



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

ENERGY TRUST OF OREGON, INC.

December 31, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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 7, 2021

Energy Trust of Oregon, Inc.
Statements of Financial Position

ASSETS

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 70,585,988	\$ 45,339,148
Investments	5,168,914	51,078,976
Other receivables	433,829	176,474
Notes receivable, net of allowance	782,331	782,331
Accrued interest receivable	750	76,923
Advances paid to contractor	1,924,827	2,094,555
Prepaid expenses	376,223	392,897
Property and equipment, net	777,537	789,493
Other assets	1,559,790	1,387,323
Total assets	\$ 81,610,189	\$ 102,118,120

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 24,367,938	\$ 34,522,223
Accrued payroll and related expenses	2,255,340	2,158,507
Deferred rent liability	1,227,597	1,375,759
Total liabilities	27,850,875	38,056,489

COMMITMENTS AND CONTINGENCIES (NOTE 9, NOTE 11)

NET ASSETS

Without donor restrictions		
Undesignated	43,512,496	53,909,423
Designated	10,246,818	10,152,208
Total net assets	53,759,314	64,061,631
Total liabilities and net assets	\$ 81,610,189	\$ 102,118,120

Energy Trust of Oregon, Inc.

Statements of Activities

	Years Ended December 31,	
	2020	2019
Funding		
Public purpose funding	\$ 98,013,534	\$ 99,362,464
Incremental funding	80,144,944	86,009,474
Grant revenue	501,994	317,339
Other revenue	61,009	-
Total funding	178,721,481	185,689,277
Investment returns		
Interest and dividends on investments, net of amortization	489,535	1,591,835
Interest on notes receivable	8,000	7,528
Unrealized (loss) gain on investments, net	(8,154)	13,677
Unrealized loss on deferred compensation assets	(3,939)	(6,521)
Total investment returns	485,442	1,606,519
Total revenues	179,206,923	187,295,796
Expenses		
Program expenses		
Energy efficiency programs	166,720,373	163,573,882
Renewable resources programs	11,564,869	11,746,166
Washington program	2,255,492	2,223,101
Community solar program	268,568	167,525
PGE storage	20,439	-
Low and moderate income (LMI) grant	8,844	33,456
Total program expenses	180,838,585	177,744,130
Administrative expenses		
Management and general	4,737,426	4,442,002
Communication and general outreach	3,925,507	3,846,537
Development	7,722	6,252
Total administrative expenses	8,670,655	8,294,791
Total expenses	189,509,240	186,038,921
(DECREASE) INCREASE IN NET ASSETS	(10,302,317)	1,256,875
NET ASSETS, beginning of year	64,061,631	62,804,756
NET ASSETS, end of year	\$ 53,759,314	\$ 64,061,631

Energy Trust of Oregon, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Energy Efficiency Programs	Renewable Resources Programs	Washington Program	Community Solar Program	PGE Storage	LMI Grant	Total Program Expenses	Management and General	Communication and General Outreach	Development	Total Administrative Expenses	Total Expenses
EXPENSES												
Incentives	\$ 95,952,068	\$ 7,403,808	\$ 1,225,467	\$ -	\$ -	\$ -	\$ 104,581,343	\$ -	\$ -	\$ -	\$ -	\$ 104,581,343
Program delivery subcontracts	55,499,715	577,625	635,627	-	7,050	-	56,720,017	-	-	-	-	56,720,017
Employee salaries and fringe benefits	7,151,796	1,709,340	267,141	211,219	11,613	6,645	9,357,754	3,628,119	2,384,579	7,722	6,020,420	15,378,174
Agency contractor services	1,004,515	238,548	10,713	1,976	95	3,950	1,259,797	163,001	99,127	-	262,128	1,521,925
Planning and evaluation services	3,081,022	27,224	29,344	-	-	-	3,137,590	21,120	19,786	-	40,906	3,178,496
Advertising and marketing services	1,930,188	137,354	320	-	-	-	2,067,862	1,500	1,006,956	-	1,008,456	3,076,318
Other professional services	1,143,604	932,017	12,563	25,080	18	(7)	2,113,275	501,888	103,725	-	605,613	2,718,888
Travel, meetings, trainings, and conferences	18,752	8,380	513	945	-	-	28,590	44,673	18,687	-	63,360	91,950
Dues, licenses, and fees	55,224	14,850	42,820	6	-	-	112,900	17,278	41,546	-	58,824	171,724
Software and hardware	221,501	327,982	6,555	4,407	308	(245)	560,508	52,706	38,289	-	90,995	651,503
Depreciation and amortization	146,728	31,243	4,702	4,157	268	(282)	186,816	49,742	35,460	-	85,202	272,018
Office rent and equipment	469,399	147,957	17,883	19,680	1,044	(1,114)	654,849	235,536	167,887	-	403,423	1,058,272
Materials, postage, and telephone	42,076	8,506	1,840	1,093	43	(103)	53,455	19,422	9,426	-	28,848	82,303
Miscellaneous expenses	3,785	35	4	5	-	-	3,829	2,441	39	-	2,480	6,309
Total expenses	\$ 166,720,373	\$ 11,564,869	\$ 2,255,492	\$ 268,568	\$ 20,439	\$ 8,844	\$ 180,838,585	\$ 4,737,426	\$ 3,925,507	\$ 7,722	\$ 8,670,655	\$ 189,509,240

