



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

ENERGY TRUST OF OREGON, INC.

December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Moss Adams LLP

Portland, Oregon
April 8, 2020

Energy Trust of Oregon, Inc.
Statements of Financial Position

ASSETS

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 45,339,148	\$ 53,104,537
Investments	51,078,976	38,440,393
Other receivables	176,474	18,763
Notes receivable, net of allowance	782,331	430,669
Accrued interest receivable	76,923	59,768
Advances paid to contractor	2,094,555	2,238,777
Prepaid expenses	392,897	222,218
Property and equipment, net	789,493	658,104
Other assets	1,387,323	1,225,933
Total assets	\$ 102,118,120	\$ 96,399,162

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 34,522,223	\$ 30,567,331
Accrued payroll and related expenses	2,158,507	1,893,614
Deferred rent liability	1,375,759	1,133,461
Total liabilities	38,056,489	33,594,406

COMMITMENTS AND CONTINGENCIES (NOTE 9, NOTE 11)

NET ASSETS

Without donor restrictions	64,061,631	62,804,756
Total net assets	64,061,631	62,804,756
Total liabilities and net assets	\$ 102,118,120	\$ 96,399,162

Energy Trust of Oregon, Inc.

Statements of Activities

	Years Ended December 31,	
	2019	2018
Funding		
Public purpose funding	\$ 99,362,464	\$ 92,218,475
Incremental funding	86,009,474	98,285,767
Grant revenue	317,339	88,944
Total funding	<u>185,689,277</u>	<u>190,593,186</u>
Investment returns		
Interest and dividends on investments, net of amortization	1,591,835	1,064,851
Interest on notes receivable	7,528	4,359
Unrealized gain (loss) on investments, net	13,677	(640)
Unrealized gain (loss) on deferred compensation assets	(6,521)	4,716
Total investment returns	<u>1,606,519</u>	<u>1,073,286</u>
Total revenues	<u>187,295,796</u>	<u>191,666,472</u>
Expenses		
Program expenses		
Energy efficiency programs	163,573,882	155,145,237
Renewable resources programs	11,746,166	11,949,770
Washington program	2,223,101	2,017,219
Community solar program	167,525	-
Low and moderate income (LMI) grant	33,456	84,544
Total program expenses	<u>177,744,130</u>	<u>169,196,770</u>
Administrative expenses		
Management and general	4,442,002	3,837,714
Communication and general outreach	3,846,537	3,945,504
Development	6,252	14,354
Total administrative expenses	<u>8,294,791</u>	<u>7,797,572</u>
Total expenses	<u>186,038,921</u>	<u>176,994,342</u>
INCREASE IN NET ASSETS	1,256,875	14,672,130
NET ASSETS, beginning of year	<u>62,804,756</u>	<u>48,132,626</u>
NET ASSETS, end of year	<u>\$ 64,061,631</u>	<u>\$ 62,804,756</u>

