

Report of Independent Auditors  
and Financial Statements for

**Energy Trust of Oregon, Inc.**

December 31, 2014 and 2013

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

## **CONTENTS**

---

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
FINANCIAL STATEMENTS	
Statements of financial position	10
Statements of activities	11
Statements of functional expenses	12-13
Statements of cash flows	14
Notes to financial statements	15-26

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Energy Trust of Oregon, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Energy Trust of Oregon, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**REPORT OF INDEPENDENT AUDITORS**  
**(continued)**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Management's discussion and analysis on pages 3 to 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Moss Adams LLP*

Portland, Oregon  
March 18, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

## **ENERGY TRUST OF OREGON, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The following narrative overview and analysis of Energy Trust of Oregon Inc.'s financial activities is provided for readers of our annual financial statements. This discussion has been prepared by management and should be read in conjunction with the organization's financial statements and notes. Although the primary focus of this document is the results of activity for the calendar year ended December 31, 2014, comparative data is also presented for previous years as a reference point. We offer this supplemental information to illustrate issues and trends related to Energy Trust's financial health. The financial statements, notes and this discussion are the responsibility of management.

### **Financial Highlights**

- Energy Trust's assets exceeded its liabilities at December 31, 2014, by \$87.2 million (net position). All of this amount is unrestricted. Energy Trust entered into contractual commitments for various energy efficiency and renewable generation project incentives that will result in future year payments not accrued as liabilities in these financial statements. As of December 31, 2014 these commitments are estimated at \$ 65.2 million.
- During 2014, Energy Trust's total net position increased by \$9.3 million. Following are some significant financial highlights accounting for the increase from the prior year.
  - Total revenue of \$163.6 million was almost identical to the 2013 total (\$162.6 million) as well as budget (\$163.0 million). Energy Trust revenues are established annually in collaboration with its affiliated private utilities and the Oregon Public Utility Commission in an amount deemed necessary to acquire all cost-effective energy efficiency and conservation and develop renewable generation in accordance with annually approved goals. Revenue estimates are provided by utilities and are relatively predictable, although weather and other changes in energy consumption does cause some variability.
  - Operating expenses increased by \$24 million or 18 percent from 2013. Total expenses of \$154.3 million were \$21.9 million lower (-12 percent) than the amount budgeted of \$176.2 million. Energy conservation and renewable generation incentive payments increased by \$17.4 million from the prior year (to \$85.2 million) yet were 16 percent below budgeted incentives of \$101 million.
- Energy savings acquired exceeded integrated resource planning goals for electricity, and nearly met such goals for gas. Electric efficiency savings totaled 58.2 average megawatts (aMW), achieving 105.2 percent of the 2014 goal of 55.3 aMW. Natural gas savings totaled 5.659 million annual therms of gas, achieving 97.5 percent of the 2014 integrated resource plan goal of 5.802 million annual therms. Highlights of these savings include:
  - Nearly 79,000 residential sites were served directly in 2014.
  - Business project numbers continue to grow; production efficiency was up 10% and commercial 20%.
  - Strategic energy management has grown to sixty separate projects and comprises 10% of all electric savings and 8% of all gas savings

## ENERGY TRUST OF OREGON, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

- Lighting accounts of 31% of all business savings.
- Total renewable energy generation of 2.39 aMW, achieving 53 percent of the 2014 goal of 4.49 aMW. Several planned 2014 projects were delayed and are expected to complete in 2015.

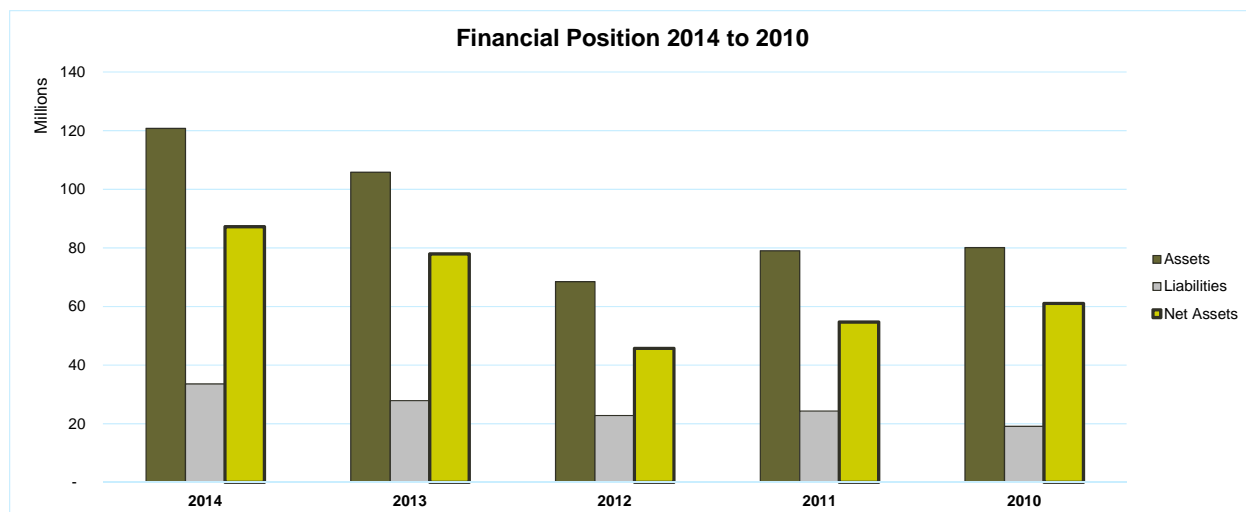
#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an overview to Energy Trust's financial statements. The financial statements consist of the following:

