



CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

and

Consolidating Information

with

Independent Auditors' Reports

ECOTRUST

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
Ecotrust

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ecotrust and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, whose statements (prior to the effect of eliminating entries) reflect total assets of \$133,826,070 and \$131,545,871 as of December 31, 2016 and 2015, respectively, and total revenues of \$2,200,984 and \$2,154,533 for the years then ended, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these certain consolidated subsidiaries, is based solely on the reports of the other auditors.

We also did not audit the financial statements of Ecotrust Forests, LLC and Ecotrust Forests II, LLC, the investments in which, as discussed in *Note 6* to the consolidated financial statements, are accounted for by the equity method of accounting. The combined investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC was \$5,422,857 and \$5,534,141 as of December 31, 2016 and 2015, respectively, and the equity in their net loss was \$198,404 for the year ended December 31, 2016, and the equity in their net gain was \$1,660,931 for the year ended December 31, 2015. The financial statements of Ecotrust Forests, LLC and Ecotrust Forests II, LLC were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Ecotrust Forests, LLC and Ecotrust Forests II, LLC, is based solely on the reports of the other auditors.

Auditors' Responsibility - Continued

We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ecotrust and its Subsidiaries as of December 31, 2016 and 2015, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Hellman, Seibert & Schmitz, P.C.

Lake Oswego, Oregon
April 25, 2017

ECOTRUST

Consolidated Statements of Financial Position

December 31,	2016	2015
ASSETS		
Cash and cash equivalents	\$ 3,510,469	\$ 4,150,555
Accounts receivable, net	864,002	866,445
Grants receivable	400,631	367,921
Notes receivable, net (Note 4)	130,254,381	127,969,595
Investments (Notes 5, 18, and 19)	7,859,807	7,457,653
Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC (Note 6)	5,422,857	5,534,141
Prepaid expenses and other assets	329,905	301,773
Deferred tax asset (Note 17)	460	460
Deferred charges, net	189,218	334,475
Restricted cash (Notes 7 and 19)	1,629,797	4,795,561
Property and equipment, net (Note 7)	<u>21,792,202</u>	<u>18,282,740</u>
Total assets	<u>\$ 172,253,729</u>	<u>\$ 170,061,319</u>
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS		
Liabilities:		
Accounts payable	\$ 583,373	\$ 160,700
Accrued liabilities	688,553	914,560
Deferred revenue	403,555	508,001
Notes payable (Note 8)	<u>7,356,518</u>	<u>8,490,593</u>
Total liabilities	9,031,999	10,073,854
Commitments and contingencies (Notes 9, 11, 14, and 21)		
Net assets and Investment Member and non-controlling interests:		
Net assets:		
Unrestricted	14,540,801	14,499,603
Temporarily restricted (Note 10)	2,332,674	1,871,768
Permanently restricted (Note 19)	<u>5,155,282</u>	<u>4,951,277</u>
Total net assets	22,028,757	21,322,648
Investment Member interest (Note 13)	133,813,250	131,578,512
Non-controlling interest (Note 15)	<u>7,379,723</u>	<u>7,086,305</u>
Total net assets and Investment Member and non-controlling interests	<u>163,221,730</u>	<u>159,987,465</u>
Total liabilities and net assets and Investment Member and non-controlling interests	<u>\$ 172,253,729</u>	<u>\$ 170,061,319</u>

The accompanying notes are an integral part of the consolidated financial statements.

ECOTRUST

Consolidated Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Foundation grants and contributions	\$ 501,826	\$ 1,718,000	\$ 204,005	\$ 2,423,831
Government grants	680,128	189,628	-	869,756
Individual grants and contributions	233,655	133,540	-	367,195
Corporate grants and contributions	78,395	186,119	-	264,514
Other grants and contributions	7,670	3,654	-	11,324
Contracts and service fees	3,681,638	-	-	3,681,638
Investment return (Note 5)	2,007,637	343,531	-	2,351,168
Gain on disposal of property and equipment	445	-	-	445
Net assets released from restrictions (Note 10)	2,113,566	(2,113,566)	-	-
Net revenues, gains, and other support	9,304,960	460,906	204,005	9,969,871
Operating expenses:				
Program services:				
Fisheries	179,911	-	-	179,911
Food and Farms	542,608	-	-	542,608
Forests and Ecosystem Services	954,292	-	-	954,292
Indigenous Leadership	173,704	-	-	173,704
Knowledge Systems	847,619	-	-	847,619
Natural Capital Holdings	4,122,678	-	-	4,122,678
Total program services	6,820,812	-	-	6,820,812
Supporting services:				
Management and general	912,242	-	-	912,242
Communications	339,302	-	-	339,302
Development	369,691	-	-	369,691
Total supporting services	1,621,235	-	-	1,621,235
Total operating expenses	8,442,047	-	-	8,442,047
Increase in net assets from operations	862,913	460,906	204,005	1,527,824
Provision for income taxes (Note 17)	(223,530)	-	-	(223,530)
Provision for bad debt	(3,256)	-	-	(3,256)
Provision for loan losses (Note 4)	(9,346,550)	-	-	(9,346,550)
Gain on transfer of Armillaria, LLC (Note 20)	173,402	-	-	173,402
Share in loss of Ecotrust Forests, LLC and Ecotrust Forests II, LLC (Note 6)	(198,404)	-	-	(198,404)
Investment Member interest in loss - net (Note 13)	8,770,041	-	-	8,770,041
Non-controlling interest in income - net (Note 15)	6,582	-	-	6,582
Increase in net assets	41,198	460,906	204,005	706,109
Net assets, beginning of year	14,499,603	1,871,768	4,951,277	21,322,648
Net assets, end of year	\$ 14,540,801	\$ 2,332,674	\$ 5,155,282	\$ 22,028,757

The accompanying notes are an integral part of the consolidated financial statements.

ECOTRUST

Consolidated Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, (losses), and other support:				
Foundation grants and contributions	\$ 409,825	\$ 1,849,385	\$ 408,518	\$ 2,667,728
Government grants	1,201,804	215,304	-	1,417,108
Individual grants and contributions	231,136	281,200	-	512,336
Corporate grants and contributions	58,811	43,040	-	101,851
Other grants and contributions	87,210	52,808	-	140,018
Contracts and service fees	4,383,043	-	-	4,383,043
Investment return (Note 5)	1,917,958	114,915	-	2,032,873
Loss on disposal of property and equipment	(415)	-	-	(415)
Net assets released from restrictions (Note 10)	3,338,751	(3,338,751)	-	-
Net revenues, gains, (losses), and other support	11,628,123	(782,099)	408,518	11,254,542
Operating expenses:				
Program services:				
Fisheries	335,199	-	-	335,199
Food and Farms	473,517	-	-	473,517
Forests and Ecosystem Services	1,363,965	-	-	1,363,965
Indigenous Leadership	340,893	-	-	340,893
Knowledge Systems	1,327,325	-	-	1,327,325
Natural Capital Holdings	4,905,596	-	-	4,905,596
Total program services	8,746,495	-	-	8,746,495
Supporting services:				
Management and general	545,456	-	-	545,456
Communications	445,408	-	-	445,408
Development	432,667	-	-	432,667
Total supporting services	1,423,531	-	-	1,423,531
Total operating expenses	10,170,026	-	-	10,170,026
Increase (decrease) in net assets from operations	1,458,097	(782,099)	408,518	1,084,516
Provision for income taxes (Note 17)	(258,910)	-	-	(258,910)
Provision for bad debt	(29,040)	-	-	(29,040)
Share in gain of Ecotrust Forests, LLC and Ecotrust Forests II, LLC (Note 6)	1,660,931	-	-	1,660,931
Investment Member interest in income (Note 13)	(543,157)	-	-	(543,157)
Non-controlling interest in income - net (Note 15)	(2,124)	-	-	(2,124)
Increase (decrease) in net assets	2,285,797	(782,099)	408,518	1,912,216
Net assets, beginning of year	12,213,806	2,653,867	4,542,759	19,410,432
Net assets, end of year	\$ 14,499,603	\$ 1,871,768	\$ 4,951,277	\$ 21,322,648

The accompanying notes are an integral part of the consolidated financial statements.

ECOTRUST

Consolidated Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services						Supporting Services					Total
	Fisheries	Food and Farms	Forests and Ecosystem Services	Indigenous Leadership	Knowledge Systems	Natural Capital Holdings	Total Program Services	Management and General	Communications	Development	Total Supporting Services	
Salaries	\$ 110,380	\$ 282,330	\$ 204,500	\$ 39,101	\$ 475,530	\$ 1,715,281	\$ 2,827,122	\$ 565,789	\$ 201,599	\$ 262,493	\$ 1,029,881	\$ 3,857,003
Payroll taxes and fringe benefits	34,563	84,951	58,597	12,094	122,412	462,095	774,712	229,523	64,724	78,748	372,995	1,147,707
Total payroll costs	144,943	367,281	263,097	51,195	597,942	2,177,376	3,601,834	795,312	266,323	341,241	1,402,876	5,004,710
Conferences and meetings	-	1,685	1,558	1,465	661	27,932	33,301	18,002	1,228	1,762	20,992	54,293
Contracts and consultants	17,426	83,827	53,940	1,275	144,234	62,873	363,575	126,130	2,720	3,952	132,802	496,377
Depreciation and amortization	-	-	-	-	-	521,238	521,238	20,953	-	-	20,953	542,191
Direct allocations to programs	5,567	21,791	15,132	3,026	32,302	34,316	112,134	(145,414)	33,280	-	(112,134)	-
GIS, IT, software, and data	7,844	31,372	19,532	4,149	44,871	102,600	210,368	(155,100)	23,231	2,214	(129,655)	80,713
Grants to other organizations	-	18,600	576,093	109,273	-	3,358	707,324	-	-	-	-	707,324
Insurance	-	-	-	-	-	99,331	99,331	40,089	-	-	40,089	139,420
Interest	-	-	-	-	-	162,718	162,718	-	-	-	-	162,718
Meals and travel	2,380	12,582	19,607	2,909	7,448	154,791	199,717	57,316	824	4,253	62,393	262,110
Miscellaneous	-	718	59	343	239	14,314	15,673	(480)	-	152	(328)	15,345
Occupancy and maintenance	811	64	119	12	3,025	326,761	330,792	40,040	676	23	40,739	371,531
Professional fees	-	298	265	17	6,012	230,394	236,986	37,547	477	1,178	39,202	276,188
Supplies and equipment	940	3,074	4,890	40	10,726	30,593	50,263	70,422	10,458	14,582	95,462	145,725
Taxes, licenses, and fees	-	1,316	-	-	159	174,083	175,558	7,425	85	334	7,844	183,402
Total expenses	\$ 179,911	\$ 542,608	\$ 954,292	\$ 173,704	\$ 847,619	\$ 4,122,678	\$ 6,820,812	\$ 912,242	\$ 339,302	\$ 369,691	\$ 1,621,235	\$ 8,442,047

The accompanying notes are an integral part of the consolidated financial statements.

