REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

ENERGY TRUST OF OREGON, INC.

December 31, 2017 and 2016

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, 2017 and 2016, 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.

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, 2017 and 2016, 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 4, 2018

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, 2017, 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, 2017, by $48.1 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 2017, Energy Trust had planned to decrease reserves by $5.6 million in our pursuit of energy savings. We ended up not needing to spend as much as we thought to achieve 112 percent of our electric savings goal, 95 percent of our gas savings goal, and 157 percent of our renewable generation goal. Instead of a decline, our total net position for the year increased by $14.3 million.

    - Total 2017 revenue was $196.8 million, which is 2 percent ($3.9 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 PUC, the annual revenue estimates are relatively predictable. However, weather and other changes in customer energy consumption do cause some variability.

    - Total 2017 operating expenses came in $16 million less than expected ($182.6 actual vs. $198.6 budgeted). The variance is primarily due to lower than anticipated incentive expenditures. We planned to spend $114 million on incentives to acquire energy savings and generation, but ended up only spending $103.8 million. The difference is due to changes in timing for some large projects to complete and receive project incentives, and lower than budgeted costs for some savings measures we pursued in 2017. In addition to spending $10.2 million less on incentives, professional services were $3.4 million below budget. All other expenses were $2.2 million below budget (less than 3 percent).

Energy Goals

	2017	2017 goal	compared to goal	2016*	Change '16 to '17
Electric efficiency savings (aMW)	63.4	56.4	7.0	62.0	1.4
Electric renewable generation (aMW)	4.5	2.9	1.6	2.8	1.7
Gas efficiency savings - Oregon (million therms)	6.8	7.1	(0.3)	6.8	(0.0)
Gas efficiency savings - Washington (million therms)	0.4	0.3	0.1	0.3	0.1

* after true-up

- Energy Trust exceeded our electric savings and generation goals in Oregon and our gas savings goal for Southwest Washington. Electric efficiency savings totaled 63.4 average megawatts (aMW), 112 percent of the 2017 goal of 56.4 aMW. Renewable energy generation totaled 4.5 aMW, 155 percent of the goal of 2.9 aMW. We fell short of our gas savings goal for Oregon, achieving 6.8 million annual therms or 96 percent of the 2017 goal of 7.1 million annual therms. Some of the ways we achieved energy savings and generation included:
  - We helped more residential, commercial and industrial customers than ever before upgrade to energy-efficient LEDs.
  - We engaged Oregon's strong new construction market, enrolling 702 New Buildings projects and completing 3,096 energy-efficient homes rated with EPS™, an energy performance score.
  - We helped residential customers install 5,800 smart thermostats, up from 3,400 in 2016.
  - We received record applications for customers interested in installing solar panels, including applications for more than 2,000 residential projects and 150 commercial projects.