The *statements of financial position* show the various assets owned or controlled, related liabilities and other obligations, and the various categories of net position. As noted earlier, net assets may serve over time as a useful indicator of Energy Trust's financial position. Energy Trust assets exceeded liabilities by \$87.2 million at year end. Almost all Energy Trust assets are held in cash and investments; capital and other assets comprise around four percent of the total. Liabilities are centered in accounts payable, and reflect primarily year-end incentive payments. Energy Trust carries no long term debt.

<b>Statement of Financial Position</b>					
(in millions of dollars)					
	<b>2014</b>	<b>2013</b>	<b>Change '13 to '14</b>	<b>2012</b>	<b>Change '12 to '13</b>
Cash & Investments	115.9	101.7	14.2	64.0	37.7
Restricted Cash	-	0.1	(0.1)	0.5	(0.4)
All other Assets	4.9	4.0	0.9	4.0	-
<b>Total Assets</b>	<b>120.8</b>	<b>105.8</b>	<b>15.0</b>	<b>68.5</b>	<b>37.3</b>
<b>Total Liabilities</b>	<b>33.6</b>	<b>27.9</b>	<b>5.7</b>	<b>22.8</b>	<b>5.1</b>
Board Designated Net Assets	-	0.1	(0.1)	0.5	(0.4)
Assets Available for Programs & Operations	87.2	77.8	9.4	45.2	32.6
<b>Total Liabilities &amp; Assets</b>	<b>120.8</b>	<b>105.8</b>	<b>15.0</b>	<b>68.5</b>	<b>37.3</b>

## ENERGY TRUST OF OREGON, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

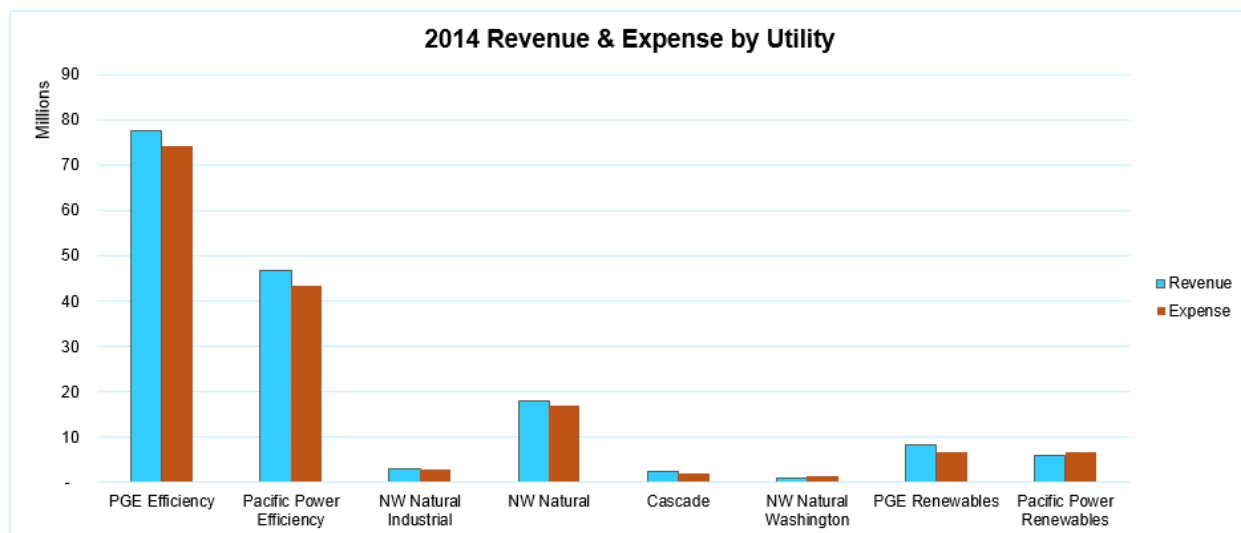


The *statements of activities* show the various revenues and expenses, reconciling the beginning net position to the end of year total. These statements show how Energy Trust's net assets changed during the year. Net assets increased by \$9.3 million in 2014, due to an operating surplus. Revenues decreased very slightly while spending increased significantly.

