REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

ENERGY TRUST OF OREGON, INC.

December 31, 2018 and 2017

MOSSADAMS

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Report of Independent Auditors

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, 2018 and 2017, 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 financial 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.

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

Emphasis of Matter

As discussed in Note 2, Energy Trust of Oregon, Inc. adopted Accounting Standards Update (ASU) No. 2016-14 *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified in respect to this matter.

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, 2018 and 2017, 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 8 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
April 3, 2019

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 ending December 31, 2018, 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, 2018, by $62.8 million (net assets).

- The purpose of Energy Trust is to help utility customers invest in and benefit from cost-effective energy efficiency and small-scale renewable energy development. We rely on utility revenues and any surplus program reserves from prior years to capture electric and gas efficiency savings and generate clean renewable energy through programs and services for residential, commercial, industrial and agricultural customers in Oregon and Southwest Washington. In 2018, Energy Trust had planned to decrease reserves by $11.9 million in our pursuit of energy savings. We ended up not needing to spend as much as we thought to achieve 95 percent of our electric savings goal, 115 percent of our gas savings goal, and more than twice our renewable generation goal. Instead of a decline, our total net position for the year increased by $14.7 million.

    - Total 2018 revenue was $191.7 million, which is 2.5 percent ($4.7 million) greater than expected. The revenue variance is not significant and not unusual. Once our revenue needs have been established with collaboration from the utilities and the Oregon Public Utility Commission, the annual revenue estimates are relatively predictable. However, weather and other changes in customer energy consumption do cause some variability.

    - Total 2018 operating expenses came in $22 million less than expected ($177 actual vs. $199 budgeted). The variance is primarily due to lower than anticipated incentive expenditures. We planned to spend $111 million on incentives to acquire energy savings and generation, but ended up only spending $95.5 million. The difference is due to changes in timing for some large projects to complete and receiving project incentives and lower than budgeted costs for some energy savings measures we pursued in 2018. In addition to spending $15.5 million less on incentives, professional services were $2.4 million below budget. All other expenses were $3.8 million below budget (2.2 percent).

Energy Goals

	2018	2018 goal	compared to goal	2017*	Change '17 to '18
Electric efficiency savings (aMW)	54.0	56.6	(2.6)	63.4	(9.4)
Electric renewable generation (aMW)	2.4	1.2	1.2	4.5	(2.1)
Gas efficiency savings - Oregon (million therms)	7.5	6.6	0.9	6.8	0.7
Gas efficiency savings - Washington (million therms)	0.4	0.4	0.0	0.4	(0.0)

* after true-up

- Energy Trust exceeded our gas savings goals in Oregon and Southwest Washington and our generation goals in Oregon. Electric efficiency savings totaled 54.0 average megawatts (aMW), 95 percent of the 2018 goal of 56.6 aMW. Gas savings goal for Oregon achieved 7.5 million annual therms or 114 percent of the 2018 goal of 6.6 million annual therms. Renewable energy generation totaled 2.4 aMW, 201 percent of the goal of 1.2 aMW. Some of the ways we achieved energy savings and generation included:
    - We helped residential, commercial and industrial customers install millions of energy-efficient LEDs.
    - We engaged Oregon's strong new construction market, helping new commercial construction projects and EPS™ new homes be built more energy efficient.
    - We completed a high volume of solar projects in 2018 due to projects that applied for the Residential Energy Tax Credit before the deadline at the end of 2017 and received an Energy Trust incentive in the first half of 2018.