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Energy Efficiency Programs	Renewable Resources Programs	Washington Program	Community Solar Program	LMI Grant	Total Program Expenses	Management and General	Communication and General Outreach	Development	Total Administrative Expenses	Total Expenses
EXPENSES											
Incentives	\$ 91,869,668	\$ 8,055,031	\$ 1,312,945	\$ -	\$ -	\$ 101,237,644	\$ -	\$ -	\$ -	\$ -	\$ 101,237,644
Program delivery subcontracts	58,569,077	334,659	589,143	-	-	59,492,879	-	-	-	-	59,492,879
Employee salaries and fringe benefits	6,837,949	1,440,007	234,419	134,092	26,213	8,672,680	2,953,165	2,310,901	6,252	5,270,318	13,942,998
Agency contractor services	688,676	233,423	7,333	3,202	6,339	938,973	466,576	117,689	-	584,265	1,523,238
Planning and evaluation services	2,083,108	55,722	8,740	-	-	2,147,570	357	-	-	357	2,147,927
Advertising and marketing services	1,497,832	148,357	628	-	-	1,646,817	-	954,373	-	954,373	2,601,190
Other professional services	1,106,426	1,052,565	8,285	9,194	4	2,176,474	558,793	71,127	-	629,920	2,806,394
Travel, meetings, trainings, and conferences	160,253	36,095	5,757	370	10	202,485	99,901	88,449	-	188,350	390,835
Dues, licenses, and fees	49,148	26,186	35,659	7	-	111,000	19,451	23,130	-	42,581	153,581
Software and hardware	148,969	185,628	4,084	2,042	93	340,816	28,954	27,422	-	56,376	397,192
Depreciation and amortization	115,232	25,160	3,198	2,345	103	146,038	36,132	31,581	-	67,713	213,751
Office rent and equipment	393,386	138,851	11,276	15,072	642	559,227	250,127	203,531	-	453,658	1,012,885
Materials, postage, and telephone	52,438	12,233	1,611	1,170	51	67,503	26,067	17,813	-	43,880	111,383
Miscellaneous expenses	1,720	2,249	23	31	1	4,024	2,479	521	-	3,000	7,024
Total expenses	\$ 163,573,882	\$ 11,746,166	\$ 2,223,101	\$ 167,525	\$ 33,456	\$ 177,744,130	\$ 4,442,002	\$ 3,846,537	\$ 6,252	\$ 8,294,791	\$ 186,038,921

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

	Energy Efficiency Programs	Renewable Resources Programs	Washington Program	LMI Grant	Total Program Expenses	Management and General	Communication and General Outreach	Development	Total Administrative Expenses	Total Expenses
EXPENSES										
Incentives	\$ 85,517,032	\$ 8,814,012	\$ 1,120,549	\$ -	\$ 95,451,593	\$ -	\$ -	\$ -	\$ -	\$ 95,451,593
Program delivery subcontracts	56,180,586	380,857	551,578	-	57,113,021	-	-	-	-	57,113,021
Employee salaries and fringe benefits	6,615,100	1,489,084	221,565	10,531	8,336,280	2,614,746	2,246,282	13,923	4,874,951	13,211,231
Agency contractor services	699,682	173,445	8,952	47,145	929,224	223,554	112,026	-	335,580	1,264,804
Planning and evaluation services	2,739,777	23,264	23,894	-	2,786,935	1,629	45,738	-	47,367	2,834,302
Advertising and marketing services	1,273,453	171,021	-	-	1,444,474	-	1,076,760	431	1,077,191	2,521,665
Other professional services	954,645	451,702	17,159	21,434	1,444,940	575,316	121,868	-	697,184	2,142,124
Travel, meetings, trainings, and conferences	160,166	46,807	3,427	3,693	214,093	94,974	61,304	-	156,278	370,371
Dues, licenses, and fees	51,745	15,669	40,450	-	107,864	17,147	20,328	-	37,475	145,339
Software and hardware	123,765	204,868	3,321	155	332,109	26,740	23,240	-	49,980	382,089
Depreciation and amortization	238,077	39,051	6,747	346	284,221	58,910	51,781	-	110,691	394,912
Office rent and equipment	531,403	129,039	17,923	1,147	679,512	191,053	171,974	-	363,027	1,042,539
Materials, postage, and telephone	56,994	10,676	1,617	91	69,378	31,453	13,834	-	45,287	114,665
Miscellaneous expenses	2,812	275	37	2	3,126	2,192	369	-	2,561	5,687
Total expenses	<u>\$ 155,145,237</u>	<u>\$ 11,949,770</u>	<u>\$ 2,017,219</u>	<u>\$ 84,544</u>	<u>\$ 169,196,770</u>	<u>\$ 3,837,714</u>	<u>\$ 3,945,504</u>	<u>\$ 14,354</u>	<u>\$ 7,797,572</u>	<u>\$ 176,994,342</u>

