HEAT Oregon

Audited Financial Statements
June 30, 2015 and 2014

Contents

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HEAT Oregon
Tualatin, Oregon

We have audited the accompanying statements of financial position of HEAT Oregon (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, 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 Responsibilities 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 and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 risk 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 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 HEAT Oregon as of June 30, 2015 and 2014, and change in net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Acumen Financial Services Group PC

Lake Oswego, OR
August 13, 2015

HEAT Oregon

Statements of Financial Position

June 30, 2015 and 2014

Assets		2015	2014
Current assets:			
Cash and cash equivalents	$	654,580	479,520
Other receivables		16,865	9,099
Investments		1,000,644	902,767
Prepaid expenses		6,536	6,270
Total current assets		1,678,625	1,397,656
Property and equipment - net		12,491	20,063
	$	1,691,116	1,417,719
Liabilities			
Current liabilities:			
Accounts payable	$	11,880	7,082
Accrued liabilities		10,186	8,226
Deferred revenues		-	6,000
Total current liabilities		22,066	21,308
Net Assets			
Net assets:			
Unrestricted		1,050,572	816,096
Temporarily restricted		618,478	580,315
Total net assets		1,669,050	1,396,411
	$	1,691,116	1,417,719

HEAT Oregon

Statements of Activities

For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total 2015
Revenues:			
Contributions	$ 590,867	1,040,550	1,631,417
In-kind donations	89,020	-	89,020
Interest & dividends earned	8,461	-	8,461
Special events	72,232	-	72,232
	760,580	1,040,550	1,801,130
Net Assets released from restrictions	1,002,387	(1,002,387)	-
Total revenues and other support	1,762,967	38,163	1,801,130
Expenses:			
Program services			
Energy assistance	1,002,444	-	1,002,444
Program management	357,444	-	357,444
Supporting services			
Management and general	34,955	-	34,955
Fund-raising	129,512	-	129,512
Total expenses	1,524,355	-	1,524,355
Other Income/Expenses			
Unrealized gains (losses)	(4,136)	-	(4,136)
Change in net assets	234,476	38,163	272,639
Beginning net assets	816,096	580,315	1,396,411
Ending net assets	$ 1,050,572	618,478	1,669,050

 See accompanying notes to the financial statements and independent auditor's report.

HEAT Oregon

Statements of Activities

For the year ended June 30, 2014

		Unrestricted	Temporarily Restricted	Total 2014
Revenues:				
Contributions	$	560,044	1,003,234	1,563,278
In-kind donations		91,767	-	91,767
Interest earned		398	-	398
Special events		52,716	-	52,716
		704,925	1,003,234	1,708,159
Net Assets released from restrictions		926,762	(926,762)	-
Total revenues and other support		1,631,687	76,472	1,708,159
Expenses:				
Program services				
Energy assistance		1,070,699	-	1,070,699
Program management		376,844	-	376,844
Supporting services				
Management and general		33,869	-	33,869
Fund-raising		136,542	-	136,542
Total expenses		1,617,954	-	1,617,954
Change in net assets		13,733	76,472	90,205
Beginning net assets		802,363	503,843	1,306,206
Ending net assets	$	816,096	580,315	1,396,411

Statements of Functional Expenses

For the year ended June 30, 2015

	Program Services		Supporting Services		
	Energy Assistance	Program Management	Management and General	Fund-Raising	Total 2015
Energy assistance	$ 893,528	-	-	-	893,528
Program fees	108,916	-	-	-	108,916
Salaries	-	158,758	13,805	57,521	230,084
Benefits	-	25,686	2,234	9,307	37,227
Payroll taxes	-	14,132	1,229	5,121	20,482
Direct mail	-	79,137	6,881	28,673	114,691
Printing and postage	-	1,374	120	498	1,992
Professional fees	-	9,956	866	3,607	14,429
Occupancy	-	18,529	1,611	6,714	26,854
Supplies	-	2,478	215	898	3,591
Equipment rental	-	456	40	166	662
Insurance	-	1,760	153	638	2,551
Transportation	-	3,616	314	1,310	5,240
Dues and subscriptions	-	1,314	114	476	1,904
Investment fees	-	-	2,896	-	2,896
Bank charges	-	5,256	457	1,904	7,617
Publicity	-	14,093	1,225	5,106	20,424
Conferences	-	454	40	165	659
Depreciation	-	5,225	454	1,893	7,572
Information technology	-	15,220	1,324	5,515	22,059
Board expenses	-	-	977	-	977
Total expenses	$ 1,002,444	357,444	34,955	129,512	1,524,355

 See accompanying notes to the financial statements and independent auditor's report.

