

Oregon HEAT

Audited Financial Statements
June 30, 2010 and 2009

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Acumen Financial Services Group, PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Oregon HEAT
Tualatin, Oregon

We have audited the accompanying statements of financial position of Oregon HEAT (a nonprofit organization) as of June 30, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Oregon HEAT as of June 30, 2010 and 2009 and the changes in its net assets and cash flows for the years then ended.

Wilsonville, Oregon
August 13, 2010

Oregon HEAT

Statement of Financial Position

For the years ended June 30, 2010 and 2009

| <u>Assets</u> | <u>2010</u> | <u>2009</u> |
|------------------------------|---------------------|------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 517,429 | 797,952 |
| Other receivables | 308,479 | 229,638 |
| Investments | 1,468,322 | 1,431,991 |
| Prepaid expenses | 5,525 | 2,985 |
| Total current assets | <u>2,299,755</u> | <u>2,462,566</u> |
| Property and equipment - net | <u>23,645</u> | <u>29,906</u> |
| | <u>\$ 2,323,400</u> | <u>2,492,472</u> |
| <u>Liabilities</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 21,285 | 18,005 |
| Accrued liabilities | 8,581 | 11,056 |
| Total current liabilities | <u>29,866</u> | <u>29,061</u> |
| <u>Net Assets</u> | | |
| Net assets: | | |
| Unrestricted | 1,166,432 | 1,418,866 |
| Temporarily restricted | <u>1,127,102</u> | <u>1,044,545</u> |
| Total net assets | <u>2,293,534</u> | <u>2,463,411</u> |
| | <u>\$ 2,323,400</u> | <u>2,492,472</u> |

See accompanying notes to financial statements and accountant's report.

Oregon HEAT

Statement of Activities

For the years ended June 30, 2010 and 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total 2010</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------|
| Revenues: | | | |
| Contributions | \$ 590,530 | 1,000,435 | 1,590,965 |
| In-kind donations | 105,023 | - | 105,023 |
| Interest earned | 36,332 | - | 36,332 |
| | <u>731,885</u> | <u>1,000,435</u> | <u>1,732,320</u> |
| Net Assets released from restrictions | <u>917,878</u> | <u>(917,878)</u> | <u>-</u> |
| Total revenues and other support | <u>1,649,763</u> | <u>82,557</u> | <u>1,732,320</u> |
| Expenses: | | | |
| Program Services | | | |
| Energy assistance | 1,423,200 | - | 1,423,200 |
| Program management | 326,002 | - | 326,002 |
| Supporting services | | | |
| Management and general | 34,877 | - | 34,877 |
| Fund-raising | 118,118 | - | 118,118 |
| Total expenses | <u>1,902,197</u> | <u>-</u> | <u>1,902,197</u> |
| Change in net assets | (252,434) | 82,557 | (169,877) |
| Beginning net assets | <u>1,418,866</u> | <u>1,044,545</u> | <u>2,463,411</u> |
| Ending net assets | <u>\$ 1,166,432</u> | <u>1,127,102</u> | <u>2,293,534</u> |

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total 2009</u> |
|---|---------------------|-----------------------------------|-----------------------|
| Revenues: | | | |
| Contributions | \$ 701,916 | 1,102,654 | 1,804,570 |
| In-kind donations | 104,131 | - | 104,131 |
| Interest earned | 53,980 | 379 | 54,359 |
| | <u>860,027</u> | <u>1,103,033</u> | <u>1,963,060</u> |
| Net Assets released from restrictions | 783,144 | (783,144) | - |
| Total revenues and other support | <u>1,643,171</u> | <u>319,889</u> | <u>1,963,060</u> |
| Expenses: | | | |
| Program Services | | | |
| Energy assistance | 1,076,446 | - | 1,076,446 |
| Program management | 339,788 | - | 339,788 |
| Supporting services | | | |
| Management and general | 35,085 | - | 35,085 |
| Fund-raising | 123,115 | - | 123,115 |
| Total expenses | <u>1,574,434</u> | <u>-</u> | <u>1,574,434</u> |
| Change in net assets | 68,737 | 319,889 | 388,626 |
| Beginning net assets | <u>1,350,129</u> | <u>724,656</u> | <u>2,074,785</u> |
| Ending net assets | <u>\$ 1,418,866</u> | <u>1,044,545</u> | <u>2,463,411</u> |

See accompanying notes to financial statements and accountant's report.