ECOTRUST

Consolidated Statement of Functional Expenses

Year Ended December 31, 2015

	Program Services						Supporting Services					Total
	Fisheries	Food and Farms	Forests and Ecosystem Services	Indigenous Leadership	Knowledge Systems	Natural Capital Holdings	Total Program Services	Management and General	Communications	Development	Total Supporting Services	
Salaries	\$ 127,690	\$ 262,892	\$ 251,216	\$ 119,043	\$ 387,337	\$ 2,341,694	\$ 3,489,872	\$ 319,959	\$ 246,742	\$ 264,775	\$ 831,476	\$ 4,321,348
Payroll taxes and fringe benefits	40,062	81,950	74,598	36,717	97,996	581,185	912,508	104,081	79,196	79,356	262,633	1,175,141
Total payroll costs	167,752	344,842	325,814	155,760	485,333	2,922,879	4,402,380	424,040	325,938	344,131	1,094,109	5,496,489
Conferences and meetings	14,312	2,210	1,925	3,960	2,707	24,138	49,252	9,676	1,026	762	11,464	60,716
Contracts and consultants	122,441	60,944	47,555	6,275	728,144	122,815	1,088,174	94,480	47,802	22,981	165,263	1,253,437
Depreciation and amortization	1,243	4,854	3,823	1,626	4,121	541,062	556,729	15,756	4,080	-	19,836	576,565
GIS, IT, software, and data	9,092	32,766	28,641	12,281	28,571	95,585	206,936	(147,024)	26,872	719	(119,433)	87,503
Grants to other organizations	-	3,488	926,464	108,242	-	-	1,038,194	-	-	500	500	1,038,694
Insurance	2,340	8,436	7,124	3,312	10,375	96,127	127,714	13,599	7,388	-	20,987	148,701
Interest	-	-	-	-	-	202,304	202,304	-	-	-	-	202,304
Meals and travel	16,247	8,650	17,258	15,818	29,953	134,803	222,729	40,149	3,364	14,071	57,584	280,313
Miscellaneous	-	-	542	-	15	731	1,288	38	300	10	348	1,636
Occupancy and maintenance	221	398	1,917	256	5,575	304,516	312,883	25,198	1,205	363	26,766	339,649
Professional fees	-	325	300	-	24,271	272,789	297,685	33,137	236	328	33,701	331,386
Supplies and equipment	1,551	5,334	2,602	33,363	5,224	63,806	111,880	30,383	25,283	47,784	103,450	215,330
Taxes, licenses, and fees	-	1,270	-	-	3,036	124,041	128,347	6,024	1,914	1,018	8,956	137,303
Total expenses	\$ 335,199	\$ 473,517	\$ 1,363,965	\$ 340,893	\$ 1,327,325	\$ 4,905,596	\$ 8,746,495	\$ 545,456	\$ 445,408	\$ 432,667	\$ 1,423,531	\$ 10,170,026

The accompanying notes are an integral part of the consolidated financial statements.

ECOTRUST

Consolidated Statements of Cash Flows

Years Ended December 31,	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 706,109	\$ 1,912,216
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
(Gain) loss on disposal of property and equipment	(445)	415
Investment Member interest in income (loss)	(8,770,041)	543,157
Non-controlling interest in income (loss)	(6,582)	2,124
Provision for loan losses	9,346,550	-
Gain on transfer of Armillaria, LLC	(173,402)	-
Depreciation and amortization	542,191	576,565
Net (gain) loss on investments	(239,262)	14,987
Net (gain) loss on investments in Ecotrust Forest, LLC and Ecotrust Forests II, LLC	198,404	(1,660,931)
Donation of artwork and software	-	(22,919)
Permanently restricted contributions	(204,005)	(408,518)
 (Increase) decrease in:		
Accounts receivable	2,443	777,073
Grants receivable	(32,710)	410,497
Prepaid expenses and other assets	(28,132)	(91,003)
Accounts payable	(61,156)	(85,202)
Accrued liabilities	(73,647)	(246,201)
Deferred revenue	(83,404)	(9,845)
 Net cash provided by operating activities	1,122,911	1,712,415
Cash flows from investing activities:		
Change in restricted cash	3,165,764	(4,075,201)
Proceeds from sale of investments	350,653	328,336
Purchase of investments	(514,545)	(835,338)
Decrease in investment from consolidation	1,000	-
Purchase of investments in Ecotrust Forests II, LLC	(112,841)	(94,965)
Return of capital from Ecotrust Forests II, LLC	25,721	31,170
Purchases of property and equipment	(3,422,567)	(3,432,343)
Proceeds from sale of equipment	445	1,100
Payments received on notes receivable	8,664	58,255
Notes receivable issued	(11,640,000)	(20,054,860)
 Net cash used by investing activities	(12,137,706)	(28,073,846)
 Carried forward	 (11,014,795)	 (26,361,431)

The accompanying notes are an integral part of the consolidated financial statements.

ECOTRUST

Consolidated Statements of Cash Flows - Continued

Years Ended December 31,	2016	2015
Brought forward	\$ (11,014,795)	\$ (26,361,431)
Cash flows from financing activities:		
Proceeds from notes payable	-	5,900,000
Payments on notes payable	(1,134,075)	(4,503,265)
Payments for deferred charges	-	(125,072)
Permanently restricted contributions	204,005	408,518
Capital contributions received	300,000	5,865,000
Capital distributions paid	-	(85,715)
Investment Member contributions	12,000,000	20,000,000
Investment Member distributions	(995,221)	(965,738)
Cash decrease from deconsolidation	-	(71)
Net cash provided by financing activities	10,374,709	26,493,657
Net increase (decrease) in cash and cash equivalents	(640,086)	132,226
Cash and cash equivalents, beginning of year	4,150,555	4,018,329
Cash and cash equivalents, end of year	\$ 3,510,469	\$ 4,150,555
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 220,047	\$ 204,210
Cash paid during the year for income taxes	197,181	192,776
Supplemental disclosures of noncash activity:		
Notes receivable and Investment Member interest removed as part of deconsolidation	\$ -	\$ 19,400,000
Property partially acquired with a note payable	-	3,000,000
Conversion of notes payable to equity	-	800,000
Property additions in accounts payable	483,829	-

The accompanying notes are an integral part of the consolidated financial statements.

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Notes to Consolidated Financial Statements

1. Nature of Activities

Organization - Ecotrust was incorporated in Oregon on February 13, 1991, as a nonprofit charitable organization. Ecotrust's mission is to inspire fresh thinking that creates economic opportunity, social equity, and environmental well-being. Headquartered in Portland, Oregon, Ecotrust is a unique hybrid organization, serving as:

- An incubator for social enterprise, designed to identify and test deep innovation;
- A vehicle for access to investment capital for promising innovations as proof of concept and scalability; and
- A growing constellation of public, private, for-profit and nonprofit organizations designed to inspire change around the world.

Integrating public and private purpose, Ecotrust's many innovations include co-founding the country's first environmental bank, starting the nation's first ecosystem investment fund, creating a range of programs in fisheries, forestry, food and farms, and developing new scientific and information tools to improve social, economic, and environmental decision-making.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by Ecotrust are described below to enhance the usefulness of the consolidated financial statements to the reader.

Principles of Consolidation - The consolidated financial statements include the accounts of Ecotrust; Ecotrust Properties, LLC; Ecotrust Properties II, LLC; Natural Capital Holdings, LLC; Ecotrust Capital Partners, LLC; The Redd Manager, LLC; The Redd, LLC; The Redd Foundry, LLC; The Marble, LLC; Point 97, LLC; Armillaria, LLC; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; North Pacific Fisheries Trust; Ecotrust CDE, LLC; Ecotrust Sub-CDE V (Sub-CDE V); Ecotrust Sub-CDE VI (Sub-CDE VI); Ecotrust Sub-CDE VII (Sub-CDE VII); Ecotrust Sub-CDE VIII (Sub-CDE VIII); Ecotrust Sub-CDE IX (Sub-CDE IX); Ecotrust Sub-CDE X (Sub-CDE X); Ecotrust Sub-CDE XI (Sub-CDE XI); Ecotrust Sub-CDE XII (Sub-CDE XII); Ecotrust Sub-CDE XIII (Sub-CDE XIII); Ecotrust Sub-CDE XIV (Sub-CDE XIV); Ecotrust Sub-CDE XV (Sub-CDE XV); Ecotrust Sub-CDE XVI (Sub-CDE XVI); Ecotrust Sub-CDE XVII (Sub-CDE XVII); Ecotrust Sub-CDE XVIII (Sub-CDE XVIII); Ecotrust Sub-CDE XIX (Sub-CDE XIX); Ecotrust Sub-CDE XX (Sub-CDE XX); and Ecotrust Sub-CDE XXI (Sub-CDE XXI).

All significant intercompany investments, accounts, and transactions have been eliminated in the consolidated financial statements.

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Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Principles of Deconsolidation - During the year ended December 31, 2015, the new markets tax credit (NMTC) compliance period ended for the projects associated with Ecotrust Sub-CDE III (Sub-CDE III) and Ecotrust Sub-CDE IV (Sub-CDE IV). On October 15, 2015, Sub-CDE III and Sub-CDE IV entered into debt conversion agreements with Garibaldi Forest Management, LLC (GFM). Pursuant to the debt conversion agreements, Sub-CDE III and Sub-CDE IV released GFM from its combined \$19,400,000 loan obligation in exchange for a 94.78 percent equity interest in GFM. On October 20, 2015, the investor member in Ecotrust Tax Credit Investment Fund III, LLC (TCIF III), the 99.99 percent owner of Sub-CDE III and Sub-CDE IV, exercised its put option and sold its 99.99 percent interest in TCIF III to Ecotrust Forests, LLC for \$1,000.

As of October 20, 2015, Ecotrust determined it no longer held variable interests in Sub-CDE III and Sub-CDE IV, for which it was formerly considered to be the primary beneficiary under the provisions of accounting principles generally accepted in the United States of America (GAAP). As of October 20, 2015 through December 31, 2015, Ecotrust was not directly engaged in the ownership and management of Sub-CDE III or Sub-CDE IV. As such, these entities have been deconsolidated by Ecotrust in the accompanying consolidated financial statements. In addition, Ecotrust sold its 0.01 percent equity interest in each entity to Ecotrust Forests, LLC on October 20, 2015. The cost of these investments was determined based on the financial statements of each entity at the time of the ownership change.

