

**COLUMBIAGRID**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2009**

**COLUMBIAGRID**  
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**YEAR ENDED DECEMBER 31, 2009**

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**Independent Auditors' Report**

To the Board of Directors  
ColumbiaGrid  
Portland, Oregon

We have audited the accompanying statement of financial position of ColumbiaGrid (a Washington non-profit organization) as of December 31, 2009 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, 2009 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 5, 2010



**COLUMBIAGRID**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

**ASSETS**

|  |                     |
|--|---------------------|
| Current assets                                 |                     |
| Cash   | \$ 357,762          |
| Investments                                    |                     |
| Certificates of deposit                        | 256,381             |
| Accounts receivable                            | 395,857             |
| Prepaid expenses                               | 100,124             |
| Total current assets                           | <u>1,110,124</u>    |
| Property and equipment, at cost                | 510,268             |
| Less accumulated depreciation and amortization | <u>(234,352)</u>    |
| Net property and equipment                     | <u>275,916</u>      |
| Other assets                                   |                     |
| Rent deposit                                   | <u>13,853</u>       |
| Total assets                                   | <u>\$ 1,399,893</u> |

**LIABILITIES AND NET ASSETS**

|                                       |                     |
|---------------------------------------|---------------------|
| Current liabilities                   |                     |
| Accounts payable and accrued expenses | \$ 101,456          |
| Retirement plan contribution payable  | 89,149              |
| Accrued paid time off                 | 48,209              |
| Total current liabilities             | <u>238,814</u>      |
| Net assets                            |                     |
| Unrestricted net assets               | <u>1,161,079</u>    |
| Total unrestricted net assets         | <u>1,161,079</u>    |
| Total liabilities and net assets      | <u>\$ 1,399,893</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, 2009

|  |                     |
|--|---------------------|
| Revenues                                 |                     |
| Funding agreement assessments            | \$ 2,041,581        |
| Functional agreement assessments - PEFA  | 1,532,740           |
| Functional agreement assessments - OASIS | 438,778             |
| Interest and dividend income             | 8,607               |
| Realized loss on sale of investments     | (644)               |
| Total revenues                           | <u>4,021,062</u>    |
| Expenses                                 |                     |
| General and administrative               | 2,000,262           |
| Functional agreement - PEFA              | 1,561,456           |
| Functional agreement - OASIS             | 391,477             |
| Total expenses                           | <u>3,953,195</u>    |
| Changes in net assets                    | <u>67,867</u>       |
| Net assets, beginning of year            | <u>1,093,212</u>    |
| Net assets, end of year                  | <u>\$ 1,161,079</u> |