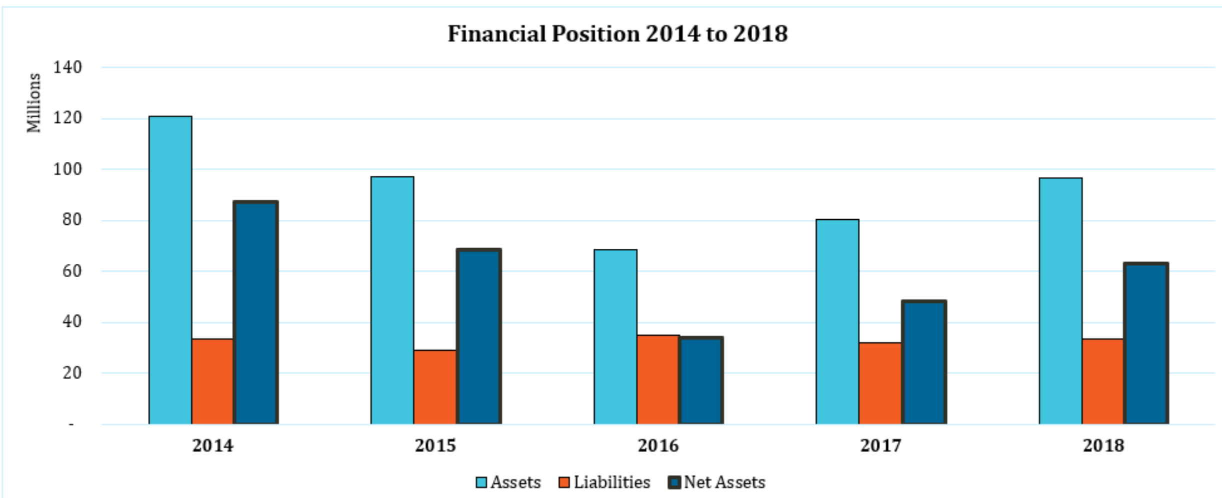
Overview of the Financial Statements

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

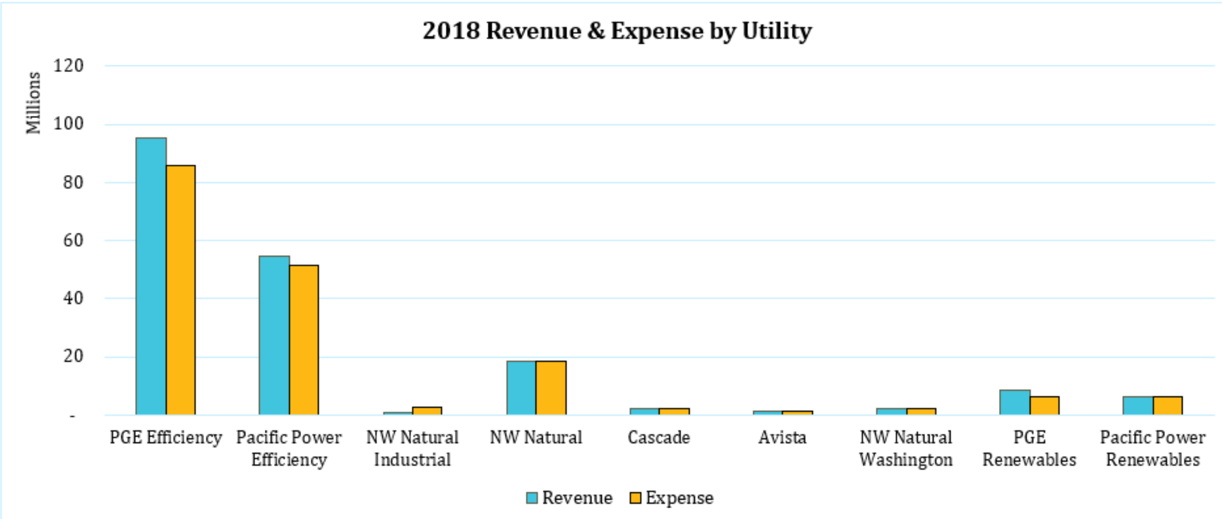
The ***statements of financial position*** show the various assets owned or controlled, related liabilities and other obligations, and the various categories of net assets. As noted earlier, net assets may serve over time as a useful indicator of Energy Trust's financial position. Energy Trust assets exceeded liabilities by $62.8 million at year end. Almost all of Energy Trust's assets are held in cash and investments; capital and other assets comprise around 5 percent of the total. Nearly all of the liabilities at year-end are due to year-end incentive payments. Energy Trust carries no long-term debt.

