

**COLUMBIAGRID**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

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**Independent Auditors' Report**

To the Board of Directors of  
ColumbiaGrid  
Portland, Oregon

We have audited the accompanying statement of financial position of ColumbiaGrid (a Washington non-profit organization) as of December 31, 2010 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ColumbiaGrid as of December 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bottaini Gallucci & O'Hanlon P.C.*

Bottaini, Gallucci & O'Hanlon, P.C.  
Portland, Oregon  
February 8, 2011



**COLUMBIAGRID**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010**

**ASSETS**

Current assets	
Cash	\$ 290,138
Investments	
Certificates of deposit	257,803
Treasury securities	199,994
Accounts receivable	309,508
Prepaid expenses	66,735
Total current assets	<u>1,124,178</u>
Property and equipment, at cost	682,401
Less accumulated depreciation and amortization	<u>(320,393)</u>
Net property and equipment	<u>362,008</u>
Other assets	
Rent deposit	<u>13,853</u>
Total assets	<u><u>\$ 1,500,039</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable	\$ 54,438
Retirement plan contribution payable	81,343
Member advances	58,364
Accrued paid time off	41,380
Directors compensation payable	21,965
Accrued expenses and payroll taxes	2,704
Total current liabilities	<u>260,194</u>
Net assets	
Unrestricted net assets	<u>1,239,845</u>
Total unrestricted net assets	<u>1,239,845</u>
Total liabilities and net assets	<u><u>\$ 1,500,039</u></u>

The accompanying notes are an integral part of these financial statements.

## COLUMBIAGRID

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2010

Revenues	
Funding agreement assessments	\$ 1,806,730
Functional agreement assessments - PEFA	1,715,436
Functional agreement assessments - OASIS	447,566
Interest and dividend income	1,422
Other income	940
Gain on disposal of assets	570
Unrealized gain on investment	60
Total unrestricted revenues	<u>3,972,724</u>
Expenses	
General and administrative	1,792,950
Functional agreement - PEFA	1,699,607
Functional agreement - OASIS	401,401
Total expenses	<u>3,893,958</u>
Changes in unrestricted net assets	<u>78,766</u>
Net assets, beginning of year	<u>1,161,079</u>
Net assets, end of year	<u>\$ 1,239,845</u>

The accompanying notes are an integral part of these financial statements.

## COLUMBIAGRID

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	PEFA Functional Agreement	OASIS Functional Agreement	General and Administrative	Total
Salaries	\$ 754,919	\$ 199,125	\$ 719,607	1,673,651
Consulting	33,147	1,347	618,211	652,705
Directors compensation			258,485	258,485
Professional fees	98,378	476	59,318	158,172
Office rent	61,453	18,029	75,311	154,793
Retirement plan contribution expense	76,815	13,815	63,320	153,950
Employee benefits	65,601	13,587	62,486	141,674
Insurance	43,897	10,499	73,494	127,890
Payroll taxes	52,578	14,277	50,302	117,157
Depreciation	52,300	1,667	57,845	111,812
Dues	20,677		42,971	63,648
Travel	27,637	3,281	28,756	59,674
Telephone	15,553	3,004	17,991	36,548
Meetings	11,099	714	18,452	30,265
Taxes and fees			27,627	27,627
OASIS service fees		26,700		26,700
Computer maintenance	7,941	448	14,831	23,220
Office supplies	2,687	651	13,206	16,544
Printing & copying	7,802	955	7,606	16,363
Auto expense	2,814	20	11,186	14,020
Meals	2,507	151	6,584	9,242
Employee development	1,515	1,396	5,365	8,276
Utilities	621	151	2,493	3,265
News services			1,900	1,900
Bank charges			1,732	1,732
Internet services	848		860	1,708
Worker's compensation	629	169	670	1,468
Advertising	784			784
Miscellaneous			685	685
Subtotal	1,342,202	310,462	2,241,294	3,893,958
Allocation of general and administrative expenses	357,405	90,939	(448,344)	-
Total expenses	<u>\$ 1,699,607</u>	<u>\$ 401,401</u>	<u>\$ 1,792,950</u>	<u>\$ 3,893,958</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIAGRID**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2010**

Cash flows from operating activities	
Change in net assets	\$ 78,766
Adjustments to reconcile net assets to net cash provided (used) by operating activities	
Depreciation and amortization	111,812
Gain on disposal of property and equipment	(570)
Unrealized gain on investments	(60)
(Increase) decrease in operating assets	
Accounts receivable	86,349
Prepaid expenses	33,389
Increase (decrease) in operating liabilities	
Retirement contribution payable	(7,806)
Accounts payable	(23,178)
Member advances	41,380
Accrued paid time off	10,155
Directors compensation payable	(1,875)
Accrued expenses and payroll taxes	2,704
Net cash provided (used) by operating activities	<u>331,066</u>
Cash flows from investing activities	
Purchase of property and equipment	(198,415)
Proceeds from the sale of property and equipment	1,081
Purchase of investments	(199,934)
Reinvested interest on certificate of deposit	<u>(1,422)</u>
Net cash provided (used) by investing activities	<u>(398,690)</u>
Net decrease in cash	(67,624)
Cash at beginning of year	<u>357,762</u>
Cash at end of year	<u>\$ 290,138</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest	<u>\$ -</u>
Cash paid during the year for income taxes	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**COLUMBIAGRID****NOTES TO FINANCIAL STATEMENTS****Note 1 -- Summary of Significant Accounting Policies and Business of the Organization**Nature of the Organization

