

HEAT OREGON dba  
OREGON ENERGY FUND

Audited Financial Statements

For the Year Ended June 30, 2020



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
HEAT Oregon dba  
Oregon Energy Fund

We have audited the accompanying financial statements of HEAT Oregon dba Oregon Energy Fund (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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 organization'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 organization'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 dba Oregon Energy Fund as of June 30, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited Oregon Energy Fund's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
September 30, 2020

HEAT OREGON DBA OREGON ENERGY FUND  
STATEMENT OF FINANCIAL POSITION  
June 30, 2020  
(With comparative totals for 2019)

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,006,760	\$ 475,091
Contributions receivable	998	129,361
Prepaid expenses	23,700	20,763
Investments	1,214,316	1,208,850
Property and equipment, net	24,053	22,678
 TOTAL ASSETS	 \$ 2,269,827	 \$ 1,856,743
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 29,118	\$ 9,359
Accrued personnel expenses	22,829	14,842
Refundable advance - Paycheck Protection Program	64,925	-
Total liabilities	116,872	24,201
Net assets:		
Without donor restrictions:		
Undesignated	1,175,879	991,948
Board designated	26,629	26,629
Net property and equipment	24,053	22,678
Total without donor restrictions	1,226,561	1,041,255
With donor restrictions	926,394	791,287
Total net assets	2,152,955	1,832,542
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,269,827	 \$ 1,856,743

See notes to financial statements.

HEAT OREGON DBA OREGON ENERGY FUND  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Contributions	\$ 704,220	\$ 650,707	\$ 1,354,927	\$ 1,236,024
Donated materials and services	44,474	-	44,474	62,666
Special event revenue, net	44,750	-	44,750	66,144
Investment income, net	11,109	-	11,109	13,797
Net realized/unrealized gains	(5,566)	-	(5,566)	44,829
Net assets released from restrictions:				
Satisfaction of program restrictions	515,600	(515,600)	-	-
Total support and revenue	1,314,587	135,107	1,449,694	1,423,460
<b>Expenses:</b>				
Program services	754,226	-	754,226	728,441
Management and general	55,689	-	55,689	57,998
Fundraising	319,366	-	319,366	311,816
Total expenses	1,129,281	-	1,129,281	1,098,255
Change in net assets	185,306	135,107	320,413	325,205
<b>Net assets:</b>				
Beginning of year	1,041,255	791,287	1,832,542	1,507,337
End of year	\$ 1,226,561	\$ 926,394	\$ 2,152,955	\$ 1,832,542

See notes to financial statements.

**HEAT OREGON DBA OREGON ENERGY FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2020

	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Energy assistance	\$ 376,285	\$ -	\$ -	\$ 376,285
Program fees	58,125	-	-	58,125
Salaries and related expenses	195,014	33,916	195,014	423,944
Professional fees	24,610	4,280	24,610	53,500
Printing and postage	39,181	6,814	39,181	85,176
Technology, equipment, and maintenance	18,326	3,187	18,326	39,839
Travel and meetings	1,429	249	1,429	3,107
Occupancy	19,702	3,427	19,702	42,831
Supplies	5,452	948	31,012	37,412
Bank fees	2,612	454	2,612	5,678
Miscellaneous	8,501	1,546	8,501	18,548
Depreciation and amortization	<u>4,989</u>	<u>868</u>	<u>4,989</u>	<u>10,846</u>
	754,226	55,689	345,376	1,155,291
Less direct benefit special event costs netted with revenue	<u>-</u>	<u>-</u>	<u>(26,010)</u>	<u>(26,010)</u>
Total expenses	<u>\$ 754,226</u>	<u>\$ 55,689</u>	<u>\$ 319,366</u>	<u>\$ 1,129,281</u>

See notes to financial statements.