<b>Statements of Activities</b> (in millions of dollars)					
	<u>2014</u>	<u>2013</u>	<u>Change '13 to '14</u>	<u>2012</u>	<u>Change '12 to '13</u>
Public Purpose Funding	88.9	88.0	0.9	82.9	5.1
Incremental Funding	74.5	74.5	0.0	63.2	11.3
Other Income	0.2	0.1	4.0	0.3	(0.2)
<b>Total Funding</b>	<u>163.6</u>	<u>162.6</u>	<u>1.0</u>	<u>146.4</u>	<u>16.2</u>
Program Expenses	149.2	126.0	23.2	150.2	(24.2)
Administrative Expenses	5.1	4.3	0.8	5.2	(0.9)
<b>Total Expenses</b>	<u>154.3</u>	<u>130.3</u>	<u>24.0</u>	<u>155.4</u>	<u>(25.1)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>9.3</u>	<u>32.3</u>	<u>(23.0)</u>	<u>(9.0)</u>	<u>41.3</u>



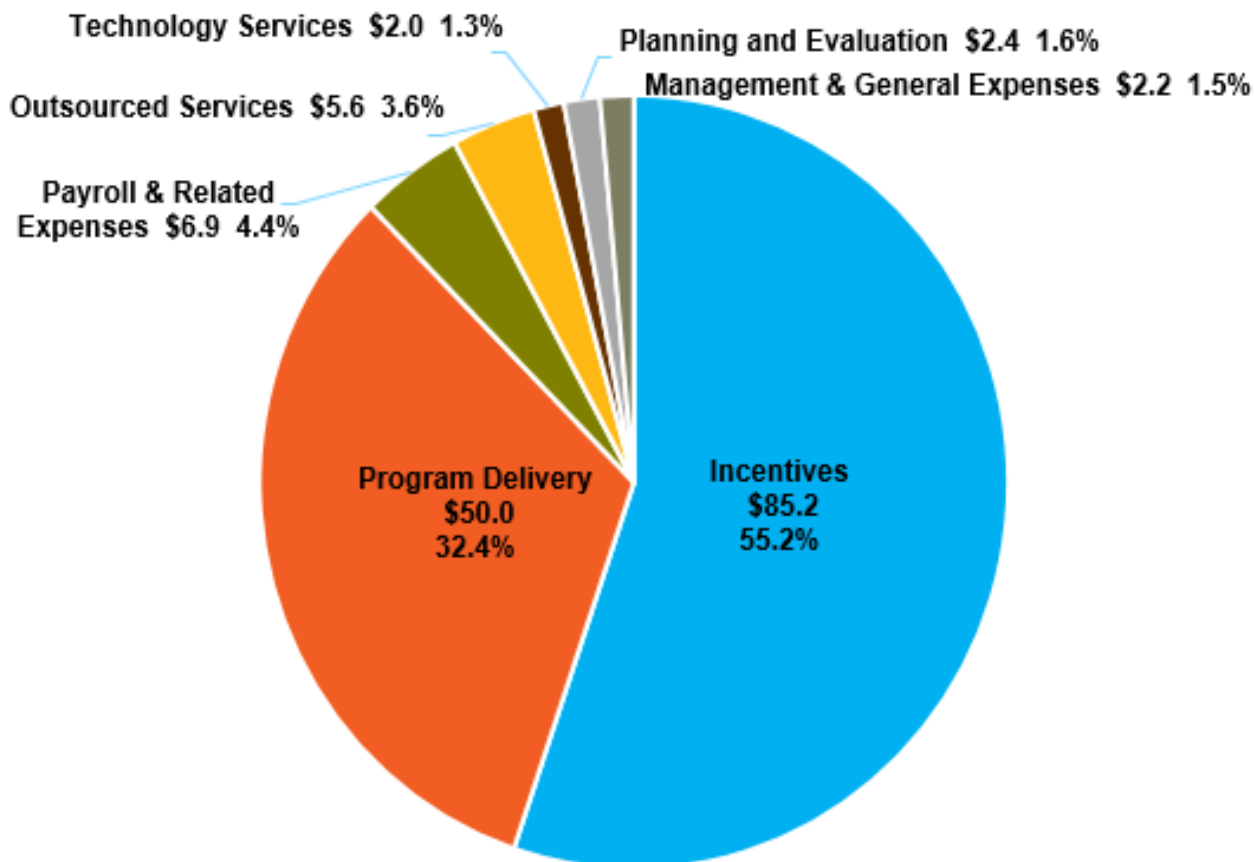
## ENERGY TRUST OF OREGON, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS



The *statement of functional expenses* shows costs by major category organized into program and administrative categories. In 2014, program expenses comprised 96.7 percent of total costs; administrative expenses of 3.3 percent made up the remainder.

