Financial Statements
For the Years Ended December 31, 2010 and 2009
With Independent Auditors' Report

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ENERGY TRUST OF OREGON, INC.
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
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PERKINS & CO

+ 1211 SW Fifth Avenue, Suite 1000
+ Portland, Oregon 97204-3710
+ Telephone: 503.221.0336
+ Fax: 503.294.4378
+ www.perkinsaccounting.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Energy Trust of Oregon, Inc.

We have audited the accompanying statements of financial position of Energy Trust of Oregon, Inc. (the Organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Trust of Oregon, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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ENERGY TRUST OF OREGON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Cash and cash equivalents	$ 67,600,402	$ 63,059,795
Investments	8,042,156	-
Other receivables	11,754	104,466
Accrued interest receivable	60,418	2,471
Advances paid to contractor	1,684,682	39,065
Prepaid expenses	420,341	182,941
Property and equipment	630,998	270,796
Other assets	261,677	170,450
Restricted cash and cash equivalents	1,436,544	5,533,971
Total assets	$ 80,148,972	$ 69,363,955
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 17,603,148	$ 10,092,364
Accrued payroll and related expenses	678,522	537,918
Deferred rent liability	57,397	104,910
Total liabilities	18,339,067	10,735,192
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Board-designated for specific purposes	1,436,544	5,533,971
Available for programs and general operations	60,373,361	53,094,792
Total net assets	61,809,905	58,628,763
	$ 80,148,972	$ 69,363,955

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See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED NET ASSETS		
FUNDING:		
Public purpose funding	$ 84,682,862	$ 69,486,368
Incremental funding	41,023,323	21,810,741
Interest income	417,905	588,192
Other income	2,036	6,264
Total funding	126,126,126	91,891,565
EXPENSES:		
Program expenses:		
Energy efficiency	99,656,643	80,196,357
Renewable resources	19,145,850	13,135,516
Total program expenses	118,802,493	93,331,873
Administrative expenses:		
Management and general	2,466,500	2,172,385
Communication and outreach - general	1,675,991	1,496,129
Total administrative expenses	4,142,491	3,668,514
Total expenses	122,944,984	97,000,387
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	3,181,142	(5,108,822)
NET ASSETS AT BEGINNING OF YEAR	58,628,763	63,737,585
NET ASSETS AT END OF YEAR	$ 61,809,905	$ 58,628,763

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See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES:							
Incentives and program management	$ 89,777,278	$ 16,722,137	$ 106,499,415	$ -	$ -	$ -	$ 106,499,415
Payroll and related expenses	1,616,129	864,356	2,480,485	1,587,705	461,250	2,048,955	4,529,440
Outsourced services	4,079,902	816,498	4,896,400	245,581	974,296	1,219,877	6,116,277
Planning and evaluation	1,361,118	202,493	1,563,611	28,211	19,767	47,978	1,611,589
Customer service management	780,434	77,837	858,271	-	-	-	858,271
Trade Allies Network	333,311	34,339	367,650	-	-	-	367,650
Supplies	10,153	4,798	14,951	8,597	3,449	12,046	26,997
Postage and shipping	2,915	1,416	4,331	3,040	890	3,930	8,261
Telephone	4,178	2,211	6,389	3,309	892	4,201	10,590
Printing and publications	54,568	12,000	66,568	4,351	14,820	19,171	85,739
Occupancy expenses	103,298	50,188	153,486	78,813	31,554	110,367	263,853
Insurance	19,818	9,629	29,447	15,120	6,054	21,174	50,621
Equipment	3,010	45,743	48,753	2,297	2,694	4,991	53,744
Travel	31,638	25,939	57,577	24,513	1,041	25,554	83,131
Meetings, trainings and conferences	21,641	12,206	33,847	80,313	3,257	83,570	117,417
Bank fees	-	-	-	5,000	-	5,000	5,000
Depreciation and amortization	4,553	20,250	24,803	3,474	1,391	4,865	29,668
Dues, licenses and fees	62,690	30,689	93,379	9,670	5,262	14,932	108,311
Miscellaneous	13,353	6,625	19,978	178	34	212	20,190
IT services	1,376,656	206,496	1,583,152	366,328	149,340	515,668	2,098,820
Total expenses	$ 99,656,643	$ 19,145,850	$ 118,802,493	$ 2,466,500	$ 1,675,991	$ 4,142,491	$ 122,944,984

