



CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

and

Consolidating Information

with

Independent Auditors' Reports

ECOTRUST

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Independent Auditors' Report

The Board of Directors
Ecotrust

Report on the 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, 2017 and 2016, 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 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 \$123,375,255 and \$133,826,070 as of December 31, 2017 and 2016, respectively, and total revenues of \$2,146,225 and \$2,200,984 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 \$5,586,847 and \$5,422,857 as of December 31, 2017 and 2016, respectively, and the equity in their net loss was \$164,799 and \$198,404 for the years ended December 31, 2017 and 2016, respectively. 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, 2017 and 2016, 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.

Change in Accounting Principle

As discussed in *Note 2* to the consolidated financial statements, effective December 31, 2017, management has elected to change its method for presenting debt issuance costs in the consolidated statements of financial position. Our opinion is not modified with respect to this matter.

Herman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
May 30, 2018

ECOTRUST

Consolidated Statements of Financial Position

December 31,	2017	2016
ASSETS		
Cash and cash equivalents	\$ 10,073,725	\$ 3,510,469
Accounts receivable, net	732,966	864,002
Grants receivable	151,738	400,631
Notes receivable, net <i>(Note 4)</i>	119,720,488	130,254,381
Investments <i>(Notes 5, 18, and 19)</i>	8,344,701	7,859,807
Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC <i>(Note 6)</i>	5,586,847	5,422,857
Prepaid expenses and other assets	432,610	329,905
Deferred tax asset <i>(Note 17)</i>	460	460
Deferred charges, net	129,350	68,428
Deferred rent receivable	203,400	-
Restricted cash <i>(Notes 7 and 19)</i>	997,323	1,629,797
Property and equipment, net <i>(Note 7)</i>	<u>22,671,971</u>	<u>21,792,202</u>
Total assets	<u>\$ 169,045,579</u>	<u>\$ 172,132,939</u>
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS		
Liabilities:		
Accounts payable	\$ 343,981	\$ 583,373
Accrued liabilities	1,005,834	688,553
Deferred revenue	319,931	403,555
Notes payable - net <i>(Note 8)</i>	<u>5,133,378</u>	<u>7,235,728</u>
Total liabilities	6,803,124	8,911,209
Commitments and contingencies <i>(Notes 9, 11, 14, and 20)</i>		
Net assets and Investment Member and non-controlling interests:		
Net assets:		
Unrestricted	22,410,149	14,540,801
Temporarily restricted <i>(Note 10)</i>	3,291,308	2,332,674
Permanently restricted <i>(Note 19)</i>	<u>5,155,282</u>	<u>5,155,282</u>
Total net assets	30,856,739	22,028,757
Investment Member interest <i>(Note 13)</i>	123,340,686	133,813,250
Non-controlling interest <i>(Note 15)</i>	<u>8,045,030</u>	<u>7,379,723</u>
Total net assets and Investment Member and non-controlling interests	<u>162,242,455</u>	<u>163,221,730</u>
Total liabilities and net assets and Investment Member and non-controlling interests	<u>\$ 169,045,579</u>	<u>\$ 172,132,939</u>

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

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Consolidated Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Foundation grants and contributions	\$ 574,756	\$ 1,921,100	\$ -	\$ 2,495,856
Government grants	425,246	9,161	-	434,407
Individual grants and contributions	8,303,220	178,779	-	8,481,999
Corporate grants and contributions	155,497	130,698	-	286,195
Other grants and contributions	12,781	-	-	12,781
Contracts and service fees	4,304,242	-	-	4,304,242
Investment return (Note 5)	1,648,199	1,113,755	-	2,761,954
Net assets released from restrictions (Note 10)	2,394,859	(2,394,859)	-	-
Net revenues, gains, and other support	17,818,800	958,634	-	18,777,434
Operating expenses:				
Program services:				
Fisheries	272,891	-	-	272,891
Food and Farms	637,546	-	-	637,546
Forests and Ecosystem Services	551,682	-	-	551,682
Indigenous Leadership	127,575	-	-	127,575
Knowledge Systems	817,993	-	-	817,993
Ecotrust Investments	4,814,595	-	-	4,814,595
Events	412,259	-	-	412,259
Total program services	7,634,541	-	-	7,634,541
Supporting services:				
Management and general	953,039	-	-	953,039
Communications	391,148	-	-	391,148
Development	460,729	-	-	460,729
Total supporting services	1,804,916	-	-	1,804,916
Total operating expenses	9,439,457	-	-	9,439,457
Increase in net assets from operations	8,379,343	958,634	-	9,337,977
Provision for income taxes (Note 17)	(212,011)	-	-	(212,011)
Provision for bad debt	(25,948)	-	-	(25,948)
Provision for loan losses (Note 4)	(97,250)	-	-	(97,250)
Gain on sale of Point 97, LLC intellectual property	19,000	-	-	19,000
Share in loss of Ecotrust Forests, LLC and Ecotrust Forests II, LLC (Note 6)	(164,799)	-	-	(164,799)
Investment Member interest in loss (Note 13)	134,943	-	-	134,943
Non-controlling interest in income (Note 15)	(165,307)	-	-	(165,307)
Gain on deconsolidation	1,377	-	-	1,377
Increase in net assets	7,869,348	958,634	-	8,827,982
Net assets, beginning of year	14,540,801	2,332,674	5,155,282	22,028,757
Net assets, end of year	\$ 22,410,149	\$ 3,291,308	\$ 5,155,282	\$ 30,856,739