ColumbiaGrid was incorporated as a non-profit corporation in the State of Washington on March 31, 2006. The Organization is registered to do business in Oregon and its office is located in Portland, Oregon. ColumbiaGrid currently has eight members, all of which are electric utility businesses operating in Oregon and Washington: Avista Corporation, Bonneville Power Administration, Chelan County PUD, Grant County PUD, Puget Sound Energy, Seattle City Light, Snohomish County PUD, and Tacoma Power.

The Organization was formed for the purpose of entering into and carrying out contracts with its members and other qualified non-member parties to improve reliability of the transmission grid and efficiency of its use in the Pacific Northwest; to provide cost effective transmission planning and expansion of the interconnected transmission system and to support effective market monitoring.

In September 2006, the original seven members signed a two-year Second Funding Agreement to provide funds for the start-up costs of the Organization. This Agreement was scheduled to terminate on September 1, 2008; however, in April 2008, the Second Funding Agreement was superseded by the Third Funding Agreement which provided for additional funding, and which extended the term from September 1, 2008 to August 31, 2010. Collectively, these Agreements are known as the Funding Agreements.

Prior to January 1, 2009, all general and administrative expenses were provided for under the Funding Agreements, and were not included in the monthly expense reimbursement invoices under the Planning and Expansion and OASIS Functional Agreements. Beginning January 1, 2009, the members directed ColumbiaGrid to begin recovering some of the general and administrative costs under the Functional Agreement billings. During 2009 that recovery was made by multiplying direct costs under the Planning and Expansion Functional Agreement (PEFA) by 20%. From January 2010 through August 2010, that 20% allocation continued, and was applied to both the PEFA and OASIS Functional Agreement billings. This allocation is shown on the Statement of Functional Expenses as Allocation of General and Administrative Expenses. During the term of the Second and Third Funding Agreements, September 2006 through August 2010, ColumbiaGrid recovered through funding calls to its members a total of \$8,218,037.

## COLUMBIAGRID

### NOTES TO FINANCIAL STATEMENTS

#### Note 1 – Summary of Significant Accounting Policies and Business of the Organization (continued)

The successor Funding Agreement, the Fourth Funding Agreement, became effective September 1, 2010. Subject to future changes by the members, it provides that the allocation of general and administrative costs to the Functional Agreement billings be made using a 40% allocation factor, with all unallocated such costs to be recovered under the Fourth Funding Agreement. While the Fourth Funding Agreement provides for reimbursement of unallocated general and administrative costs, it also provides for development, outreach and collaboration with other industry partners.

The Organization currently provides services under two Functional Agreements: the Planning and Expansion Functional Agreement (PEFA) which was entered into on January 17, 2007, and the OASIS Functional Agreement which was entered into on April 1, 2008. All of the members are signatories to both Functional Agreements, and two additional non-member parties have signed the PEFA. Under both of the Functional Agreements, the members and qualified non-member parties, together known as Participants, reimburse ColumbiaGrid monthly for costs incurred during the prior month.

Of the two Functional Agreements, the PEFA provides for multisystem planning intended to facilitate expansion of the interconnected Pacific Northwest transmission system. The OASIS Functional Agreement provides for the creation of an on-line Open Access Same-Time Information System which is intended to facilitate access and provision of transmission services through a single OASIS interface. Costs billed under the OASIS Functional Agreement began on January 1, 2009.

#### Basis of Accounting

The books of ColumbiaGrid are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned and expenses are recognized in the accounting period in which the liability is incurred.

#### Basis of Presentation

ColumbiaGrid is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

**COLUMBIAGRID****NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of Significant Accounting Policies and Business of the Organization (continued)**Basis of Presentation (continued)

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of ColumbiaGrid to meet the stipulations or become unrestricted at the date specified by the donor organization.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invested permanently by ColumbiaGrid.

ColumbiaGrid has no permanently or temporarily restricted net assets.

Property and Equipment

Property and equipment are acquired and carried at cost, when retired or otherwise disposed of, the related carrying value and accumulated depreciation are cleared from the respective accounts and the net differences, less any amount realized from disposition, is reflected in earnings.

Maintenance and repairs, including the replacement of minor items are expensed as incurred. Major additions to property and equipment in excess of \$500 are capitalized.

Depreciation has been consistently provided by ColumbiaGrid on the straight-line method at rates adequate to amortize the cost of the property and equipment over their estimated useful lives of between three and seven years.

Income Taxes

ColumbiaGrid is a non-profit organization as described in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal income taxes.

Cash

For the purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash or cash equivalents, available for current use.