Oregon HEAT

Statement of Functional Expenses

For the years ended June 30, 2010 and 2009

| | Program Services | | Supporting Services | | Total 2010 |
|------------------------|----------------------|-----------------------|---------------------------|------------------|---------------|
| | Energy Assistance | Program Management | Management and General | Fund- Raising | |
| Energy assistance | 1,348,147 | - | - | - | 1,348,147 |
| Program fees | 75,053 | - | - | - | 75,053 |
| Salaries | - | 137,272 | 11,937 | 49,736 | 198,945 |
| Benefits | - | 17,502 | 1,522 | 6,341 | 25,365 |
| Payroll taxes | - | 12,794 | 1,113 | 4,636 | 18,543 |
| Direct mail | - | 82,017 | 7,132 | 29,716 | 118,865 |
| Printing and postage | - | 4,376 | 381 | 1,586 | 6,343 |
| Professional fees | - | 5,520 | 480 | 2,000 | 8,000 |
| Occupancy | - | 18,529 | 1,611 | 6,714 | 26,854 |
| Supplies | - | 1,306 | 114 | 473 | 1,893 |
| Equipment rental | - | 1,279 | 111 | 463 | 1,853 |
| Insurance | - | 1,532 | 133 | 555 | 2,220 |
| Transportation | - | 6,522 | 567 | 2,363 | 9,452 |
| Dues and subscriptions | - | 6,177 | 537 | 2,238 | 8,952 |
| Bank charges | - | 2,336 | 203 | 847 | 3,386 |
| Publicity | - | 12,318 | 1,071 | 4,463 | 17,852 |
| Conferences | - | 1,520 | 132 | 551 | 2,203 |
| Depreciation | - | 7,479 | 650 | 2,710 | 10,839 |
| Information technology | - | 7,523 | 654 | 2,726 | 10,903 |
| Board expenses | - | - | 6,529 | - | 6,529 |
| Total expenses | \$ 1,423,200 | 326,002 | 34,877 | 118,118 | 1,902,197 |

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Total 2009</u> |
|------------------------|------------------------------|-------------------------------|-----------------------------------|--------------------------|-----------------------|
| | <u>Energy Assistance</u> | <u>Program Management</u> | <u>Management and General</u> | <u>Fund- Raising</u> | |
| Oil allocations | \$ 23,204 | - | - | - | 23,204 |
| Energy assistance | 974,351 | - | - | - | 974,351 |
| Program fees | 78,891 | - | - | - | 78,891 |
| Salaries | - | 136,302 | 11,852 | 49,385 | 197,539 |
| Benefits | - | 20,866 | 1,815 | 7,561 | 30,242 |
| Payroll taxes | - | 13,421 | 1,167 | 4,863 | 19,451 |
| Direct mail | - | 81,192 | 7,060 | 29,418 | 117,670 |
| Printing and postage | - | 1,401 | 122 | 508 | 2,031 |
| Professional fees | - | 9,453 | 822 | 3,425 | 13,700 |
| Occupancy | - | 18,529 | 1,611 | 6,714 | 26,854 |
| Supplies | - | 1,507 | 131 | 546 | 2,184 |
| Equipment rental | - | 1,282 | 111 | 464 | 1,857 |
| Insurance | - | 1,661 | 144 | 602 | 2,407 |
| Transportation | - | 7,866 | 684 | 2,850 | 11,400 |
| Dues and subscriptions | - | 3,952 | 344 | 1,432 | 5,728 |
| Bank charges | - | 3,514 | 306 | 1,273 | 5,093 |
| Publicity | - | 24,995 | 2,174 | 9,056 | 36,225 |
| Conferences | - | 1,789 | 156 | 648 | 2,593 |
| Depreciation | - | 3,918 | 341 | 1,420 | 5,679 |
| Information technology | - | 8,140 | 708 | 2,950 | 11,798 |
| Board expenses | - | - | 5,537 | - | 5,537 |
| Total expenses | \$ 1,076,446 | 339,788 | 35,085 | 123,115 | 1,574,434 |

See accompanying notes to financial statements and accountant's report.

Oregon HEAT

Statement of Cash Flows

For the years ended June 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-----------------|
| Cash Flows From Operating Activities: | | |
| Net Income (Loss) | \$ (169,877) | 388,626 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 10,839 | 5,679 |
| Changes in operating assets and liabilities | | |
| Other receivables | (78,841) | 57,801 |
| Prepaid expenses | (2,540) | (571) |
| Accounts payable | 3,280 | (4,023) |
| Accrued liabilities | (2,475) | 2,891 |
| Oil advances | - | (30,577) |
| Net cash provided by operating activities | <u>(239,614)</u> | <u>419,826</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of investments | (36,331) | (50,155) |
| Purchase of equipment | (4,578) | (19,710) |
| Net cash from investing activities | <u>(40,909)</u> | <u>(69,865)</u> |
| Net change in cash | (280,523) | 349,961 |
| Cash, beginning of year | <u>797,952</u> | <u>447,991</u> |
| Cash, end of year | <u>\$ 517,429</u> | <u>797,952</u> |

Oregon HEAT

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

Nature of Activities

Oregon HEAT was incorporated in 1989 as a nonprofit organization. Its purpose is to provide and coordinate resources to create a statewide fuel fund to help low income Oregonians meet their energy needs and achieve energy self-reliance through energy education and advocacy. Funding is provided by individual and corporate contributions and grants.