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Statements of Functional Expenses

For the year ended June 30, 2014

	Program Services		Supporting Services		
	Energy Assistance	Program Management	Management and General	Fund-Raising	Total 2014
Energy assistance	$ 952,287	-	-	-	952,287
Program fees	118,412	-	-	-	118,412
Salaries	-	155,753	13,544	56,433	225,730
Benefits	-	18,926	1,646	6,858	27,430
Payroll taxes	-	14,881	1,294	5,392	21,567
Direct mail	-	81,307	7,070	29,459	117,836
Printing and postage	-	1,655	144	600	2,399
Professional fees	-	25,018	2,175	9,065	36,258
Occupancy	-	18,529	1,611	6,714	26,854
Supplies	-	1,846	161	669	2,676
Equipment rental	-	569	50	206	825
Insurance	-	1,946	169	705	2,820
Transportation	-	4,471	389	1,620	6,480
Dues and subscriptions	-	2,142	186	776	3,104
Bank charges	-	4,572	398	1,657	6,627
Publicity	-	31,970	2,780	11,584	46,334
Conferences	-	545	47	197	789
Depreciation	-	3,561	310	1,290	5,161
Information technology	-	9,153	796	3,317	13,266
Board expenses	-	-	1,099	-	1,099
Total expenses	$ 1,070,699	376,844	33,869	136,542	1,617,954

HEAT Oregon

Statements of Cash Flows

For the years ended June 30, 2015 and 2014

		2015	2014
Cash Flows From Operating Activities:			
Net Income (Loss)	$	272,639	90,205
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		7,572	5,161
Unrealized gains (losses)		4,136	-
Changes in operating assets and liabilities			
Other receivables		(7,766)	23,028
Prepaid expenses		(266)	(3,072)
Accounts payable		4,798	(5,694)
Deferred revenues		(6,000)	6,000
Accrued liabilities		1,960	(1,481)
Net Cash from Operating Activities		277,073	114,147
Cash Flows From Investing Activities:			
Purchase of investments		(1,596,234)	(903,015)
Redemption of investments		1,494,221	902,617
Purchase of equipment		-	(2,830)
Net Cash from Investing Activities		(102,013)	(3,228)
Net Change in Cash		175,060	110,919
Cash, Beginning of Year		479,520	368,601
Cash, End of Year	$	654,580	479,520

Notes to the Financial Statements
For the years ended June 30, 2015 and 2014

(1) Summary of Significant Accounting Policies

Nature of Activities
HEAT Oregon, formerly know as Oregon HEAT, was incorporated in 1989 as a nonprofit organization. Its purpose is to offer the gift of warmth and power to Oregonians facing hardships through donor-funded energy assistance and statewide collaboration. Funding is provided by individual and corporate contributions and grants.

As an independent nonprofit organization, HEAT Oregon is known for providing emergency aid to reduce the burden to enable low-income families to better afford their home heating and electricity needs. HEAT Oregon collaborates with its community service groups to offer assistance in all Oregon counties. Funding for such projects has come from grants and donations from business and individuals.

HEAT Oregon uses a second-year funding policy. Under that policy, HEAT Oregon 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.

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.

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

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 2015 or 2014. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally for 3 years after they were filed.

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. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Fair value of financial instruments

FASB ASC 820, Fair Value Measurement, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity

Other Receivables

Other receivables consists of oil program donations and grants that are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is maintained, based upon management's review of the year-end accounts receivable aging and estimate of collectability. As of June 30, 2015 and 2014, this amount was zero.