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

**COLUMBIAGRID**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2009**

|   | PEFA<br>Functional<br>Agreement | OASIS<br>Functional<br>Agreement | General and<br>Administrative | Total               |
|---|---------------------------------|----------------------------------|-------------------------------|---------------------|
| Salaries  | \$ 738,845                      | \$ 177,366                       | \$ 706,031                    | \$ 1,622,242        |
| Consulting  | 31,583                          | 64,525                           | 607,129                       | 703,237             |
| Professional fees                                 | 111,171                         | 56,329                           | 106,448                       | 273,948             |
| Directors compensation                            |                                 |                                  | 271,221                       | 271,221             |
| Retirement plan contribution expense              | 71,765                          | 16,575                           | 71,300                        | 159,640             |
| Office rent                                       | 56,555                          | 22,227                           | 71,502                        | 150,284             |
| Employee benefits                                 | 53,659                          | 12,035                           | 61,336                        | 127,030             |
| Insurance   | 38,842                          | 11,129                           | 65,189                        | 115,160             |
| Payroll taxes                                     | 50,481                          | 13,500                           | 46,970                        | 110,951             |
| Depreciation                                      | 49,831                          | 1,528                            | 58,432                        | 109,791             |
| Travel  | 27,181                          | 2,571                            | 42,356                        | 72,108              |
| Dues  | 23,464                          |                                  | 35,172                        | 58,636              |
| Telephone   | 14,345                          | 3,888                            | 16,281                        | 34,514              |
| Meetings  | 9,885                           | 750                              | 20,204                        | 30,839              |
| Computer maintenance                              | 4,143                           | 560                              | 16,545                        | 21,248              |
| Printing  | 9,400                           | 1,057                            | 7,153                         | 17,610              |
| Office supplies                                   | 3,275                           | 773                              | 9,013                         | 13,061              |
| Auto expense                                      | 1,616                           | 104                              | 10,884                        | 12,604              |
| Taxes and fees                                    |                                 |                                  | 11,446                        | 11,446              |
| Employee development                              | 3,435                           | 1,090                            | 5,933                         | 10,458              |
| Meals   | 3,004                           | 154                              | 6,531                         | 9,689               |
| Worker's compensation                             | 2,717                           | 704                              | 2,645                         | 6,066               |
| OASIS service fees                                |                                 | 4,100                            |                               | 4,100               |
| Utilities   | 611                             | 179                              | 1,612                         | 2,402               |
| Internet services                                 | 191                             | 333                              | 1,605                         | 2,129               |
| News services                                     |                                 |                                  | 1,900                         | 1,900               |
| Bank charges                                      |                                 |                                  | 677                           | 677                 |
| Loss on disposal of property and equipment        |                                 |                                  | 532                           | 532                 |
| Advertising                                       |                                 |                                  | 196                           | 196                 |
| Miscellaneous                                     |                                 |                                  | (524)                         | (524)               |
| Subtotal  | <u>1,305,999</u>                | <u>391,477</u>                   | <u>2,255,719</u>              | <u>3,953,195</u>    |
| Allocation of general and administrative expenses | <u>255,457</u>                  |                                  | <u>(255,457)</u>              | <u>-</u>            |
| Total expenses                                    | <u>\$ 1,561,456</u>             | <u>\$ 391,477</u>                | <u>\$ 2,000,262</u>           | <u>\$ 3,953,195</u> |

**COLUMBIAGRID**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2009**

|   |                   |
|---|-------------------|
| Cash flows from operating activities  |                   |
| Increase in net assets  | \$ 67,867         |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operations |                   |
| Depreciation and amortization   | 109,791           |
| Loss on disposal of property and equipment  | 532               |
| Realized loss on sale of investments  | 644               |
| Increase in accounts receivable   | (51,904)          |
| Increase in prepaid expenses  | (57,770)          |
| Decrease in retirement contribution payable   | (3,898)           |
| Decrease in accounts payable and accrued liabilities                                  | (29,606)          |
| Decrease in member advances   | (571,259)         |
| Increase in accrued paid time off   | 2,661             |
|   | <u>2,661</u>      |
| Net cash used by operating activities   | <u>(532,942)</u>  |
| Cash flows from investing activities  |                   |
| Purchase of property and equipment  | (80,221)          |
| Proceeds from sale of investments   | 396,790           |
| Reinvested interest on certificate of deposit   | (5,162)           |
|   | <u>(5,162)</u>    |
| Net cash provided by investing activities   | <u>311,407</u>    |
| Net decrease in cash and cash equivalents   | (221,535)         |
| Cash and cash equivalents at beginning of year  | <u>579,297</u>    |
| Cash and cash equivalents at end of year  | <u>\$ 357,762</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

##### A. 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.

The Organization was formed for the purpose of entering into and carrying out contracts with its members and other qualified entities; 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.

ColumbiaGrid currently has eight members. The members signed a two-year Second Funding Agreement to provide funds for the start-up expenses of the Organization. This agreement was scheduled to terminate on September 1, 2008. In April 2008, the Second Funding Agreement was superseded by the Third Funding Agreement which provided an additional \$5,000,000 of funding, and which extended the term through August 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 Second and Third Funding Agreements, and were not included in the monthly expense reimbursement invoices under the functional agreements. Beginning January 1, 2009, the members directed ColumbiaGrid to recover some general and administrative costs through the billings under the Planning and Expansion Functional Agreement (PEFA). This allocation was made by multiplying PEFA direct costs by 20% and is reflected on the Schedule of Functional Expenses as Allocation of General and Administrative Expenses. Maximum funding under the Funding Agreements is \$10,000,000. Members are assessed monthly.