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	721,065	-	-	721,065
Ecotrust Investments	4,015,106	-	-	4,015,106
Events	250,527	-	-	250,527
Total program services	6,837,213	-	-	6,837,213
Supporting services:				
Management and general	911,402	-	-	911,402
Communications	322,900	-	-	322,900
Development	370,532	-	-	370,532
Total supporting services	1,604,834	-	-	1,604,834
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	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 (Note 13)	8,770,041	-	-	8,770,041
Non-controlling interest in loss (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.

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Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services							Supporting Services					Total
	Fisheries	Food and Farms	Forests and Ecosystem Services	Indigenous Leadership	Knowledge Systems	Ecotrust Investments	Events	Total Program Services	Management and General	Communications	Development	Total Supporting Services	
Salaries	\$ 78,098	\$ 357,074	\$ 255,647	\$ 5,251	\$ 439,311	\$ 1,808,147	\$ 135,208	\$ 3,078,736	\$ 524,721	\$ 206,197	\$ 269,951	\$ 1,000,869	\$ 4,079,605
Payroll taxes and fringe benefits	29,044	115,391	84,045	2,125	136,830	538,181	45,827	951,443	207,895	73,619	91,552	373,066	1,324,509
Total payroll costs	107,142	472,465	339,692	7,376	576,141	2,346,328	181,035	4,030,179	732,616	279,816	361,503	1,373,935	5,404,114
Conferences and meetings	1,899	2,774	3,415	46	3,947	24,224	344	36,649	32,374	3,988	5,425	41,787	78,436
Contracts and consultants	112,516	80,394	35,557	17,462	127,079	115,688	2,093	490,789	236,302	64,189	18,304	318,795	809,584
Depreciation and amortization	-	-	-	-	-	655,227	3,699	658,926	33,168	-	-	33,168	692,094
Direct allocations to programs	6,827	26,932	21,303	640	32,941	38,213	18,210	145,066	(185,359)	17,323	22,970	(145,066)	-
Technology	10,528	29,122	20,023	497	35,860	87,377	16,801	200,208	(140,832)	17,108	22,764	(100,960)	99,248
Grants to other organizations	-	-	107,575	100,000	-	251,000	-	458,575	-	2,250	60	2,310	460,885
Insurance	-	1,986	-	-	-	109,319	3,900	115,205	36,644	-	-	36,644	151,849
Interest	-	-	-	-	-	154,161	-	154,161	-	-	-	-	154,161
Meals and travel	32,283	12,193	20,974	1,554	32,576	80,308	1,022	180,910	43,917	1,253	9,392	54,562	235,472
Miscellaneous	27	224	150	-	-	2,463	-	2,864	(284)	18	-	(266)	2,598
Occupancy	510	49	-	-	2,223	328,847	139,649	471,278	47,910	13	-	47,923	519,201
Professional fees	-	225	471	-	-	321,796	1,266	323,758	33,975	215	802	34,992	358,750
Supplies and equipment	1,159	11,117	2,522	-	7,226	24,177	7,728	53,929	69,554	4,975	15,210	89,739	143,668
Taxes, licenses, and fees	-	65	-	-	-	275,467	36,512	312,044	13,054	-	4,299	17,353	329,397
Total expenses	\$ 272,891	\$ 637,546	\$ 551,682	\$ 127,575	\$ 817,993	\$ 4,814,595	\$ 412,259	\$ 7,634,541	\$ 953,039	\$ 391,148	\$ 460,729	\$ 1,804,916	\$ 9,439,457