Statement of Financial Position
(in millions of dollars)

	2018	2017	Change '17 to '18	2016	Change '16 to '17
Cash & Investments	$ 91.5	$ 74.9	$ 16.6	$ 63.8	$ 11.1
All other Assets	4.9	5.2	(0.4)	4.8	0.4
Total Assets	$ 96.4	$ 80.1	$ 16.2	$ 68.6	$ 11.5
Total Liabilities	$ 33.6	$ 32.0	$ 1.6	$ 34.7	$ (2.7)
Board Designated Net Assets	-	-	-	-	-
Assets Available for Programs & Operations	62.8	48.1	14.7	33.9	14.2
Total Liabilities & Net Assets	$ 96.4	$ 80.1	$ 16.3	$ 68.6	$ 11.5



The ***statements of activities*** show the various revenues and expenses, reconciling the beginning net assets to the end of year total. These statements show how Energy Trust's net assets changed during the year. We did not spend as much as we had planned in 2018. As explained above, the difference is due to changes in the completion of large projects, and lower than expected costs for some savings measures we pursued in 2018.

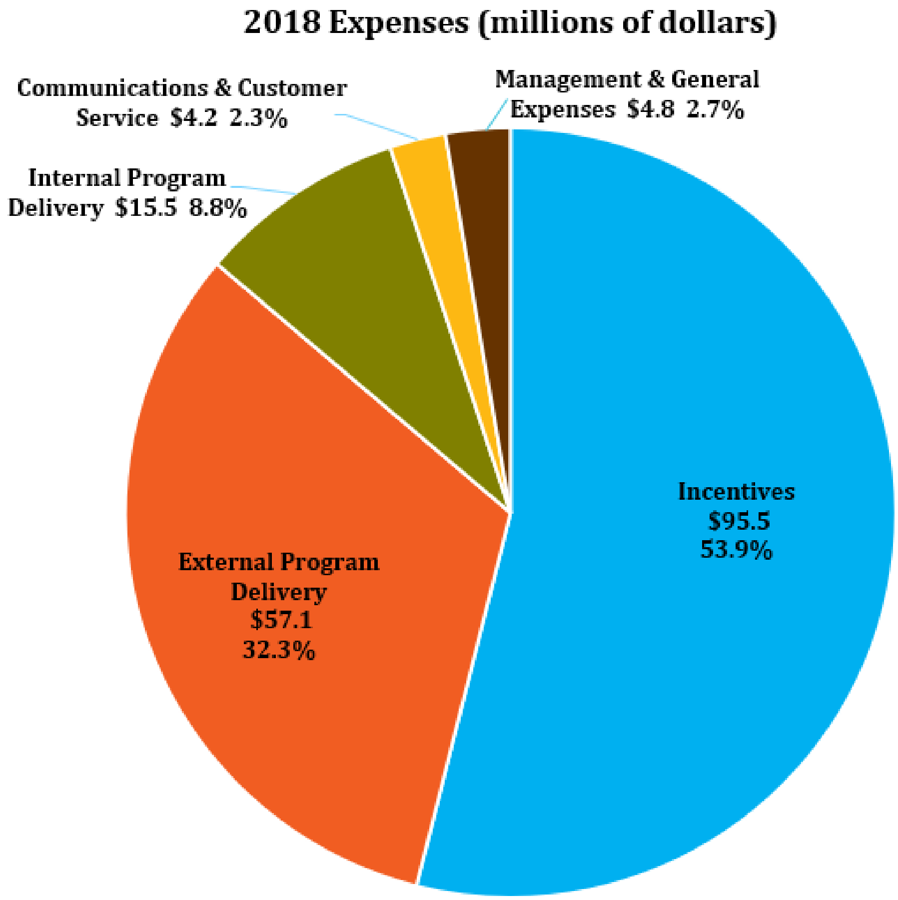


The ***statement of functional expenses*** shows costs by major category organized into program and administrative categories. In 2018, program expenses comprised 95.6 percent of total costs; administrative expenses of 4.4 percent made up the remainder. This composition is similar to the prior year.