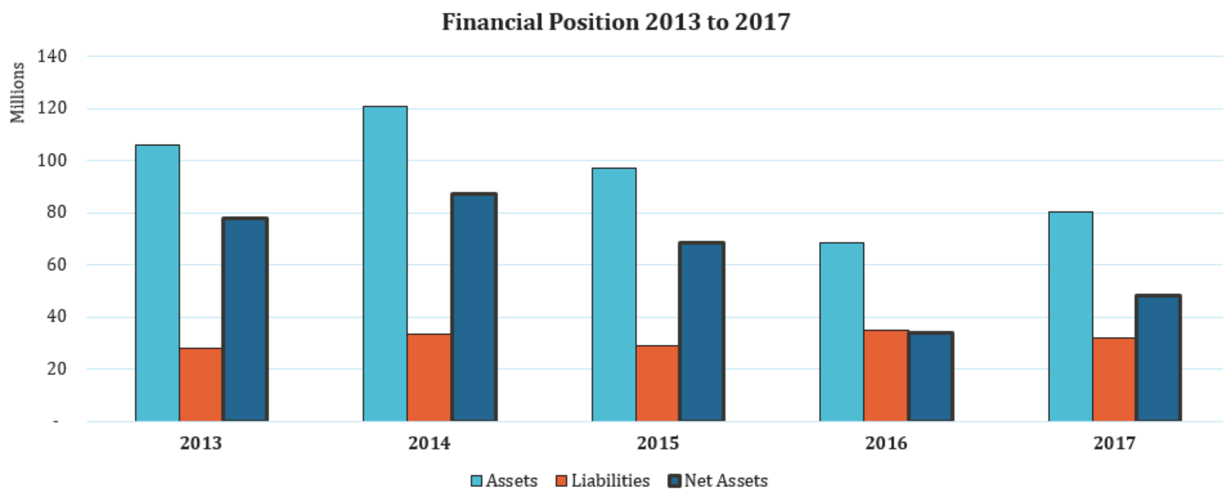
Overview of the Financial Statements

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 $48.1 million at year end. Almost all of Energy Trust's assets are held in cash and investments; capital and other assets comprise around 6.5 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)

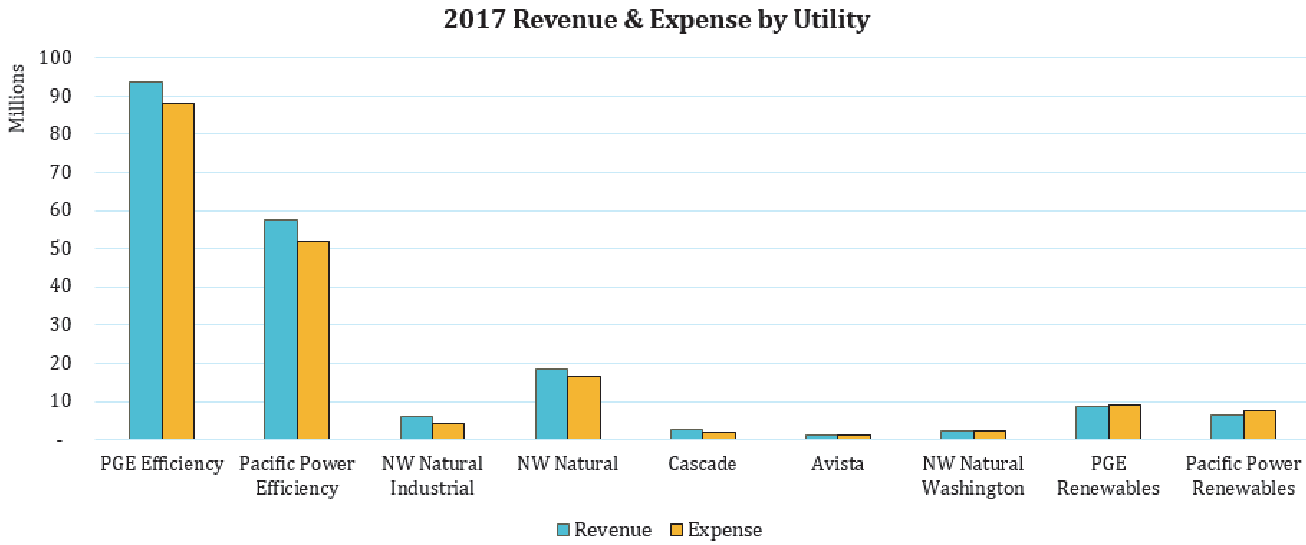
	2017	2016	Change '16 to '17	2015	Change '15 to '16
Cash & Investments	$ 74.9	$ 63.8	$ 11.1	$ 91.1	$ (27.3)
All other Assets	5.2	4.8	0.4	5.8	(1.0)
Total Assets	$ 80.1	$ 68.6	$ 11.5	$ 96.9	$ (28.3)
Total Liabilities	$ 32.0	$ 34.7	$ (2.7)	$ 28.7	$ 6.0
Board Designated Net Assets	-	-	-	-	-
Assets Available for Programs & Operations	48.1	33.9	14.2	68.2	(34.3)
Total Liabilities & Net Assets	$ 80.1	$ 68.6	$ 11.5	$ 96.9	$ (28.3)



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 2017. 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 pursed in 2017.