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	Ecotrust Investments	Events	Total Program Services	Management and General	Communications	Development		Total Supporting Services
Salaries	\$ 110,380	\$ 282,330	\$ 204,500	\$ 39,101	\$ 375,700	\$ 1,697,212	\$ 117,899	\$ 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	114,121	434,829	35,557	774,712	228,683	64,724	79,588	372,995	1,147,707
Total payroll costs	144,943	367,281	263,097	51,195	489,821	2,132,041	153,456	3,601,834	794,472	266,323	342,081	1,402,876	5,004,710
Conferences and meetings	-	1,685	1,558	1,465	661	27,542	390	33,301	18,002	1,228	1,762	20,992	54,293
Contracts and consultants	17,426	83,827	53,940	1,275	132,889	73,568	650	363,575	126,130	2,720	3,952	132,802	496,377
Depreciation and amortization	-	-	-	-	-	511,395	5,674	517,069	20,953	-	-	20,953	538,022
Direct allocation to programs	5,567	21,791	15,132	3,026	32,302	34,316	15,764	127,898	(145,413)	17,515	-	(127,898)	-
Technology	7,844	31,372	19,532	4,149	43,942	82,923	20,606	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	-	-	-	-	-	91,231	8,100	99,331	40,089	-	-	40,089	139,420
Interest	-	-	-	-	-	166,887	-	166,887	-	-	-	-	166,887
Meals and travel	2,380	12,582	19,607	2,909	7,448	154,403	388	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	811	64	119	12	3,025	299,238	28,161	331,430	40,039	39	23	40,101	371,531
Professional fees	-	298	265	17	12	232,740	3,654	236,986	37,547	477	1,178	39,202	276,188
Supplies and equipment	940	3,074	4,890	40	10,726	24,357	6,236	50,263	70,422	10,458	14,582	95,462	145,725
Taxes, licenses, and fees	-	1,316	-	-	-	166,793	7,448	175,557	7,425	85	335	7,845	183,402
Total expenses	\$ 179,911	\$ 542,608	\$ 954,292	\$ 173,704	\$ 721,065	\$ 4,015,106	\$ 250,527	\$ 6,837,213	\$ 911,402	\$ 322,900	\$ 370,532	\$ 1,604,834	\$ 8,442,047

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

ECOTRUST

Consolidated Statements of Cash Flows

Years Ended December 31,	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 8,827,982	\$ 706,109
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Gain on disposal of property and equipment	-	(445)
Investment Member interest in loss	(134,943)	(8,770,041)
Non-controlling interest in income (loss)	165,307	(6,582)
Provision for loan losses	97,250	9,346,550
Gain on sale of Point 97, LLC intellectual property	(19,000)	-
Gain on transfer of Armillaria, LLC	-	(173,402)
Gain on deconsolidation	(1,377)	-
Depreciation and amortization	692,094	538,022
Change in debt issuance costs	4,168	4,168
Net gain on investments	(560,412)	(239,262)
Net loss on investments in Ecotrust Forest, LLC and Ecotrust Forests II, LLC	164,799	198,404
Permanently restricted contributions	-	(204,005)
(Increase) decrease in:		
Accounts receivable	58,326	2,443
Grants receivable	248,893	(32,710)
Prepaid expenses and other assets	(102,705)	(28,132)
Deferred rent receivable	(203,400)	-
Accounts payable	(435,275)	(61,156)
Accrued liabilities	251,924	(94,322)
Deferred revenue	(83,624)	(83,404)
Net cash provided by operating activities	8,970,007	1,102,235
Cash flows from investing activities:		
Change in restricted cash	632,474	3,165,764
Proceeds from sale of investments	430,377	350,653
Purchase of investments	(289,502)	(493,870)
Decrease in investment from consolidation	-	1,000
Capital contributions to Ecotrust Forests II, LLC	(328,789)	(112,841)
Return of capital from Ecotrust Forests II, LLC	-	25,721
Purchases of property and equipment	(1,319,695)	(3,422,567)
Proceeds from sale of equipment	-	445
Proceeds from sale of Point 97, LLC intellectual property	19,000	-
Payments received on notes receivable	616,643	8,664
Notes receivable issued	(18,915,000)	(11,640,000)
Net cash used by investing activities	(19,154,492)	(12,117,031)
Carried forward	(10,184,485)	(11,014,796)

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

ECOTRUST

Consolidated Statements of Cash Flows - Continued

Years Ended December 31,	2017	2016
Brought forward	\$ (10,184,485)	\$ (11,014,796)
Cash flows from financing activities:		
Payments on notes payable	(2,106,518)	(1,134,074)
Payments for deferred charges	(117,207)	-
Permanently restricted contributions	-	204,005
Capital contributions received	1,500,000	300,000
Distribution to member	(1,000,000)	-
Investment Member contributions	19,500,000	12,000,000
Investment Member distributions	(854,770)	(995,221)
Cash decrease from deconsolidation	(173,764)	-
Net cash provided by financing activities	<u>16,747,741</u>	<u>10,374,710</u>
Net increase (decrease) in cash and cash equivalents	6,563,256	(640,086)
Cash and cash equivalents, beginning of year	<u>3,510,469</u>	<u>4,150,555</u>
Cash and cash equivalents, end of year	<u>\$ 10,073,725</u>	<u>\$ 3,510,469</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 134,150	\$ 220,047
Cash paid during the year for income taxes	209,979	197,181
Supplemental disclosures of noncash activity:		
Deconsolidation:		
Notes receivable removed	\$ 28,735,000	\$ -
Interest receivable removed	<u>72,710</u>	<u>-</u>
Decrease in Investor Members' equity	28,807,710	-
Property additions in accounts payable	195,883	483,829
Change in fair market value of 457b plan	65,357	20,675

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; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; 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); Ecotrust Sub-CDE XXI (Sub-CDE XXI); Ecotrust Sub-CDE XXII (Sub-CDE XXII); and Ecotrust Sub-CDE XXIV (Sub-CDE XXIV).

