

Oregon HEAT

Audited Financial Statements
June 30, 2013 and 2012

Draft

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Draft

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oregon HEAT
Tualatin, Oregon

We have audited the accompanying statements of financial position of Oregon HEAT (a nonprofit organization) as of June 30, 2013 and 2012, 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 Oregon HEAT as of June 30, 2013, 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.

Wilsonville, OR
August 23, 2013

Oregon HEAT

Statements of Financial Position

June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 368,601	74,768
Other receivables	32,127	253,076
Investments	902,369	1,449,246
Prepaid expenses	3,198	3,594
	<u>1,306,295</u>	<u>1,780,684</u>
Property and equipment - net	<u>22,394</u>	<u>12,845</u>
	<u>\$ 1,328,689</u>	<u>1,793,529</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 12,776	19,125
Accrued liabilities	9,707	13,867
	<u>22,483</u>	<u>32,992</u>
<u>Net Assets</u>		
Net assets:		
Unrestricted	802,363	922,574
Temporarily restricted	503,843	837,963
	<u>1,306,206</u>	<u>1,760,537</u>
	<u>\$ 1,328,689</u>	<u>1,793,529</u>

Oregon HEAT

Statements of Activities

For the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>
Revenues:			
Contributions	\$ 525,377	894,377	1,419,754
In-kind donations	97,861	-	97,861
Interest earned	2,327	-	2,327
Special events	48,309	-	48,309
	<u>673,874</u>	<u>894,377</u>	<u>1,568,251</u>
Net Assets released from restrictions	<u>1,228,497</u>	<u>(1,228,497)</u>	<u>-</u>
Total revenues and other support	<u>1,902,371</u>	<u>(334,120)</u>	<u>1,568,251</u>
Expenses:			
Program services			
Energy assistance	1,482,965	-	1,482,965
Program management	371,925	-	371,925
Supporting services			
Management and general	32,934	-	32,934
Fund-raising	134,758	-	134,758
Total expenses	<u>2,022,582</u>	<u>-</u>	<u>2,022,582</u>
Change in net assets	(120,211)	(334,120)	(454,331)
Beginning net assets	<u>922,574</u>	<u>837,963</u>	<u>1,760,537</u>
Ending net assets	<u>\$ 802,363</u>	<u>503,843</u>	<u>1,306,206</u>

Oregon HEAT

Statements of Activities

For the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>
Revenues:			
Contributions	\$ 629,499	1,012,824	1,642,323
In-kind donations	104,393	-	104,393
Interest earned	13,936	-	13,936
Special events	41,082	-	41,082
	<u>788,910</u>	<u>1,012,824</u>	<u>1,801,734</u>
Net Assets released from restrictions	<u>1,129,540</u>	<u>(1,129,540)</u>	<u>-</u>
Total revenues and other support	<u>1,918,450</u>	<u>(116,716)</u>	<u>1,801,734</u>
Expenses:			
Program services			
Energy assistance	1,344,297	-	1,344,297
Program management	391,972	-	391,972
Supporting services			
Management and general	34,929	-	34,929
Fund-raising	142,022	-	142,022
Total expenses	<u>1,913,220</u>	<u>-</u>	<u>1,913,220</u>
Change in net assets	5,230	(116,716)	(111,486)
Beginning net assets	<u>917,344</u>	<u>954,679</u>	<u>1,872,023</u>
Ending net assets	<u>\$ 922,574</u>	<u>837,963</u>	<u>1,760,537</u>

Oregon HEAT

Statements of Functional Expenses

For the year ended June 30, 2013

	Program Services		Supporting Services		Total 2013
	Energy Assistance	Program Management	Management and General	Fund- Raising	
Energy assistance	\$ 1,310,806	-	-	-	1,310,806
Program fees	172,159	-	-	-	172,159
Salaries	-	171,194	14,886	62,027	248,107
Benefits	-	27,576	2,398	9,991	39,965
Payroll taxes	-	16,242	1,412	5,885	23,539
Direct mail	-	66,978	5,824	24,268	97,070
Printing and postage	-	967	84	350	1,401
Professional fees	-	10,649	926	3,858	15,433
Occupancy	-	18,529	1,611	6,714	26,854
Supplies	-	1,817	158	659	2,634
Equipment rental	-	634	55	230	919
Insurance	-	1,755	153	636	2,544
Transportation	-	3,983	346	1,443	5,772
Dues and subscriptions	-	4,315	375	1,563	6,253
Bank charges	-	4,721	410	1,710	6,841
Publicity	-	30,914	2,688	11,201	44,803
Conferences	-	406	35	147	588
Depreciation	-	7,434	647	2,694	10,775
Information technology	-	3,125	272	1,133	4,530
Board expenses	-	-	594	-	594
Temporary services	-	686	60	249	995
Total expenses	\$ <u>1,482,965</u>	<u>371,925</u>	<u>32,934</u>	<u>134,758</u>	<u>2,022,582</u>

