

**ENERGY TRUST OF OREGON, INC.**

Financial Statements  
For the Year Ended December 31, 2003  
With Independent Auditors' Report

**ENERGY TRUST OF OREGON, INC.**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
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## 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, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. 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, 2003 and the changes in its net assets and its cash flows for the year then ended 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, 2003**

**ASSETS**

Cash and cash equivalents	\$ 31,960,009
Accrued interest receivable	26,247
Advances paid to contractor	1,265,103
Prepaid expenses	27,030
Office furnishings and equipment	632,507
Deposits	10,412
	<u>\$ 33,921,308</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable and accrued expenses	\$ 5,410,909
Accrued payroll and related expenses	128,881
	<u>5,539,790</u>

**COMMITMENTS AND CONTINGENCIES**

**NET ASSETS:**

Unrestricted - Available for programs and general operations	28,154,832
Temporarily restricted	226,686
Total net assets	<u>28,381,518</u>
	<u>\$ 33,921,308</u>

See notes to financial statements.

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2003**

**UNRESTRICTED NET ASSETS**

**FUNDING:**

Public purpose funding	\$ 47,092,779
Other income	119,030
Interest income	262,325
Total funding	47,474,134

**EXPENSES:**

Program expenses:	
Energy efficiency	22,465,095
Renewables	5,791,941
Total program expenses	28,257,036

Administrative expenses:	
Management and general	1,290,244
Communication and outreach - general	639,277
Total administrative expenses	1,929,521

Total expenses	30,186,557
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<b>INCREASE IN NET ASSETS</b>	<b>17,287,577</b>
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<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>11,093,941</b>
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<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 28,381,518</b>
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See notes to financial statements.

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2003**

	Energy Efficiency	Renewables	Total			Communication and Outreach - General	Administrative Expenses	Total
			Program Expenses	Management and General				
<b>EXPENSES:</b>								
Incentives and program management	\$ 20,774,384	\$ 5,128,751	\$ 25,903,135	\$ -	\$ -	\$ -	\$ 25,903,135	
Payroll and related expenses	759,480	307,486	1,066,966	764,736	178,406	943,142	2,010,108	
Outsourced services	617,837	223,169	841,006	317,649	380,200	697,849	1,538,855	
Supplies	12,135	4,937	17,072	15,685	2,945	18,630	35,702	
Postage and shipping	1,742	2,207	3,949	2,027	382	2,409	6,358	
Telephone	9,243	4,033	13,276	9,028	2,827	11,855	25,131	
Printing and publications	13,937	6,230	20,167	1,429	20,017	21,446	41,613	
Occupancy expenses	45,261	18,060	63,321	42,684	10,974	53,658	116,979	
Insurance	11,357	4,532	15,889	10,578	2,754	13,332	29,221	
Equipment	28,660	11,308	39,968	37,245	6,871	44,116	84,084	
Travel	6,923	12,403	19,326	10,057	1,736	11,793	31,119	
Call center	135,452	17,865	153,317	-	20,830	20,830	174,147	
Meetings, trainings, and conferences	13,576	5,210	18,786	26,722	3,855	30,577	49,363	
Interest expense and bank fees	782	312	1,094	29,826	190	30,016	31,110	
Depreciation and amortization	18,142	7,239	25,381	16,898	4,399	21,297	46,678	
Dues, licenses, and fees	15,742	38,023	53,765	5,269	2,784	8,053	61,818	
Miscellaneous expenses	442	176	618	411	107	518	1,136	
<b>Total expenses</b>	<b>\$ 22,465,095</b>	<b>\$ 5,791,941</b>	<b>\$ 28,257,036</b>	<b>\$ 1,290,244</b>	<b>\$ 639,277</b>	<b>\$ 1,929,521</b>	<b>\$ 30,186,557</b>	

See notes to financial statements.

**ENERGY TRUST OF OREGON, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received in public purpose funding	\$ 47,092,779
Cash received from other sources	119,030
Interest received	250,475
Cash paid to contractors, suppliers, and employees	(30,368,055)
Interest expense	(1,360)
Net cash provided by operating activities	17,092,869

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Acquisition of office furnishings and equipment	(495,912)
Net cash used in investing activities	(495,912)

**NET INCREASE IN CASH  
AND CASH EQUIVALENTS**

16,596,957

**CASH AND CASH EQUIVALENTS AT  
BEGINNING OF YEAR**

15,363,052

**CASH AND CASH EQUIVALENTS AT  
END OF YEAR**

\$ 31,960,009

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

Increase in net assets	\$ 17,287,577
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	46,678
Net changes in:	
Accrued interest receivable	(11,850)
Advances paid to contractor	(1,184,062)
Prepaid expenses	(12,642)
Accounts payable and accrued expenses	902,900
Accrued payroll and related expenses	64,268
	(194,708)
Net cash provided by operating activities	\$ 17,092,869

See notes to financial statements.

**ENERGY TRUST OF OREGON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**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**

**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, 2003.

**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, 2003 is as follows:

Cash	\$ 151,170
Money market instruments	31,808,839
	<u>\$ 31,960,009</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, 2003:

Computer equipment and software	\$ 527,048
Leasehold improvements	88,460
Office equipment and furniture	79,167
	<hr/> 694,675
Less accumulated depreciation	(62,168)
	<hr/> <u>\$ 632,507</u>

**NOTE 4 - LINE OF CREDIT**

At December 31, 2003, the Energy Trust has available an unsecured line of credit in the amount of \$1,000,000. Interest is at prime rate less 0.25%. Prime rate was 4.0% at December 31, 2003. The line matures on April 1, 2004. As of December 31, 2003, no borrowings were outstanding under the line of credit.

**NOTE 5 - PUBLIC PURPOSE FUNDING**

Public purpose funding received during the year ended December 31, 2003 is summarized as follows:

Portland General Electric:	
Energy efficiency	\$ 19,928,083
Renewables	6,296,740
	<hr/> 26,224,823
PacifiCorp:	
Energy efficiency	13,441,853
Renewables	4,123,336
	<hr/> 17,565,189
Northwest Natural:	
Energy efficiency	3,302,767
	<hr/> 3,302,767
	<hr/> <u>\$ 47,092,779</u>

## NOTE 6 - OPERATING LEASE COMMITMENTS

The Energy Trust leases its administrative offices under an operating lease agreement which expires in August, 2007. The Energy Trust also leases equipment under an operating lease agreement. At December 31, 2003, the aggregate annual commitments under the terms of these leases are payable as follows:

Years ending December 31,

2004	\$ 129,907
2005	124,230
2006	124,940
2007	83,293
	<u>\$ 462,370</u>

Rent expense for the year ended December 31, 2003 was \$106,316.

## 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 year ended December 31, 2003, 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 \$88,037 for the year ended December 31, 2003.

## NOTE 8 - CONTRACTUAL COMMITMENTS

The Energy Trust enters into contract commitments for various energy efficiency and renewable resource programs. As of December 31, 2003, \$43,205,788 is expected to be paid in future periods.