<b>Statement of Functional Expenses</b>					
<i>(in millions of dollars)</i>					
	<b>2014</b>	<b>2013</b>	<b>Change '13 to '14</b>	<b>2012</b>	<b>Change '12 to '13</b>
Energy Efficiency	136.1	118.1	18.0	128.4	(10.3)
Renewable Resources	13.1	7.9	5.2	21.8	(13.9)
<b>Program Expenses</b>	<b>149.2</b>	<b>126.0</b>	<b>23.2</b>	<b>150.2</b>	<b>(24.2)</b>
Management & General	2.7	2.6	0.1	3.4	(0.8)
Communications & Outreach	2.4	1.7	0.7	1.8	(0.1)
<b>Administrative Expenses</b>	<b>5.1</b>	<b>4.3</b>	<b>0.8</b>	<b>5.2</b>	<b>(0.9)</b>
<b>Total Expenses</b>	<b>154.3</b>	<b>130.3</b>	<b>24.0</b>	<b>155.4</b>	<b>(0.9)</b>

## 2014 Functional Expenses (millions of dollars)



Actual expenses increased in all categories as overall spending rose 18% from \$130.3 million to \$154.3 million. However, the percentage breakdown among functions remained relatively consistent. Incentives as a percent of total spending increased from 52% to 55%; program delivery costs declined from 35% to 32%. The percentage of spending in all other categories fluctuated very little from last year and remains about 13% of the total.

## ENERGY TRUST OF OREGON, INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The *statement of cash flows* shows various cash activities by type, reconciling beginning cash and cash equivalents to the ending cash and cash equivalents amount, which is shown in the Statements of Financial Position. Energy Trust cash receipts come primarily from public purpose and supplemental funding, derived from a small percentage charge on utility customer bills. Outflows are predominantly payments for incentives and program contracts, as well as payments for payroll, outsourced services, IT, and other operating expenses. Outflows also include investment purchases. Overall, cash receipts were less than cash payments for the year, and cash and cash equivalents decreased by \$25.1 million in 2014. The decrease is largely due to an increase in investments of \$39.2 million.

	2014	2013	Change '13 to '14	2012	Change '12 to '13
Net Cash from operating activities	16.1	37.5	(21.4)	(9.3)	46.8
Net Cash used for capital assets	(1.4)	-	-	-	-
Net Cash from investing activities	(39.8)	(25.0)	(14.8)	0.2	(25.2)
(Decrease) Increase in Cash	(25.1)	12.5	(36.2)	(9.1)	21.6
Cash Beginning of Year	76.5	64.0	12.5	73.1	(9.1)
Cash End of Year	51.4	76.5	(25.1)	64.0	12.5

#### Key Economic Factors and Budget Information for Next Year

- Oregon's economy has for the most part recovered from the 2008 recession. The state's unemployment rate still exceeds the national average, but dropped from 7.0 percent to 6.7 percent in 2014. Per capita personal income lags national averages by around 10 percent, but is expected to grow by about 4.0 percent in 2015.
- The improved economic conditions create opportunities for energy efficiency projects in certain market segments, such as new construction. They also may lead to increased opportunities to attract capital investments in facility improvements and equipment. However, even though the economy is showing favorable signs of rebuilding, not all parts of the state are recovering. It is expected the energy efficiency market will remain challenging due mainly to:
  - The ongoing adjustment in the marketplace stemming from the 2011 phase out of state business energy tax credits
  - Cost effectiveness challenges stemming primarily from low natural gas prices that lengthen project payback and make customer investment in energy efficient projects less compelling

## **ENERGY TRUST OF OREGON, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

- Market maturation and saturation - the “easy fruit” has in certain segments already been picked. A significant portion of future savings is expected to come from underserved, harder-to-reach and more expensive parts of the market.
  
- The 2015 budget lowers revenue by 10.3 percent. In coordination with utilities, rates have been lowered to initiate a planned drawdown of program reserves.
  
- Planned spending in 2015 is slightly lower than the 2014 budget (169.9m vs. 170.2m). Normal inflationary expense growth has been offset to a large degree by tighter budgeting. Actual spending should grow at moderate levels. New strategies are needed to reach more and different customers. This entails higher volume, smaller projects which yield lower savings and higher transaction costs.

Most of these factors were known and considered in preparing Energy Trust’s budget for 2015.