Statement of Functional Expenses
(in millions of dollars)

	2018	2017	Change '17 to '18	2016	Change '16 to '17
Energy Efficiency	$ 157.2	$ 159.4	$ (2.3)	$ 159.7	$ (0.4)
Renewable Resources	11.9	16.0	(4.1)	19.6	(3.6)
Other	0.1	0.1	0.0	-	0.1
Program Expenses	169.2	175.4	(6.2)	179.3	(3.9)
Management & General	3.8	3.6	0.2	3.4	0.2
Communcations & Outreach	3.9	3.5	0.4	3.0	0.6
Administrative Expenses	7.8	7.2	0.6	6.4	0.8
Total Expenses	$ 177.0	$ 182.6	$ (5.6)	$ 185.7	$ (3.1)

Incentive expenses decreased from last year. External and Internal Program Delivery costs, along with Communications & Customer Service and Management & General Expenses, increased slightly from the previous year. Overall spending dropped $5.6 million (3 percent) from $182.6 million to $177 million. The percentage breakdown among functions remained relatively consistent. Incentives as a percent of total spending decreased from 56.8 percent to 53.9 percent; external program delivery costs increased from 30.8 percent to 32.3 percent. The percentage of spending in all other categories was up slightly from 12.3 percent to 13.8 percent of the total.



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's cash receipts come primarily from public purpose and supplemental funding, derived from a small percentage charge on utility customer bills. Inflows also include maturing investments. Outflows are predominantly payments for incentives and program contracts, as well as payments for payroll, outsourced services, IT, and other operating expenses. Overall, cash receipts were more than cash payments for the year because of higher than expected revenues and lower than expected expenses. Cash and cash equivalents increased by $0.9 million in 2018 and investments increased by $15.7 million.

Statement of Cash Flows
(in millions of dollars)

	2018	2017	Change '17 to '18	2016	Change '16 to '17
Net Cash from operating activities	$ 16.8	$ 11.7	$ 5.1	$ (26.7)	$ 38.4
Net Cash used for capital assets	(0.2)	(0.6)	0.4	(0.0)	(0.6)
Net Cash from investing activities	(15.7)	(3.4)	(12.3)	44.0	(47.4)
(Decrease) Increase in Cash	0.9	7.8	(6.9)	17.3	(9.6)
Cash Beginning of Year	52.2	44.5	7.7	27.2	17.3
Cash End of Year	$ 53.1	$ 52.2	$ 0.9	$ 44.5	$ 7.7

Key Economic Factors and Budget Information for Next Year

The economy in Oregon was stable in 2018, with low unemployment rates and a growing and diversifying population. Due to these and other factors, energy-efficient new homes, commercial construction in some territories, and a high demand for lighting in all sectors were key sources of savings in 2018. This strong commercial construction market has also placed a high demand for contractors, resulting in limited contractor availability and pushing projects into 2019. Energy Trust anticipates seeing savings from these delayed projects in 2019.

As the LED market transforms, we expect to see a noticeable decline in energy savings from the LED lighting market. Energy Trust continuously seeks new and innovative sources and strategies for saving energy to replace diminishing sources, such as lighting.

The 2019 budget anticipates revenue of $184 million, and expenditures of $201.6 million. Our revenue requests are less than expenditures in order to spend down accumulated net assets and end the year with program reserves close to the targeted range of 2 percent to 5 percent.

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. All quarterly and annual financial statements, along with quarterly and annual reports, are available on Energy Trust's web site at www.energytrust/reports. 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
Attention: Pati Presnail, Director of Finance

Financial Statements

ASSETS

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 53,104,537	$ 52,223,904
Investments	38,440,393	22,721,392
Other receivables	18,763	51,814
Notes receivable, net of allowance	430,669	263,669
Accrued interest receivable	59,768	67,264
Advances paid to contractor	2,238,777	2,489,421
Prepaid expenses	222,218	244,443
Property and equipment, net	658,104	883,927
Other assets	1,225,933	1,210,142
Total assets	$ 96,399,162	$ 80,155,976

