HEAT Oregon

Audited Financial Statements
June 30, 2016 and 2015

Contents

Acumen Financial Services Group, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HEAT Oregon
Portland, Oregon

We have audited the accompanying financial statements of HEAT Oregon (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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, 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 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 HEAT Oregon as of June 30, 2016 and 2015, 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.

Acumen Financial Services Group, PC

Lake Oswego, OR
September 13, 2016

Statements of Financial Position

June 30, 2016 and 2015

Assets		2016	2015
Current assets:			
Cash and cash equivalents	$	548,459	654,580
Other receivables		5,206	16,865
Investments		997,390	1,000,644
Prepaid expenses		6,664	6,536
Total current assets		1,557,719	1,678,625
Deposits		2,992	-
Property and equipment - net		34,331	12,491
	$	1,595,042	1,691,116
Liabilities			
Current liabilities:			
Accounts payable	$	9,259	11,880
Accrued liabilities		7,784	10,186
Total current liabilities		17,043	22,066
Net Assets			
Net assets:			
Unrestricted		1,067,899	1,050,572
Temporarily restricted		510,100	618,478
Total net assets		1,577,999	1,669,050
	$	1,595,042	1,691,116

HEAT Oregon

Statements of Activities

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total 2016
Revenues:			
Contributions	$ 637,697	395,147	1,032,844
In-kind donations	86,782	-	86,782
Interest & dividends earned	6,843	-	6,843
Special events	34,368	-	34,368
	765,690	395,147	1,160,837
Net Assets released from restrictions	503,525	(503,525)	-
Total revenues and other support	1,269,215	(108,378)	1,160,837
Expenses:			
Program services			
Energy assistance	566,726	-	566,726
Program management	464,551	-	464,551
Supporting services			
Management and general	48,660	-	48,660
Fund-raising	168,691	-	168,691
Total expenses	1,248,628	-	1,248,628
Other Income/Expenses			
Unrealized gains (losses)	(3,260)	-	(3,260)
Change in net assets	17,327	(108,378)	(91,051)
Beginning net assets	1,050,572	618,478	1,669,050
Ending net assets	$ 1,067,899	510,100	1,577,999

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

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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 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

HEAT Oregon

Statements of Functional Expenses

For the year ended June 30, 2016

	Program Services		Supporting Services		
	Energy Assistance	Program Management	Management and General	Fund-Raising	Total 2016
Energy assistance	$ 495,534	-	-	-	495,534
Program fees	71,192	-	-	-	71,192
Salaries	-	148,894	12,947	53,947	215,788
Benefits	-	21,965	1,910	7,959	31,834
Payroll taxes	-	14,409	1,253	5,221	20,883
Direct mail	-	97,629	8,489	35,373	141,491
Printing and postage	-	89	8	32	129
Professional fees	-	95,156	8,274	34,477	137,907
Occupancy	-	22,015	1,914	7,976	31,905
Supplies	-	4,185	364	1,517	6,066
Equipment rental	-	597	52	216	865
Insurance	-	2,002	174	726	2,902
Transportation	-	6,854	596	2,484	9,934
Dues and subscriptions	-	2,299	200	833	3,332
Investment fees	-	-	6,837	-	6,837
Bank charges	-	6,514	566	2,360	9,440
Publicity	-	15,636	1,731	6,037	23,404
Conferences	-	1,095	95	397	1,587
Depreciation	-	5,706	496	2,068	8,270
Information technology	-	19,506	1,696	7,068	28,270
Board expenses	-	-	1,058	-	1,058
Total expenses	$ 566,726	464,551	48,660	168,691	1,248,628

 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, 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