### **Requests for Information**

This financial report is designed to provide a general overview of Energy Trust of Oregon, Inc’s finances for all those with an interest in the non-profit organization’s financial results. Questions concerning any of the information provided in this report should be directed to the following:

Energy Trust of Oregon  
421 SW Oak, Suite 300  
Portland, Oregon 97204  
[www.energytrust.org](http://www.energytrust.org)  
Attention: Courtney Wilton, CFO

## **FINANCIAL STATEMENTS**

---

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	December 31,	
	2014	2013
Cash and cash equivalents	\$ 51,411,365	\$ 76,484,638
Restricted cash and cash equivalents	-	77,988
Investments	64,490,244	25,270,363
Other receivables	35,292	4,027
Notes receivable, net of allowance	86,789	-
Accrued interest receivable	288,238	4,249
Advances paid to contractor	1,482,149	2,015,420
Prepaid expenses	405,430	526,087
Property and equipment, net	1,846,427	815,468
Other assets	765,516	614,102
	\$ 120,811,450	\$ 105,812,342

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 31,929,270	\$ 26,333,338
Accrued payroll and related expenses	1,305,368	1,184,189
Deferred rent liability	349,692	364,244
	33,584,330	27,881,771

**COMMITMENTS AND CONTINGENCIES**

**NET ASSETS**

Unrestricted		
Board-designated for specific purposes	-	77,988
Available for programs and general operations	87,227,120	77,852,583
	87,227,120	77,930,571
	\$ 120,811,450	\$ 105,812,342

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENTS OF ACTIVITIES**

	Years Ended December 31,	
	2014	2013
<b>Funding</b>		
Public purpose funding	\$ 88,889,205	\$ 87,989,637
Incremental funding	74,514,179	74,475,379
Contribution revenue	13,400	13,430
<b>Total funding</b>	<b>163,416,784</b>	<b>162,478,446</b>
<b>Investment returns</b>		
Interest and dividends on investments, net of amortization	269,922	96,391
Interest on notes receivable	514	-
Unrealized loss on investments	(90,740)	-
<b>Total investment returns</b>	<b>179,696</b>	<b>96,391</b>
<b>Total revenues</b>	<b>163,596,480</b>	<b>162,574,837</b>
<b>Expenses</b>		
<b>Program expenses</b>		
Energy efficiency	136,063,489	118,136,627
Renewable resources	13,094,590	7,918,895
<b>Total program expenses</b>	<b>149,158,079</b>	<b>126,055,522</b>
<b>Administrative expenses</b>		
Management and general	2,684,052	2,592,480
Communication and outreach - general	2,457,800	1,677,816
<b>Total administrative expenses</b>	<b>5,141,852</b>	<b>4,270,296</b>
<b>Total expenses</b>	<b>154,299,931</b>	<b>130,325,818</b>
<b>INCREASE IN NET ASSETS</b>	<b>9,296,549</b>	<b>32,249,019</b>
<b>NET ASSETS, beginning of year</b>	<b>77,930,571</b>	<b>45,681,552</b>
<b>NET ASSETS, end of year</b>	<b>\$ 87,227,120</b>	<b>\$ 77,930,571</b>

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES							
Incentives	\$ 74,218,412	\$ 10,958,831	\$ 85,177,243	\$ -	\$ -	\$ -	\$ 85,177,243
Program management	49,774,172	215,839	49,990,011	-	-	-	49,990,011
Payroll and related expenses	3,036,838	944,823	3,981,661	1,905,242	968,157	2,873,399	6,855,060
Outsourced services	3,812,372	431,269	4,243,641	227,953	1,133,504	1,361,457	5,605,098
Planning and evaluation	2,320,876	80,005	2,400,881	1,682	-	1,682	2,402,563
Customer service management	601,931	28,631	630,562	-	-	-	630,562
Trade Allies Network	351,892	23,961	375,853	-	-	-	375,853
Supplies	10,313	3,109	13,422	8,610	3,780	12,390	25,812
Postage and shipping	4,143	1,323	5,466	1,764	1,017	2,781	8,247
Telephone	2,608	894	3,502	1,702	1,166	2,868	6,370
Printing and publications	97,937	4,891	102,828	1,213	8,470	9,683	112,511
Occupancy expenses	190,356	65,237	255,593	111,043	64,660	175,703	431,296
Insurance	30,121	10,323	40,444	17,571	10,232	27,803	68,247
Equipment	15,139	74,863	90,002	7,396	4,307	11,703	101,705
Travel	40,271	21,281	61,552	27,402	34,232	61,634	123,186
Meetings, trainings, and conferences	55,859	20,586	76,445	46,100	11,612	57,712	134,157
Bank fees	-	-	-	2,000	-	2,000	2,000
Depreciation	47,719	16,354	64,073	27,837	16,209	44,046	108,119
Dues, licenses, and fees	63,824	17,023	80,847	8,969	6,145	15,114	95,961
Miscellaneous	16,659	-	16,659	-	-	-	16,659
IT services	1,372,047	175,347	1,547,394	287,568	194,309	481,877	2,029,271
Total expenses	<u>\$ 136,063,489</u>	<u>\$ 13,094,590</u>	<u>\$ 149,158,079</u>	<u>\$ 2,684,052</u>	<u>\$ 2,457,800</u>	<u>\$ 5,141,852</u>	<u>\$ 154,299,931</u>

See accompanying notes.