Basis of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Ecotrust and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of Ecotrust and/or the passage of time.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by Ecotrust. Generally, the donors of these assets permit Ecotrust to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in the consolidated financial statements for, among other things, calculating the allowance for uncollectible receivables, the reserve for investment loss, and depreciation expense.

Cash Equivalents - Ecotrust considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recognized as services are performed. They are written off when they are determined to be uncollectible. The allowance for doubtful accounts receivable is estimated based on Ecotrust's historical losses, review of specific problem accounts, and financial stability of its customers. Generally, Ecotrust considers accounts receivable past due after 90 days.

Accounts receivable at December 31, 2016 and 2015, include \$52,228 and \$124,483, respectively, in billings that are at least 90 days old. The allowance for doubtful accounts receivable at December 31, 2016 and 2015, was \$2,331 and \$33,123, respectively.

Notes Receivable - Loans receivable are stated at unpaid principal balances, less an allowance for loan losses.

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on Ecotrust's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Ecotrust considers a loan impaired when, based on current information or factors, it is probable Ecotrust will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or Ecotrust has received specific information concerning the loan's impairment. Ecotrust reviews delinquent loans to determine impaired accounts. Ecotrust measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows. At December 31, 2016 and 2015, there was an allowance for loan losses of \$9,346,550 and \$200,000, respectively.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Notes Receivable - Continued - Ecotrust's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Accruing loans are considered to have a lower risk of loss, while nonaccrual loans are those which Ecotrust believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is written off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Investments - Investments with readily determinable fair market values are carried at fair value on a recurring basis. Donated investments with readily determinable fair market values are reported at fair value at the date of receipt. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation of those investments, is shown in the consolidated statements of activities.

Investments without readily determinable fair market values are carried at cost, less the reserve for investment loss, which is based on management's estimate of net realizable value of those investments (i.e., fair value measured on a non-recurring basis).

Fair Value Measurements - GAAP establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments that would generally be included in Level 1 includes listed securities.

Level 2: Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans.

Level 3: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partnership interests in corporate private equity and real estate funds, debt funds, and hedge funds.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Deferred Charges - Deferred charges consist of costs for the Federal Community Development Financial Institutions Fund (the CDFI Fund), Community Development Entity (CDE) application process, the application for NMTCs, and the application and structuring of Ecotrust's use of its allocations of NMTCs. Deferred charges are amortized over seven years, the compliance period of the NMTC, on a straight-line basis, commencing on the date the first qualified equity investment (QEI) is made for each project. Deferred charges have been reported net of accumulated amortization of \$609,251 and \$673,172 as of December 31, 2016 and 2015, respectively. Amortization expense for 2016 and 2015 was \$145,257 and \$147,955, respectively.

Restricted Cash - Restricted cash includes amounts held by Ecotrust for certain donor restricted endowment funds and for a development project at The Redd on Salmon Street. At December 31, 2016 and 2015, \$749,208 and \$723,535 was held for donor restricted endowment funds, respectively. At December 31, 2016 and 2015, \$880,589 and \$4,072,026, respectively, was held for the development project at The Redd on Salmon Street.

Property and Equipment - Purchased property and equipment is carried at cost at date of purchase. Donated property and equipment is carried at estimated fair value at date of donation. Property and equipment acquisitions, renewals, and improvements exceeding \$2,500 are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Depreciation expense for 2016 and 2015 was \$396,934 and \$428,610, respectively. Artwork is not depreciated.

Revenue Recognition - Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. At December 31, 2016 and 2015, Ecotrust had received conditional promises totaling \$808,700 and \$-0-, respectively. The grants are conditional on achievement of specific objectives within certain programs.

Ecotrust reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions.

Ecotrust reports any gifts of land, buildings, or equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Ecotrust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contracts and service fees are recognized at the time services are provided and the revenues are earned.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Endowment - As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Ecotrust manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of Ecotrust has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Ecotrust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Ecotrust in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Ecotrust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of Ecotrust and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of Ecotrust; and
- The investment policies of Ecotrust.

Ecotrust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs. Ecotrust's endowment assets are invested in cash and cash equivalents and investment portfolios held at the Oregon Community Foundation (OCF). Ecotrust has a policy for appropriating for expenditure each year the amount of interest income earned on cash investments and distribution amounts received from OCF, which are based on a formula stipulated in the investment management agreement.

Income Taxes - Ecotrust is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. It is, however, taxed on its unrelated business income, which is considered by management to be immaterial to the consolidated financial statements at December 31, 2016 and 2015. Ecotrust is not classified as a private foundation. North Pacific Fisheries Trust is also exempt from income tax under IRC Section 501(c)(3). Ecotrust Forest Management, Inc., Natural Capital Center, Inc., and Sub-CDE VIII are all taxed as corporations and pay tax at the entity level on any taxable income. All other consolidated entities are pass-through entities whose tax attributes are passed through to their respective owners.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Income Taxes - Continued - GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe Ecotrust and its consolidated entities have any entity level uncertain tax positions. Ecotrust and its consolidated entities file income tax and informational returns in the U.S. Federal jurisdiction and various state and local jurisdictions. Generally, the returns are subject to examination by U.S. Federal (or state and local) income tax authorities for three years from the filing of a return. Any interest or penalties assessed by taxing authorities is included with management and general expenses. There are currently no tax audits in progress for any periods.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Expenses are allocated between program and supporting services benefiting from those expenses.

Variable Interest Entities - Ecotrust follows GAAP with respect to consolidation of variable interest entities (VIE) and has applied these requirements to Ecotrust CDE, LLC's ownership interest in Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, Sub-CDE X, Sub-CDE XI, Sub-CDE XII, Sub-CDE XIII, Sub-CDE XIV, Sub-CDE XV, Sub-CDE XVI, Sub-CDE XVII, Sub-CDE XVIII, Sub-CDE XIX, Sub-CDE XX, and Sub-CDE XXI. These principles address the consolidation by business enterprises with investments in VIE. A VIE is generally an entity that has: 1) an insufficient amount of equity for the entity to carry on its principal operations without additional subordinated financial support from other parties, 2) a group of equity owners that are unable to make decisions about the entity's activities that have a significant effect on the success of the entity, or 3) equity that does not absorb the entity's losses or receive the benefits of the entity. If any one of these characteristics is present, the entity is subject to the variable interest's consolidation model and consolidation is determined based on which member is the primary beneficiary. Equity investors lack the right to make decisions about the entity's activity if the voting rights of some investors are not proportional to their obligation to absorb losses or to share in residual returns. A VIE is required to be consolidated in the financial statements of the entity that is determined to be the primary beneficiary of the VIE.

Ecotrust has determined that it holds an interest in a VIE for which consolidation is required. Accordingly, Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, Sub-CDE X, Sub-CDE XI, Sub-CDE XII, Sub-CDE XIII, Sub-CDE XIV, Sub-CDE XV, Sub-CDE XVI, Sub-CDE XVII, Sub-CDE XVIII, Sub-CDE XIX, Sub-CDE XX, and Sub-CDE XXI are consolidated into Ecotrust CDE, LLC, prior to its consolidation into Ecotrust. Sub-CDE XX and Sub-CDE XXI were not consolidated into Ecotrust CDE, LLC, as of and for the year ended December 31, 2015, before their respective NMTC deals were closed.

Reclassifications - Certain information from the 2015 consolidated financial statements has been reclassified for comparative purposes to conform with the 2016 presentation.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

3. Program and Supporting Services

Program Services

Fisheries - Ecotrust's Fisheries program works to strengthen the conservation of regional marine and freshwater ecosystems, recognize and improve community stewardship, support the livelihoods of fishermen, grow collaborative businesses, create financing mechanisms for community-based fisheries, and evolve fisheries management policies.

Food and Farms - Ecotrust's Food and Farms program helps entities that spend millions of dollars on food - including school cafeterias, university dining halls, corporate cafes, and regional restaurant chains - buy local. Ecotrust accomplishes this by coordinating the development of scale-appropriate aggregation, processing, and distribution infrastructure to move food within regions. Ecotrust also supports family-scale farmers, ranchers, fishermen, and food processors to access land, capital, and technical assistance needed to feed their communities and steward their land.

Forests and Ecosystem Services - The goal of Ecotrust's Forests and Ecosystem Services program is to transform the dominant forest management paradigm to one that more closely mimics natural forest processes, while providing society with significant and measurable benefits. The purpose of this work is to build enduring social, economic, and environmental value for this region, while serving as a model for other regions of the world. Ecotrust accomplishes this by showing that our forests can store more carbon, provide high quality habitat for native fish and wildlife, offer recreational and economic development opportunities, and produce clean and abundant water, all while supporting a more robust and reliable forest products industry.

Indigenous Leadership - Since 1991, Ecotrust has been working with tribes and First Nations from Alaska to California. Ecotrust supports a growing network of leaders, increasing education opportunities for Native youth and brokering resources for repatriation and improved management of traditional lands. Ecotrust works directly with tribes to collaborate to find technical solutions in the areas of fisheries and marine planning, forest and watershed restoration, and food systems to help restore and support Native communities, economies, and natural environments.

Knowledge Systems - Knowledge Systems initiatives focus on the complex interactions between social, economic, and ecological systems. Knowledge Systems delivers decision-support tools, analyses, maps, and data visualizations that support more resilient communities, economies, and ecosystems. Ecotrust's approach is designed to help partners and clients visualize the ecosystem in a social and economic context, create a participatory approach to incorporating stakeholder knowledge, and implement management decisions at appropriate scales.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

3. Program and Supporting Services - Continued

Program Services - Continued

Natural Capital Holdings - Natural Capital Holdings (NCH) is the holding company for Ecotrust's commercial activities. These activities include businesses created by Ecotrust, as well as investments in other entities. NCH invests in key industries, businesses, and projects that hold the promise of creating more resilient communities, economies, and ecosystems. Assets include the Jean Vollum Natural Capital Center, Inc., a historic warehouse in Northwest Portland that has been redeveloped for occupancy by Ecotrust, its affiliates, and a combination of retail and commercial office tenants with conservation-based missions; and the Redd on Salmon Street, a two-block campus under development in Southeast Portland to support regional food enterprise. NCH is a powerful financial instrument that supports the development of an ecologically restorative, socially just, and economically vibrant society in the Northwest bioregion. The secondary objective of NCH is to provide organizational and program support for Ecotrust

Supporting Services

Management and General - Management and general activities include business management, recordkeeping, budgeting, accounting, and related administrative activities. These services provide the necessary developmental, organizational, and management support for the effective operation of Ecotrust's programs. Direct allocations to programs include a credit of \$200,596 for the year ended December 31, 2016, for the allocation of salaries and other allocable expenses recorded initially in management and general to other program and supporting services based on management's estimates of benefits received by each department. No such credit exists for the year ended December 31, 2015, because allocations for that year were recorded on a line by line basis. GIS, IT, software, and data includes credits of \$255,777 and \$227,030 for the years ended December 31, 2016 and 2015, respectively, for the allocation of salaries and other expenses recorded initially in management and general to other program and supporting services based on management's estimates of benefits received by each department.