Statements of Activities
(in millions of dollars)

	2017	2016	Change '16 to '17	2015	Change '15 to '16
Public Purpose Funding	$ 97.7	$ 84.2	$ 13.5	$ 82.8	$ 1.4
Incremental Funding	98.6	66.6	32.0	63.1	3.5
Other Income	0.5	0.5	(0.0)	0.5	0.0
Total Funding	196.8	151.3	45.5	146.4	4.9
Program Expenses	175.4	179.3	(3.9)	159.9	19.4
Administrative Expenses	7.2	6.4	0.8	5.5	0.9
Total Expenses	182.6	185.7	(3.1)	165.4	20.3
Increase (Decrease) in Net Assets	$ 14.2	$ (34.4)	$ 48.6	$ (19.0)	$ (15.4)

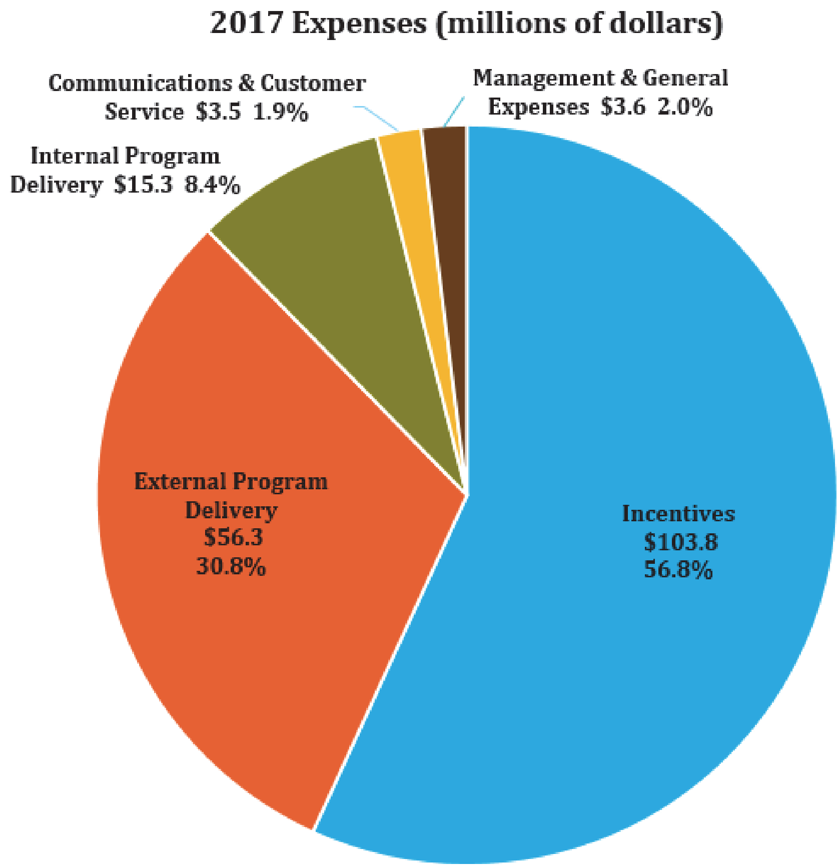


The ***statement of functional expenses*** shows costs by major category organized into program and administrative categories. In 2017, program expenses comprised 96.1 percent of total costs; administrative expenses of 3.9 percent made up the remainder. This composition is similar to the prior year.

Statement of Functional Expenses
(in millions of dollars)

	2017	2016	Change '16 to '17	2015	Change '15 to '16
Energy Efficiency	$ 159.4	$ 159.7	$ (0.4)	$ 142.7	$ 17.0
Renewable Resources	16.0	19.6	(3.6)	17.2	2.4
Other	0.1	-	0.1	-	-
Program Expenses	175.4	179.3	(3.9)	159.9	19.4
Management & General	3.6	3.4	0.2	2.9	0.5
Communcations & Outreach	3.5	3.0	0.6	2.6	0.4
Administrative Expenses	7.2	6.4	0.8	5.5	0.9
Total Expenses	$ 182.6	$ 185.7	$ (3.1)	$ 165.4	$ 20.3