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, 2017, the new markets tax credit (NMTC) compliance period ended for the projects associated with Sub-CDE V, Sub-CDE VI, and Sub-CDE VII. This resulted in each Sub-CDE entering into a debt conversion agreement with the qualified active low-income community business, or QALICB. Pursuant to the debt conversion agreement, the Sub-CDE released the QALICB from its debt obligation in exchange for equity interest in the QALICB. Then, the investor member, the 99.99 percent owners of each Sub-CDE, exercised their put option and sold their 99.99 percent interest in the investment funds for \$1,000 each. Following these transactions, the Company determined it does not hold variable interests in the respective Sub-CDEs, 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). This also results in the Company not being directly engaged in the ownership and management of the respective Sub-CDE. As such, Sub-CDE V, Sub-CDE VI, and Sub-CDE VII have been deconsolidated by the Company during 2017. In addition, the Company sold its 0.01 percent equity interest in each entity to the QALICB. The carrying value of these investments was determined based on the financial statements of each entity at the time of the ownership change and a \$1,377 gain on deconsolidation was recognized in the consolidated financial statements of Ecotrust.

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, 2017 and 2016, include \$1,267 and \$52,228, respectively, in billings that are at least 90 days old. The allowance for doubtful accounts receivable at December 31, 2017 and 2016, was \$-0- and \$2,331, 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.

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 \$162,740 and \$604,969 as of December 31, 2017 and 2016, respectively. Amortization expense for 2017 and 2016 was \$56,285 and \$139,482, respectively.

Deferred Rent Receivable - Natural Capital Center, Inc. and The Marble, LLC lease building space with certain incentives and annual escalation clauses. Under GAAP, lease incentives and all rental payments, including fixed rent increases, are amortized over the life of the lease on a straight-line basis as addition/reduction of rent revenue. The differences between GAAP rent revenue and the required lease payment is reflected as deferred rent receivable in the accompanying consolidated statements of financial position.

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, 2017 and 2016, \$780,181 and \$749,208 was held for donor restricted endowment funds, respectively. At December 31, 2017 and 2016, \$217,142 and \$880,589, 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 \$3,500 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 2017 and 2016 was \$635,809 and \$398,541, respectively. Artwork is not depreciated.

Debt Issuance Costs - Debt issuance costs are amortized over seven years, the expected loan term, on a straight-line basis. Amortization of debt issuance costs are included with interest expense.

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, 2017 and 2016, Ecotrust had received conditional promises totaling \$967,316 and \$808,700, 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

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued - 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.

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.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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, 2017 and 2016. Ecotrust is not classified as a private foundation. 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.

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 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, Sub-CDE XXI, Sub-CDE XXII, and Sub-CDE XXIV. 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

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Variable Interest Entities - Continued - Ecotrust has determined that it holds an interest in a VIE for which consolidation is required. Accordingly, 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, Sub-CDE XXI, Sub-CDE XXII, and Sub-CDE XXIV are consolidated into Ecotrust CDE, LLC, prior to its consolidation into Ecotrust. Sub-CDE XXI and Sub-CDE XXIV were consolidated into Ecotrust CDE, LLC, as of and for the year ended December 31, 2016, before their respective NMTC deals were closed.

Reclassifications - Certain information from the 2016 consolidated financial statements has been reclassified for comparative purposes to conform with the 2017 presentation.

Adoption of New Accounting Standard - During the year ended December 31, 2017, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-03, *Interest Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which requires debt issuance costs related to a recognized debt liability to be presented in the combined balance sheets as a direct deduction from the carrying amount of that debt liability. The adoption of this ASU has been applied retrospectively. The nature and reason for this change is a direct result of the guidance issued by FASB. As a result of the adoption of this accounting principle, debt issuance costs of \$120,790 have been reclassified from assets to a direct deduction from notes payable in the December 31, 2016, consolidated statement of financial position and amortization expense of \$4,168 has been reclassified from depreciation and amortization expense to interest expense in the December 31, 2016, consolidated statement of functional expense. Net assets for the year ended December 31, 2016, was not affected by the adoption of this accounting principle.