Communications - Ecotrust's Communications is charged with inspiring multiple audiences with our mission to build social, economic, and environmental well-being. Ecotrust uses a variety of traditional and new media to tell compelling stories that promote Ecotrust's ideas, build a cohesive brand, gather leaders, and catalyze change on a regional, and increasingly, global scale.

Development - Development activities include conducting fundraising campaigns, preparing and distributing fundraising materials, and conducting other activities involving soliciting contributions from individuals, foundations, corporations, and others.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable

At December 31, 2016 and 2015, notes receivable includes the following:

	2016	2015
Note receivable dated July 12, 2010, from Ochoco Lumber Company. Interest only payments at 1.36063 percent per annum are accrued monthly and paid quarterly through June 2017. Thereafter, principal and interest payments are due quarterly. Matures June 2050. Secured by deed of trust on property.	\$ 19,642,500	\$ 19,642,500
Note receivable dated September 29, 2010, from ZeaChem Applied Technology, LLC. Interest payments at 1.3034 percent per annum are accrued monthly and paid annually through September 2017. Thereafter, principal and interest payments of \$485,062 are due annually. Matures December 2034. Secured by deed of trust on property.	7,353,667	7,353,667
Note receivable dated September 29, 2010, from ZeaChem Applied Technology, LLC. Interest only payments at 1.3034 percent per annum are accrued monthly and paid annually through September 2017. Thereafter, principal and interest payments of \$154,769 are due annually. Matures December 2034. Secured by deed of trust on property.	2,346,333	2,346,333
Note receivable dated June 30, 2011, from Rome Creek Timber, LLC. Interest only payments at 3.44 percent per annum are accrued monthly and paid quarterly. Matures June 2018. Secured by deed of trust on property.	11,598,000	11,598,000
Note receivable dated August 23, 2011, from Cascadia Center for Sustainable Design and Construction, LLC. Interest only payments at 1 percent per annum are accrued and paid monthly through September 2018. Thereafter, principal and interest payments of \$15,023 are due monthly. Matures August 2051. Secured by deed of trust on property.	<u>5,043,210</u>	<u>5,043,210</u>
Carried forward	45,983,710	45,983,710

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2016	2015
Brought forward	\$ 45,983,710	\$ 45,983,710
Note receivable dated August 23, 2011, from Cascadia Center for Sustainable Design and Construction, LLC. Interest only payments at 1 percent per annum are accrued and paid monthly through September 2018. Thereafter, principal and interest payments of \$4,789 are due monthly. Matures August 2051. Secured by deed of trust on property.	1,607,790	1,607,790
Note receivable dated September 20, 2011, from Agro-Farma, Inc. Interest only payments at 3 percent per annum are accrued and paid monthly through June 2019. Thereafter, principal and interest payments of \$36,311 are due monthly. Matures June 2042. Secured by deed of trust on property.	7,233,081	7,233,081
Note receivable dated September 20, 2011, from Agro-Farma, Inc. Interest only payments at 3 percent per annum are accrued and paid monthly through June 2019. Thereafter, principal and interest payments of \$12,384 are due monthly. Matures June 2042. Secured by deed of trust on property.	2,466,919	2,466,919
Note receivable dated July 31, 2013, from Wasson Creek, LLC (related party). Interest only payments at 1 percent per annum are accrued and paid quarterly through September 2020. Thereafter, principal and interest payments of \$28,616 are due quarterly. Matures September 2038. Secured by deed of trust on property.	6,736,500	6,736,500
Note receivable dated July 31, 2013, from Wasson Creek, LLC (related party). Interest only payments at 1 percent per annum are accrued and paid quarterly through September 2020. Thereafter, principal and interest payments of \$65,048 are due quarterly. Matures September 2038. Secured by deed of trust on property.	<u>2,963,500</u>	<u>2,963,500</u>
Carried forward	66,991,500	66,991,500

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2016	2015
Brought forward	\$ 66,991,500	\$ 66,991,500
Note receivable dated August 6, 2013, from Olympic Peninsula, LLC (related party). Interest only payments at 1 percent per annum are accrued and paid quarterly through September 2020. Thereafter, principal and interest payments of \$81,310 are due quarterly. Matures September 2038. Secured by deed of trust on property.	8,420,619	8,420,619
Note receivable dated August 6, 2013, from Olympic Peninsula, LLC (related party). Interest only payments at 1 percent per annum are accrued and paid quarterly through September 2020. Thereafter, principal and interest payments of \$35,813 are due quarterly. Matures September 2038. Secured by deed of trust on property.	3,708,881	3,708,881
Note receivable dated July 8, 2014, from Kalispel Support. Interest only payments at 1.1255 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$57,582 are due quarterly. Matures December 2044. Secured by deed of trust on property.	4,661,640	4,661,640
Note receivable dated July 8, 2014, from Kalispel Support. Interest only payments at 1.1255 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$26,290 are due quarterly. Matures December 2044. Secured by deed of trust on property.	2,128,360	2,128,360
Note receivable dated February 27, 2014, from R&R QALICB, LLC. Interest only payments at 1.3025 percent per annum are accrued and paid quarterly through March 2021. Thereafter, principal and interest payments of \$73,019 are due quarterly. Matures December 2039. Secured by deed of trust on property.	<u>4,852,000</u>	<u>4,852,000</u>
Carried forward	90,763,000	90,763,000

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2016	2015
Brought forward	\$ 90,763,000	\$ 90,763,000
Note receivable dated February 27, 2014, from R&R QALICB, LLC. Interest only payments at 1.3025 percent per annum are accrued and paid quarterly through March 2021. Thereafter, principal and interest payments of \$72,959 are due quarterly. Matures December 2039. Secured by deed of trust on property.	4,848,000	4,848,000
Note receivable dated May 23, 2014, from Desolation Creek, LLC (related party). Interest only payments at 1.329 percent per annum are accrued and paid quarterly through June 2021. Thereafter, principal and interest payments of \$32,814 are due quarterly. Matures May 2024. Secured by deed of trust on property.	3,243,062	3,243,062
Note receivable dated May 23, 2014, from Desolation Creek, LLC (related party). Interest only payments at 1.329 percent per annum are accrued and paid quarterly through June 2021. Thereafter, principal and interest payments of \$40,797 are due quarterly. Matures May 2024. Secured by deed of trust on property.	4,031,938	4,031,938
Note receivable dated December 5, 2014, from Colville Tribal Government Building Development, LLC. Interest only payments at 1.5801 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$43,657 are due quarterly. Matures December 2044. Secured by deed of trust on property.	3,362,000	3,362,000
Note receivable dated December 5, 2014, from Colville Tribal Government Building Development, LLC. Interest only payments at 1.5801 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$19,322 are due quarterly. Matures December 2044. Secured by deed of trust on property.	<u>1,488,000</u>	<u>1,488,000</u>
Carried forward	107,736,000	107,736,000

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2016	2015
Brought forward	\$ 107,736,000	\$ 107,736,000
Note receivable dated March 13, 2015, from Fry Ontario, LLC. Interest only payments at 1.3328 percent per annum are accrued and paid quarterly through December 2022. Thereafter, principal and interest payments of \$25,477 are due quarterly. Matures December 2029. Secured by deed of trust on property.	680,000	680,000
Note receivable dated March 13, 2015, from Fry Ontario, LLC. Interest only payments at 1.3328 percent per annum are accrued and paid quarterly through December 2022. Thereafter, principal and interest payments of \$18,044 are due quarterly. Matures December 2029. Secured by deed of trust on property.	481,600	481,600
Note receivable dated March 13, 2015, from Fry Ontario, LLC. Interest only payments at 1.3328 percent per annum are accrued and paid quarterly through December 2022. Thereafter, principal and interest payments of \$138,188 are due quarterly. Matures December 2029. Secured by deed of trust on property.	3,688,400	3,688,400
Note receivable dated May 8, 2015, from SEK-WET-SE Corporation. Interest only payments at 1.5305 percent per annum are accrued and paid quarterly through March 2022. Thereafter, principal and interest payments of \$57,284 are due quarterly. Matures March 2045. Secured by deed of trust on property.	4,435,400	4,435,400
Note receivable dated May 8, 2015, from SEK-WET-SE Corporation. Interest only payments at 1.5305 percent per annum are accrued and paid quarterly through March 2022. Thereafter, principal and interest payments of \$55,466 are due quarterly. Matures March 2045. Secured by deed of trust on property.	<u>4,294,600</u>	<u>4,294,600</u>
Carried forward	121,316,000	121,316,000

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2016	2015
Brought forward	\$ 121,316,000	\$ 121,316,000
Note receivable dated October 30, 2015, from Steinback & Co. Written off in 2016.	-	200,000
Note receivable dated December 22, 2015, from COCRF Investor Fund 52, LLC. Interest only payments at 1 percent per annum are accrued and paid quarterly through December 2022. Thereafter, principal and interest payments of \$98,377 are due quarterly. Matures December 2040. Secured by deed of trust on property.	6,474,860	6,474,860
Note receivable dated July 26, 2016, from Chimacum Ridge, LLC (related party). Interest only payments at 1.3995 percent per annum are accrued and paid quarterly through December 2023. Thereafter, principal and interest payments of \$51,421 are due quarterly. Matures June 2046. Secured by deed of trust on property.	3,964,200	-
Note receivable dated July 26, 2016, from Chimacum Ridge, LLC (related party). Interest only payments at 1.3995 percent per annum are accrued and paid quarterly through December 2023. Thereafter, principal and interest payments of \$24,072 are due quarterly. Matures June 2046. Secured by deed of trust on property.	1,855,800	-
Note receivable dated November 18, 2016, from Onion Peak, LLC (related party). Interest only payments at 1.3995 percent per annum are accrued and paid quarterly through December 2023. Thereafter, principal and interest payments ranging from \$30,892 and \$63,619 are due quarterly. Matures December 2046. Secured by deed of trust on property.	<u>3,964,200</u>	<u>-</u>
Carried forward	137,575,060	127,990,860

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2016	2015
Brought forward	\$ 137,575,060	\$ 127,990,860
Note receivable dated November 18, 2016, from Onion Peak, LLC (related party). Interest only payments at 1.3995 percent per annum are accrued and paid quarterly through December 2023. Thereafter, principal and interest payments ranging from \$14,462 and \$29,783 are due quarterly. Matures December 2046. Secured by deed of trust on property.	1,855,800	-
Fishing permits	<u>170,071</u>	<u>178,735</u>
	139,600,931	128,169,595
Less allowance for loan losses on notes receivable from R&R QALICB, LLC	(9,346,550)	-
Less allowance for loan losses on note receivable from Steinback & Co.	<u>-</u>	<u>(200,000)</u>
	<u><u>\$ 130,254,381</u></u>	<u><u>\$ 127,969,595</u></u>

Fishing permits are notes receivable from Community Quota Entities, which have used the note proceeds to purchase fishing permits. The notes, secured by the fishing permits, bear interest at 5.25 percent per annum, and mature in May 2022.