Incentives and Internal Program Delivery expenses decreased from last year. External Program Delivery costs, along with Communications & Customer Service and Management & General Expenses, increased slightly from the previous year. Overall spending dropped 3.1 million (2 percent) from $185.7 million to $182.6 million. However, the percentage breakdown among functions remained relatively consistent. Incentives as a percent of total spending decreased from 59.4 percent to 56.8 percent; external program delivery costs increased from 28.6 percent to 30.8 percent. The percentage of spending in all other categories was up slightly from 12.0 percent to 12.3 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 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 $7.7 million in 2017 and investments increased by $3.4 million.

Statement of Cash Flows
(in millions of dollars)

	2017	2016	Change '16 to '17	2015	Change '15 to '16
Net Cash from operating activities	$ 11.7	$ (26.7)	$ 38.4	$ (23.1)	$ (3.6)
Net Cash used for capital assets	(0.6)	(0.0)	(0.6)	(1.0)	1.0
Net Cash from investing activities	(3.4)	44.0	(47.4)	(0.1)	44.1
(Decrease) Increase in Cash	7.8	17.3	(9.5)	(24.2)	41.5
Cash Beginning of Year	44.5	27.2	17.3	51.4	(24.2)
Cash End of Year	$ 52.2	$ 44.5	$ 7.7	$ 27.2	$ 17.3

Key Economic Factors and Budget Information for Next Year

The economy in Oregon was stable in 2017, with low unemployment rates and a growing and diversifying population. Due to these and other factors, energy-efficient new construction in commercial buildings and new homes was a key source of savings in 2017, and we expect it to remain strong through 2018.

2017 was a record year for LED lighting project volume. 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 2018 budget anticipates revenue of $187 million, and expenditures of $198.9 million. Our revenue requests are less so we can continue the multi-year plan of spending down accumulated net assets, and ending 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, Interim CFO

Financial Statements

ASSETS

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 52,223,904	$ 44,471,034
Investments	22,721,392	19,350,135
Other receivables	51,814	359
Notes receivable, net of allowance	263,669	260,891
Accrued interest receivable	67,264	85,699
Advances paid to contractor	2,489,421	2,050,126
Prepaid expenses	244,443	280,347
Property and equipment, net	883,927	1,133,205
Other assets	1,210,142	1,072,861
Total assets	$ 80,155,976	$ 68,704,657

LIABILITIES AND NET ASSETS

	December 31, 2017	December 31, 2016
LIABILITIES		
Accounts payable and accrued expenses	$ 29,182,034	$ 32,590,883
Accrued payroll and related expenses	1,850,972	1,680,596
Deferred rent liability	990,344	559,253
Total liabilities	32,023,350	34,830,732
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	48,132,626	33,873,925
Total net assets	48,132,626	33,873,925
Total liabilities and net assets	$ 80,155,976	$ 68,704,657

Energy Trust of Oregon, Inc.
Statements of Activities

	Years Ended December 31, 2017	2016
Funding		
Public purpose funding	$ 97,727,202	$ 84,222,567
Incremental funding	98,630,547	66,568,753
Grant revenue	50,651	-
Total funding	196,408,400	150,791,320
Investment returns		
Interest and dividends on investments, net of amortization	425,529	458,184
Interest on notes receivable	3,000	1,411
Unrealized (loss) gain on investments	(2,830)	72,329
Total investment returns	425,699	531,924
Total revenues	196,834,099	151,323,244
Expenses		
Program expenses		
Energy efficiency	159,393,813	159,691,338
Renewable resources	15,953,058	19,596,783
Low and moderate income (LMI) solar	47,633	-
Total program expenses	175,394,504	179,288,121
Administrative expenses		
Management and general	3,615,436	3,404,077
Communication and outreach - general	3,547,967	2,961,790
Total administrative expenses	7,163,403	6,365,867
Avista development	-	28,626
Community solar	17,491	-
Total expenses	182,575,398	185,682,614
INCREASE (DECREASE) IN NET ASSETS	14,258,701	(34,359,370)
NET ASSETS, beginning of year	33,873,925	68,233,295
NET ASSETS, end of year	$ 48,132,626	$ 33,873,925

See accompanying notes.

