

ENERGY TRUST OF OREGON, INC.

Financial Statements
For the Three Months Ended December 31, 2002
With Independent Auditors' Report

ENERGY TRUST OF OREGON, INC.
FOR THE THREE MONTHS ENDED DECEMBER 31, 2002
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1211 SW Fifth Avenue, Suite 1000
Portland, Oregon 97204-3710
Phone: (503) 221-0336
Fax: (503) 294-4378
www.perkins-group.com

Certified Public Accountants and Business Advisors
A member of Perkins Group

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Energy Trust of Oregon, Inc.

We have audited the accompanying statement of financial position of the Energy Trust of Oregon, Inc. as of December 31, 2002, and the related statements of activities, functional expenses and cash flows for the three months ended December 31, 2002. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Energy Trust of Oregon, Inc. as of December 31, 2002 and the changes in its net assets and its cash flows for the three months ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Perkins & Company PC

March 11, 2004

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2002

ASSETS

Cash and cash equivalents	\$ 15,363,052
Accrued interest receivable	14,397
Advances paid to contractor	81,041
Prepaid expenses	14,388
Office furnishings and equipment	183,273
Deposits	10,412
	<u>\$ 15,666,563</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	\$ 4,508,009
Accrued payroll and related expenses	64,613
	<u>4,572,622</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Unrestricted - Available for programs and general operations	10,867,255
Temporarily restricted	226,686
Total net assets	<u>11,093,941</u>
	<u>\$ 15,666,563</u>

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF ACTIVITIES
THREE MONTHS ENDED DECEMBER 31, 2002

UNRESTRICTED NET ASSETS

FUNDING:

Public purpose funding	\$ 11,229,484
Interest income	41,064
Total funding	11,270,548

EXPENSES:

Program expenses:	
Energy efficiency	6,980,245
Renewables	165,473
Communication and outreach - program	122,708
Total program expenses	7,268,426

Administrative expenses:

Management and general	208,797
Total administrative expenses	208,797

Total expenses	7,477,223
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INCREASE IN UNRESTRICTED NET ASSETS	3,793,325
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TEMPORARILY RESTRICTED NET ASSETS

Special purpose funding	226,686
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INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	226,686
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INCREASE IN NET ASSETS	4,020,011
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NET ASSETS AT BEGINNING OF PERIOD	7,073,930
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NET ASSETS AT END OF PERIOD	\$ 11,093,941
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See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
THREE MONTHS ENDED DECEMBER 31, 2002

	Energy Efficiency	Renewables	Communication and Outreach - Program	Total Program Expenses	Management and General	Total
EXPENSES:						
Program management and implementation	\$ 5,731,803	\$ 82,385	\$ -	\$ 5,814,188	\$ -	\$ 5,814,188
Incentives to participants	163,860	-	-	163,860	-	163,860
Incentives to utilities	753,339	-	-	753,339	-	753,339
Payroll and related expenses	136,790	29,475	43,305	209,570	108,081	317,651
Outsourced services	39,161	37,174	53,816	130,151	36,244	166,395
Evaluation and planning services	73,803	-	-	73,803	-	73,803
Technical assistance to subcontractors	7,068	-	-	7,068	-	7,068
Other program expenses	74,421	16,439	25,587	116,447	64,472	180,919
Total expenses	\$ 6,980,245	\$ 165,473	\$ 122,708	\$ 7,268,426	\$ 208,797	\$ 7,477,223

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received in public purpose funding	\$ 11,229,484
Cash received in special purpose funding	226,686
Interest received	35,502
Cash paid to contractors, suppliers, and employees	(5,103,907)
Interest expense	(29)
Net cash provided by operating activities	6,387,736

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of office furnishings and equipment	(29,358)
Net cash used in investing activities	(29,358)

**NET INCREASE IN CASH
AND CASH EQUIVALENTS**

6,358,378

**CASH AND CASH EQUIVALENTS AT
BEGINNING OF PERIOD**

9,004,674

**CASH AND CASH EQUIVALENTS AT
END OF PERIOD**

\$ 15,363,052

**RECONCILIATION OF INCREASE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Increase in net assets	\$ 4,020,011
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	9,426
Net changes in:	
Accrued interest receivable	(5,562)
Advances paid to contractor	144,443
Prepaid expenses	13,535
Accounts payable and accrued expenses	2,223,541
Accrued payroll and related expenses	(17,658)
	2,367,725
Net cash provided by operating activities	\$ 6,387,736

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2002

NOTE 1 - ORGANIZATION

The Energy Trust of Oregon, Inc. (the Energy Trust) is a nonprofit organization mandated to invest "public purpose funding" for energy efficiency and renewable energy resources in Oregon. The mandate emerged from 1999 energy restructuring legislation (Oregon Senate Bill 1149) that included a 3.0% public purposes investment to the rates collected in Oregon by the two largest investor-owned utility companies. Subsequent action by the Oregon Public Utility Commission encouraged the start-up of a new nonprofit organization to administer the energy efficiency and renewable resource portions of these funds.