Investments

Investments in certificates of deposits consist of two certificates totaling \$257,803 and have maturities ranging from seven to nine months. Both certificates are continuously renewed on their maturity dates. The certificates of deposits are reported at surrender value, which approximates fair market value.

**COLUMBIAGRID****NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of Significant Accounting Policies and Business of the Organization (continued)**Investments (continued)

Investments in short term treasury securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in revenues, along with interest, on the Statement of Activities and Change in Net Assets.

Functional Expenses Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and in the Statement of Functional Expenses. Accordingly, costs have been shared among programs and management and support services, with the allocations made on either personnel-based or space-based calculations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

ColumbiaGrid considers accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be expensed when that determination is made. Accounts receivable consist of member assessments and expense reimbursements under the functional agreements.

Funding Agreement Assessments

Assessments under the funding agreement are recognized as revenue when billed. Assessments under the two operative functional agreements are recognized as revenue in the month expenses are incurred that needs to be reimbursed under the agreement.

## COLUMBIAGRID

### NOTES TO FINANCIAL STATEMENTS

#### Note 2 - Pension Plan

The Organization adopted a 401(k) plan whereby employees may defer a portion of their gross wages. ColumbiaGrid makes contributions to the plan of 5.5% of employees' gross wages for workers employed on the last day of the year and matches 75% of an employee's contribution to the plan up to an employee contribution of 6% of gross salary. Total contributions to the plan in 2010 were \$153,950.

#### Note 3 - Operating Leases

ColumbiaGrid leased office space effective June 1, 2007 for six years. Monthly rent increases on the first of June each year over the six-year lease; current monthly rent is \$13,058. Rent expense for the year was \$154,793.

On July 1, 2007, ColumbiaGrid entered into a 60 month operating lease for a copier. Base monthly payments are \$375 per month which includes property taxes and insurance. Total payments for the year were \$4,799 and are included under printing and copying on the Statement of Functional Expenses.

On October 1, 2010, the ColumbiaGrid entered into a 60 month operating lease for a copier. Base monthly payments are \$70 per month. Total payments for the year were \$285 and are included under printing and copying on the Statement of Functional Expenses.

Future minimum rental lease payments are as follows:

2011	\$	164,776
2012		167,685
2013		70,105
2014		840
2015		630
		<u>404,036</u>
	\$	<u>404,036</u>

#### Note 4 - Concentration of Credit Risk

ColumbiaGrid maintains cash balances at several financial institutions. Cash balances in noninterest-bearing transaction accounts at Key Bank have unlimited insurance by agreement with the Federal Deposit Insurance Corporation (FDIC). Balances in interest bearing accounts are insured by the FDIC up to \$250,000 which is in addition to, and separate from the unlimited insurance. Cash balances at Bank of America are insured by the FDIC up to \$250,000. The amount in excess of the FDIC limit totaled \$7,803.

**COLUMBIAGRID**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5 – Property and Equipment**

Property and equipment consist of the following:

<u>Description</u>	<u>Cost</u>	<u>Depreciable Lives</u>
OASIS website development	\$92,700	3 years
Software	219,177	3 years
Computers	82,768	3 years
Furniture	185,747	7 years
Phone system	22,159	5 years
Leasehold improvements	79,850	5-9 years
	<u>\$682,401</u>	

Depreciation expense was \$111,812 for the year ending December 31, 2010. The OASIS website will become functional in the 2011 fiscal year.

**Note 6 – Investments**

Investments consisted of the following at December 31, 2010:

	<u>Fair Market Value</u>	<u>Fair Market Cost Basis</u>
Certificates of deposit	\$ 257,803	\$ 257,803
Short term treasury securities	199,994	199,934
Total	<u>\$ 457,797</u>	<u>\$ 457,737</u>

Investment income consists of the following:

Interest and dividends	\$ 1,422
Unrealized gain on investments	<u>60</u>
Total gain	<u>\$ 1,482</u>

## COLUMBIAGRID

### NOTES TO FINANCIAL STATEMENTS

#### Note 7 – Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the year totaled \$784.

#### Note 8 – Taxes and Fees

Taxes and fees consist of the following:

Washington State excise tax	\$25,011
Multnomah County personal property tax	2,556
Oregon State annual fee	50
Washington State annual fee	<u>10</u>
Total	<u>\$27,627</u>

#### Note 10 – Subsequent Events

ColumbiaGrid adopted the provisions of *Statement of Financial Accounting Standards* (“SFAS”) No. 165, “Subsequent Events” (ASC 855) as of January 1, 2010. ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through February 4, 2011, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

#### Note 11 – Uncertain Tax Positions

On January 1, 2010, ColumbiaGrid adopted the provisions of *Interpretation* (“FIN”) No. 48, “*Accounting for Uncertainty in Income Taxes*—an interpretation of FASB Statement No. 109” (ASC 740). ASC 740 prescribes a new threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. ColumbiaGrid could be subject to income tax on unrelated business income. The adoption of ASC 740 did not have any impact on the ColumbiaGrid’s financial statements. ColumbiaGrid’s federal information returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on these information returns. In general, the federal information returns have a three year statute of limitations. ColumbiaGrid would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.