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See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES:							
Incentives and program management	$ 71,929,612	$ 10,792,517	$ 82,722,129	$ -	$ -	$ -	$ 82,722,129
Payroll and related expenses	1,393,155	835,428	2,228,583	1,320,977	443,865	1,764,842	3,993,425
Outsourced services	3,338,919	777,970	4,116,889	359,623	832,951	1,192,574	5,309,463
Planning and evaluation	1,146,655	258,546	1,405,201	18,408	1,698	20,106	1,425,307
Customer service management	792,166	103,831	895,997	-	-	-	895,997
Supplies	14,781	7,144	21,925	13,330	5,866	19,196	41,121
Postage and shipping	2,915	1,626	4,541	5,206	8,482	13,688	18,229
Telephone	4,626	3,330	7,956	5,046	985	6,031	13,987
Printing and publications	55,366	18,719	74,085	5,868	28,775	34,643	108,728
Occupancy expenses	80,760	48,875	129,635	68,923	29,180	98,103	227,738
Insurance	20,346	12,314	32,660	17,364	7,351	24,715	57,375
Equipment	7,677	5,046	12,723	6,552	4,185	10,737	23,460
Travel	23,494	23,857	47,351	17,885	2,277	20,162	67,513
Meetings, trainings and conferences	25,464	9,941	35,405	60,630	2,261	62,891	98,296
Depreciation and amortization	3,030	17,471	20,501	2,586	1,095	3,681	24,182
Dues, licenses and fees	46,850	1,140	47,990	8,346	3,638	11,984	59,974
Miscellaneous	1,678	1,661	3,339	120	296	416	3,755
IT services	1,308,863	216,100	1,524,963	261,521	123,224	384,745	1,909,708
Total expenses	$ 80,196,357	$ 13,135,516	$ 93,331,873	$ 2,172,385	$ 1,496,129	$ 3,668,514	$ 97,000,387

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See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received in public purpose funding	$ 84,682,862	$ 69,486,368
Cash received in incremental funding	41,023,323	21,810,741
Cash received from other sources	75,215	225,799
Interest received	359,958	593,647
Cash paid to contractors, suppliers, and employees	(117,178,756)	(96,218,020)
Net cash provided by (used in) operating activities	8,962,602	(4,101,465)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments	(10,050,118)	(1,561,276)
Proceeds from sale of investments	2,007,962	11,388,974
Acquisition of property and equipment	(477,266)	(212,122)
Decrease in restricted cash and cash equivalents	4,097,427	4,594,558
Proceeds from sale of restricted investments	-	1,049,537
Net cash provided by (used in) investing activities	(4,421,995)	15,259,671
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,540,607	11,158,206
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,059,795	51,901,589
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 67,600,402	$ 63,059,795
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 3,181,142	$ (5,108,822)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	117,064	99,762
Net changes in:		
Other receivables	92,712	212,018
Accrued interest receivable	(57,947)	5,455
Advances paid to contractor	(1,645,617)	745,222
Prepaid expenses	(237,400)	10,891
Other assets	(91,227)	(75,496)
Accounts payable and accrued expenses	7,510,784	(81,256)
Accrued payroll and related expenses	140,604	128,679
Deferred rent liability	(47,513)	(37,918)
	5,781,460	1,007,357
Net cash provided by (used in) operating activities	$ 8,962,602	$ (4,101,465)

See notes to financial statements.

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NOTE 1 - ORGANIZATION

Energy Trust of Oregon, Inc. (Energy Trust), a nonprofit 501(c)(3) organization (the 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 renewable energy resources, and encouraging energy efficiency market transformation efforts in Oregon.