**ENERGY TRUST OF OREGON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES							
Incentives	\$ 61,726,181	\$ 6,038,120	\$ 67,764,301	\$ -	\$ -	\$ -	\$ 67,764,301
Program management	45,199,598	198,299	45,397,897	-	-	-	45,397,897
Payroll and related expenses	2,804,042	835,895	3,639,937	1,892,490	862,012	2,754,502	6,394,439
Outsourced services	3,298,598	381,093	3,679,691	151,676	568,505	720,181	4,399,872
Planning and evaluation	1,848,883	83,478	1,932,361	-	-	-	1,932,361
Customer service management	980,836	23,313	1,004,149	-	-	-	1,004,149
Trade Allies Network	344,662	15,599	360,261	-	-	-	360,261
Supplies	8,021	2,366	10,387	8,642	3,089	11,731	22,118
Postage and shipping	3,537	872	4,409	1,620	826	2,446	6,855
Telephone	3,593	1,587	5,180	1,841	856	2,697	7,877
Printing and publications	90,242	5,008	95,250	821	6,434	7,255	102,505
Occupancy expenses	202,991	64,134	267,125	118,134	60,739	178,873	445,998
Insurance	30,876	9,755	40,631	17,969	9,239	27,208	67,839
Equipment	18,745	34,589	53,334	5,552	2,854	8,406	61,740
Travel	42,108	16,967	59,075	21,685	4,158	25,843	84,918
Meetings, trainings, and conferences	28,845	12,171	41,016	37,988	6,059	44,047	85,063
Bank fees	-	100	100	5,343	-	5,343	5,443
Depreciation	50,300	17,823	68,123	29,273	15,051	44,324	112,447
Dues, licenses, and fees	79,301	16,239	95,540	25,832	3,007	28,839	124,379
Miscellaneous	3,433	-	3,433	18	-	18	3,451
IT services	1,371,835	161,487	1,533,322	273,596	134,987	408,583	1,941,905
Total expenses	\$ 118,136,627	\$ 7,918,895	\$ 126,055,522	\$ 2,592,480	\$ 1,677,816	\$ 4,270,296	\$ 130,325,818

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received in public purpose funding	\$ 88,889,205	\$ 87,989,637
Cash received in incremental funding	74,514,179	74,475,379
Cash received from other funders	-	108,262
Interest received	437,292	96,564
Cash received from other sources	13,400	13,430
Cash paid to contractors, suppliers, and employees	<u>(147,742,125)</u>	<u>(125,223,546)</u>
Net cash from operating activities	<u>16,111,951</u>	<u>37,459,726</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,401,746)	(95,038)
Purchases of investments	(71,109,817)	(25,270,363)
Sales and maturities of investments	31,348,351	-
Issuance of notes receivable	(100,000)	-
Decrease in restricted cash and cash equivalents	<u>77,988</u>	<u>384,703</u>
Net cash from investing activities	<u>(41,185,224)</u>	<u>(24,980,698)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,073,273)	12,479,028
CASH AND CASH EQUIVALENTS, beginning of year	<u>76,484,638</u>	<u>64,005,610</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 51,411,365</u>	<u>\$ 76,484,638</u>
<b>RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 9,296,549	\$ 32,249,019
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	370,787	331,907
Change in notes receivable allowance	13,211	-
Unrealized loss on investments	90,740	-
Amortization of bond premium	450,845	
Net changes in:		
Other receivables	(31,265)	115,346
Accrued interest receivable	(283,989)	173
Advances paid to contractor	533,271	93,594
Prepaid expenses	120,657	(260,258)
Other assets	(151,414)	(140,272)
Accounts payable and accrued expenses	5,595,932	4,840,094
Accrued payroll and related expenses	121,179	189,116
Deferred rent liability	<u>(14,552)</u>	<u>41,007</u>
Net cash from operating activities	<u>\$ 16,111,951</u>	<u>\$ 37,459,726</u>

## **ENERGY TRUST OF OREGON, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **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 sole 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.

## ENERGY TRUST OF OREGON, INC. NOTES TO FINANCIAL STATEMENTS

---

### Note 1 – Organization (continued)

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.

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 February 28, 2016.

### 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** – 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 that are not subject to donor stipulations.
- **Temporarily restricted** – 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at December 31, 2014 or 2013.
- **Permanently restricted** – Net assets subject to donor imposed stipulations which must be maintained permanently 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 permanently restricted net assets at December 31, 2014 or 2013.