**HEAT OREGON DBA OREGON ENERGY FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended June 30, 2019

	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Energy assistance	\$ 369,700	\$ -	\$ -	\$ 369,700
Program fees	46,925	-	-	46,925
Salaries and related expenses	179,061	31,141	179,061	389,263
Professional fees	27,872	4,847	34,632	67,351
Printing and postage	48,512	8,437	48,512	105,461
Technology, equipment, and maintenance	15,407	2,680	15,407	33,494
Travel and meetings	3,774	656	3,774	8,204
Occupancy	17,828	3,101	17,828	38,757
Supplies	5,059	880	24,191	30,130
Bank fees	2,502	435	2,502	5,439
Miscellaneous	5,426	4,712	5,426	15,564
Depreciation and amortization	<u>6,375</u>	<u>1,109</u>	<u>6,375</u>	<u>13,859</u>
	728,441	57,998	337,708	1,124,147
Less direct benefit special event costs netted with revenue	<u>-</u>	<u>-</u>	<u>(25,892)</u>	<u>(25,892)</u>
Total expenses	<u>\$ 728,441</u>	<u>\$ 57,998</u>	<u>\$ 311,816</u>	<u>\$ 1,098,255</u>

See notes to financial statements.

HEAT OREGON DBA OREGON ENERGY FUND  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2020  
(With comparative totals for 2019)

	2020	2019
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 320,413	\$ 325,205
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	10,846	13,859
Net realized/unrealized loss (gain) on investments	5,566	(44,829)
(Increase) decrease in:		
Contributions receivable	128,363	(93,627)
Prepaid expenses	(2,937)	(2,060)
Increase (decrease) in:		
Accounts payable	19,759	(1,496)
Accrued personnel expenses	7,987	3,341
Refundable advance - Paycheck Protection Program	64,925	-
Net cash flows from operating activities	554,922	200,393
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(12,221)	-
Proceeds from the sale of investments	16,091	15,437
Purchase of investments	(27,123)	(29,175)
Net cash flows from investing activities	(23,253)	(13,738)
 Net change in cash and cash equivalents	531,669	186,655
 Cash and cash equivalents - beginning of year	475,091	288,436
 Cash and cash equivalents - end of year	\$ 1,006,760	\$ 475,091

See notes to financial statements.



HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

1. DESCRIPTION OF ORGANIZATION

HEAT Oregon dba Oregon Energy Fund (Oregon Energy Fund or the Organization) was incorporated in 1989 as a nonprofit organization. The primary mission is assist Oregon neighbors in financial crisis with energy bills to support household stability. Oregon Energy Fund uses a second-year funding policy. Under that policy, Oregon Energy Fund generally raises funds in one year and allocates these funds 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 year.

Funding is provided by grants and contributions from utility companies, individuals, corporations and foundations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

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 (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are carried at fair value.

HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation and Amortization

Depreciation of property and equipment, and amortization of the Organization's website, are calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.

Refundable Advance

The Paycheck Protection Program (PPP) loan from the Small Business Administration (SBA) is accounted for as a conditional grant. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue. The Organization anticipates the full conditional grant to be forgiven during the fiscal year 2021.

Revenue Recognition

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. All contributions receivable at June 30, 2020 are expected to be collected within one year.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2020, contributions approximating \$15,000 are conditional upon raising additional matching contributions before January 15, 2021.

During the year ended June 30, 2020, the Organization was named as the beneficiary under a bequest. However, the total realizable amount is not presently determinable. The bequest will be recorded as revenue when a will is declared valid by probate court and the proceeds are measurable.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

HEAT OREGON dba OREGON ENERGY FUND  
 NOTES TO FINANCIAL STATEMENTS, Continued  
 June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated materials and services consist fund-raising envelopes and is reported as follows in the accompanying statements of functional expenses or the years ending June 30, 2020 and 2019:

	2020	2019
Program services	\$ 20,458	\$ 28,826
Management and general	3,558	5,014
Fundraising	20,458	28,826
Total donated materials and services	\$ 44,474	\$ 62,666

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related expenses, professional fees, printing and postage, and other operating expenses, which are allocated based on estimates of time and effort.

Income Tax Status

Oregon Energy Fund is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to 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.

Change in Accounting Principle

The Organization implemented Accounting Standards Update 2018-08, *clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

Summarized Financial Information for 2019

The financial information as of June 30, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through September 30, 2020, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,006,760	\$ 475,091
Contributions receivable	998	129,361
Investments	<u>1,214,316</u>	<u>1,208,850</u>
	2,222,074	1,813,302
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	926,394	791,287
Board designations	<u>26,629</u>	<u>26,629</u>
Financial assets available for general expenditure	<u>\$ 1,269,051</u>	<u>\$ 995,386</u>

The board designated reserve is available for spending when approved by the board of directors. See Note 8 regarding board designated net assets.

