

HEAT OREGON dba
OREGON ENERGY FUND

Audited Financial Statements

For the Year Ended June 30, 2021



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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
September 29, 2021

HEAT OREGON DBA OREGON ENERGY FUND
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,229,091	\$ 1,006,760
Contributions receivable	2,487	998
Prepaid expenses	31,894	23,700
Investments	1,473,395	1,214,316
Property and equipment, net	9,811	24,053
 TOTAL ASSETS	 \$ 2,746,678	 \$ 2,269,827
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 26,859	\$ 29,118
Accrued personnel expenses	40,203	22,829
Refundable advance - Paycheck Protection Program	-	64,925
Total liabilities	67,062	116,872
Net assets:		
Without donor restrictions:		
Undesignated	1,653,837	1,175,879
Board designated	26,629	26,629
Net property and equipment	9,811	24,053
Total without donor restrictions	1,690,277	1,226,561
With donor restrictions	989,339	926,394
Total net assets	2,679,616	2,152,955
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,746,678	 \$ 2,269,827

See notes to financial statements.

HEAT OREGON DBA OREGON ENERGY FUND
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating support and revenue:				
Contributions	\$ 802,411	\$ 682,457	\$ 1,484,868	\$ 1,354,927
Donated materials and services	19,950	-	19,950	44,474
Special event revenue, net	32,079	-	32,079	44,750
Investment income, net	1,937	-	1,937	11,109
Forgiveness of Paycheck Protection Program loan	64,925		64,925	-
Net assets released from restrictions:				
Satisfaction of program restrictions	619,512	(619,512)	-	-
Total support and revenue	1,540,814	62,945	1,603,759	1,455,260
Expenses:				
Program services	953,008	-	953,008	754,226
Management and general	57,999	-	57,999	55,689
Fundraising	323,347	-	323,347	319,366
Total expenses	1,334,354	-	1,334,354	1,129,281
Income from operations	206,460	62,945	269,405	325,979
Non-operating activities				
Net realized/unrealized gain (loss) on investments	257,256	-	257,256	(5,566)
Change in net assets	463,716	62,945	526,661	320,413
Net assets:				
Beginning of year	1,226,561	926,394	2,152,955	1,832,542
End of year	\$ 1,690,277	\$ 989,339	\$ 2,679,616	\$ 2,152,955

See notes to financial statements.

HEAT OREGON DBA OREGON ENERGY FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(With comparative totals for 2020)

	Total Program	Management and General	Fundraising	2021 Total	2020 Total
Energy assistance	\$ 556,698	\$ -	\$ -	\$ 556,698	\$ 376,285
Program fees	62,814	-	-	62,814	58,125
Salaries and related expenses	208,224	36,213	208,224	452,661	423,944
Professional fees	19,850	3,452	19,850	43,152	53,500
Printing and postage	36,456	6,340	36,456	79,252	85,176
Technology, equipment, and and maintenance	16,862	2,791	16,862	36,515	39,839
Travel and meetings	213	37	213	463	3,107
Occupancy	17,008	2,958	17,008	36,974	42,831
Supplies	8,981	1,562	8,981	19,524	37,412
Bank fees	3,561	619	3,561	7,741	5,678
Other operating expenses	15,855	2,757	15,856	34,468	18,548
Depreciation and amortization	6,486	1,270	6,486	14,242	10,846
	<u>953,008</u>	<u>57,999</u>	<u>333,497</u>	<u>1,344,504</u>	<u>1,155,291</u>
Less direct benefit special event costs netted with revenue	<u>-</u>	<u>-</u>	<u>(10,150)</u>	<u>(10,150)</u>	<u>(26,010)</u>
Total expenses	<u>\$ 953,008</u>	<u>\$ 57,999</u>	<u>\$ 323,347</u>	<u>\$ 1,334,354</u>	<u>\$ 1,129,281</u>

See notes to financial statements.

HEAT OREGON DBA OREGON ENERGY FUND
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 526,661	\$ 320,413
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	14,242	10,846
Net realized/unrealized loss (gain) on investments	(257,256)	5,566
(Increase) decrease in:		
Contributions receivable	(1,489)	128,363
Prepaid expenses	(8,194)	(2,937)
Increase (decrease) in:		
Accounts payable	(2,259)	19,759
Accrued personnel expenses	17,374	7,987
Refundable advance-Paycheck Protection Program	(64,925)	64,925
Net cash flows from operating activities	224,154	554,922
Cash flows from investing activities:		
Purchase of property and equipment	-	(12,221)
Proceeds from the sale of investments	17,946	16,091
Purchase of investments	(19,769)	(27,123)
Net cash flows from investing activities	(1,823)	(23,253)
Net change in cash and cash equivalents	222,331	531,669
Cash and cash equivalents - beginning of year	1,006,760	475,091
Cash and cash equivalents - end of year	\$ 1,229,091	\$1,006,760

See notes to financial statements.