The Organization has two functional agreements in place, known as the first and third functional agreements. The second functional agreement was completed in 2008. Participants are assessed each month for direct costs incurred to carry out the functional agreements. Two qualified non-member parties have signed the agreements along with the members.

The first functional agreement dated January 17, 2007 is the Planning and Expansion Functional Agreement (PEFA) intended to support and facilitate multisystem planning to facilitate transmission expansion.

The third functional agreement dated April 1, 2008, is the Open Access Same-Time Information System Functional Agreement (OASIS) intended to support and facilitate access to and provision of transmission service through the use of a single OASIS interface. This agreement became functional in 2009.

**COLUMBIAGRID****NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of significant accounting policies and business of the Organization**  
(continued)**B. 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.

**C. Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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.

These net assets classifications are described 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.

**Temporarily Restricted Net Assets** – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization 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 the Organization.

The Organization has no permanently or temporarily restricted net assets.

**D. 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.

**COLUMBIAGRID****NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of significant accounting policies and business of the Organization**  
(continued)**E. 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 and state income taxes. The Organization had no unrelated business income in 2009.

**F. Cash and Cash Equivalents**

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.

**G. Investments**

Investments consist of two certificates of deposit totaling \$256,381 bearing interest at 1% and 1.34% 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.

Investments in marketable 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.

**H. 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.

**I. 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.

**J. Accounts Receivable**

The Organization 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.

**COLUMBIAGRID**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1 – Summary of significant accounting policies and business of the Organization**  
(continued)

**K. 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 need to be reimbursed under the agreement.

**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 2009 were \$159,640.

**Note 3 –Operating Lease**

The Organization 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 \$12,678. Rent expense for the year was \$150,284.

Payments under the lease for the next five years as of December 31, are as follows:

|      |                   |
|------|-------------------|
| 2010 | \$ 154,793        |
| 2011 | 159,436           |
| 2012 | 164,220           |
| 2013 | 69,265            |
| 2014 | <u>0</u>          |
|      | <u>\$ 547,714</u> |

**Note 4 –Concentration of Credit Risk**

ColumbiaGrid maintains cash balances at several financial institutions. Cash balances at Key Bank have unlimited insurance by agreement with the Federal Deposit Insurance Corporation (FDIC). Cash balances at Bank of America are insured by the FDIC up to \$250,000. The amount at Bank of America in excess of the FDIC limit totaled \$6,406 as of December 31, 2009.

## COLUMBIAGRID

## NOTES TO FINANCIAL STATEMENTS

**Note 5 – Property and Equipment**

Property and equipment consist of the following:

|                           | <u>Cost</u>       | <u>Depreciable Lives</u> |
|---------------------------|-------------------|--------------------------|
| OASIS website development | \$ 48,850         | 3 years                  |
| Software                  | 160,317           | 3 years                  |
| Computers                 | 70,267            | 3 years                  |
| Furniture                 | 165,751           | 7 years                  |
| Phone system              | 22,159            | 5 years                  |
| Leasehold improvements    | 42,924            | 5 years                  |
|                           | <u>\$ 510,268</u> |                          |

Depreciation expense was \$109,791 for the year ending December 31, 2009. The OASIS website will become functional in the 2010 fiscal year.

**Note 6 – Investments**

Investments consisted of the following at December 31, 2009:

|                         | <u>Fair Market<br/>Value</u> | <u>Cost Basis</u> |
|-------------------------|------------------------------|-------------------|
| Certificates of deposit | <u>\$ 256,381</u>            | <u>\$ 256,381</u> |

Investment income consists of the following:

|                                      |                 |
|--------------------------------------|-----------------|
| Interest and dividends               | \$ 8,607        |
| Realized loss on sale of investments | <u>(644)</u>    |
| Total gain                           | <u>\$ 7,963</u> |

**Note 7 – Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses for the year totaled \$196.

## COLUMBIAGRID

## NOTES TO FINANCIAL STATEMENTS

**Note 8 – Taxes and Fees**

Taxes and fees consist of the following:

|  |                 |
|--|-----------------|
| Washington State excise tax            | \$ 8,448        |
| Multnomah County personal property tax | 2,938           |
| Oregon State annual fee                | 50              |
| Washington State annual fee            | <u>10</u>       |
| Total                                  | <u>\$11,446</u> |