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	Management and General	Communication and Outreach – General	Total Administrative Expenses	Community Solar	Total Expenses
EXPENSES									
Incentives	$ 91,012,235	$ 12,742,737	$ -	$ 103,754,972	$ -	$ -	$ -	$ -	$ 103,754,972
Program management	55,825,503	493,058	-	56,318,561	-	-	-	-	56,318,561
Payroll and related expenses	3,830,092	1,177,751	27,446	5,035,289	2,390,707	1,674,585	4,065,292	17,123	9,117,704
Outsourced services	3,272,810	690,885	16,152	3,979,847	459,029	1,136,555	1,595,584	190	5,575,621
Planning and evaluation	2,392,129	144,008	-	2,536,137	5,334	125,340	130,674	-	2,666,811
Customer service management	296,171	138,473	-	434,644	-	-	-	-	434,644
Trade Allies Network	354,897	19,352	-	374,249	-	-	-	-	374,249
Supplies	10,089	3,446	15	13,550	10,248	9,245	19,493	-	33,043
Postage and shipping	2,440	834	4	3,278	3,150	1,111	4,261	-	7,539
Telephone	2,737	935	4	3,676	1,448	1,246	2,694	-	6,370
Printing and publications	830	139	1	970	3,704	675	4,379	-	5,349
Occupancy expenses	274,540	93,816	408	368,764	145,224	124,977	270,201	-	638,965
Insurance	31,148	10,644	46	41,838	16,476	14,179	30,655	-	72,493
Equipment	5,102	112,699	8	117,809	2,699	2,323	5,022	-	122,831
Travel	40,246	22,036	-	62,282	45,048	56,436	101,484	79	163,845
Meetings, trainings, and conferences	31,367	19,443	2,448	53,258	70,843	25,040	95,883	99	149,240
Bank fees	-	-	-	-	1,676	-	1,676	-	1,676
Depreciation	29,365	10,035	44	39,444	15,533	13,368	28,901	-	68,345
Dues, licenses, and fees	101,964	10,335	-	112,299	10,907	23,268	34,175	-	146,474
Miscellaneous	60,736	296	1	61,033	458	395	853	-	61,886
IT services	1,819,412	262,136	1,056	2,082,604	432,952	339,224	772,176	-	2,854,780
Total expenses	$ 159,393,813	$ 15,953,058	$ 47,633	$ 175,394,504	$ 3,615,436	$ 3,547,967	$ 7,163,403	$ 17,491	$ 182,575,398

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach – General	Total Administrative Expenses	Avista Development	Total Expenses
EXPENSES								
Incentives	$ 93,736,085	$ 16,540,433	$ 110,276,518	$ -	$ -	$ -	$ -	$ 110,276,518
Program management	52,639,975	438,645	53,078,620	-	-	-	1,940	53,080,560
Payroll and related expenses	3,400,679	1,043,010	4,443,689	2,348,328	1,353,842	3,702,170	26,686	8,172,545
Outsourced services	4,423,336	874,753	5,298,089	351,539	1,099,537	1,451,076	-	6,749,165
Planning and evaluation	2,332,331	77,526	2,409,857	1,723	-	1,723	-	2,411,580
Customer service management	479,377	123,380	602,757	-	-	-	-	602,757
Trade Allies Network	270,932	18,440	289,372	-	-	-	-	289,372
Supplies	8,114	2,760	10,874	8,329	4,161	12,490	-	23,364
Postage and shipping	2,493	849	3,342	2,977	1,214	4,191	-	7,533
Telephone	2,761	940	3,701	1,515	1,094	2,609	-	6,310
Printing and publications	2,656	102	2,758	6,561	118	6,679	-	9,437
Occupancy expenses	241,400	82,175	323,575	132,473	95,595	228,068	-	551,643
Insurance	30,540	10,396	40,936	16,759	12,094	28,853	-	69,789
Equipment	5,436	79,312	84,748	2,983	2,153	5,136	-	89,884
Travel	48,249	23,681	71,930	35,104	51,026	86,130	-	158,060
Meetings, trainings, and conferences	30,300	14,554	44,854	53,229	17,265	70,494	-	115,348
Bank fees	-	-	-	1,668	-	1,668	-	1,668
Depreciation	47,221	16,074	63,295	25,913	18,700	44,613	-	107,908
Dues, licenses, and fees	68,951	11,715	80,666	9,041	13,377	22,418	-	103,084
Miscellaneous	117,320	169	117,489	273	12,384	12,657	-	130,146
IT services	1,803,182	237,869	2,041,051	405,662	279,230	684,892	-	2,725,943
Total expenses	$ 159,691,338	$ 19,596,783	$ 179,288,121	$ 3,404,077	$ 2,961,790	$ 6,365,867	$ 28,626	$ 185,682,614