The Energy Trust is a party to a grant agreement with the Public Utility Commission of Oregon that controls the manner in which the Energy Trust receives and expends funds for the statutory purposes and in conformity with the requirement and intent of Oregon Senate Bill 1149. The agreement was effective March 1, 2002, for a term of three years from the effective date, with provisions for an automatic extension for one additional year on each anniversary of the effective date, through 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Fiscal Year - Effective December 31, 2002, the Organization changed its fiscal year end from September 30th to December 31st. As a result of this change, the statements of activities, functional expenses and cash flows are presented for the three month period ended December 31, 2002.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation - The Energy Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Energy Trust had no permanently restricted net assets as of December 31, 2002.

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

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents at December 31, 2002 is as follows:

Cash	\$ 228,000
Money market instruments	15,135,052
	<u>\$ 15,363,052</u>

Office Furnishings and Equipment - It is the Energy Trust's policy to capitalize office furnishings and equipment over \$2,500. Lesser amounts are expensed. Purchased office furnishings and equipment are capitalized at cost. Donations of office furnishings and equipment are recorded as contributions at their estimated fair value. Office furnishings and equipment are depreciated using the straight-line method over their estimated useful lives, which is generally 3 to 5 years.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

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

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

NOTE 3 - OFFICE FURNISHINGS AND EQUIPMENT

Office furnishings and equipment consist of the following at December 31, 2002:

Computer equipment and software	\$ 43,461
Leasehold improvements	88,460
Office equipment and furniture	66,842
	<hr/>
	198,763
Less accumulated depreciation	(15,490)
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	<u>\$ 183,273</u>

NOTE 4 - LINE OF CREDIT

At December 31, 2002, the Energy Trust has available an unsecured line of credit in the amount of \$4,000,000. Interest is at prime rate less 0.25%. Prime rate was 4.25% at December 31, 2002. The line matures on April 1, 2003. As of December 31, 2002, no borrowings were outstanding under the line of credit.

NOTE 5 - PUBLIC PURPOSE FUNDING

Public purpose funding received during the three months ended December 31, 2002 is summarized as follows:

Portland General Electric:	
Energy efficiency	\$ 5,011,149
Renewables	1,535,882
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	<u>6,547,031</u>

PacifiCorp:	
Energy efficiency	3,291,540
Renewables	1,011,418
	<u>4,302,958</u>
Northwest Natural:	
Energy efficiency	379,495
	<u>379,495</u>
	<u>\$ 11,229,484</u>

NOTE 6 - OPERATING LEASE COMMITMENTS

The Energy Trust leases its administrative offices under an operating lease agreement which expires in August, 2007. At December 31, 2002, the aggregate annual commitments under the terms of this lease are payable as follows:

Years ending December 31,

2003	\$ 109,323
2004	109,323
2005	114,528
2006	124,940
2007	83,293
	<u>\$ 541,407</u>

Rent expense for the three months ended December 31, 2002 was \$27,458.

NOTE 7 - RETIREMENT PLAN

The Energy Trust provides all employees with a qualified profit sharing retirement plan as described under Section 401(k) of the Internal Revenue Code. Generally, employees who have completed at least three consecutive months of work may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. Employees select from various investment options. On a discretionary basis as determined annually by the Board of Directors, the Energy Trust may make matching contributions to the plan. For the three months ended December 31, 2002, the organization contributed to the plan an amount equal to 6.0% of the compensation earned by each eligible employee during the period. Employees are immediately vested in all contributions to the plan. Retirement plan expense recorded by the Energy Trust was \$15,104 for the three months ended December 31, 2002.

NOTE 8 - CONTRACTUAL COMMITMENTS

The Energy Trust enters into contract commitments for various energy efficiency and renewable resource programs. As of December 31, 2002, \$62,738,846 is expected to be paid in future periods.