008 and 2007.

Concentrations of Credit Risk - The Energy Trust's cash and cash equivalents consist of cash, money market funds and certificates of deposit. These financial instruments may subject the organization to concentrations of credit risk as, from time-to-time, balances may exceed amounts insured by the Federal Deposit Insurance Corporation; the market value of securities are dependent on the ability of the issuer to honor its contractual commitments; and the investments may be subject to changes in market values. However, the Energy Trust limits the banking institutions holding its funds primarily to large money center banks and considers the attendant risks to be minimal.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents consist of the following at December 31:

	2008	2007
Cash	$ 7,217,831	$ 4,755,405
Money market instruments	5,015,293	42
Certificates of deposit	39,668,465	35,602,561
	$ 51,901,589	$ 40,358,008

Restricted Cash and Investments - The Energy Trust has money market instruments with a value of $10,128,529 and $8,504,054 reported as restricted cash, and certificates of deposit with a value of $1,049,537 and $3,592,595 reported as restricted investments at December 31, 2008 and 2007, respectively, that are held in escrow accounts for the benefit of program recipients, as contractually required and designated by the board of directors of Energy Trust.

Investments - Investments consist primarily of certificates of deposit with a maturity of greater than three months. The Energy Trust regularly reviews its investments to determine whether a decline in fair value below the carrying value is other-than-temporary. If a decline in fair value is considered other-than-temporary, the carrying amount of the security is written down and the amount of the write-down is included in results of operations.

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

Revenue Recognition - All funding is considered available for unrestricted use unless specifically restricted by the donor. Public purpose and incremental funding are recognized when funds are received from the funding source. Other income and interest income are recognized at the time services are provided and the revenues are earned.

Expense Allocation – The costs of providing various programs under other activities 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.

Advertising - The Energy Trust expenses advertising costs as incurred. Advertising costs includes activities to create or stimulate a desire to use the Energy Trust's services that are provided without charge. Advertising expense amounted to $904,911 and $614,187 for 2008 and 2007, respectively.

Income Taxes - The Energy Trust is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

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.

Reclassification - Certain reclassifications have been made to the 2007 financial statements in order to conform to 2008 presentation.

Recently Issued Accounting Standards - In February 2008, FASB issued Staff Position No. FAS 157-2, which provides for a one-year deferral of the effective date of SFAS No. 157, *Fair Value Measurements*, for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Organization is evaluating the impact of this standard as it relates to its financial position and results of operations.

In October 2008, FASB issued Staff Position No. FAS 157-3, which clarifies the application of FASB Statement No. 157, *Fair Value Measurements*. Staff Position No. FAS 157-3 provides guidance in determining fair value of a financial asset when the market for that financial asset is not active. The Organization is evaluating the impact of this standard as it relates to its financial position and results of operations.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2008	2007
Computer equipment and software	$ 907,867	$ 885,669
Leasehold improvements	22,382	113,343
Office equipment and furniture	49,192	41,323
Program equipment at service sites	70,795	-
	1,050,236	1,040,335
Less accumulated depreciation	891,800	905,273
	$ 158,436	$ 135,062

NOTE 4 - LINE OF CREDIT

The Energy Trust maintains a line of credit agreement with Bank of the Cascades. Under the agreement, Energy Trust has available an unsecured line of credit in the amount of $4,000,000. The interest rate is based on the Bank of the Cascades prime rate (3.25% at December 31, 2008) less 0.5%. The line matures on April 30, 2009. As of December 31, 2008, no borrowings were outstanding under the line of credit.

NOTE 5 - FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 does not require any new fair value measurements; rather, it defines fair value, establishes a framework for measuring fair value in accordance with existing GAAP, and expands disclosures about fair value measurements. The Organization adopted SFAS 157 on January 1, 2008. The adoption of SFAS 157 did not have a material impact on the Organization's financial statements.

Assets and liabilities recorded at fair value in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by SFAS 157, are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Observable inputs other than those included in Level 1. For example, quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2008 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit:				
In cash and cash equivalents	$ 39,668,465	$ -	$ 39,668,465	$ -
In restricted cash	10,128,529	-	10,128,529	-
In investments	9,827,698	-	9,827,698	-
In restricted investments	1,049,537	-	1,049,537	-
Total at fair value	$ 60,674,229	$ -	$ 60,674,229	$ -

NOTE 6 - PUBLIC PURPOSE FUNDING AND INCREMENTAL FUNDING

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

	2008	2007
Public Purpose Funding		
Portland General Electric:		
Energy efficiency	$ 26,598,123	$ 25,123,961
Renewable resources	7,669,029	7,290,983
	34,267,152	32,414,944
PacifiCorp:		
Energy efficiency	16,068,161	15,514,799
Renewable resources	4,847,762	4,681,250
	20,915,923	20,196,049
Northwest Natural:		
Energy efficiency	9,282,857	9,622,649
Cascade:		
Energy efficiency	967,082	934,266
Avista:		
Energy efficiency	-	160,163
Total public purpose funding	$ 65,433,014	$ 63,328,071
Incremental Funding		
Portland General Electric	$ 5,717,957	$ -
PacifiCorp	6,419,261	-
Total incremental funding	$ 12,137,218	$ -

NOTE 7 - OPERATING LEASE COMMITMENTS

The Energy Trust leases its administrative offices under operating lease agreements which expire in December 2011. The Energy Trust also leases various office equipment under operating lease agreements. At December 31, 2008, the aggregate annual commitments under the terms of these leases are payable as follows:

Years ending December 31,	
2009	$ 380,705
2010	383,090
2011	394,569
	$ 1,158,364

Rent expense for the years ended December 31, 2008 and 2007 was $207,766 and $341,139, respectively.

NOTE 8 - RETIREMENT PLAN

The 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, the Energy Trust may make matching contributions to the plan. For each of the years ended December 31, 2008 and 2007, the 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 the Energy Trust was $239,578 and $174,750 for the years ended December 31, 2008 and 2007, respectively.

NOTE 9 - CONTRACTUAL COMMITMENTS

The Energy Trust enters into contract commitments for various energy efficiency and renewable resource programs. As of December 31, 2008, $28,686,085 is expected to be paid in future periods. Expenditures for these commitments are recorded in the period in which they are incurred.

The Energy Trust had projects and incentive payment requests in progress that did not meet its recognition criteria at both December 31, 2008 and 2007. The amounts are unquantifiable, and as such not disclosed in the notes to the financial statements.

NOTE 10 - BOARD-DESIGNATED NET ASSETS

Due to the long-term nature of some renewable energy projects, the board of directors of Energy Trust has authorized amounts to be segregated into escrow accounts to be used for larger long-term projects. The funds held in escrow accounts are to be paid out under criteria specific to each project. In the financial statements, these funds are considered designated for those specific projects.