See accompanying notes.

	Years Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in public purpose funding	$ 97,727,202	$ 84,222,567
Cash received in incremental funding	98,630,547	66,568,753
Interest received	490,738	995,209
Cash received from other sources	50,651	-
Cash paid to contractors, suppliers, and employees	(185,133,015)	(178,543,459)
Net cash from operating activities	11,766,123	(26,756,930)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(595,392)	(51,522)
Purchases of investments	(64,534,011)	(25,035,448)
Sales and maturities of investments	61,116,150	69,328,428
Issuance of notes receivable	-	(200,000)
Net cash from investing activities	(4,013,253)	44,041,458
INCREASE IN CASH AND CASH EQUIVALENTS	7,752,870	17,284,528
CASH AND CASH EQUIVALENTS, beginning of year	44,471,034	27,186,506
CASH AND CASH EQUIVALENTS, end of year	$ 52,223,904	$ 44,471,034
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 14,258,701	$ (34,359,370)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	844,670	926,764
Change in notes receivable allowance	(2,778)	24,718
Unrealized loss (gain) on investments	2,830	(72,329)
Amortization of bond premium	43,774	313,400
Net changes in:		
Other receivables	(51,455)	66,343
Accrued interest receivable	18,435	222,214
Advances paid to contractor	(439,295)	(1,108)
Prepaid expenses	35,904	199,002
Other assets	(137,281)	(215,540)
Accounts payable and accrued expenses	(3,408,849)	5,676,891
Accrued payroll and related expenses	170,376	217,304
Deferred rent liability	431,091	244,781
Net cash from operating activities	$ 11,766,123	$ (26,756,930)

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, 2019.

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 January 1, 2019.

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, 2017 or 2016.
- **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, 2017 or 2016.

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.

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.

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 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 $990,344 and $559,253 for the years ended December 31, 2017 and 2016, 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 unrestricted net assets 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 unrestricted net assets.

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 $1,751,991 and $1,867,384 for the years ended December 31, 2017 and 2016, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2017 or 2016. No interest and penalties were accrued for the years ended December 31, 2017 or 2016. 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. 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, 2017 and 2016, 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.

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 4, 2018, which is the date the financial statements were available to be issued.

Note 3 – Investments

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

	2017	2016
Fixed income investments	$ 5,659,823	$ 7,942,280
Certificates of deposit greater than 90 days	13,082,669	9,419,115
Commercial paper	3,978,900	1,988,740
	$ 22,721,392	$ 19,350,135

Note 4 – Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Computer equipment and software	$ 3,733,082	$ 3,696,232
Office equipment and furniture	815,056	716,876
Leasehold improvements	595,027	318,964
	5,143,165	4,732,072
Less accumulated depreciation	4,442,925	3,598,867
	700,240	1,133,205
Work in process	183,687	-
	$ 883,927	$ 1,133,205

At December 31, 2017, work in process consisted of various software development projects.

Note 5 – 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:

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, 2017 or 2016.