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.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

3. Program and Supporting Services - Continued

Program Services - Continued

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 Investments - 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

Events - Ecotrust Events is charged with creating events and engagements that support our mission to create social, economic, and environmental well-being. Ecotrust Events uses the Jean Vollum Natural Capital Center, Inc and the Redd on Salmon Street to offer convening opportunities that accommodate a wide range of partners and clients, with specific interest in supporting mission-aligned initiatives. Ecotrust Events also produces internal engagements that are used to tell important stories, raise awareness on critical issues, and inspire meaningful change within our region.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

3. Program and Supporting Services - Continued

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 \$221,494 and \$200,596 for the years ended December 31, 2017 and 2016, respectively, 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. Technology includes credits of \$224,693 and \$255,777 for the years ended December 31, 2017 and 2016, 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

Notes receivable included the following at December 31:

	2017	2016
Note receivable from Ochoco Lumber Company; of which \$607,500 was paid and \$19,035,000 was removed as part of deconsolidation.	\$ -	\$ 19,642,500
Note receivable from ZeaChem Applied Technologies, LLC removed as part of deconsolidation.	-	7,353,667
Note receivable from ZeaChem Applied Technologies, LLC removed as part of deconsolidation.	-	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.	5,043,210	5,043,210
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.	<u>7,233,081</u>	<u>7,233,081</u>
Carried forward	25,482,081	54,824,581

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2017	2016
Brought forward	\$ 25,482,081	\$ 54,824,581
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.	2,963,500	2,963,500
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.	<u>3,708,881</u>	<u>3,708,881</u>
Carried forward	49,778,500	79,121,000

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2017	2016
Brought forward	\$ 49,778,500	\$ 79,121,000
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.	4,852,000	4,852,000
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
Carried forward	69,511,562	98,854,062

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2017	2016
Brought forward	\$ 69,511,562	\$ 98,854,062
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.	1,488,000	1,488,000
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
Carried forward	79,555,100	108,897,600

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2017	2016
Brought forward	\$ 79,555,100	\$ 108,897,600
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.	4,294,600	4,294,600
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.	<u>6,474,860</u>	<u>6,474,860</u>
Carried forward	98,448,360	127,790,860

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2017	2016
Brought forward	\$ 98,448,360	\$ 127,790,860
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	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	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.	3,964,200	3,964,200
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	1,855,800
Note receivable dated April 6, 2017, from MLT Holdings, Inc. Interest only payments at 1.0382 percent per annum are accrued and paid quarterly through June 2024. Thereafter, principal and interest payments ranging from \$15,889 and \$68,299 are due quarterly. Matures April 2047. Secured by deed of trust on property.	4,597,600	-
Carried forward	114,685,960	139,430,860

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

	2017	2016
Brought forward	\$ 114,685,960	\$ 139,430,860
Note receivable dated April 6, 2017, from MLT Holdings, Inc. Interest only payments at 1.0382 percent per annum are accrued and paid quarterly through June 2024. Thereafter, principal and interest payments ranging from \$7,577 and \$32,569 are due quarterly. Matures April 2047. Secured by deed of trust on property.	2,192,400	-
Note receivable dated August 17, 2017, from Wildcat Whiskey, LLC (related party). Interest only payments at 1.3023 percent per annum are accrued and paid quarterly through September 2024. Thereafter, principal and interest payments of \$101,550 are due quarterly. Matures March 2048. Secured by deed of trust on property.	8,210,000	-
Note receivable dated August 17, 2017, from Wildcat Whiskey, LLC (related party). Interest only payments at 1.3023 percent per annum are accrued and paid quarterly through September 2024. Thereafter, principal and interest payments of \$48,450 are due quarterly. Matures March 2048. Secured by deed of trust on property.	3,915,000	-
Fishing permits	160,928	170,071
	129,164,288	139,600,931
Less allowance for loan losses on notes receivable from R&R QALICB, LLC	(9,443,800)	(9,346,550)
	\$ 119,720,488	\$ 130,254,381

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, 2017 and 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 \$9,443,800 and \$9,346,550, respectively, was recorded.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Continued

Interest receivable on the above notes was \$151,117 and \$182,691 at December 31, 2017 and 2016, respectively, and is included in accounts receivable in the accompanying consolidated statements of financial position.

5. Investments

Investments consist of the following at December 31:

	2017	2016
Investments carried at fair value:		
Money market funds	\$ 1,412,671	\$ 1,180,612
Equity mutual funds	396,988	315,130
Investments held at OCF	5,930,978	5,119,148
Investments carried at fair value	7,740,637	6,614,890
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
Sweetwater Travel Company common stock	-	119,422
Alder Fund, LLC common stock	-	3,871
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
Other entities	4,064	1,865
Investments carried at cost	1,148,823	1,549,917
Less reserve for investment loss	(544,759)	(305,000)
Investments carried at cost less reserve for investment loss	604,064	1,244,917
Total investments	\$ 8,344,701	\$ 7,859,807