HEAT Oregon

Statements of Cash Flows

For the years ended June 30, 2016 and 2015

		2016	2015
Cash Flows From Operating Activities:			
Net Income (Loss)	$	(91,051)	272,639
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization		8,270	7,572
Unrealized losses (gains)		3,260	4,136
Realized (gain) loss on investments		32,012	-
Changes in operating assets and liabilities			
Other receivables		11,659	(7,766)
Prepaid expenses		(128)	(266)
Deposits		(2,992)	-
Accounts payable		(2,621)	4,798
Deferred revenues		-	(6,000)
Accrued liabilities		(2,402)	1,960
Net Cash from Operating Activities		(43,993)	277,073
Cash Flows From Investing Activities:			
Purchase of investments		(32,018)	(1,596,234)
Redemption of investments		-	1,494,221
Purchase of equipment		(30,110)	-
Net Cash from Investing Activities		(62,128)	(102,013)
Net Change in Cash		(106,121)	175,060
Cash, Beginning of Year		654,580	479,520
Cash, End of Year	$	548,459	654,580

Notes to the Financial Statements

For the years ended June 30, 2016 and 2015

(1) Summary of Significant Accounting Policies

Nature of Activities

HEAT Oregon, formerly known 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 2016 or 2015. 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 2015, 2014, and 2013 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 consist 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, 2016 and 2015, this amount was zero.

Notes to the Financial Statements
For the years ended June 30, 2016 and 2015

(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, 2016 and 2015 was $8,270 and $7,572. 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 occupied space and utilizes equipment and receptionist services provided by Portland General Electric. The donor attributes a fair market value of $24,616 and $26,854 for the years ended June 30, 2016 and 2015, respectively, for the items donated. In addition, during the years ended June 30, 2016 and 2015, Portland General Electric and Pacific Power donated fund-raising envelopes with an estimated value of $62,166.

Advertising
The Organization uses advertising to promote its programs to the general public. Advertising costs are expensed as incurred and totaled $9,916 and $2,055, which are included in publicity expenses, as of June 30, 2016 and 2015.

Subsequent Events
The Organization has evaluated subsequent events through September 13, 2016, the date which the financial statements were available to be issued.

(2) Investments

Investments in marketable securities are carried at fair market value as measured at June 30, 2016 and 2015. Accordingly, unrealized gains or losses are recorded for the increase or decrease in market value of assets. At June 30, 2016 and 2015, the investment accounts are summarized as follows:

	2016	
	Cost	Market Value
Equities		
Mutual funds	$ 685,423	$ 687,772
Fixed Income		
Foreign bonds	45,470	45,425
Corporate bonds	240,419	240,786
Cash and equivalents	23,407	23,407
Total	$ 994,719	$997,390

	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, 2016 and 2015

(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.

The following table sets forth by level, within the fair value hierarchy, the investment assets at fair value as of June 30, 2016 and 2015:

(2) Investments (cont.)

	2016		
	Level 1	Level 2	Level 3
Equities			
Mutual funds	$ 370,576	$ 317,196	$ -
Fixed Income			
Foreign bonds	-	45,425	-
Corporate bonds	240,786	-	-
Cash and equivalents	23,407	-	-
Total	$ 634,769	$ 362,621	$ -

	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 and 2016 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.

Notes to the Financial Statements
For the years ended June 30, 2016 and 2015

(3) Property and Equipment

As of June 30, property and equipment consist of:

	2016	2015
Equipment and IT	$94,580	$64,469
Less: accumulated depreciation	(60,249)	(51,978)
	$34,331	$12,491

(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.

Temporarily restricted net assets at June 30, 2016 and 2015 may be summarized as follows:

	2016	2015
Portland General Electric	$ 242,592	$ 251,590
Pacific Power	242,923	325,806
Oil Program	15,247	28,198
WOE	9,338	384
Cow Creek Umpqua Indian Donation	-	7,500
CommuniCare Club of Tualatin High School	-	2,500
Vera Smith Foundation	-	2,500
	$ 510,100	$ 618,478

(5) Office Lease

The Organization began leasing office space in Portland under a noncancelable lease that expires in May 2021. The current monthly rent is $2,092. The future minimum, noncancelable lease payments for the year ended June 30 are as follows:

2017	$37,703
2018	38, 938
2019	40,051
2020	41,196
2021	38,752

(6) 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, 2016 and 2015 respectively amounted to $6,773 and $6,210.

(7) 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.