4. INVESTMENTS

Investments consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 13,581	\$ 23,105
Mutual funds	732,296	736,589
Corporate bonds	96,412	109,784
U.S. government bonds	265,400	233,539
Foreign bonds	<u>106,627</u>	<u>105,833</u>
Total investments	<u>\$ 1,214,316</u>	<u>\$ 1,208,850</u>

HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 79,406	\$ 96,922
Website	<u>32,800</u>	<u>32,800</u>
Accumulated depreciation and amortization	<u>(88,153)</u>	<u>(107,044)</u>
Property and equipment, net	<u>\$ 24,053</u>	<u>\$ 22,678</u>

6. CONTINGENCIES

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

7. LEASE COMMITMENTS

The Organization leases administrative facilities and equipment under various operating lease agreements summarized below:

- Administrative office, term May 2016 through May 2021, with monthly rent of \$3,425 subject to annual increases
- Copier, term July 2019 through June 2023, with monthly rent of \$194

Rent expense totaled approximately \$42,800 and \$38,800 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease commitments are as follows:

	<u>Lease Expense</u>
Year ending June 30, 2021	\$ 41,100
2022	2,300
2023	<u>2,300</u>
Total	<u>\$ 45,700</u>

HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

8. BOARD DESIGNATED NET ASSETS

Board designated net assets are reserved by the board of directors for the Meals on Wheels pilot project.

9. NET ASSETS WITH DONOR RESTRICTIONS

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.

Net assets with expiring donor restrictions consist of the following at June 30, 2020 and 2019:

	2020	2019
Portland General Electric	\$ 307,101	\$ 237,605
Pacific Power	396,651	315,586
West Oregon Electric Cooperative	22,498	16,690
Meals on Wheels Pilot Project	74,236	206,569
Energy Assistance	92,544	10,081
Oil Program	5,578	4,756
Other	27,786	-
Total net assets with donor restrictions	\$ 926,394	\$ 791,287

10. RETIREMENT PLAN

The Organization has a Simplified Employee Pension (SEP) for eligible employees who have completed two years of service. Employer contributions are calculated at 6% of eligible compensation. The Organization's contributions to the plan for 2020 and 2019 totaled approximately \$13,700 and \$12,700, respectively.

HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

11. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits are approximately \$533,200 and \$242,500 at June 30, 2020 and 2019, respectively.

The Organization's revenues are concentrated with 36% of total revenues coming from two sources for the year ended June 30, 2020 (53% from three sources for the year ended June 30, 2019.)

12. RELATED PARTY DISCLOSURE

Certain board members are employees of utility companies through which grants and contributions are provided to the Organization for energy assistance programs, and other board members are employees of community service groups that partner with the Organization. These transactions occur in the normal course of business and are disclosed as part of the Organization's conflict of interest policy.

13. FAIR VALUE MEASUREMENTS

Assets and liabilities, including investments, are recorded at fair value in the statement of financial position and are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined 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, such as 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 financial instruments 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.



HEAT OREGON dba OREGON ENERGY FUND  
NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2020

13. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at June 30, 2020 and June 30, 2019 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
<b>June 30, 2020</b>			
Investments:			
Mutual funds	\$ 732,296	\$ 732,296	\$ -
Corporate bonds	96,412	-	96,412
U.S. government bonds	265,400	-	265,400
Foreign bonds	<u>106,627</u>	<u>-</u>	<u>106,627</u>
	<u>\$ 1,200,735</u>	<u>\$ 732,296</u>	<u>\$ 468,439</u>
<b>June 30, 2019</b>			
Investments:			
Mutual funds	\$ 736,589	\$ 736,589	\$ -
Corporate bonds	109,784	-	109,784
U.S. government bonds	233,539	-	233,539
Foreign bonds	<u>105,833</u>	<u>-</u>	<u>105,833</u>
	<u>\$ 1,185,745</u>	<u>\$ 736,589</u>	<u>\$ 449,156</u>

The fair value of exchange traded funds (ETFs) is determined by reference to quoted market prices or other relevant market data as provided by the bank or broker. Fair value for investments in bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.