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. Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Cash received in public purpose funding	\$ 98,013,534	\$ 99,362,464
Cash received in incremental funding	80,144,944	86,009,474
Interest received	573,708	1,414,214
Cash received from other sources	563,003	317,339
Cash paid to contractors, suppliers, and employees	<u>(199,690,194)</u>	<u>(181,733,828)</u>
Net cash (used in) from operating activities	<u>(20,395,005)</u>	<u>5,369,663</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of property and equipment	(260,063)	(345,140)
Purchases of investments	(109,827,411)	(177,444,956)
Sales and maturities of investments	155,729,319	164,988,044
Issuance of notes receivable	<u>-</u>	<u>(333,000)</u>
Net cash from (used in) investing activities	<u>45,641,845</u>	<u>(13,135,052)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	25,246,840	(7,765,389)
CASH AND CASH EQUIVALENTS, beginning of year	<u>45,339,148</u>	<u>53,104,537</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 70,585,988</u>	<u>\$ 45,339,148</u>
RECONCILIATION OF (DECREASE) INCREASE IN NET ASSETS TO NET CASH (USED IN) FROM OPERATING ACTIVITIES		
Decrease (increase) in net assets	\$ (10,302,317)	\$ 1,256,875
Adjustments to reconcile change in net assets to net cash (used in) from operating activities		
Depreciation and amortization	272,019	213,751
Change in notes receivable allowance	-	(18,662)
Unrealized loss (gain) on investments	8,154	(13,677)
Unrealized loss on deferred compensation assets	3,939	6,521
Accretion of bond premium	-	(167,994)
Net changes in		
Other receivables	(257,355)	(157,711)
Accrued interest receivable	76,173	(17,155)
Advances paid to contractor	169,728	144,222
Prepaid expenses	16,674	(170,679)
Other assets	(176,406)	(167,911)
Accounts payable and accrued expenses	(10,154,285)	3,954,892
Accrued payroll and related expenses	96,833	264,893
Deferred rent liability	<u>(148,162)</u>	<u>242,298</u>
Net cash (used in) from operating activities	<u>\$ (20,395,005)</u>	<u>\$ 5,369,663</u>

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, 2022. Unless terminated, the agreement will automatically renew for successive one-year terms on February 1 of each year.

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. The Board of Directors has designated, from net assets without donor restrictions, amounts for various purposes. These designations can be released at any time with Board approval. See Note 8.

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, 2020 or 2019.

Concentrations of credit risk

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

Cash and cash equivalents

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

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Investments and investment return

Holdings consist of fixed income investments and certificates of deposit which 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 \$1,227,597 and \$1,375,759 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 because qualifying expenditures had been incurred.

Energy Trust accounts for grants and contributions under 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 \$2,033,032 and \$1,707,116 for the years ended December 31, 2020 and 2019, 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, 2020 or 2019. No interest and penalties were accrued for the years ended December 31, 2020 or 2019. 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, 2020 or 2019.

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)

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 7, 2021, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 70,585,988	\$ 45,339,148
Other receivables	433,829	176,474
Deferred compensation asset	<u>1,292,237</u>	<u>1,119,764</u>
	<u>\$ 72,312,054</u>	<u>\$ 46,635,386</u>

As part of Energy Trust's liquidity plan, Energy Trust invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. At December 31, 2020 and 2019, Energy Trust had \$5,168,914 and \$51,078,976 in investments which could be released for general expenditure if needed with Board approval. Additionally, the Board has designated net assets for various purposes as disclosed in Note 8. These amounts totaling \$10,246,818 and \$10,152,208 at December 31, 2020 and 2019, respectively, could be used for general expenditure upon approval by the Board, if necessary.

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>2020</u>	<u>2019</u>
Fixed income investments	\$ -	\$ 9,392,957
Certificates of deposit greater than 90 days	<u>5,168,914</u>	<u>41,686,019</u>
	<u>\$ 5,168,914</u>	<u>\$ 51,078,976</u>

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computer equipment and software	\$ 4,330,739	\$ 3,965,755
Office equipment and furniture	803,782	803,782
Leasehold improvements	<u>652,340</u>	<u>617,915</u>
	5,786,861	5,387,452
Less accumulated depreciation	<u>5,084,374</u>	<u>4,812,354</u>
	702,487	575,098
Work in process	<u>75,050</u>	<u>214,395</u>
	<u>\$ 777,537</u>	<u>\$ 789,493</u>

At December 31, 2020 and 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 and certificates of deposit. 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, 2020 or 2019.