Energy Trust funds come from a 1999 energy restructuring law, which required Oregon's two largest investor-owned utilities to collect a three percent "public purposes" 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 original sunset date for collection of the public purpose charge was 2012. In 2007, the legislature extended the sunset date to 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 Senate passed Bill 838 (OSB 838), 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 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 December 31, 2011, unless extended by the two parties.

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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 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, temporarily restricted net assets and permanently restricted net assets. Energy Trust had no temporarily restricted or permanently restricted net assets as of December 31, 2010 and 2009.

Concentrations of Credit Risk - Energy Trust's cash and cash equivalents consist of cash, money market instruments and certificates of deposit with maturities at acquisition of three months or less. These financial instruments may subject the Organization to concentrations of credit risk, as the market value of securities is dependent on the ability of the issuer to honor its contractual commitments. All of its non-interest bearing cash balances were fully insured at December 31, 2010 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to $250,000 per depositer at each financial institution, and the Organization's non-interest bearing cash balances may, again, exceed federally insured limits.

Cash and Cash Equivalents - Cash and cash equivalents consist of the following at December 31:

	2010	2009
Cash	$ 20,455,800	$ 8,080,865
Money market instruments	10,011,031	44,970,323
Certificates of deposit	37,133,271	10,008,607
	$ 67,600,402	$ 63,059,795

Restricted Cash and Cash Equivalents - Energy Trust has money market instruments with a value of $1,436,544 and $5,533,971 reported as restricted cash and cash equivalents at December 31, 2010 and 2009, respectively. These funds are held in escrow accounts for the benefit of program recipients, as contractually required and designated by the board of directors of Energy Trust.

Investments - Investments consist primarily of certificates of deposit with maturities at acquisition of greater than three months. Energy Trust regularly reviews its investments to determine whether a decline in fair value below the carrying value is other-than-temporary. If a decline in fair value is considered other-than-temporary, the carrying amount of the security is written down and the amount of the write-down is included in results of operations.

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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. Lesser amounts are expensed.

In 2010, the Organization incurred costs for an internal-use software project. Such costs have been either capitalized or expensed in accordance with Accounting Standards Codification (ASC) 350-40, *Internal-Use Software*. The internal-use software asset has not been placed in service as of December 31, 2010.

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. Other income and interest income are recognized at the time services are provided and the revenues are earned.

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 $1,348,220 and $1,141,348 for 2010 and 2009, respectively.

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

Generally, the Organization is subject to examination by federal, state and local income tax authorities for three years from the filing of a tax return. With few exceptions, the Organization is no longer subject to such examinations for years ended before December 31, 2007.

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.

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NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2010	2009
Computer equipment and software	$ 976,859	$ 1,010,947
Leasehold improvements	22,382	22,382
Office equipment and furniture	138,156	127,354
Program equipment at service sites	87,564	101,675
	1,224,961	1,262,358
Less accumulated depreciation	991,466	991,562
	233,495	270,796
Internal-use software asset in process	397,503	-
	$ 630,998	$ 270,796

NOTE 4 - LINES OF CREDIT

Energy Trust maintains a line of credit agreement with Bank of the Cascades. Under the agreement, Energy Trust has available an unsecured line of credit in the amount of $4,000,000. The interest rate is based on the Bank of the Cascades prime rate less 0.5% (2.75% at December 31, 2010). The line matures on March 31, 2011. As of December 31, 2010 and 2009, no borrowings were outstanding under the line of credit. On January 12, 2011, Energy Trust terminated the line of credit agreement with Bank of the Cascades.

Energy Trust maintains a second line of credit agreement with Umpqua Bank. Under the agreement, Energy Trust has available an unsecured line of credit in the amount of $4,000,000. The interest rate is based on the Umpqua Bank prime rate less 0.5% (2.75% at December 31, 2010). The line matures on September 5, 2011. As of December 31, 2010 and 2009, no borrowings were outstanding under the line of credit.