Energy Trust of Oregon, Inc.
Statements of Cash Flows

	Years Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in public purpose funding	\$ 99,362,464	\$ 92,218,475
Cash received in incremental funding	86,009,474	98,285,767
Interest received	1,414,214	1,019,764
Cash received from other sources	317,339	88,944
Cash paid to contractors, suppliers, and employees	(181,733,828)	(174,733,529)
Net cash from operating activities	5,369,663	16,879,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(345,140)	(169,089)
Purchases of investments	(177,444,956)	(184,787,396)
Sales and maturities of investments	164,988,044	169,124,697
Issuance of notes receivable	(333,000)	(167,000)
Net cash from investing activities	(13,135,052)	(15,998,788)
INCREASE IN CASH AND CASH EQUIVALENTS	(7,765,389)	880,633
CASH AND CASH EQUIVALENTS, beginning of year	53,104,537	52,223,904
CASH AND CASH EQUIVALENTS, end of year	\$ 45,339,148	\$ 53,104,537
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,256,875	\$ 14,672,130
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	213,751	394,912
Change in notes receivable allowance	(18,662)	-
Unrealized (gain) loss on investments	(13,677)	640
Unrealized (gain) loss on deferred compensation assets	6,521	(4,716)
Accretion of bond premium	(167,994)	(56,942)
Net changes in		
Other receivables	(157,711)	33,051
Accrued interest receivable	(17,155)	7,496
Advances paid to contractor	144,222	250,644
Prepaid expenses	(170,679)	22,225
Other assets	(167,911)	(11,075)
Accounts payable and accrued expenses	3,954,892	1,385,297
Accrued payroll and related expenses	264,893	42,642
Deferred rent liability	242,298	143,117
Net cash from operating activities	\$ 5,369,663	\$ 16,879,421

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 1 – Organization

Energy Trust of Oregon, Inc. (Energy Trust), a nonprofit 501(c)(3) organization, began collecting public purpose revenues in March 2002. By the terms of its grant agreement with the Oregon Public Utility Commission (OPUC), it is charged with investing in cost-effective energy conservation, funding above-market costs of small scale renewable energy resources, and encouraging energy efficiency market transformation efforts in Oregon.

All Energy Trust funds originally came from a 1999 energy restructuring law, which required Oregon's two largest investor-owned utilities to collect a three percent public purpose charge from their customers. A portion of that charge is transferred to Energy Trust, and the remainder is dedicated to energy conservation efforts in low-income housing and K-12 schools, as well as low-income housing improvements. The sunset date for collection of the public purpose charge is 2026.

The law authorized the OPUC to direct a majority of these public purpose funds to a non-governmental entity for investment. Energy Trust was created for this sole purpose. In November 2001, Energy Trust entered into a grant agreement with the OPUC to guide Energy Trust's electric energy work. The grant agreement was developed with extensive input from key stakeholders and interested parties, and it has been amended several times since 2001. The agreement is reviewed annually by the OPUC and is automatically extended annually for an additional three years unless Energy Trust or the OPUC give notice otherwise.

In 2007, the Oregon State Legislature passed Senate Bill 838 (OSB 838) and it was signed by the governor, which allowed electric utilities to request an increase in rates to pursue additional energy conservation opportunities. In 2008, PacifiCorp and Portland General Electric elected to send funds related to OSB 838 to Energy Trust to pursue energy conservation opportunities for retail electricity purchasers of less than one average megawatt. This precludes Energy Trust from providing services with this funding to some larger commercial and industrial customers. These funds are reported separately in the statement of activities as "incremental funding." The funds received from PacifiCorp and Portland General Electric may be used for conservation efforts in addition to activity funded by the public purpose funds.

In addition to its work under the 1999 energy restructuring law, Energy Trust administers natural gas conservation programs for residential and commercial customers of NW Natural. Under the terms of the 2003 agreement with the OPUC, NW Natural collects and transfers to Energy Trust a surcharge of the total monthly amount billed to non-industrial customers. Energy Trust uses these funds for energy efficiency efforts to benefit NW Natural's Oregon residential and commercial customers. In 2009, Energy Trust began administering energy efficiency programs for qualified industrial customers of NW Natural.