As an independent nonprofit organization, Oregon HEAT is known for implementing innovative pilot projects. Many of these have been incubators for later-developed State and utility programs. Its purpose is to find improved ways to enable low-income families to better afford their home heating and electricity needs. Funding for such projects has come from grants and donations from business and individuals.

Oregon HEAT uses a second-year funding policy. Under that policy, Oregon HEAT generally raises funds in one year and allocates them to agencies for energy assistance at the beginning of the following year. This assures agencies that all allocated funds will be available and allows them to plan their expenditures over the season.

Previously, Oregon HEAT built up a moderate balance from unrestricted donations. As per the existing policy, the balance will be spent down in the next fiscal year and will continue to be spent down annually.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for 2010 or 2009.

(1) Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At various times during the fiscal year, the Organization's cash in bank balances exceeded the Federally insured limits. The Organization's bank has insured all funds deposited through a tri-party pledge, security and safekeeping agreement.

Property and Equipment

Acquisitions of property and equipment in excess of \$750 are capitalized. Property and equipment are carried at cost. Depreciation and Amortization expense for the years ended June 30, 2010 and 2009 was \$10,839 and \$5,901. Depreciation and amortization is computed on a straight-line basis over the useful lives of the assets generally as follows:

| | |
|-------------------------|---------|
| Furniture and equipment | 5 years |
| Intangible Asset | 3 years |

Contributions and Grants

Contributions are recognized when received, grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Donations

The Organization occupies space and utilizes equipment and receptionist services provided by Portland General Electric. The donor attributes a fair market value of \$26,854 and \$26,854 for the years ended June 30, 2010 and 2009, respectively, for the items donated. In addition, during the years ended June 30, 2010 and 2009, Portland General Electric and Pacific Power donated fund-raising envelopes with an estimated value of \$73,499 and \$73,607.

Advertising

Advertising and publicity costs are expensed as incurred. Advertising and publicity expenses were \$16,522 and \$20,223 as of June 30, 2010 and 2009.

Oregon HEAT

Notes to Financial Statements

For the years ended June 30, 2010 and 2009

(1) Investments

The Organization has investments consisting of Certificates of Deposit (CD's) maturing in a range of nine to sixteen months from date of purchase.

(2) Grants Receivable

The Organization has grants receivable restricted for timing and purpose. There was one outstanding grant as of June 30, 2010 of \$41,625 and none for 2009.

(3) Donated Home Heating Oil Program

The following is a summary of the activity of heating oil donations to the suppliers and the amounts distributed to individuals in the form of energy assistance. The cumulative result of oil donation activity is a balance of zero as of June 30, 2009, as the oil noncash contribution program was discontinued. The Donated Home Heating Oil Program has been replaced by a statewide petroleum product recycling program effective April 2008.

| | 2010 | 2009 |
|--|-------------|-------------|
| Oil on hand (advances), beginning of year | \$ - | (30,578) |
| Value of donated oil | - | 53,782 |
| Distribution of donated oil reported as energy assistance | - | (23,204) |
| Oil on hand (advances), end of year | \$ <u>-</u> | <u>-</u> |

(4) Restrictions on Assets

Contributions are allocated to the geographical area served by contracted utilities in the donor's area. The assets are released from restriction as the various service agencies provide energy assistance to qualifying individuals. Unused contributions remain restricted for use in future periods.

Temporarily restricted net assets at June 30, 2010 and 2009 may be summarized as follows:

| | 2010 | 2009 |
|---------------------------|--------------------|--------------------|
| Portland General Electric | \$ 571,483 | \$ 621,075 |
| Pacific Power | 434,132 | 410,191 |
| Other | <u>121,487</u> | <u>13,279</u> |
| | <u>\$1,127,102</u> | <u>\$1,044,545</u> |

(5) Retirement Plan

The Organization has a Simplified Employee Pension (SEP) for eligible employees who have completed three years of service. Employer contributions are calculated at 6% of compensation. Retirement expense for the year ended June 30, 2010 and 2009 respectively amounted to \$8,778 and \$9,245.

(6) Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries and administrative operating expenses, have been allocated among the programs and supporting services benefited.

(7) Subsequent Events

The Center has evaluated subsequent events through August 13, 2010, the date which the financial statements were available to be issued.