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 to 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.

Contributions Receivable

Contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management considers history with donors, and current economic and industry trends when determining the collectability of specific accounts. As a result, management determined that an allowance for doubtful accounts is not necessary

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

Investments are carried at fair value.

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.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: 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, 2021 are expected to be collected within one year.

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.

Donated Materials and Services: 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.

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Donated Materials and Services, Continued

Donated materials and services consist of fund-raising envelopes and other donated print materials, and is reported as follows in the accompanying statements of functional expenses for the years ending June 30, 2021 and 2020:

	2021	2020
Program services	\$ 9,177	\$ 20,458
Management and general	1,596	3,558
Fundraising	9,177	20,458
Total donated materials and services	\$ 19,950	\$ 44,474

Special Events: 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.

Paycheck Protection Program Loan: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) was accounted for as a conditional advance and accrues interest at 1%. 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. The Organization satisfied the conditions during 2021, the loan was forgiven by the SBA, and \$64,925 was recognized as revenue.

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, technology, equipment and maintenance, supplies, bank fees, and other operating expenses, which are allocated based on estimates of time and effort.

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Summarized Financial Information for 2020

The financial information as of June 30, 2020 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 29, 2021, the date the financial statements were available to be issued.

New Accounting Standard

Effective for financial statements for the year ending June 30, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

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.

Financial assets of the Organization consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$1,229,091	\$ 1,006,760
Contributions receivable	2,487	998
Investments	<u>1,473,395</u>	<u>1,214,316</u>
	2,704,973	2,222,074
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	989,339	926,394
Board designations	<u>26,629</u>	<u>26,629</u>
Financial assets available for general expenditure	<u>\$ 1,689,005</u>	<u>\$ 1,269,051</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 15,569	\$ 13,581
Mutual funds	994,400	732,296
Corporate bonds	96,719	96,412
U.S. government bonds	261,243	265,400
Foreign bonds	<u>105,464</u>	<u>106,627</u>
Total investments	<u>\$ 1,473,395</u>	<u>\$ 1,214,316</u>

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 66,184	\$ 79,406
Website	32,800	32,800
	98,984	112,206
Accumulated depreciation and amortization	(89,173)	(88,153)
Property and equipment, net	\$ 9,811	\$ 24,053

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 under an operating lease agreement summarized below:

- Administrative office, term May 2016 through May 2021, with monthly rent of \$3,523; extended through May 2026, with monthly rent of \$3,368, subject to annual increases; rent concession totaling \$6,736 for the first four months

Rent expense totaled approximately \$37,000 and \$42,800 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease commitments are as follows:

Year ending June 30, 2022	\$ 36,100
2023	44,100
2024	43,000
2025	44,300
2026	41,700
Total	\$ 209,200

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

8. BOARD DESIGNATED NET ASSETS

Board designated net assets are reserved by the board of directors for the Student Discount program.

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, 2021 and 2020:

	2021	2020
Portland General Electric	\$ 455,816	\$ 307,101
Pacific Power	386,966	396,651
West Oregon Electric Cooperative	25,397	22,498
Meals on Wheels Pilot Project	26,886	74,236
Energy Assistance	68,986	92,544
Oil Program	6,143	5,578
Other	19,145	27,786
Total net assets with donor restrictions	\$ 989,339	\$ 926,394

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 2021 and 2020 totaled approximately \$19,400 and \$13,700, respectively.

HEAT OREGON dba OREGON ENERGY FUND
NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2021

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 \$752,300 and \$533,200 at June 30, 2021 and 2020, respectively.

The Organization's revenues are concentrated with 34% of total revenues coming from two sources for the year ended June 30, 2021 (36% from two sources for the year ended June 30, 2020.)

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. The Organization did engage a company for media and consulting work where a board member is an owner. Expenses were approximately \$12,900 and \$11,100 for the years ended June 30, 2021 and 2020, respectively.

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, 2021

13. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on recurring basis at June 30, 2021 and June 30, 2020 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
June 30, 2021			
Investments:			
Mutual funds	\$ 994,400	\$ 994,400	\$ -
Corporate bonds	96,719	-	96,719
U.S. government bonds	261,243	-	261,243
Foreign bonds	105,464	-	105,464
	<u>\$ 1,457,826</u>	<u>\$ 994,400</u>	<u>\$ 463,426</u>
June 30, 2020			
Investments:			
Mutual funds	\$ 732,296	\$ 732,296	\$ -
Corporate bonds	96,412	-	96,412
U.S. government bonds	265,400	-	265,400
Foreign bonds	106,627	-	106,627
	<u>\$ 1,200,735</u>	<u>\$ 732,296</u>	<u>\$ 468,439</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.