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued expenses	$ 30,567,331	$ 29,182,034
Accrued payroll and related expenses	1,893,614	1,850,972
Deferred rent liability	1,133,461	990,344
Total liabilities	33,594,406	32,023,350
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	62,804,756	48,132,626
Total net assets	62,804,756	48,132,626
Total liabilities and net assets	$ 96,399,162	$ 80,155,976

Energy Trust of Oregon, Inc.
Statements of Activities

	Years Ended December 31, 2018	2017
Funding		
Public purpose funding	$ 92,218,475	$ 97,727,202
Incremental funding	98,285,767	98,630,547
Grant revenue	88,944	50,651
Total funding	190,593,186	196,408,400
Investment returns		
Interest and dividends on investments, net of amortization	1,064,851	425,529
Interest on notes receivable	4,359	3,000
Unrealized loss on investments	(640)	(2,830)
Unrealized gain on deferred compensation assets	4,716	-
Total investment returns	1,073,286	425,699
Total revenues	191,666,472	196,834,099
Expenses		
Program expenses		
Energy efficiency	157,162,456	159,393,813
Renewable resources	11,949,770	15,953,058
Low and moderate income (LMI) solar	84,544	47,633
Total program expenses	169,196,770	175,394,504
Administrative expenses		
Management and general	3,837,714	3,615,436
Communication and outreach - general	3,945,504	3,547,967
Development	14,354	17,491
Total administrative expenses	7,797,572	7,180,894
Total expenses	176,994,342	182,575,398
INCREASE IN NET ASSETS	14,672,130	14,258,701
NET ASSETS, beginning of year	48,132,626	33,873,925
NET ASSETS, end of year	$ 62,804,756	$ 48,132,626

See accompanying notes.

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Energy Efficiency	Renewable Resources	LMI Solar	Total Program Expenses	Office Space	Information Technology	Management and General	Communication and Outreach – General	Development	Total Administrative Expenses	Total Expenses
EXPENSES											
Incentives	$ 86,637,581	$ 8,814,012	$ -	$ 95,451,593	$ -	$ -	$ -	$ -	$ -	$ -	$ 95,451,593
Program delivery subcontracts	56,732,164	380,857	-	57,113,021	-	-	-	-	-	-	57,113,021
Employee salaries & fringe benefits	5,469,069	1,306,815	8,923	6,784,807	-	2,070,477	2,336,675	2,005,349	13,923	6,426,424	13,211,231
Agency contractor services	475,766	142,078	46,868	664,712	6,183	347,618	175,736	70,555	-	600,092	1,264,804
Planning and evaluation services	2,763,674	23,261	-	2,786,935	-	-	1,629	45,738	-	47,367	2,834,302
Advertising and marketing services	1,273,453	171,024	-	1,444,477	-	-	-	1,076,757	431	1,077,188	2,521,665
Other professional services	943,200	447,889	21,400	1,412,489	-	43,305	569,500	116,830	-	729,635	2,142,124
Travel, meetings, trainings, and conferences	142,076	43,919	3,668	189,663	378	32,275	90,570	57,485	-	180,708	370,371
Dues, licenses, and fees	92,030	15,645	-	107,675	-	250	17,114	20,300	-	37,664	145,339
Software and hardware	-	187,296	-	187,296	11,822	182,971	-	-	-	194,793	382,089
Depreciation and amortization	-	-	-	-	119,920	274,992	-	-	-	394,912	394,912
Office rent and equipment	-	-	-	-	1,042,539	-	-	-	-	1,042,539	1,042,539
Materials, postage, and telephone	3,683	421	-	4,104	54,789	39,450	16,114	208	-	110,561	114,665
Miscellaneous expenses	1,680	-	-	1,680	2,222	-	1,785	-	-	4,007	5,687
Shared office space	528,856	136,770	1,217	666,843	(1,237,853)	186,795	201,759	182,456	-	(666,843)	-
Shared information technology	2,099,224	279,783	2,468	2,381,475	-	(3,178,133)	426,832	369,826	-	(2,381,475)	-
Total expenses	$ 157,162,456	$ 11,949,770	$ 84,544	$ 169,196,770	$ -	$ -	$ 3,837,714	$ 3,945,504	$ 14,354	$ 7,797,572	$ 176,994,342

