

# **HEAT Oregon**

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Audited Financial Statements  
June 30, 2014 and 2013

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## **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) as of June 30, 2014 and 2013, 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, 2014 and 2013, and change in net assets and it's cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lake Oswego, OR  
August 22, 2014

# HEAT Oregon

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## Statements of Financial Position

June 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 479,520	368,601
Other receivables	9,099	32,127
Investments	902,767	902,369
Prepaid expenses	6,270	3,198
	<u>1,397,656</u>	<u>1,306,295</u>
Property and equipment - net	<u>20,063</u>	<u>22,394</u>
	<u>\$ 1,417,719</u>	<u>1,328,689</u>
 <u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ 7,082	12,776
Accrued liabilities	8,226	9,707
Deferred revenues	6,000	-
	<u>21,308</u>	<u>22,483</u>
 <u>Net Assets</u>		
Net assets:		
Unrestricted	816,096	802,363
Temporarily restricted	580,315	503,843
	<u>1,396,411</u>	<u>1,306,206</u>
	<u>\$ 1,417,719</u>	<u>1,328,689</u>

# HEAT Oregon

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## Statements of Activities

For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>
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
	<u>704,925</u>	<u>1,003,234</u>	<u>1,708,159</u>
Net Assets released from restrictions	<u>926,762</u>	<u>(926,762)</u>	<u>-</u>
Total revenues and other support	<u>1,631,687</u>	<u>76,472</u>	<u>1,708,159</u>
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	<u>1,617,954</u>	<u>-</u>	<u>1,617,954</u>
Change in net assets	13,733	76,472	90,205
Beginning net assets	<u>802,363</u>	<u>503,843</u>	<u>1,306,206</u>
Ending net assets	<u>\$ 816,096</u>	<u>580,315</u>	<u>1,396,411</u>

# HEAT Oregon

## 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	371,926	-	371,926
Supporting services			
Management and general	32,934	-	32,934
Fund-raising	134,757	-	134,757
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>

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

# HEAT Oregon

## Statements of Functional Expenses

For the year ended June 30, 2014

	Program Services		Supporting Services		Total 2014
	Energy Assistance	Program Management	Management and General	Fund- Raising	
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	\$ <u>1,070,699</u>	<u>376,844</u>	<u>33,869</u>	<u>136,542</u>	<u>1,617,954</u>

# HEAT Oregon

## 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	-	27,203	2,366	9,856	39,425
Conferences	-	406	35	147	588
Depreciation	-	7,434	647	2,694	10,775
Information technology	-	6,837	594	2,477	9,908
Board expenses	-	-	594	-	594
Temporary services	-	686	60	249	995
Total expenses	\$ <u>1,482,965</u>	<u>371,926</u>	<u>32,934</u>	<u>134,757</u>	<u>2,022,582</u>

# HEAT Oregon

## Statements of Cash Flows

For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Net Income (Loss)	\$ 90,205	(454,331)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	5,161	10,775
Changes in operating assets and liabilities		
Other receivables	23,028	220,949
Prepaid expenses	(3,072)	396
Accounts payable	(5,694)	(6,349)
Deferred revenues	6,000	-
Accrued liabilities	(1,481)	(4,160)
Net Cash from Operating Activities	<u>114,147</u>	<u>(232,720)</u>
Cash Flows From Investing Activities:		
Purchase of investments	(903,015)	(903,443)
Redemption of investments	902,617	1,450,320
Capitalized in-kind contribution	-	(16,134)
Purchase of equipment	(2,830)	(4,190)
Net Cash from Investing Activities	<u>(3,228)</u>	<u>526,553</u>
Net Change in Cash	110,919	293,833
Cash, Beginning of Year	<u>368,601</u>	<u>74,768</u>
Cash, End of Year	<u>\$ 479,520</u>	<u>368,601</u>

# HEAT Oregon

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## Notes to the Financial Statements

For the years ended June 30, 2014 and 2013

### (1) Summary of Significant Accounting Policies

#### Nature of Activities

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

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## Notes to the Financial Statements

For the years ended June 30, 2014 and 2013

### (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 2014 or 2013. 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, 2012 and 2011 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 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, 2014 and 2013, 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, 2014 and 2013 was \$5,161, and \$10,775. 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

# HEAT Oregon

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## Notes to the Financial Statements

For the years ended June 30, 2014 and 2013

### (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, 2014 and 2013, respectively, for the items donated. In addition, during the years ended June 30, 2014 and 2013, Portland General Electric and Pacific Power donated fund-raising envelopes with an estimated value of \$62,166 and \$50,833. In 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 \$22,047 and \$22,481, which are included in publicity expenses, as of June 30, 2014 and 2013.

#### Deferred Revenues

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

#### Subsequent Events

The Organization has evaluated subsequent events through August 22, 2014, 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 .08% to .10%. The fair value of these investments approximates the face value of the certificate.

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## Notes to the Financial Statements

For the years ended June 30, 2014 and 2013

### (3) Property and Equipment

As of June 30, property and equipment consist of:

	<b>2014</b>	<b>2013</b>
Equipment and IT	\$ 65,219	\$ 62,389
Less: accumulated depreciation	<u>(45,156)</u>	<u>(39,995)</u>
	<u>20,063</u>	<u>22,394</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, 2014 and 2013 may be summarized as follows:

	<b>2014</b>	<b>2013</b>
Portland General Electric	\$ 272,337	\$ 306,651
Pacific Power	270,021	168,078
Oil Program	33,230	28,599
WOE	227	515
Vera Smith Foundation	<u>4,500</u>	<u>-</u>
	<u>\$ 580,315</u>	<u>\$ 503,843</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, 2014 and 2013 respectively amounted to \$6,599 and \$9,621.

# HEAT Oregon

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## Notes to the Financial Statements

For the years ended June 30, 2014 and 2013

### (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.

### (7) Reclassification

Certain accounts were reclassified in the prior year for consistency and comparison purposes with the current presentation. Such reclassifications have no effect on the previously reported change in net assets.