As of December 31, 2016, the notes receivable owned by Sub-CDE XIV and from R&R QALICB, LLC were placed on nonaccrual status and a valuation allowance of \$9,346,550 was recorded.

Interest receivable on the above notes was \$182,691 and \$184,576 at December 31, 2016 and 2015, respectively, and is included in accounts receivable in the accompanying consolidated statements of financial position.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

5. Investments

At December 31, 2016 and 2015, investments consist of the following:

	2016	2015
Investments carried at fair value:		
Money market funds	\$ 1,180,612	\$ 951,329
Equity mutual funds	315,130	277,953
Investments held at OCF	<u>5,119,148</u>	<u>4,861,339</u>
Investments carried at fair value	6,614,890	6,090,621
Investments carried at cost less reserve for investment loss:		
Celilo Media Group common stock	69,755	69,755
ZeaChem Inc. common stock warrants	280,000	280,000
Sweetwater Travel Company common stock	119,422	119,422
Alder Fund, LLC common stock	3,871	100,000
Sustainability Investment Fund, LP	425,000	425,000
Vital Farmland, LP	100,000	100,000
Vital Farmland Holdings, LLC	400,000	400,000
Green Canopy, LLC	50,000	50,000
Mission Hub, LLC	100,004	100,004
Steinback & Co.	-	200,000
Other entities	<u>1,865</u>	<u>2,851</u>
Investments carried at cost	1,549,917	1,847,032
Less reserve for investment loss	<u>(305,000)</u>	<u>(480,000)</u>
Investments carried at cost less reserve for investment loss	<u>1,244,917</u>	<u>1,367,032</u>
Total investments	<u><u>\$ 7,859,807</u></u>	<u><u>\$ 7,457,653</u></u>

For the years ended December 31, 2016 and 2015, investment return includes the following:

	2016	2015
Interest and dividends from investments	\$ 40,287	\$ 82,220
Interest from notes receivable	2,071,619	1,965,640
Net realized gains (losses)	(1,986)	2,573
Investment impairment	(25,000)	(25,000)
Net unrealized gains	<u>266,248</u>	<u>7,440</u>
	<u><u>\$ 2,351,168</u></u>	<u><u>\$ 2,032,873</u></u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

5. Investments - Continued

Ecotrust has an agreement with the OCF to transfer certain of its investments to OCF in order to achieve improved performance results and enhanced long-term planned giving goals. The agreement gives OCF variance power, that is, terms which grant OCF's Board of Directors the authority to modify restrictions and conditions of the fund agreement under certain circumstances. The agreement stipulates that OCF will distribute a percentage of the fair market value of the fund to Ecotrust based on the expected total return on the investments of the permanent funds of OCF and other factors. The agreement specifies that such percentage shall not be less than a reasonable rate of return. Additional distributions may be made on a resolution of both organizations' Boards of Directors.

6. Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC

As of December 31, 2016 and 2015, Ecotrust has contributed capital of \$4,420,000 to Ecotrust Forests, LLC. Ecotrust's ownership interest in Ecotrust Forests, LLC at December 31, 2016 and 2015, is approximately 20 percent. The investment has been recorded using the equity method. Ecotrust's equity in the gain (loss) of Ecotrust Forests, LLC has been recorded as a separate component of the share in gain (loss) of Ecotrust Forests, LLC and Ecotrust Forests II, LLC in both 2016 and 2015. Ecotrust Forest Management, Inc. manages Ecotrust Forests, LLC.

Summarized financial information for Ecotrust Forests, LLC as of and for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Total assets	<u>\$ 36,384,903</u>	<u>\$ 37,209,659</u>
Total liabilities	\$ 12,355,352	\$ 12,261,125
Members' equity	<u>24,029,551</u>	<u>24,948,534</u>
Total liabilities and members' equity	<u>\$ 36,384,903</u>	<u>\$ 37,209,659</u>
Revenue and gains	\$ 1,114,383	\$ 10,222,679
Expenses and losses	<u>2,033,366</u>	<u>1,816,459</u>
Net gain (loss)	(918,983)	8,406,220
Capital distributions	<u>-</u>	<u>(6,000,003)</u>
Net increase (decrease) in equity	<u>\$ (918,983)</u>	<u>\$ 2,406,217</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

6. Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC - Continued

As of December 31, 2016 and 2015, Ecotrust has contributed capital of \$783,218 and \$670,377, respectively, to Ecotrust Forests II, LLC and received \$516,551 and 490,830, respectively, in return of capital for a net contributed capital of \$266,667 and \$179,547, respectively. Ecotrust's ownership interest in Ecotrust Forests II, LLC at December 31, 2016 and 2015, is approximately 2 percent. The investment has been recorded using the equity method. Ecotrust's equity in the loss of Ecotrust Forests II, LLC has been recorded as a separate component of the share in gain (loss) of Ecotrust Forests, LLC and Ecotrust Forests II, LLC in both 2016 and 2015. Ecotrust Forest Management, Inc. manages this LLC.

Summarized financial information for Ecotrust Forests II, LLC as of and for the years ended December 31, 2016 and 2015, is as follows:

	2016	2015
Total assets	<u>\$ 50,493,075</u>	<u>\$ 36,212,724</u>
Total liabilities	\$ 37,722,526	\$ 27,324,774
Members' equity	<u>12,770,549</u>	<u>8,887,950</u>
Total liabilities and members' equity	<u>\$ 50,493,075</u>	<u>\$ 36,212,724</u>
Revenue and gains	\$ 1,731,884	\$ 4,177,434
Expenses and losses	<u>2,753,868</u>	<u>4,364,219</u>
Net loss	(1,021,984)	(186,785)
Capital contributions - net	<u>4,904,583</u>	<u>5,621,385</u>
Net increase in equity	<u>\$ 3,882,599</u>	<u>\$ 5,434,600</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

6. Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC - Continued

A summary of the investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC is as follows:

	Ecotrust Forests, LLC	Ecotrust Forests II, LLC	Total
December 31, 2014	\$ 3,736,930	\$ 72,485	\$ 3,809,415
Contributions	-	94,965	94,965
Return of capital	-	(31,170)	(31,170)
Share in income (loss)	1,664,256	(3,325)	1,660,931
	<u>5,401,186</u>	<u>132,955</u>	<u>5,534,141</u>
December 31, 2015	5,401,186	132,955	5,534,141
Contributions	-	112,841	112,841
Return of capital	-	(25,721)	(25,721)
Share in loss	(180,213)	(18,191)	(198,404)
	<u>(180,213)</u>	<u>(18,191)</u>	<u>(198,404)</u>
December 31, 2016	<u>\$ 5,220,973</u>	<u>\$ 201,884</u>	<u>\$ 5,422,857</u>

7. Property and Equipment

At December 31, 2016 and 2015, property and equipment consists of the following:

	2016	2015
Land	\$ 5,003,867	\$ 5,003,867
Buildings	20,723,284	16,956,492
Furniture and equipment	1,125,013	1,396,890
Artwork	42,500	42,500
Construction in process	772,232	767,948
	<u>27,666,896</u>	<u>24,167,697</u>
Less accumulated depreciation	(5,874,694)	(5,884,957)
Net property and equipment	<u>\$ 21,792,202</u>	<u>\$ 18,282,740</u>

Construction in process at December 31, 2016 and 2015, represents costs associated with the development project at The Redd on Salmon Street (a portion of which was placed in service in 2016) and includes capitalized interest of \$32,547 and \$12,328, respectively. Restricted cash at December 31, 2016 and 2015, includes \$880,589 and \$4,072,026, respectively, for use in this project.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable

At December 31, 2016 and 2015, notes payable includes the following:

	2016	2015
Note payable to Healy Foundation, in monthly installments of \$16,091 including interest at 6 percent per annum. Remaining interest and principal are due on January 31, 2019. Secured by real property with a carrying value of \$6,675,960.	\$ 670,975	\$ 826,280
Note payable to Healy Foundation, in monthly installments of \$5,303 including interest at 5 percent per annum. Remaining interest and principal are due on January 31, 2019. Secured by real property with a carrying value of \$6,675,960.	156,455	186,093
Note payable to New Priorities Foundation paid in 2016.	-	100,000
Note payable to New Priorities Foundation, including interest at 2 percent per annum that is paid annually on October 1st. Principal is due April 30, 2023. Secured by Ecotrust's investment in Ecotrust Forests II, LLC.	500,000	500,000
Note payable to Nia Community Fund, LLC, including interest at 2 percent per annum. Interest payments are due quarterly starting on May 26, 2013. Principal is due on May 16, 2023. Unsecured.	250,000	250,000
Note payable to United States Department of Agriculture paid in 2016.	-	112,500
Note payable to Healy Foundation, in monthly installments of \$9,129 including interest at 4.75 percent per annum. Remaining interest and principal are due on October 8, 2019. Secured by land and real property with a carrying value of \$2,666,998.	1,279,088	1,715,720
Note payable to Marlens/Black 1997 Trust paid in 2016.	-	300,000
Carried forward	2,856,518	3,990,593

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Continued

	2016	2015
Brought forward	\$ 2,856,518	\$ 3,990,593
Note payable to OCF including interest at 1.75 percent per annum. Interest payments are due quarterly starting March 15, 2016. Remaining principal and interest payments are due on March 15, 2023. Certain covenants apply. Unsecured.	500,000	500,000
Note payable to Meyer Memorial Trust including interest at 1.75 percent per annum. Interest payments are due quarterly starting March 15, 2016. Remaining principal and interest payments are due on March 15, 2023. Certain covenants apply. Unsecured.	500,000	500,000
Note payable to The Lora L. and Martin N. Kelley Family Foundation including interest at 1.75 percent per annum. Interest payments are due quarterly starting March 15, 2016. Remaining principal and interest payments are due on March 15, 2023. Certain covenants apply. Unsecured.	250,000	250,000
Note payable to Edwards Mother Earth Foundation including interest at 1.75 percent per annum. Interest payments are due quarterly starting March 15, 2016. Remaining principal and interest payments are due on March 15, 2023. Certain covenants apply. Unsecured.	250,000	250,000
Note payable to COCRF SubCDE 38, LLC including interest at 1.1521 percent per annum. Interest payments are due quarterly starting March 10, 2016, and through December 10, 2022. Thereafter, principal and interest payments of \$24,556 are due quarterly. Matures December 31, 2045. Certain covenants apply. Secured by land and real property with a carrying value of \$9,885,787.	<u>1,982,100</u>	<u>1,982,100</u>
Carried forward	6,338,618	7,472,693