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Energy Efficiency	Renewable Resources	LMI Solar	Total Program Expenses	Office Space	Information Technology	Management and General	Communication and Outreach – General	Development	Total Administrative Expenses	Total Expenses
EXPENSES											
Incentives	$ 91,012,236	$ 12,742,737	$ -	$ 103,754,973	$ -	$ -	$ -	$ -	$ -	$ -	$ 103,754,973
Program delivery subcontracts	55,825,503	493,058	-	56,318,561	-	-	-	-	-	-	56,318,561
Employee salaries & fringe benefits	5,377,154	1,242,450	16,487	6,636,091	-	1,929,472	2,199,980	1,742,266	16,591	5,888,309	12,524,400
Agency contractor services	319,492	102,945	10,960	433,397	-	184,265	189,218	10,525	532	384,540	817,937
Planning and evaluation services	1,754,833	57,843	-	1,812,676	-	-	624	58,015	-	58,639	1,871,315
Advertising and marketing services	1,253,361	178,371	-	1,431,732	-	-	7	970,291	190	970,488	2,402,220
Other professional services	741,312	528,589	16,152	1,286,053	-	30,661	464,017	126,596	-	621,274	1,907,327
Travel, meetings, trainings, and conferences	133,829	45,926	2,449	182,204	(112)	21,327	115,987	83,332	178	220,712	402,916
Dues, licenses, and fees	148,166	13,134	-	161,300	99	1,061	10,995	25,670	-	37,825	199,125
Software and hardware	-	110,955	-	110,955	17,276	189,973	-	-	-	207,249	318,204
Depreciation and amortization	-	-	-	-	99,435	745,236	-	-	-	844,671	844,671
Office rent and equipment	-	-	-	-	1,035,111	-	-	-	-	1,035,111	1,035,111
Materials, postage, and telephone	1,691	73	-	1,764	53,005	43,968	10,269	5,155	-	112,397	114,161
Miscellaneous expenses	59,869	-	-	59,869	2,935	-	1,673	-	-	4,608	64,477
Shared office space	538,418	138,337	529	677,284	(1,207,749)	171,633	188,988	169,844	-	(677,284)	-
Shared information technology	2,227,949	298,640	1,056	2,527,645	-	(3,317,596)	433,678	356,273	-	(2,527,645)	-
Total expenses	$ 159,393,813	$ 15,953,058	$ 47,633	$ 175,394,504	$ -	$ -	$ 3,615,436	$ 3,547,967	$ 17,491	$ 7,180,894	$ 182,575,398

See accompanying notes.

	Years Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in public purpose funding	$ 92,218,475	$ 97,727,202
Cash received in incremental funding	98,285,767	98,630,547
Interest received	1,019,764	490,738
Cash received from other sources	88,944	50,651
Cash paid to contractors, suppliers, and employees	(174,733,529)	(185,133,015)
Net cash from operating activities	16,879,421	11,766,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(169,089)	(595,392)
Purchases of investments	(184,787,396)	(64,534,011)
Sales and maturities of investments	169,124,697	61,116,150
Issuance of notes receivable	(167,000)	-
Net cash from investing activities	(15,998,788)	(4,013,253)
INCREASE IN CASH AND CASH EQUIVALENTS	880,633	7,752,870
CASH AND CASH EQUIVALENTS, beginning of year	52,223,904	44,471,034
CASH AND CASH EQUIVALENTS, end of year	$ 53,104,537	$ 52,223,904
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Increase in net assets	$ 14,672,130	$ 14,258,701
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	394,912	844,670
Change in notes receivable allowance	-	(2,778)
Unrealized loss on investments	640	2,830
Unrealized gain on deferred compensation assets	(4,716)	-
Amortization (accretion) of bond premium	(56,942)	43,774
Net changes in:		
Other receivables	33,051	(51,455)
Accrued interest receivable	7,496	18,435
Advances paid to contractor	250,644	(439,295)
Prepaid expenses	22,225	35,904
Other assets	(11,075)	(137,281)
Accounts payable and accrued expenses	1,385,297	(3,408,849)
Accrued payroll and related expenses	42,642	170,376
Deferred rent liability	143,117	431,091
Net cash from operating activities	$ 16,879,421	$ 11,766,123

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.