Notes to the Financial Statements
For the years ended June 30, 2015 and 2014

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

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, 2015 and 2014 was $7,572, and $5,161. 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 assets	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, 2015 and 2014, respectively, for the items donated. In addition, during the years ended June 30, 2015 and 2014, Portland General Electric and Pacific Power donated fund-raising envelopes with an estimated value of $62,166 and $62,666. In 2014, the Organization received account management services from Turtledove Clemens. The donor attributed a fair market value of $2,248 to the services provided.

Advertising
The Organization uses advertising to promote its programs to the general public. Advertising costs are expensed as incurred and totaled $2,055 and $22,047, which are included in publicity expenses, as of June 30, 2015 and 2014.

Deferred Revenues
Deferred revenue consists of sponsorships collected during the year for the annual HEAT Oregon Gala held in the subsequent fiscal year.

Notes to the Financial Statements
For the years ended June 30, 2015 and 2014

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

Subsequent Events
The Organization has evaluated subsequent events through August 13, 2015, the date which the financial statements were available to be issued.

(2) Investments

The Organization had investments consisting of CDARS accounts that matured during 2015, with interest rates ranging from .08% to .10%. The fair value of these investments approximated the face value of the certificate.

Investments in marketable securities are carried at fair market value as measured at June 30, 2015. Accordingly, unrealized gains or losses are recorded for the increase or decrease in market value of assets. At June 30, 2015, the investment accounts are summarized as follows:

	2015	
	Cost	Market Value
Equities		
Mutual funds	$ 693,045	$ 698,756
Fixed Income		
Foreign bonds	45,807	45,395
Corporate bonds	245,684	241,131
Cash and equivalents	15,362	15,362
Total	$ 999,898	$1,000,644

Notes to the Financial Statements

For the years ended June 30, 2015 and 2014

(2) Investments (cont.)

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures,* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 for financial assets are described as follows:

Level 1 - Valuations are based on quoted prices that the Organization has the ability to obtain in actively traded markets for identical assets. Since valuations are based on quoted prices that are readily and regularly available in an active market or exchange traded market, valuation of these instruments does not require a significant degree of judgment.

Level 2 - Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuations are based on model-based techniques for which some or all of the assumptions are obtained from indirect market information that is significant to the overall fair value measurement and which require a significant degree of management judgment.

(2) Investments (cont.)

The following table sets forth by level, within the fair value hierarchy, the investment assets at fair value as of June 30, 2015:

	2015		
	Level 1	Level 2	Level 3
Equities			
Mutual funds	$ 395,256	$ 303,500	$ -
Fixed Income			
Foreign bonds	-	45,395	-
Corporate bonds	241,131	-	-
Cash and equivalents	15,362	-	-
Total	$ 651,749	$ 348,895	$ -

In 2015 all valuations are based on published prices available to the investment managers. In each year, there were no transfers from level 1 to level 2 or 3 and there were no transfers from level 2 or 3 to level 1.

(3) Property and Equipment

As of June 30, property and equipment consist of:

	2015	**2014**
Equipment and IT	$64,469	$65,219
Less: accumulated depreciation	(51,978)	(45,156)
	$12,491	$20,063

(4) Restrictions on Assets

Contributions are allocated to the geographical area served by partner 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.

Notes to the Financial Statements

For the years ended June 30, 2015 and 2014

(4) Restrictions on Assets (cont.)

Temporarily restricted net assets at June 30, 2015 and 2014 may be summarized as follows:

	2015	2014
Portland General Electric	$ 251,590	$ 272,337
Pacific Power	325,806	270,021
Oil Program	28,198	33,230
WOE	384	227
Cow Creek Umpqua Indian Donation	7,500	-
CommuniCare Club of Tualatin High School	2,500	-
Vera Smith Foundation	2,500	4,500
	$ 618,478	$ 580,315

(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, 2015 and 2014 respectively amounted to $6,210 and $6,599.

(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. The allocation of expenses is evaluated during each fiscal year.