NOTE 5 - FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by ASC 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: Observable inputs other than those included in Level 1. For example, quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include investments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis at December 31 are as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2010				
Certificate of deposit:				
In cash and cash equivalents	$ 37,133,271	$ -	$ 37,133,271	$ -
In investments	8,042,156	-	8,042,156	-
	45,175,427	-	45,175,427	-
Money market instruments:				
In cash and cash equivalents	10,011,031	10,011,031	-	-
In restricted cash and cash equivalents	1,436,544	1,436,544	-	-
	11,447,575	11,447,575	-	-
Mutual funds:				
In other assets	233,677	233,677	-	-
Total at fair value	$ 56,856,679	$ 11,681,252	$ 45,175,427	$ -

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December 31, 2009				
Certificate of deposit:				
In cash and cash equivalents	$ 10,008,607	$ -	$ 10,008,607	$ -
Money market instruments:				
In cash and cash equivalents	44,970,323	44,970,323	-	-
In restricted cash and cash equivalents	5,533,971	5,533,971	-	-
	50,504,294	50,504,294	-	-
Mutual funds:				
In other assets	144,450	144,450	-	-
Total at fair value	$ 60,657,351	$ 50,648,744	$ 10,008,607	$ -

The availability of observable inputs can vary from instrument to instrument and is affected by a variety of factors including the availability of published interest rates on similar assets. The level of a fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. The categorization of a fair value measurement within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

The Organization's certificates of deposit trade in markets that are not considered to be active, but their fair values are based on dealer quotations supported by observable inputs and, therefore, are categorized in Level 2 of the fair value hierarchy. There were no changes in valuation techniques for certificates of deposit during the years ended December 31, 2010 and 2009.

The notes to financial statements continue on the following page.

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NOTE 6 - PUBLIC PURPOSE FUNDING AND INCREMENTAL FUNDING

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

	2010	2009
Public Purpose Funding		
Portland General Electric:		
Energy efficiency	$ 27,065,764	$ 26,669,621
Renewable resources	7,697,460	7,841,615
	34,763,224	34,511,236
PacifiCorp:		
Energy efficiency	16,538,516	16,391,296
Renewable resources	4,990,986	4,944,255
	21,529,502	21,335,551
Northwest Natural - Oregon:		
Energy efficiency	25,957,440	12,183,840
Northwest Natural – Washington:		
Energy efficiency	990,416	455,566
Cascade:		
Energy efficiency	1,442,280	1,000,175
Total public purpose funding	$ 84,682,862	$ 69,486,368
Incremental Funding		
Portland General Electric	$ 22,034,356	$ 13,655,740
PacifiCorp	18,988,967	8,155,001
Total incremental funding	$ 41,023,323	$ 21,810,741

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NOTE 7 - OPERATING LEASE COMMITMENTS

Energy Trust leases its administrative offices under operating lease agreements which expire in December 2011. Energy Trust also leases various office equipment under operating lease agreements. At December 31, 2010, the aggregate annual commitments under the terms of these leases are payable as follows:

Years ending December 31,	
2011	$ 473,018
2012	6,140
	$ 479,158

Rent expense for the years ended December 31, 2010 and 2009 was $405,229 and $351,596, respectively.

NOTE 8 - 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, 2010 and 2009, 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 $293,704 and $255,102 for the years ended December 31, 2010 and 2009, respectively.

NOTE 9 - CONTRACTUAL COMMITMENTS

Energy Trust enters into contract commitments for various energy efficiency and renewable resource programs. As of December 31, 2010, the Organization expects to pay approximately $45 million in future periods under these commitments. Expenditures for these commitments are recorded in the period in which they are incurred.

Energy Trust had projects and incentive payment requests in progress that did not meet its recognition criteria at both December 31, 2010 and 2009. The amounts are unquantifiable and, as such, not disclosed in the notes to the financial statements.

NOTE 10 - BOARD-DESIGNATED NET ASSETS

Due to the long-term nature of certain renewable energy projects, the board of directors of Energy Trust has authorized amounts to be segregated into escrow accounts to be used for larger long-term projects. The funds held in escrow accounts are to be paid out under criteria specific to each project. In the financial statements, these funds are considered designated for those specific projects.

NOTE 11 - SUBSEQUENT EVENT

We have evaluated subsequent events through March __, 2011, the date that these financial statements were available to be issued.

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