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, 2020. Unless terminated, the agreement will automatically renew for successive one-year terms on February 1 of each year.

In 2016, Energy Trust entered into a Public Purpose Funds Transfer Agreement with Avista Corporation (Avista). Under the terms of the agreement, Avista agrees to provide funds to Energy Trust for energy conservation programs in Avista's Oregon service areas. The agreement expires on December 31, 2020.

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.

- **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 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 net assets under this category as of December 31, 2018 or 2017.

Energy Trust, as a not-for-profit organization, follows the accounting guidance prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations. As discussed below under Recently Adopted Standards, during the year ended December 31, 2018, Energy Trust adopted Accounting Standards Update No. 2016-14 – *Not for Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. This standard changed the terminology for unrestricted net assets to use the term "net assets without donor restrictions." Energy Trust does not receive contributions from donors and therefore does not have any net assets with donor restrictions; however, the terminology has been updated throughout these financial statements from "unrestricted net assets" to "net assets without donor restrictions" as required in accordance with FASB guidance.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Investments
Holdings consist of fixed income investments, certificates of deposit, and commercial paper. 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 statements of activities as increases or decreases in net assets without donor restrictions 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 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 $1,333,461 and $990,344 for the years ended December 31, 2018 and 2017, 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.

Revenues from grants are recognized when committed, if unrestricted, and when earned, if restricted, typically as expenses are incurred. Revenues under cost reimbursement contracts are considered earned when expenses, which are subject to reimbursement by the granting agency, are incurred. Revenues are reported as net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. These revenues are earned once the stipulated time restriction or purpose restriction is accomplished. Related expenses are reported as decreases in net assets without donor restrictions.

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 $1,962,688 and $1,751,991 for the years ended December 31, 2018 and 2017, 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, 2018 or 2017. No interest and penalties were accrued for the years ended December 31, 2018 or 2017. 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, 2018 or 2017.

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)

Recently adopted standards
As of December 31, 2018, Energy Trust adopted Accounting Standards Update No. 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Reclassifications
Certain reclassifications have been made to the 2017 statement of functional expenses to conform with current year presentation. These reclassifications have no effect on total net assets or the change in net assets.

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 3, 2019, 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 year ended December 31, 2018:

Cash and cash equivalents	$	53,104,537
Other receivables		18,763
Deferred compensation asset		967,280
	$	54,090,580

Additionally, Energy Trust has $38,440,393 in long-term investments at year end, which could be released for general expenditure if needed with Board approval.

Note 4 – Investments

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

	2018	2017
Fixed income investments	$ 10,946,390	$ 5,659,823
Certificates of deposit greater than 90 days	23,508,803	13,082,669
Commercial paper	3,985,200	3,978,900
	$ 38,440,393	$ 22,721,392

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Computer equipment and software	$ 3,869,226	$ 3,733,082
Office equipment and furniture	831,612	815,056
Leasehold improvements	615,557	595,027
	5,316,395	5,143,165
Less accumulated depreciation	4,658,291	4,442,925
	658,104	700,240
Work in process	-	183,687
	$ 658,104	$ 883,927

At December 31, 2017, work in process consisted of various software development projects. All work in process assets were placed into service during 2018.

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, certificates of deposit, and commercial paper. 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 and a guaranteed investment contract. For U.S. mutual funds, 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. The guaranteed investment contract is valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable duration. Fair value approximates contract value. 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, 2018 or 2017.