ECOTRUST

Notes to Consolidated Financial Statements - Continued

5. Investments - Continued

Investment return includes the following at December 31:

	2017	2016
Interest and dividends from investments	\$ 49,202	\$ 40,287
Interest from notes receivable	2,152,340	2,071,619
Net realized gains (losses)	40,371	(1,986)
Investment impairment	(519,759)	(25,000)
Net unrealized gains	<u>1,039,800</u>	<u>266,248</u>
	<u>\$ 2,761,954</u>	<u>\$ 2,351,168</u>

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.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

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

As of December 31, 2017 and 2016, Ecotrust has contributed capital of \$4,420,000 to Ecotrust Forests, LLC. Ecotrust's ownership interest in Ecotrust Forests, LLC at December 31, 2017 and 2016, is approximately 20 percent. The investment has been recorded using the equity method. Ecotrust's equity in the loss of Ecotrust Forests, LLC has been recorded as a separate component of the share in loss of Ecotrust Forests, LLC and Ecotrust Forests II, LLC in both 2017 and 2016. Ecotrust Forest Management, Inc. manages Ecotrust Forests, LLC.

Summarized financial information for Ecotrust Forests, LLC as of and for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Total assets	<u>\$ 35,781,925</u>	<u>\$ 36,384,903</u>
Total liabilities	\$ 12,446,977	\$ 12,355,352
Members' equity	<u>23,334,948</u>	<u>24,029,551</u>
Total liabilities and members' equity	<u>\$ 35,781,925</u>	<u>\$ 36,384,903</u>
Revenue and gains	\$ 1,336,311	\$ 1,114,383
Expenses and losses	<u>2,030,914</u>	<u>2,033,366</u>
Net loss	<u>\$ (694,603)</u>	<u>\$ (918,983)</u>

As of December 31, 2017 and 2016, Ecotrust has contributed capital of \$1,112,007 and \$783,218, respectively, to Ecotrust Forests II, LLC and received \$516,551 and \$516,551, respectively, in return of capital for a net contributed capital of \$595,456 and \$266,667, respectively. Ecotrust's ownership interest in Ecotrust Forests II, LLC at December 31, 2017 and 2016, 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 loss of Ecotrust Forests, LLC and Ecotrust Forests II, LLC in both 2017 and 2016. Ecotrust Forest Management, Inc. manages this LLC.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

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

Summarized financial information for Ecotrust Forests II, LLC as of and for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Total assets	<u>\$ 80,976,077</u>	<u>\$ 50,493,075</u>
Total liabilities	\$ 51,308,539	\$ 37,722,526
Members' equity	<u>29,667,538</u>	<u>12,770,549</u>
Total liabilities and members' equity	<u>\$ 80,976,077</u>	<u>\$ 50,493,075</u>
Revenue and gains	\$ 1,344,238	\$ 1,731,884
Expenses and losses	<u>2,950,249</u>	<u>2,753,868</u>
Net loss	(1,606,011)	(1,021,984)
Capital contributions - net	<u>18,503,000</u>	<u>4,904,583</u>
Net increase in equity	<u>\$ 16,896,989</u>	<u>\$ 3,882,599</u>

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, 2015	\$ 5,401,186	\$ 132,955	\$ 5,534,141
Contributions	-	112,841	112,841
Return of capital	-	(25,721)	(25,721)
Share in loss	<u>(180,213)</u>	<u>(18,191)</u>	<u>(198,404)</u>
December 31, 2016	5,220,973	201,884	5,422,857
Contributions	-	328,789	328,789
Share in loss	<u>(136,212)</u>	<u>(28,587)</u>	<u>(164,799)</u>
December 31, 2017	<u>\$ 5,084,761</u>	<u>\$ 502,086</u>	<u>\$ 5,586,847</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

7. Property and Equipment

Property and equipment consists of the following at December 31:

	2017	2016
Land	\$ 5,003,867	\$ 5,003,867
Buildings	21,126,494	20,723,284
Furniture and equipment	1,796,743	1,125,013
Artwork	<u>42,500</u>	<u>42,500</u>
	27,969,604	26,894,664
Construction in process	<u>1,212,869</u>	<u>772,232</u>
	29,182,473	27,666,896
Less accumulated depreciation	<u>(6,510,502)</u>	<u>(5,874,694)</u>
Net property and equipment	<u><u>\$ 22,671,971</u></u>	<u><u>\$ 21,792,202</u></u>

Construction in process at December 31, 2017 and 2016, 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 \$-0- and \$32,547, respectively. Restricted cash at December 31, 2017 and 2016, includes \$217,142 and \$880,589, respectively, for this project. During January 2018, a construction contract to complete this project was signed with a price of approximately \$6,900,000.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable

Notes payable includes the following at December 31:

	2017	2016
Note payable to Healy Foundation paid in full.	\$ -	\$ 670,975
Note payable to Healy Foundation paid in full.	-	156,455
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 Healy Foundation paid in full.	-	1,279,088
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.	<u>500,000</u>	<u>500,000</u>
Carried forward	1,750,000	3,856,518

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Continued

	2017	2016
Brought forward	\$ 1,750,000	\$ 3,856,518
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. Presented net of unamortized debt issuance costs of \$116,622 and \$120,790 at December 31, 2017 and 2016, respectively. 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 \$9,725,071.	1,865,478	1,861,310
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 \$9,725,071.	1,017,900	1,017,900
	<u>\$ 5,133,378</u>	<u>\$ 7,235,728</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Continued

Future principal maturities of notes payable are after the year ending December 31, 2022.

Each of the notes payable made by COCRF SubCDE 38, LLC are intended to qualify as a qualified low income community investment and The Marble, LLC is intended to qualify as a QALICB, as such terms are defined by Section 45D of the IRC of 1986, as amended and Section 1.45D-1(d)(4) of the Regulations. Under the terms of the loan agreements, The Marble, LLC acknowledges and agrees that it will satisfy the requirements necessary to remain a QALICB.

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 July 2024. The Marble, LLC leases retail and office space under non-cancelable operating leases that expire at various dates through July 2022. Rental revenue for 2017 and 2016 was \$1,572,427 and \$1,084,134, respectively.

Future minimum lease payments to be received under the operating leases are as follows at December 31, 2017:

Years Ending December 31,	Amount
2018	\$ 1,226,560
2019	1,166,382
2020	1,147,685
2021	1,119,947
2022	513,249
Thereafter	<u>243,236</u>
Total minimum lease payments	<u>\$ 5,417,059</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	2017	2016
Program restrictions	\$ 992,993	\$ 1,205,743
Natural Capital Holdings	742,438	413,857
Unexpended endowment earnings	<u>1,555,877</u>	<u>713,074</u>
	<u>\$ 3,291,308</u>	<u>\$ 2,332,674</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, 2017 and 2016:

	2017	2016
Programs	\$ 2,123,907	\$ 1,849,512
Endowment earnings appropriated for expenditure	<u>270,952</u>	<u>264,054</u>
Total net assets released from restrictions	<u>\$ 2,394,859</u>	<u>\$ 2,113,566</u>

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 \$203,348 and \$196,175 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016. Investments and accrued liabilities include \$396,988 and \$315,130 at December 31, 2017 and 2016, respectively, related to this plan.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

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, 2017 and 2016, one mutually exclusive donor accounted for 73 and 13 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, Sub-CDE XXI, Sub-CDE XXII, and Sub-CDE XIV to make QEI's in community development entities, which have made loans to QALICBs and engage in other activities which qualify for Federal and State NMTC's (*Note 14*).

Ecotrust was the Managing Member in 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, Sub-CDE XXI, Sub-CDE XXII, and Sub-CDE XXIV for the year ended December 31, 2017.

Ecotrust was 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.

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.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

13. Investment Member Interest - Continued

The Investment Member interest is as follows:

	2017	2016
Balance, beginning of year	\$ 133,813,250	\$ 131,578,512
Investment Member contributions:		
COCRF Investor 72, LLC	-	6,000,000
COCRF Investor 75, LLC	-	6,000,000
Mokio Investment Fund, LLC	7,000,000	-
COCRF Investor 108, LLC	<u>12,500,000</u>	<u>-</u>
	19,500,000	12,000,000
Deconsolidation:		
Ochoco Investment Fund, LLC	(19,122,379)	-
NWC Investment Fund, LLC	(1,312)	-
ZAT Investment Fund, LLC	<u>(9,859,160)</u>	<u>-</u>
	(28,982,851)	-
Investment Member interest in loss	(134,943)	(8,770,041)
Investment Member distributions	<u>(854,770)</u>	<u>(995,221)</u>
Balance, end of year	<u><u>\$ 123,340,686</u></u>	<u><u>\$ 133,813,250</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

As of December 31, 2017, Ecotrust has received \$277,000,000 in NMTC's from the CDFI Fund, which may be generated as QEI's are made and will result in tax credit benefits of approximately \$58,000,000 to investor members. Pursuant to the Allocation Agreement, the NMTC is and will be allocated to qualifying entities (collectively, the Suballocatees) as qualifying investments are made.

The NMTC is a 21 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 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, 2017, 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:

	2017	2016
Balance, beginning of year	\$ 7,379,723	\$ 7,086,305
Issuance of membership equity, The Redd, LLC	1,500,000	300,000
Distribution to member, The Redd, LLC	(1,000,000)	-
Non-controlling interest in income (loss):		
Ecotrust Forest Management, Inc.	23,962	410
The Redd, LLC	75,062	28,680
The Marble, LLC	66,283	(35,672)
	165,307	(6,582)
Total non-controlling interest in income (loss)	165,307	(6,582)
Balance, end of year	\$ 8,045,030	\$ 7,379,723

16. Related-Party Transactions

Contracts and service fees revenue for 2017 and 2016 includes management fees of \$1,096,588 and \$1,093,292, respectively, earned from Ecotrust Forests, LLC and Ecotrust Forests II, LLC.