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, 2021. 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 in perpetuity 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, 2019 or 2018.

Concentrations of credit risk

Energy Trust's cash and cash equivalents may subject Energy Trust to concentrations of credit risk, as the fair value of securities is dependent on the ability of the issuer to honor its contractual commitments. Energy Trust's non-interest bearing cash balances may exceed federally insured limits. Energy Trust has not experienced any losses in such accounts to date.

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For purposes of financial statement classification, Energy Trust considers all unrestricted, highly-liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Investments and investment return

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 of deposit 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 return includes realized and unrealized gains and losses, interest and dividends, net of investment expenses, and 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 \$1,375,759 and \$1,133,461 for the years ended December 31, 2019 and 2018, respectively.

Revenue and revenue recognition

All funding is considered available for general use unless specifically restricted by the donor. Public purpose and incremental funding are recognized when funds are received from the funding source.

A portion of Energy Trust's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Energy Trust has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There were no amounts reported as refundable advances in the statements of financial position as Energy Trust had recognized all cost-reimbursable grants at December 31, 2019 and 2018 because qualifying expenditures had been incurred.

Energy Trust has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of Energy Trust's financial reporting.

Note 2 – Summary of Significant Accounting Policies (continued)

Expense allocation

The costs of Energy Trust's 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 on a reasonable basis that is consistently applied. Depreciation and amortization of property and equipment is allocated on a square footage basis or directly according to the program it supports. All other expenses are allocated on the basis of estimates of time and effort or directly to the programs 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 \$1,707,116 and \$1,962,688 for the years ended December 31, 2019 and 2018, 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, 2019 or 2018. No interest and penalties were accrued for the years ended December 31, 2019 or 2018. 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, 2019 or 2018.

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.

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications

Certain reclassifications have been made to the 2018 statement of functional expenses to conform with current year presentation. These reclassifications had 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 8, 2020, which is the date the financial statements were available to be issued. See Note 13.

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 years ended December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 45,339,148	\$ 53,104,537
Other receivables	176,474	18,763
Deferred compensation asset	<u>1,119,764</u>	<u>967,280</u>
	<u>\$ 46,635,386</u>	<u>\$ 54,090,580</u>

Additionally, Energy Trust has \$51,078,976 and \$38,440,393 in long-term investments at December 31, 2019 and 2018, respectively, which could be released for general expenditure if needed with Board approval.

Energy Trust of Oregon, Inc.
Notes to Financial Statements

Note 4 – Investments

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

	<u>2019</u>	<u>2018</u>
Fixed income investments	\$ 9,392,957	\$ 10,946,390
Certificates of deposit greater than 90 days	41,686,019	23,508,803
Commercial paper	-	3,985,200
	<u>\$ 51,078,976</u>	<u>\$ 38,440,393</u>

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Computer equipment and software	\$ 3,965,755	\$ 3,869,226
Office equipment and furniture	803,782	831,612
Leasehold improvements	617,915	615,557
	<u>5,387,452</u>	<u>5,316,395</u>
Less accumulated depreciation	<u>4,812,354</u>	<u>4,658,291</u>
	575,098	658,104
Work in process	<u>214,395</u>	<u>-</u>
	<u>\$ 789,493</u>	<u>\$ 658,104</u>

At December 31, 2019, work in process consisted of various software development projects.

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.

Energy Trust of Oregon, Inc.

Notes to Financial Statements

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 for which 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. 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, 2019 or 2018.

It is Energy Trust's policy to recognize transfers of investments between levels in the fair value hierarchy on December 31st of each year.