**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.

## **ENERGY TRUST OF OREGON, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 2 – Summary of Significant Accounting Policies (continued)**

**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.

**Restricted cash and cash equivalents** – Energy Trust had money market instruments with a value of \$77,988 reported as restricted cash and cash equivalents at December 31, 2013. There was no restricted cash and cash equivalents at December 31, 2014. These funds were held in CDARs accounts for the benefit of program recipients, as designated by the Board of Directors of Energy Trust.

**Investments** – Holdings consist of fixed income investments certificates of deposit, commercial paper, and U.S. government issues. The fixed income funds and certificates of deposit have initial maturities generally ranging from four to twelve months. Certificates 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 income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

**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 five 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 \$349,692 and \$364,244 for the years ended December 31, 2014 and 2013, respectively.

**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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period pledged. Contributions of assets other than cash are recorded at their estimated fair value on the date of their contribution.

**Expense allocation** – The costs of providing 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.

**ENERGY TRUST OF OREGON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 2 – Summary of Significant Accounting Policies (continued)**

**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 \$1,328,145 and \$1,279,658 for the years ended December 31, 2014 and 2013, 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 administrative expense.

Energy Trust had no unrecognized tax benefits at December 31, 2014 or December 31, 2013. No interest and penalties were accrued for the years ended December 31, 2014 or 2013. Energy Trust files an exempt organization return in the U.S. federal jurisdiction and is no longer subject to income tax examinations by taxing authorities for years before 2011 for its federal filings.

**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. A single REC represents one megawatt-hour of generation of qualifying electricity from eligible resources including, among others, solar, wind, and biomass. In 2011, Energy Trust amended policy 4.15.000-P to remove provisions allowing the sale of RECs. As of December 31, 2014 and 2013, the fair value of RECs has not been recorded as it is not considered material to the financial statements.

**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.

**Fair value of financial instruments** – At December 31, 2014 and 2013, the carrying values of cash and cash equivalents, restricted cash, receivables, accounts payable and accrued expenses, and accrued payroll and related expenses approximate fair value due to the short-term nature of these instruments. Energy Trust has determined these financial instruments to be Level 1 measurements in the fair value hierarchy. See Note 6.

## ENERGY TRUST OF OREGON, INC.

### NOTES TO FINANCIAL STATEMENTS

---

#### 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 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 March 18, 2015, which is the date the financial statements were issued.

#### Note 3 – Investments

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

	<u>2014</u>	<u>2013</u>
Fixed income investments	\$ 28,644,013	\$ -
Certificates of deposit greater than 90 days	26,729,911	25,270,363
Commercial paper	4,988,800	-
U.S. government issues	4,127,520	-
	<u>\$ 64,490,244</u>	<u>\$ 25,270,363</u>

**ENERGY TRUST OF OREGON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 4 - Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Computer equipment and software	\$ 1,653,762	\$ 1,401,967
Office equipment and furniture	679,343	600,662
Leasehold improvements	<u>318,964</u>	<u>313,333</u>
	2,652,069	2,315,962
Less accumulated depreciation	<u>1,831,551</u>	<u>1,500,494</u>
	820,518	815,468
Work in process	<u>1,025,909</u>	<u>-</u>
	<u>\$ 1,846,427</u>	<u>\$ 815,468</u>

At December 31, 2014, work in process consisted of various software projects.

**Note 5 - Lines of Credit**

Energy Trust maintained an unsecured line of credit in the amount of \$4,000,000. Interest on the line was based on the prime rate less 0.5% (2.75% at December 31, 2013). The line matured on December 5, 2014 and was not renewed. As of December 31, 2013, no borrowings were outstanding under the line of credit.

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



## **ENERGY TRUST OF OREGON, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 6 – Fair Value Measurements (continued)**

**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 and model-derived valuations whose inputs are observable or whose significant value drivers are unobservable.

**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 funds, certificates of deposit, commercial paper, and U.S. government issues. 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 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 statement of financial position.

**ENERGY TRUST OF OREGON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6 – Fair Value Measurements (continued)**

The following table presents 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, 2014	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	\$ 630,176	\$ 630,176	\$ -	\$ -
Investments:				
Fixed income investments				
U.S. corporate bonds	14,712,212	14,712,212	-	-
Canadian corporate bonds	5,043,180	5,043,180	-	-
Other foreign corporate bonds	8,108,040	8,108,040	-	-
Municipal bonds	780,581	780,581	-	-
Certificates of deposit	26,729,911	-	26,729,911	-
Commercial paper	4,988,800	-	4,988,800	-
U.S. government issues	4,127,520	4,127,520	-	-
<b>Total investments</b>	<b>64,490,244</b>	<b>32,771,533</b>	<b>31,718,711</b>	<b>-</b>
<b>Total assets measured at fair value</b>	<b>\$ 65,120,420</b>	<b>\$ 33,401,709</b>	<b>\$ 31,718,711</b>	<b>\$ -</b>