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Continued

	2016	2015
Brought forward	\$ 6,338,618	\$ 7,472,693
Note payable to COCRF SubCDE 38, LLC including interest at 1.1521 percent per annum. Interest payments are due quarterly starting March 10, 2016 and through December 10, 2022. Thereafter, principal and interest payments of \$12,611 are due quarterly. Matures December 31, 2045. Certain covenants apply. Secured by land and real property with a carrying value of \$9,885,787.	<u>1,017,900</u>	<u>1,017,900</u>
	<u><u>\$ 7,356,518</u></u>	<u><u>\$ 8,490,593</u></u>

Future principal maturities of notes payable are as follows at December 31, 2016:

Years Ending December 31,	Amount
2017	\$ 244,409
2018	256,784
2019	1,605,325
2020	-
2021	-
Thereafter	<u>5,250,000</u>
	<u><u>\$ 7,356,518</u></u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

9. Lease Agreements

Natural Capital Center, Inc. leases retail and office space to others under non-cancelable operating leases that expire at various dates through April 2022. The Marble, LLC leases retail and office space under non-cancelable operating leases that expire at various dates through July 2022. Future minimum lease payments to be received under the operating leases are as follows at December 31, 2016:

Years Ending December 31,	Amount
2017	\$ 820,073
2018	735,843
2019	736,162
2020	713,482
2021	708,030
Thereafter	<u>146,614</u>
Total minimum lease payments	<u><u>\$ 3,860,204</u></u>

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	2016	2015
Program restrictions	\$ 1,205,743	\$ 761,899
Natural Capital Holdings	413,857	476,272
Unexpended endowment earnings	<u>713,074</u>	<u>633,597</u>
	<u><u>\$ 2,332,674</u></u>	<u><u>\$ 1,871,768</u></u>

Net assets released from donor restrictions as a result of the satisfaction of program and/or time restrictions include the following for the years ended December 31, 2016 and 2015:

	2016	2015
Programs	\$ 1,849,512	\$ 3,095,421
Endowment earnings appropriated for expenditure	<u>264,054</u>	<u>243,330</u>
Total net assets released from restrictions	<u><u>\$ 2,113,566</u></u>	<u><u>\$ 3,338,751</u></u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

11. Retirement Plans

Ecotrust sponsors a defined contribution retirement plan (the Plan) which covers all employees who work more than 50 percent of the time and have more than six months of service. Under the terms of the Plan, Ecotrust makes a contribution equal to 3 percent of compensation for all eligible employees. Ecotrust makes an additional matching contribution equal to 50 percent of employee contributions up to a maximum of 3 percent of compensation. Additional discretionary contributions are also allowed. Contributions to the Plan were \$196,175 and \$219,782 for the years ended December 31, 2016 and 2015, respectively.

Ecotrust provides a nonqualified 457(b) deferred compensation plan which covers Ecotrust's Executive Chair and the CFO/COO. Contributions to this plan are at the discretion of the Board of Directors and were \$16,500 for the years ended December 31, 2016 and 2015. Investments and accrued liabilities include \$315,130 and \$277,953 at December 31, 2016 and 2015, respectively, related to this plan.

12. Concentrations of Risk

Ecotrust maintains its cash balances primarily in one financial institution located in Oakland, California. From time to time, Ecotrust may have deposits in excess of Federally insured limits at this financial institution.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and such changes could materially affect account balances and the amounts reported in the consolidated financial statements.

During the year ended December 31, 2016 and 2015, one and three donors, respectively, accounted for 13 and 36 percent, respectively, of total contributions.

13. Investment Member Interest

Ecotrust has formed Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, Sub-CDE X, Sub-CDE XI, Sub-CDE XII, Sub-CDE XIII, Sub-CDE XIV, Sub-CDE XV, Sub-CDE XVI, Sub-CDE XVII, Sub-CDE XVIII, Sub-CDE XIX, Sub-CDE XX, and Sub-CDE XXI to make QEI's in community development entities, which have made loans to qualified low-income community businesses and engage in other activities which qualify for Federal and State NMTC's (*Note 14*).

Ecotrust is the Managing Member in Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, Sub-CDE X, Sub-CDE XI, Sub-CDE XII, Sub-CDE XIII, Sub-CDE XIV, Sub-CDE XV, Sub-CDE XVI, Sub-CDE XVII, Sub-CDE XVIII, Sub-CDE XIX, Sub-CDE XX, and Sub-CDE XXI for the year ended December 31, 2016

ECOTRUST

Notes to Consolidated Financial Statements - Continued

13. Investment Member Interest - Continued

Ecotrust is the Managing Member in Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, Sub-CDE X, Sub-CDE XI, Sub-CDE XII, Sub-CDE XIII, Sub-CDE XIV, Sub-CDE XV, Sub-CDE XVI, Sub-CDE XVII, Sub-CDE XVIII, and Sub-CDE XIX for the year ended December 31, 2015.

Pursuant to the terms of the Operating Agreements, the Managing Member and Investor Members are required to make equity contributions. Profits, losses, and tax credits are allocated in accordance with the Operating Agreements. Profits and losses from operations and all Federal NMTC's in any one year shall be allocated 0.01 percent to the Managing Member and 99.99 percent to the Investor Members.

The Investment Member interest is as follows:

	2016	2015
Balance, beginning of year	\$ 131,578,512	\$ 130,601,164
Investment Member contributions:		
Enhanced Capital New Market Development Fund 63, LLC	-	5,000,000
Enhanced Capital New Market Development Fund 71, LLC	-	9,000,000
COCRF Investor Fund 52, LLC	-	6,800,000
COCRF Investor 72, LLC	6,000,000	-
COCRF Investor 75, LLC	6,000,000	-
Deconsolidation:		
Ecotrust Forests, LLC (relating to Sub-CDE III)	-	(9,700,035)
Ecotrust Forests, LLC (relating to Sub-CDE IV)	-	(9,700,036)
Investment Member interest in income (loss)	(8,770,041)	543,157
Investment Member distributions	<u>(995,221)</u>	<u>(965,738)</u>
Balance, end of year	<u><u>\$ 133,813,250</u></u>	<u><u>\$ 131,578,512</u></u>

The Investment Member interest in loss for 2016 relates primarily to the Investment Member share of the provision for loan losses (*Note 4*).

ECOTRUST

Notes to Consolidated Financial Statements - Continued

14. New Markets Tax Credits

In 2005, Ecotrust received an allocation of \$50,000,000 in NMTC's from the CDFI Fund, which may be generated as QEI's are made and will result in tax credit benefits of \$19,500,000 to investor members. Additional allocations of \$30,000,000, \$42,000,000, \$45,000,000, and \$75,000,000 in NMTC were received in 2009, 2011, 2013, and 2016, respectively, which will result in tax credit benefits of \$74,880,000 collectively. Pursuant to the Allocation Agreement, the NMTC is and will be allocated to qualifying entities (collectively, the Suballocates) as qualifying investments are made.

The NMTC is a 39 percent Federal tax credit available over a seven year period to the investors. In order to qualify for these credits, Ecotrust must comply with various Federal requirements. These requirements include, but are not limited to, investing at least 85 percent of the QEI's in qualified low-income community investments (which may include 5 percent of the QEI's received to be held as reserves).

The credits are subject to recapture if the Investee Companies fail to meet certain NMTC compliance requirements during the seven year tax credit period. Recapture of credits will occur if: 1) the Investee Companies cease to continuously be CDE's; 2) the Investee Companies cease to use substantially all of the QEI's for qualified low-income community investments (including 5 percent of the QEI's received and held as reserves); 3) the Investee Companies redeem the QEI before the end of the applicable seven year compliance period. If any of the above events occur during the seven year tax credit period, the NMTC's must be recaptured by the Investee Companies, and the increase in tax will be borne by the members. However, Ecotrust has indemnified the Investor Members and is thus contingently liable for any potential loss they may incur should a recapture event take place.

During 2015, the NMTC compliance period ended for the projects associated with Sub-CDE III and Sub-CDE IV. The tax credit investors associated with those projects exercised their put options and sold their interests in TCIF III to Ecotrust Forests, LLC.

During 2014 and 2013, Ecotrust was awarded \$8,000,000 of Oregon NMTC authority, for a total of \$16,000,000. The Oregon NMTC's are 7 percent in year three of a project and 8 percent for each of the four succeeding years, operate similar to the Federal NMTC's, and have similar requirements.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

15. Non-controlling Interest

During the years ended December 31, 2011 and 2010, Ecotrust Forest Management, Inc. issued shares of common stock to an employee. During the years ended December 31, 2016, 2015, and 2014, The Redd, LLC issued membership equity to several investors. During the year ended December 31, 2015, The Marble, LLC issued membership equity to another investor.

The non-controlling interest is as follows at December 31:

	2016	2015
Balance, beginning of year	\$ 7,086,305	\$ 1,304,896
Issuance of membership equity, The Redd, LLC	300,000	5,365,000
Issuance of membership equity, The Marble, LLC	-	500,000
Distribution to stockholder, Ecotrust Forest Management, Inc.	-	(85,715)
Non-controlling interest in income (loss):		
Ecotrust Forest Management, Inc.	410	20,668
The Redd, LLC	28,680	(16,952)
The Marble, LLC	<u>(35,672)</u>	<u>(1,592)</u>
Total non-controlling interest in income (loss)	<u>(6,582)</u>	<u>2,124</u>
Balance, end of year	<u>\$ 7,379,723</u>	<u>\$ 7,086,305</u>

16. Related-Party Transactions

Contracts and service fees revenue for 2016 and 2015 includes management fees of \$1,093,292 and \$1,122,323, respectively, earned from Ecotrust Forests, LLC and Ecotrust Forests II, LLC.

Accounts receivable at December 31, 2016, includes \$273,323 for management fees and \$10,305 for reimbursement of operating expenses due from Ecotrust Forests, LLC and Ecotrust Forests II, LLC. Accounts receivable at December 31, 2015, includes \$273,401 for management fees and \$5,319 for reimbursement of operating expenses due from Ecotrust Forests, LLC and Ecotrust Forests II, LLC.

Interest income from notes receivable from related parties totaled \$1,999,347 and \$1,953,245 for the years ended December 31, 2016 and 2015, respectively.

The Executive Chair of Ecotrust sits on the Board of Directors for Walsh Construction Co. Ecotrust used Walsh Construction Co. for its development project at The Redd on Salmon Street. Total costs incurred from work performed by Walsh Construction Co. was \$3,229,356 and \$83,797 for the years ended December 31, 2016 and 2015, respectively, and amount payable to Walsh Construction was \$469,178 and \$0- at December 31, 2016 and 2015, respectively.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

16. Related-Party Transactions - Continued

A member of Ecotrust's Board of Directors holds a key position at a certain bank where Ecotrust maintains a banking relationship.