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 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, 2018	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	$ 967,280	$ 967,280	$ -	$ -
Total deferred compensation assets	967,280	967,280	-	-
Investments:				
Fixed income investments				
U.S. corporate bonds	3,993,220	3,993,220	-	-
U.S. treasury notes	4,953,750	4,953,750	-	-
Other foreign corporate bonds	1,999,420	1,999,420	-	-
Certificates of deposit	23,508,803	-	23,508,803	-
Commercial paper	3,985,200	-	3,985,200	-
Total investments	38,440,393	10,946,390	27,494,003	-
Total assets measured at fair value	$ 39,407,673	$ 11,913,670	$ 27,494,003	$ -

Note 6 – Fair Value Measurements (continued)

	Fair Value Measurements at Report Date Using:			
	Fair Value at December 31, 2017	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	$ 579,508	$ 579,508	$ -	$ -
Guaranteed investment contract	393,320	-	393,320	-
Total deferred compensation assets	972,828	579,508	393,320	-
Investments:				
Fixed income investments				
U.S. corporate bonds	3,659,883	3,659,883	-	-
Other foreign corporate bonds	1,999,940	1,999,940	-	-
Certificates of deposit	13,082,669	-	13,082,669	-
Commercial paper	3,978,900	-	3,978,900	-
Total investments	22,721,392	5,659,823	17,061,569	-
Total assets measured at fair value	$ 23,694,220	$ 6,239,331	$ 17,454,889	$ -

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, 2018 or 2017.

As of December 31, 2018 and 2017, 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 an agreement with Craft3 to loan up to $800,000 in support of the Savings Within Reach Loan Program. At December 31, 2018 and 2017, Energy Trust had loaned $467,000 and $300,000, respectively, which accrues interest at 1% and is payable quarterly. Energy Trust loaned the remaining $333,000 subsequent to year-end. The note receivable is due and payable on June 30, 2025.

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, 2018, no amounts were outstanding in connection with this agreement.

For each of the years ended December 31, 2018 and 2017, total accrued interest receivable associated with the notes receivable was $750.

Note 7 – Notes Receivable (continued)

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 $36,331 for each of the years ended December 31, 2018 and 2017.

Note 8 – Public Purpose Funding and Incremental Funding

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

	2018	2017
Public purpose funding		
Portland General Electric		
Energy efficiency	$ 29,852,268	$ 29,843,360
Renewable resources	8,599,076	8,593,247
	38,451,344	38,436,607
PacifiCorp		
Energy efficiency	22,064,810	22,701,600
Renewable resources	6,310,563	6,429,328
	28,375,373	29,130,928
Northwest Natural - Oregon		
Energy efficiency	19,301,975	24,379,570
Northwest Natural - Washington		
Energy efficiency	2,428,812	2,120,834
Cascade		
Energy efficiency	2,335,838	2,622,395
Avista		
Energy efficiency	1,325,133	1,036,868
Total public purpose funding	$ 92,218,475	$ 97,727,202
Incremental funding		
Portland General Electric	$ 65,652,983	$ 63,767,342
PacifiCorp	32,632,784	34,863,205
Total incremental funding	$ 98,285,767	$ 98,630,547

Note 9 – Operating Lease Commitments

Energy Trust leases its administrative offices under an operating lease agreement which expires in June 2025. At December 31, 2018, the aggregate annual commitments under the terms of this lease is payable as follows for the years ending December 31:

2019	$ 618,907
2020	1,007,101
2021	1,039,348
2022	1,071,801
2023	1,104,254
Thereafter	2,305,868
	$ 7,147,279

Total rent expense under operating leases was $866,961 and $871,536 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, 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 $601,174 and $562,791 for the years ended December 31, 2018 and 2017, 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, 2018 or 2017. Energy Trust recorded an asset and a liability in the amount of $967,280 and $962,564 and $972,828 and $976,378 as of December 31, 2018 and 2017, 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 11 – Contractual Commitments

Energy Trust enters into contract commitments for various goods and services. As of December 31, 2018, Energy Trust expects to pay approximately $66,000,000 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, 2018 totaling no more than $85,000,000. 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, 2018 and 2017. These amounts are unquantifiable and, as such, not disclosed in the notes to the financial statements.

Note 12 – 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 2018 and 2017, Energy Trust's executive director served on the NEEA's board of directors. Total payments to NEEA were approximately $7,424,000 and $9,802,000 for the years ended December 31, 2018 and 2017, respectively.