Energy Trust of Oregon, Inc.
Notes to Financial Statements

Note 6 – Fair Value Measurements (continued)

The following tables present 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, 2019	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	\$ 1,119,764	\$ 1,119,764	\$ -	\$ -
Total deferred compensation assets	<u>1,119,764</u>	<u>1,119,764</u>	<u>-</u>	<u>-</u>
Investments				
Fixed income investments				
U.S. corporate bonds	7,392,217	7,392,217	-	-
Other foreign corporate bonds	2,000,740	2,000,740	-	-
Certificates of deposit	41,686,019	-	41,686,019	-
Total investments	<u>51,078,976</u>	<u>9,392,957</u>	<u>41,686,019</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 52,198,740</u>	<u>\$ 10,512,721</u>	<u>\$ 41,686,019</u>	<u>\$ -</u>
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	<u>967,280</u>	<u>967,280</u>	<u>-</u>	<u>-</u>
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	<u>38,440,393</u>	<u>10,946,390</u>	<u>27,494,003</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 39,407,673</u>	<u>\$ 11,913,670</u>	<u>\$ 27,494,003</u>	<u>\$ -</u>

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 6 – Fair Value Measurements (continued)

Assets are to be classified in the table above by recurring or non-recurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date. There were no assets measured on a non-recurring basis at December 31, 2019 or 2018.

As of December 31, 2019 and 2018, 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, 2019 and 2018, Energy Trust had loaned \$800,000 and \$467,000, respectively, which accrues interest at 1% and is payable quarterly. 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, 2019 and 2018, no amounts were outstanding in connection with this agreement.

For each of the years ended December 31, 2019 and 2018, total accrued interest receivable associated with the notes receivable was \$750.

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 \$17,669 and \$36,331, respectively, for the years ended December 31, 2019 and 2018.

Energy Trust of Oregon, Inc.
Notes to Financial Statements

Note 8 – Public Purpose Funding and Incremental Funding

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

	2019	2018
Public purpose funding		
Portland General Electric		
Energy efficiency	\$ 30,421,746	\$ 29,852,268
Renewable resources	8,760,366	8,599,076
	39,182,112	38,451,344
PacifiCorp		
Energy efficiency	21,670,820	22,064,810
Renewable resources	6,170,333	6,310,563
	27,841,153	28,375,373
Northwest Natural – Oregon		
Energy efficiency	24,597,438	19,301,975
Cascade		
Energy efficiency	3,418,970	2,428,812
Northwest Natural – Washington		
Energy efficiency	2,230,921	2,335,838
Avista		
Energy efficiency	2,091,870	1,325,133
Total public purpose funding	\$ 99,362,464	\$ 92,218,475
Incremental funding		
Portland General Electric	\$ 53,349,361	\$ 65,652,983
PacifiCorp	32,660,113	32,632,784
Total incremental funding	\$ 86,009,474	\$ 98,285,767

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 9 – Operating Lease Commitments

Energy Trust leases its administrative offices under an operating lease agreement which expires in June 2025. At December 31, 2019, the aggregate annual commitments under the terms of this lease is payable as follows for the years ending December 31:

2020	\$ 1,007,945
2021	1,039,348
2022	1,071,801
2023	1,104,254
2024	1,136,707
Thereafter	<u>1,169,160</u>
	<u>\$ 6,529,215</u>

Total rent expense under operating leases was \$864,304 and \$866,961 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 \$627,343 and \$601,174 for the years ended December 31, 2019 and 2018, 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, 2019 or 2018. Energy Trust recorded an asset and a liability in the amount of \$1,119,764 and \$1,121,569 and \$967,280 and \$962,564 as of December 31, 2019 and 2018, 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, 2019, Energy Trust expects to pay approximately \$111,000,000 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, 2019 totaling no more than \$42,000,000. 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, 2019 and 2018. 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 2019 and 2018, Energy Trust's executive director served on the NEEA's board of directors. Total payments to NEEA were approximately \$8,562,000 and \$7,424,000 for the years ended December 31, 2019 and 2018, respectively.

Note 13 – Subsequent Events

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. Energy Trust responded to the coronavirus outbreak by enabling almost all of its employees to work remotely, banning all non-essential travel and placing a temporary hold on most in-person meetings. Given the dynamic nature of these circumstances, it is too early to tell what effect these changes will have on the business in the short term. Energy Trust will continue to monitor the situation closely, but given the uncertainty about the situation, we can't estimate the impact to our financial statements.