The Organization has adopted a conflict of interest policy and these Board members abstained from voting when the construction company and banking relationships were selected.

17. Income Taxes

Taxable entities included in the consolidated financial statements of Ecotrust are the Natural Capital Center, Inc. (sole owner of Ecotrust Properties, LLC); Ecotrust Forest Management, Inc.; The Redd, LLC. (sole owner of The Redd Foundry, LLC and subject to certain state and local taxes); The Marble, LLC (subject to certain state and local taxes); Ecotrust CDE, LLC (subject to certain state and local taxes); and Sub-CDE VIII, which has elected to be taxed as a corporation.

The provision for income taxes includes the following components for the years ended December 31:

	2016	2015
Current:		
Federal	\$ 136,879	\$ 107,268
State and local	<u>86,651</u>	<u>151,642</u>
	<u>\$ 223,530</u>	<u>\$ 258,910</u>

Deferred taxes are recognized by Sub-CDE VIII for temporary differences between the basis of assets and liabilities for financial statement purposes, but are includable in taxable income for tax purposes. At December 31, 2016 and 2015, there was a deferred tax asset of \$460.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

18. Fair Value Measurements

Investments carried at fair value were determined at December 31 as follows:

2016	Level 1	Level 3	Total
Money market funds	\$ 1,180,612	\$ -	\$ 1,180,612
Equity mutual funds	315,130	-	315,130
Investments held at OCF	<u>-</u>	<u>5,119,148</u>	<u>5,119,148</u>
	<u>\$ 1,495,742</u>	<u>\$ 5,119,148</u>	<u>\$ 6,614,890</u>
2015			
Money market funds	\$ 951,329	\$ -	\$ 951,329
Equity mutual funds	277,953	-	277,953
Investments held at OCF	<u>-</u>	<u>4,861,339</u>	<u>4,861,339</u>
	<u>\$ 1,229,282</u>	<u>\$ 4,861,339</u>	<u>\$ 6,090,621</u>

The fair value of assets measured on a recurring basis is the market value based on quoted market prices, when available, third-party pricing services for the same or similar investment, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

As described in *Note 5*, investments held at OCF represent Ecotrust's share of a pooled investment portfolio managed by OCF. Ecotrust's share of the pooled investment portfolio is not actively traded and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs.

A summary of the changes in fair value of Level 3 assets is presented below.

	2016	2015
Balance, beginning of year	\$ 4,861,339	\$ 4,614,852
Purchases	204,005	408,518
Proceeds	(218,430)	(191,092)
Unrealized and realized gains - net	265,413	7,440
Interest and dividends	42,918	62,195
Investment fees	<u>(36,097)</u>	<u>(40,574)</u>
Balance, end of year	<u>\$ 5,119,148</u>	<u>\$ 4,861,339</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

18. Fair Value Measurements - Continued

Assets measured at fair value on a non-recurring basis include the following investments, each of which were originally carried at cost, and each of which are periodically evaluated for impairment to reflect management's estimate of the net realizable value of the investments. The investments in closely-held entities are classified as Level 3 (unobservable inputs).

Assets measured at fair value on a non-recurring basis at December 31 are as follows:

	2016	2015
	Level 3	Level 3
Investments in closely-held entities	\$ 1,244,917	\$ 1,367,032

Investments in closely held entities are reduced by a reserve for investment loss of \$305,000 and \$480,000 at December 31, 2016 and 2015, respectively.

A summary of the changes in fair value of Level 3 assets is presented below.

	2016	2015
Balance, beginning of year	\$ 1,367,032	\$ 1,266,028
Purchases	2,000	301,004
Proceeds	(96,129)	-
Decrease from consolidation	(1,000)	-
Realized loss	(1,986)	-
Increase in reserve	(25,000)	(200,000)
Balance, end of year	\$ 1,244,917	\$ 1,367,032

19. Endowment

Ecotrust's endowment consists of three funds that are comprised solely of donor-restricted net assets at December 31, the corpuses of which are as follows:

	2016	2015
Community Engagement Endowment	\$ 200,000	\$ 200,000
Indigenous Leadership Endowment	500,000	500,000
Ecotrust income endowment	4,455,282	4,251,277
	\$ 5,155,282	\$ 4,951,277

ECOTRUST

Notes to Consolidated Financial Statements - Continued

19. Endowment - Continued

Endowment net assets are invested as follows at December 31:

	2016	2015
Restricted cash	\$ 749,208	\$ 723,535
Investments held at OCF	<u>5,119,148</u>	<u>4,861,339</u>
	<u><u>\$ 5,868,356</u></u>	<u><u>\$ 5,584,874</u></u>

Changes in endowment net assets for 2015 and 2016 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
December 31, 2014	\$ 772,092	\$ 4,542,759	\$ 5,314,851
Contributions	-	408,518	408,518
Investment return	104,835	-	104,835
Appropriation for expenditure	<u>(243,330)</u>	<u>-</u>	<u>(243,330)</u>
December 31, 2015	633,597	4,951,277	5,584,874
Contributions	-	204,005	204,005
Investment return	343,531	-	343,531
Appropriation for expenditure	<u>(264,054)</u>	<u>-</u>	<u>(264,054)</u>
December 31, 2016	<u><u>\$ 713,074</u></u>	<u><u>\$ 5,155,282</u></u>	<u><u>\$ 5,868,356</u></u>

20. Gain on Transfer of Armillaria, LLC

During the year ended December 31, 2016, Ecotrust assigned its interest in Armillaria, LLC to another nonprofit organization. Armillaria, LLC is a single member limited liability company, of which Ecotrust was the sole member. Armillaria, LLC had a net deficit of \$173,402 at the date of assignment. Therefore, Ecotrust recognized a gain from the assignment of \$173,402.

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Notes to Consolidated Financial Statements - Continued

21. Contingencies

A significant portion of Ecotrust's net revenue and support are earned under grants and contracts with various funding sources. Amounts received or receivable from these contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of Ecotrust if so determined in the future. It is management's belief that no material amounts received will be required to be returned in the future that have not already been provided for.

22. Subsequent Events

Management has evaluated subsequent events through April 25, 2017, the date the consolidated financial statements were available for issue.

ECOTRUST

CONSOLIDATING INFORMATION

Independent Auditors' Report on Consolidating Information

The Board of Directors
Ecotrust

We have audited the consolidated financial statements of Ecotrust and its Subsidiaries as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 25, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 44 through 47 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to certain consolidated subsidiaries whose statements (prior to the effect of eliminating entries) reflect total assets of \$133,826,070 and \$131,545,871 as of December 31, 2016 and 2015, respectively, and total revenues of \$2,200,984 and \$2,154,533 for the years ended December 31, 2016 and 2015, respectively, and which insofar as it relates to the investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC of \$5,422,857 and \$5,534,141 as of December 31, 2016 and 2015, respectively, and the equity in their net loss of \$198,404 for the year ended December 31, 2016, and the equity in their gain of \$1,660,931 for the year ended December 31, 2015, is based on the reports of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hoffman, Stewart & Schmidt, P.C.

April 25, 2017

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Consolidating Schedule of Financial Position

December 31, 2016

ASSETS	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Cash and cash equivalents	\$ 3,295,118	\$ 215,351	\$ 3,510,469	\$ -	\$ 3,510,469
Accounts receivable, net	710,164	179,408	889,572	(25,570)	864,002
Grants receivable	400,631	-	400,631	-	400,631
Notes receivable, net	6,644,931	130,205,450	136,850,381	(6,596,000)	130,254,381
Investments	6,679,195	1,180,612	7,859,807	-	7,859,807
Investment in Variable Interest Entities	13,433	-	13,433	(13,433)	-
Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC	5,422,857	-	5,422,857	-	5,422,857
Prepaid expenses and other assets	329,905	10,600	340,505	(10,600)	329,905
Deferred tax asset	-	460	460	-	460
Deferred charges, net	189,218	2,081,141	2,270,359	(2,081,141)	189,218
Restricted cash	1,629,797	-	1,629,797	-	1,629,797
Property and equipment, net	21,861,717	-	21,861,717	(69,515)	21,792,202
Total assets	\$ 47,176,966	\$ 133,873,022	\$ 181,049,988	\$ (8,796,259)	\$ 172,253,729
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS					
Liabilities:					
Accounts payable	\$ 582,262	\$ 26,681	\$ 608,943	\$ (25,570)	\$ 583,373
Accrued liabilities	688,553	-	688,553	-	688,553
Deferred revenue	2,475,638	19,658	2,495,296	(2,091,741)	403,555
Notes payable	13,952,518	-	13,952,518	(6,596,000)	7,356,518
Total liabilities	17,698,971	46,339	17,745,310	(8,713,311)	9,031,999
Net assets and Investment Member and non-controlling interests:					
Net assets:					
Unrestricted	14,610,316	13,433	14,623,749	(82,948)	14,540,801
Temporarily restricted	2,332,674	-	2,332,674	-	2,332,674
Permanently restricted	5,155,282	-	5,155,282	-	5,155,282
Total net assets	22,098,272	13,433	22,111,705	(82,948)	22,028,757
Investment Member interest	-	133,813,250	133,813,250	-	133,813,250
Non-controlling interest	7,379,723	-	7,379,723	-	7,379,723
Total net assets and Investment Member and non-controlling interests	29,477,995	133,826,683	163,304,678	(82,948)	163,221,730
Total liabilities and net assets and Investment Member and non-controlling interests	\$ 47,176,966	\$ 133,873,022	\$ 181,049,988	\$ (8,796,259)	\$ 172,253,729

Notes:

Ecotrust includes the following organizations that are consolidated due to majority ownership interests or control:

Ecotrust; Ecotrust Properties, LLC; Ecotrust Properties II, LLC; Natural Capital Holdings, LLC; Ecotrust Capital Partners, LLC; The Redd Manager, LLC; The Redd, LLC; The Redd Foundry, LLC; The Marble, LLC; Point 97, LLC; Armillaria, LLC; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; North Pacific Fisheries Trust; and Ecotrust CDE, LLC.

Variable interest entities include the following entities that are consolidated due to control:

Ecotrust Sub-CDE V, LLC; Ecotrust Sub-CDE VI, LLC; Ecotrust Sub-CDE VII, LLC; Ecotrust Sub-CDE VIII, LLC; Ecotrust Sub-CDE IX, LLC; Ecotrust Sub-CDE X, LLC; Ecotrust Sub-CDE XI, LLC; Ecotrust Sub-CDE XII, LLC; Ecotrust Sub-CDE XIII, LLC; Ecotrust Sub-CDE XIV; Ecotrust Sub-CDE XV, LLC; Ecotrust Sub-CDE XVI, LLC; Ecotrust Sub-CDE XVII, LLC; Ecotrust Sub-CDE XVIII, LLC; Ecotrust Sub-CDE XIX, LLC; Ecotrust Sub-CDE XX, LLC; and Ecotrust Sub-CDE XXI.