Oregon HEAT

Statements of Functional Expenses

For the year ended June 30, 2012

	Program Services		Supporting Services		Total 2012
	Energy Assistance	Program Management	Management and General	Fund- Raising	
Energy assistance	\$ 1,191,973	-	-	-	1,191,973
Program fees	152,324	-	-	-	152,324
Salaries	-	172,275	14,981	62,419	249,675
Benefits	-	22,528	1,959	8,162	32,649
Payroll taxes	-	15,984	1,390	5,791	23,165
Direct mail	-	87,853	7,639	31,831	127,323
Printing and postage	-	2,346	204	850	3,400
Professional fees	-	6,367	554	2,307	9,228
Occupancy	-	18,529	1,611	6,714	26,854
Supplies	-	1,446	126	524	2,096
Equipment rental	-	627	55	227	909
Insurance	-	1,603	139	581	2,323
Transportation	-	6,217	541	2,253	9,011
Dues and subscriptions	-	4,706	409	1,705	6,820
Bank charges	-	4,723	411	1,711	6,845
Publicity	-	27,947	2,430	10,126	40,503
Conferences	-	1,479	129	536	2,144
Depreciation	-	7,171	624	2,599	10,394
Information technology	-	10,171	885	3,686	14,742
Board expenses	-	-	842	-	842
Temporary services	-	-	-	-	-
Total expenses	\$ <u>1,344,297</u>	<u>391,972</u>	<u>34,929</u>	<u>142,022</u>	<u>1,913,220</u>

Oregon HEAT

Statements of Cash Flows

For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ (454,331)	(111,486)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	10,775	10,394
Changes in operating assets and liabilities		
Other receivables	220,949	27,533
Prepaid expenses	396	9,696
Accounts payable	(6,349)	4,115
Accrued liabilities	(4,160)	2,930
Net Cash from Operating Activities	<u>(232,720)</u>	<u>(56,818)</u>
Cash Flows From Investing Activities:		
Purchase of investments	-	(259,397)
Redemption of investments	546,877	-
Capitalized in-kind contribution	(16,134)	-
Purchase of equipment	(4,190)	(6,115)
Net Cash from Investing Activities	<u>526,553</u>	<u>(265,512)</u>
Net Change in Cash	293,833	(322,330)
Cash, Beginning of Year	<u>74,768</u>	<u>397,098</u>
Cash, End of Year	<u>\$ 368,601</u>	<u>74,768</u>

Oregon HEAT

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

Nature of Activities

Oregon HEAT was incorporated in 1989 as a nonprofit organization. Oregon HEAT is a DBA of Oregon Energy Services, Inc. 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.

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.

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

(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 2013 or 2012. 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 2013, 2012, 2011 and 2010 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.

Other Receivables

Other receivables consists of grants and 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, 2013 and 2012, this amount was zero.

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, 2013 and 2012 was \$10,775, and \$10,394. 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

Oregon HEAT

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

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

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, 2013 and 2012, respectively, for the items donated. In addition, during the years ended June 30, 2013 and 2012, Portland General Electric and Pacific Power donated fund-raising envelopes with an estimated value of \$50,833 and \$73,499. In the 2013, the organization applied for a software donation from Microsoft. Microsoft granted the Organization with specific software for the database server valued at \$16,134 and capitalized per the organizations capitalization policy.

Advertising

The Organization uses advertising to promote its programs to the general public. Advertising costs are expensed as incurred and totaled \$22,481 and \$25,334, which are included in publicity expenses, as of June 30, 2013 and 2012.

Subsequent Events

The Organization has evaluated subsequent events through August 23, 2013, the date which the financial statements were available to be issued.

(2) Investments

The Organization has investments consisting of CDARS accounts, with interest rates ranging from .15% to .20%. The fair value of these investments approximates the face value of the certificate.

Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

(3) Property and Equipment

As of June 30, property and equipment consist of:

	2013	2012
Equipment and IT	\$ 62,389	\$ 64,835
Less: accumulated depreciation	<u>(39,995)</u>	<u>(51,990)</u>
	<u>22,394</u>	<u>12,845</u>

(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, 2013 and 2012 may be summarized as follows:

	2013	2012
Portland General Electric	\$ 306,651	\$ 425,926
Pacific Power	168,078	359,657
Oil Program	28,599	37,429
WOE	515	951
Vera Smith Foundation	-	5,000
Cow Creek Umpqua Indian Foundation	<u>-</u>	<u>9,000</u>
	<u>\$ 503,843</u>	<u>\$ 837,963</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, 2013 and 2012 respectively amounted to \$9,621 and \$7,979.

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Notes to the Financial Statements

For the years ended June 30, 2013 and 2012

(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.

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