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 5 – 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, 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	$ -

Note 5 – Fair Value Measurements (continued)

		Fair Value Measurements at Report Date Using:		
	Fair Value at December 31, 2016	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	$ 571,396	$ 571,396	$ -	$ -
Guaranteed investment contract	278,126	-	278,126	-
Total deferred compensation assets	849,522	571,396	278,126	-
Investments:				
Fixed income investments				
U.S. corporate bonds	5,016,060	5,016,060	-	-
Canadian corporate bonds	2,000,540	2,000,540	-	-
Municipal bonds	925,680	925,680	-	-
Certificates of deposit	9,419,115	-	9,419,115	-
Commercial paper	1,988,740	-	1,988,740	-
Total investments	19,350,135	7,942,280	11,407,855	-
Total assets measured at fair value	$ 20,199,657	$ 8,513,676	$ 11,685,981	$ -

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, 2017 or 2016.

As of December 31, 2017 and 2016, Energy Trust does not have any liabilities that are required to be measured in accordance with fair value standards.

Note 6 – Notes Receivable

Energy Trust has entered into an agreement with Craft3 to loan up to $300,000 in support of the Savings Within Reach Loan Program. At December 31, 2017 and 2016, Energy Trust had loaned $300,000, which accrues interest at 1%, and is payable quarterly. The note receivable is due and payable on June 30, 2025. At December 31, 2017 and 2016, total accrued interest receivable associated with the notes receivable was $750 and $683, respectively.

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, 2017 and 2016, the allowance for doubtful accounts was $36,331 and $39,109, respectively.

Subsequent to year-end, Energy Trust entered into an additional agreement with Craft3 to loan up to $500,000 in support of the Savings Within Reach Loan Program.

Note 7 – Public Purpose Funding and Incremental Funding

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

	2017	2016
Public purpose funding		
Portland General Electric		
Energy efficiency	$ 29,843,360	$ 28,127,436
Renewable resources	8,593,247	8,105,815
	38,436,607	36,233,251
PacifiCorp		
Energy efficiency	22,701,600	21,541,576
Renewable resources	6,429,328	6,052,225
	29,130,928	27,593,801
Northwest Natural - Oregon		
Energy efficiency	24,379,570	16,613,855
Northwest Natural - Washington		
Energy efficiency	2,120,834	1,937,679
Cascade		
Energy efficiency	2,622,395	1,687,981
Avista		
Energy efficiency	1,036,868	156,000
Total public purpose funding	$ 97,727,202	$ 84,222,567
Incremental funding		
Portland General Electric	$ 63,767,342	$ 41,012,913
PacifiCorp	34,863,205	25,555,840
Total incremental funding	$ 98,630,547	$ 66,568,753

Note 8 – Operating Lease Commitments

Energy Trust leases its administrative offices under an operating lease agreement which expires in June 2025. At December 31, 2017, the aggregate annual commitments under the terms of this lease is payable as follows for the years ending December 31:

2018	$ 718,088
2019	616,641
2020	1,006,895
2021	1,039,348
2022	1,071,801
Thereafter	3,410,122
	$ 7,862,895

Total rent expense under operating leases was $871,536 and $784,667 for the years ended December 31, 2017 and 2016, respectively.

Note 9 – 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, 2017 and 2016, 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 $562,791 and $519,654 for the years ended December 31, 2017 and 2016, 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, 2017 or 2016. Energy Trust recorded an asset and a liability in the amount of $972,828 and $976,378 and $849,522 and $853,072 as of December 31, 2017 and 2016, 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 10 – Contractual Commitments

Energy Trust enters into contract commitments for various goods and services. As of December 31, 2017, Energy Trust expects to pay approximately $68,000,000 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, 2017 totaling no more than $91,000,000. 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, 2017 and 2016. These amounts are unquantifiable and, as such, not disclosed in the notes to the financial statements.

Note 11 – 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 2017 and 2016, Energy Trust's executive director served on the NEEA's board of directors. Total payments to NEEA were approximately $9,802,000 and $5,866,000 for the years ended December 31, 2017 and 2016, respectively.

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