Fair Value Measurements at Report Date Using:				
	Fair Value at December 31, 2013	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	\$ 552,641	\$ 552,641	\$ -	\$ -
Investments:				
Certificates of deposit	25,270,363	-	25,270,363	-
<b>Total assets measured at fair value</b>	<b>\$ 25,823,004</b>	<b>\$ 552,641</b>	<b>\$ 25,270,363</b>	<b>\$ -</b>

## **ENERGY TRUST OF OREGON, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 6 - Fair Value Measurements (continued)**

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, 2014 or 2013.

As of December 31, 2014 and 2013, Energy Trust does not have any liabilities that are required to be measured in accordance with fair value standards.

#### **Note 7 - Notes Receivable**

During 2014, Energy Trust entered into an agreement with Craft3 to loan up to \$300,000 in support of the Savings Within Reach Loan Program. At December 31, 2014, Energy Trust had loaned \$100,000, which accrues interest at 1% and is payable quarterly. The note receivable is due and payable ten years from the date of the final disbursement, but shall not extend beyond June 30, 2025. At December 31, 2014, total accrued interest receivable associated with the note receivable was \$250. At December 31, 2014, Energy Trust is committed to loan an additional \$200,000 in \$100,000 increments which may be requested once the previous advance is 75% depleted, which must occur prior to June 30, 2015.

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. At December 31, 2014, the allowance for doubtful accounts was \$13,211.

**ENERGY TRUST OF OREGON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 8 – Public Purpose Funding and Incremental Funding**

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

	<u>2014</u>	<u>2013</u>
Public purpose funding		
Portland General Electric		
Energy efficiency	\$ 28,741,721	\$ 26,484,406
Renewable resources	<u>8,431,294</u>	<u>7,789,199</u>
	<u>37,173,015</u>	<u>34,273,605</u>
PacifiCorp		
Energy efficiency	21,298,942	20,069,558
Renewable resources	<u>5,954,514</u>	<u>5,740,135</u>
	<u>27,253,456</u>	<u>25,809,693</u>
Northwest Natural - Oregon		
Energy efficiency	<u>20,953,179</u>	<u>24,201,756</u>
Northwest Natural - Washington		
Energy efficiency	<u>1,054,355</u>	<u>1,291,102</u>
Cascade		
Energy efficiency	<u>2,455,200</u>	<u>2,413,481</u>
Total public purpose funding	<u>\$ 88,889,205</u>	<u>\$ 87,989,637</u>
Incremental funding		
Portland General Electric	\$ 48,928,367	\$ 48,918,174
PacifiCorp	<u>25,585,812</u>	<u>25,557,205</u>
	<u>\$ 74,514,179</u>	<u>\$ 74,475,379</u>

## ENERGY TRUST OF OREGON, INC.

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 9 – Operating Lease Commitments

Energy Trust leases its administrative offices under an operating lease agreement which expires in June 2019. Energy Trust also leases various office equipment under operating lease agreements. At December 31, 2014, the aggregate annual commitments under the terms of these leases are payable as follows for the years ending December 31:

2015	\$ 650,161
2016	670,068
2017	692,643
2018	715,616
2019	430,229
	<hr/>
	\$ 3,158,717
	<hr/>

Total rent expense under operating leases was \$619,156 and \$633,515 for the years ended December 31, 2014 and 2013, respectively.

#### Note 10 – 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, 2014 and 2013, 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 \$424,084 and \$395,114 for the years ended December 31, 2014 and 2013, 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 made discretionary contributions to the plan totaling \$37,089 during the year ended December 31, 2013. Energy Trust did not make discretionary contributions to the plan during the year ended December 31, 2014. Energy Trust recorded an asset and a liability in the amount of \$630,176 and \$552,641 as of December 31, 2014 and 2013, respectively. The deferred compensation asset and liability are recorded in other assets and accrued payroll and related expenses, respectively, in the statement of financial position.

**ENERGY TRUST OF OREGON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 11 - Contractual Commitments**

Energy Trust enters into contract commitments for various goods and services. As of December 31, 2014, Energy Trust expects to pay no more than \$82,000,000 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, 2014 totaling approximately \$65,000,000. 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, 2014 and 2013. These amounts are unquantifiable and, as such, not disclosed in the notes to the financial statements.

**Note 12 - Board-Designated Net Assets**

Due to the long-term nature of certain 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.

**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. Since 2010, Energy Trust's executive director has served on NEEA's board of directors. Total payments to NEEA were \$7,366,000 and \$8,070,000 for the years ended December 31, 2014 and 2013, respectively.