ECOTRUST

Consolidating Schedule of Activities

Year Ended December 31, 2016

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains, and other support:					
Foundation grants and contributions	\$ 2,423,831	\$ -	\$ 2,423,831	\$ -	\$ 2,423,831
Government grants	869,756	-	869,756	-	869,756
Individual grants and contributions	367,195	-	367,195	-	367,195
Corporate grants and contributions	264,514	-	264,514	-	264,514
Other grants and contributions	11,324	-	11,324	-	11,324
Contracts and service fees	5,022,372	125,643	5,148,015	(1,466,377)	3,681,638
Investment return	351,820	2,075,341	2,427,161	(75,993)	2,351,168
Gain on disposal of property and equipment	445	-	445	-	445
Net revenues, gains, and other support	9,311,257	2,200,984	11,512,241	(1,542,370)	9,969,871
Operating expenses:					
Salaries	3,857,003	-	3,857,003	-	3,857,003
Payroll taxes and fringe benefits	1,147,707	-	1,147,707	-	1,147,707
Total payroll costs	5,004,710	-	5,004,710	-	5,004,710
Conferences and meetings	54,293	-	54,293	-	54,293
Contracts and consultants	496,377	686,870	1,183,247	(686,870)	496,377
Depreciation and amortization	542,336	647,320	1,189,656	(647,465)	542,191
Direct allocations to programs	-	-	-	-	-
GIS, IT, software, and data	80,713	-	80,713	-	80,713
Grants to other organizations	707,324	-	707,324	-	707,324
Insurance	139,420	-	139,420	-	139,420
Interest	169,051	-	169,051	(6,333)	162,718
Meals and travel	262,110	-	262,110	-	262,110
Miscellaneous	15,345	-	15,345	-	15,345
Occupancy and maintenance	371,531	-	371,531	-	371,531
Professional fees	245,299	163,076	408,375	(132,187)	276,188
Supplies and equipment	145,676	49	145,725	-	145,725
Taxes, licenses, and fees	175,986	7,416	183,402	-	183,402
Total operating expenses	8,410,171	1,504,731	9,914,902	(1,472,855)	8,442,047
Increase (decrease) in net assets from operations	901,086	696,253	1,597,339	(69,515)	1,527,824
Provision for income taxes	(102,909)	(120,621)	(223,530)	-	(223,530)
Provision for bad debt	(3,256)	-	(3,256)	-	(3,256)
Provision for loan losses	-	(9,346,550)	(9,346,550)	-	(9,346,550)
Gain on transfer of Armillaria, LLC	173,402	-	173,402	-	173,402
Share in loss of Variable Interest Entities	(877)	-	(877)	877	-
Share in loss of Ecotrust Forests, LLC and Ecotrust Forests II, LLC	(198,404)	-	(198,404)	-	(198,404)
Investment Member interest in income - net	-	8,770,041	8,770,041	-	8,770,041
Non-controlling interest in income - net	6,582	-	6,582	-	6,582
Capital contributions	-	1,200	1,200	(1,200)	-
Capital distributions	-	(55)	(55)	55	-
Increase (decrease) in net assets	775,624	268	775,892	(69,783)	706,109
Net assets, beginning of year	21,322,648	13,165	21,335,813	(13,165)	21,322,648
Net assets, end of year	\$ 22,098,272	\$ 13,433	\$ 22,111,705	\$ (82,948)	\$ 22,028,757

See notes on page 44.

ECOTRUST

Consolidating Schedule of Financial Position

December 31, 2015

ASSETS	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Cash and cash equivalents	\$ 3,925,580	\$ 224,975	\$ 4,150,555	\$ -	\$ 4,150,555
Accounts receivable, net	723,775	179,713	903,488	(37,043)	866,445
Grants receivable	367,921	-	367,921	-	367,921
Notes receivable, net	6,653,595	127,912,000	134,565,595	(6,596,000)	127,969,595
Investments	6,506,324	951,329	7,457,653	-	7,457,653
Investment in Variable Interest Entities	13,165	-	13,165	(13,165)	-
Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC	5,534,141	-	5,534,141	-	5,534,141
Prepaid expenses and other assets	300,774	11,599	312,373	(10,600)	301,773
Deferred tax asset	-	460	460	-	460
Deferred charges, net	334,475	2,368,461	2,702,936	(2,368,461)	334,475
Restricted cash	4,795,561	-	4,795,561	-	4,795,561
Property and equipment, net	18,282,740	-	18,282,740	-	18,282,740
Total assets	\$ 47,438,051	\$ 131,648,537	\$ 179,086,588	\$ (9,025,269)	\$ 170,061,319
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS					
Liabilities:					
Accounts payable	\$ 161,248	\$ 36,495	\$ 197,743	\$ (37,043)	\$ 160,700
Accrued liabilities	914,136	424	914,560	-	914,560
Deferred revenue	2,867,121	19,941	2,887,062	(2,379,061)	508,001
Notes payable	15,086,593	-	15,086,593	(6,596,000)	8,490,593
Total liabilities	19,029,098	56,860	19,085,958	(9,012,104)	10,073,854
Net assets and Investment Member and non-controlling interests:					
Net assets:					
Unrestricted	14,499,603	13,165	14,512,768	(13,165)	14,499,603
Temporarily restricted	1,871,768	-	1,871,768	-	1,871,768
Permanently restricted	4,951,277	-	4,951,277	-	4,951,277
Total net assets	21,322,648	13,165	21,335,813	(13,165)	21,322,648
Investment Member interest	-	131,578,512	131,578,512	-	131,578,512
Non-controlling interest	7,086,305	-	7,086,305	-	7,086,305
Total net assets and Investment Member and non-controlling interests	28,408,953	131,591,677	160,000,630	(13,165)	159,987,465
Total liabilities and net assets and Investment Member and non-controlling interests	\$ 47,438,051	\$ 131,648,537	\$ 179,086,588	\$ (9,025,269)	\$ 170,061,319

Notes:

Ecotrust includes the following organizations that are consolidated due to majority ownership interests or control:

Ecotrust; Ecotrust Properties, LLC; Ecotrust Properties II, LLC; Natural Capital Holdings, LLC; Ecotrust Capital Partners, LLC; The Redd Manager, LLC; The Redd, LLC; The Redd Foundry, LLC; The Marble, LLC; Point 97, LLC; Armillaria, LLC; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; North Pacific Fisheries Trust; and Ecotrust CDE, LLC.

Variable interest entities include the following entities that are consolidated due to control:

Ecotrust Sub-CDE V, LLC; Ecotrust Sub-CDE VI, LLC; Ecotrust Sub-CDE VII, LLC; Ecotrust Sub-CDE VIII, LLC; Ecotrust Sub-CDE IX, LLC; Ecotrust Sub-CDE X, LLC; Ecotrust Sub-CDE XI, LLC; Ecotrust Sub-CDE XII, LLC; Ecotrust Sub-CDE XIII, LLC; Ecotrust Sub-CDE XIV, LLC; Ecotrust Sub-CDE XV, LLC; Ecotrust Sub-CDE XVI, LLC; Ecotrust Sub-CDE XVII, LLC; Ecotrust Sub-CDE XVIII, LLC; and Ecotrust Sub-CDE XIX, LLC.

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Consolidating Schedule of Activities

Year Ended December 31, 2015

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains, (losses), and other support:					
Foundation contributions	\$ 2,667,728	\$ -	\$ 2,667,728	\$ -	\$ 2,667,728
Government grants	1,417,108	-	1,417,108	-	1,417,108
Individual grants and contributions	512,336	-	512,336	-	512,336
Corporate grants and contributions	101,851	-	101,851	-	101,851
Other grants and contributions	140,018	-	140,018	-	140,018
Contracts and service fees	5,626,736	199,388	5,826,124	(1,443,081)	4,383,043
Investment return	77,726	1,955,147	2,032,873	-	2,032,873
Loss on disposal of property and equipment	(415)	-	(415)	-	(415)
Net revenues, gains, and other support	10,543,088	2,154,535	12,697,623	(1,443,081)	11,254,542
Operating expenses:					
Salaries	4,321,348	-	4,321,348	-	4,321,348
Payroll taxes and fringe benefits	1,175,141	-	1,175,141	-	1,175,141
Total payroll costs	5,496,489	-	5,496,489	-	5,496,489
Conferences and meetings	60,716	-	60,716	-	60,716
Contracts and consultants	1,253,437	690,688	1,944,125	(690,688)	1,253,437
Depreciation and amortization	576,565	647,010	1,223,575	(647,010)	576,565
GIS, IT, software, and data	87,503	-	87,503	-	87,503
Grants to other organizations	1,038,694	-	1,038,694	-	1,038,694
Insurance	148,701	-	148,701	-	148,701
Interest	202,304	-	202,304	-	202,304
Meals and travel	280,313	-	280,313	-	280,313
Miscellaneous	1,636	-	1,636	-	1,636
Occupancy and maintenance	339,649	-	339,649	-	339,649
Professional fees	291,190	145,579	436,769	(105,383)	331,386
Supplies and equipment	215,310	20	215,330	-	215,330
Taxes, licenses, and fees	128,176	9,127	137,303	-	137,303
Total operating expenses	10,120,683	1,492,424	11,613,107	(1,443,081)	10,170,026
Increase in net assets from operations	422,405	662,111	1,084,516	-	1,084,516
Provision for income taxes	(140,013)	(118,897)	(258,910)	-	(258,910)
Provision for bad debt	(29,040)	-	(29,040)	-	(29,040)
Share in gain of Variable Interest Entities	57	-	57	(57)	-
Share in gain of Ecotrust Forests, LLC and Ecotrust Forest II, LLC	1,660,931	-	1,660,931	-	1,660,931
Investment Member interest in income	-	(543,157)	(543,157)	-	(543,157)
Non-controlling interest in income - net	(2,124)	-	(2,124)	-	(2,124)
Capital contributions	-	2,080	2,080	(2,080)	-
Capital distributions	-	(56)	(56)	56	-
Member equity deconsolidation	-	(1,951)	(1,951)	1,951	-
Increase (decrease) in net assets	1,912,216	130	1,912,346	(130)	1,912,216
Net assets, beginning of year	19,410,432	13,035	19,423,467	(13,035)	19,410,432
Net assets, end of year	\$ 21,322,648	\$ 13,165	\$ 21,335,813	\$ (13,165)	\$ 21,322,648

See notes on page 46.