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, 2020	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	\$ 1,292,237	\$ 1,292,237	\$ -	\$ -
Total deferred compensation assets	1,292,237	1,292,237	-	-
Investments				
Certificates of deposit	5,168,914	-	5,168,914	-
Total investments	5,168,914	-	5,168,914	-
Total assets measured at fair value	<u>\$ 6,461,151</u>	<u>\$ 1,292,237</u>	<u>\$ 5,168,914</u>	<u>\$ -</u>
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	1,119,764	1,119,764	-	-
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	51,078,976	9,392,957	41,686,019	-
Total assets measured at fair value	<u>\$ 52,198,740</u>	<u>\$ 10,512,721</u>	<u>\$ 41,686,019</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, 2020 or 2019.

As of December 31, 2020 and 2019, 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, 2020 and 2019, Energy Trust had loaned \$800,000, which accrues interest at 1% and is payable quarterly. The note receivable is due and payable on June 30, 2025. At December 31, 2020 and 2019, the outstanding balance totaled \$782,331.

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, 2020 and 2019, no amounts were outstanding in connection with this agreement.

In 2020, the Board of Directors authorized an additional \$500,000 for the Savings Within Reach Loan Program. As of December 31, 2020, no contracts had been executed to loan any of these funds.

For each of the years ended December 31, 2020 and 2019, 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 \$36,331 for the years ended December 31, 2020 and 2019.

Note 8 – Designated Net Assets Without Donor Restrictions

The following funds have been designated by the Board of Directors at December 31:

	<u>2020</u>	<u>2019</u>
Emergency contingency reserve	\$ 5,000,000	\$ 5,000,000
Operational contingency reserve	2,946,818	2,852,208
Loans made or reserved (see Note 7)	<u>2,300,000</u>	<u>2,300,000</u>
	<u>\$ 10,246,818</u>	<u>\$ 10,152,208</u>

Energy Trust of Oregon, Inc.
Notes to Financial Statements

Note 9 – Public Purpose Funding and Incremental Funding

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

	2020	2019
Public purpose funding		
Portland General Electric		
Energy efficiency	\$ 29,858,937	\$ 30,421,746
Renewable resources	8,643,886	8,760,366
Storage	29,402	-
	38,532,225	39,182,112
PacifiCorp		
Energy efficiency	21,381,128	21,670,820
Renewable resources	6,169,989	6,170,333
	27,551,117	27,841,153
Northwest Natural – Oregon		
Energy efficiency	24,074,589	24,597,438
	24,074,589	24,597,438
Cascade		
Energy efficiency	3,230,028	3,418,970
	3,230,028	3,418,970
Northwest Natural – Washington		
Energy efficiency	2,552,283	2,230,921
	2,552,283	2,230,921
Avista		
Energy efficiency	2,073,292	2,091,870
	2,073,292	2,091,870
Total public purpose funding	\$ 98,013,534	\$ 99,362,464
Incremental funding		
Portland General Electric		
PacifiCorp	\$ 47,834,756	\$ 53,349,361
	32,310,188	32,660,113
Total incremental funding	\$ 80,144,944	\$ 86,009,474

Energy Trust of Oregon, Inc.

Notes to Financial Statements

Note 10 – Operating Lease Commitments

Energy Trust leases its administrative offices under an operating lease agreement which expires in June 2025. At December 31, 2020, the aggregate annual commitments under the terms of this lease is payable as follows for the years ending December 31:

2021	\$ 1,040,503
2022	1,071,801
2023	1,104,254
2024	1,136,707
2025	<u>1,169,160</u>
	<u>\$ 5,522,425</u>

Total rent expense under operating leases was \$883,227 and \$864,304 for the years ended December 31, 2020 and 2019, respectively.

Note 11 – 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, 2020 and 2019, 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 \$749,398 and \$627,343 for the years ended December 31, 2020 and 2019, 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, 2020 or 2019. Energy Trust recorded an asset and a liability in the amount of \$1,292,237 and \$1,119,764 and \$1,297,981 and \$1,121,569 as of December 31, 2020 and 2019, 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 12 – Contractual Commitments

Energy Trust enters into contract commitments for various goods and services. As of December 31, 2020, Energy Trust expects to pay approximately \$93,000,000 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, 2020 totaling no more than \$65,000,000. 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, 2020 and 2019. These amounts are unquantifiable and, as such, not disclosed in the notes to the financial statements.

Note 13 – 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 2020 and 2019, Energy Trust's executive director served on the NEEA's board of directors. Total payments to NEEA were approximately \$7,363,000 and \$8,562,000 for the years ended December 31, 2020 and 2019, respectively.

Note 14 – Uncertainty Related to COVID-19 Pandemic

Since March 2020, financial markets and economic conditions have undergone a significant negative impact as a result of the COVID-19 global pandemic. The extent of the impact of COVID-19 on Energy Trust's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the related impact on the utilities, rate payors, employees, and vendors, all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact Energy Trust's financial position and results of operations cannot be reasonably estimated at this time.