Accounts receivable at December 31, 2017, includes \$274,147 for management fees and \$112,742 for reimbursement of operating expenses due 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.

Wasson Creek, LLC; Olympic Peninsula, LLC; Desolation Creek, LLC; Chimacum Ridge, LLC; Onion Peak, LLC; and Wildcat Whiskey, LLC are managed by Ecotrust Forest Management, Inc. As indicated in *Note 4*, certain notes receivable totaling \$52,869,500 and \$40,744,500 at December 31, 2017 and 2016, respectively, are due from these entities. Interest income related to those notes totaled \$537,096 and \$359,778 for 2017 and 2016, respectively.

A member of Ecotrust's Board of Directors holds a key position at a certain bank where Ecotrust maintains a banking relationship. Ecotrust has adopted a conflict of interest policy and this Board member abstained from voting when banking relationships were selected.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

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:

	2017	2016
Current:		
Federal	\$ 111,945	\$ 136,879
State and local	<u>100,066</u>	<u>86,651</u>
	<u>\$ 212,011</u>	<u>\$ 223,530</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, 2017 and 2016, there was a deferred tax asset of \$460.

18. Fair Value Measurements

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

	2017	Level 1	Level 3	Total
Money market funds		\$ 1,412,671	\$ -	\$ 1,412,671
Equity mutual funds		396,988	-	396,988
Investments held at OCF		<u>-</u>	<u>5,930,978</u>	<u>5,930,978</u>
		<u>\$ 1,809,659</u>	<u>\$ 5,930,978</u>	<u>\$ 7,740,637</u>
2016				
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>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

18. Fair Value Measurements - Continued

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.

	2017	2016
Balance, beginning of year	\$ 5,119,148	\$ 4,861,339
Purchases	-	204,005
Proceeds	(231,475)	(218,430)
Unrealized and realized gains - net	1,039,460	265,413
Interest and dividends	39,095	42,918
Investment fees	<u>(35,250)</u>	<u>(36,097)</u>
Balance, end of year	<u>\$ 5,930,978</u>	<u>\$ 5,119,148</u>

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:

	<u>2017</u>	<u>2016</u>
	Level 3	Level 3
Investments in closely-held entities	<u>\$ 604,064</u>	<u>\$ 1,244,917</u>

Investments in closely held entities are reduced by a reserve for investment loss of \$544,759 and \$305,000 at December 31, 2017 and 2016, respectively.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

18. Fair Value Measurements - Continued

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

	2017	2016
Balance, beginning of year	\$ 1,244,917	\$ 1,367,032
Purchases	2,200	2,000
Proceeds	(163,651)	(96,129)
Decrease from consolidation	-	(1,000)
Realized gain (loss)	40,357	(1,986)
Increase in reserve	<u>(519,759)</u>	<u>(25,000)</u>
Balance, end of year	<u>\$ 604,064</u>	<u>\$ 1,244,917</u>

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:

	2017	2016
Community Engagement Endowment	\$ 200,000	\$ 200,000
Indigenous Leadership Endowment	500,000	500,000
Ecotrust income endowment	<u>4,455,282</u>	<u>4,455,282</u>
	<u>\$ 5,155,282</u>	<u>\$ 5,155,282</u>

Endowment net assets are invested as follows at December 31:

	2017	2016
Restricted cash	\$ 780,181	\$ 749,208
Investments held at OCF	<u>5,930,978</u>	<u>5,119,148</u>
	<u>\$ 6,711,159</u>	<u>\$ 5,868,356</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

19. Endowment - Continued

Changes in endowment net assets for 2016 and 2017 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
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	713,074	5,155,282	5,868,356
Investment return	1,113,755	-	1,113,755
Appropriation for expenditure	<u>(270,952)</u>	<u>-</u>	<u>(270,952)</u>
December 31, 2017	<u>\$ 1,555,877</u>	<u>\$ 5,155,282</u>	<u>\$ 6,711,159</u>

20. 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.

Ecotrust received a notice of proposed tax credit recapture from the Oregon Department of Revenue related to Sub-CDE XIV, LLC. The proposed tax credit recapture amount stated in the notice is approximately \$1.2 million. After consultation with outside legal counsel, it is the opinion of management that the notice is without merit. No amount has been accrued in these consolidated financial statements since the outcome of the matter is uncertain and the amount of liability, if any, cannot be determined.

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Notes to Consolidated Financial Statements - Continued

21. Subsequent Events

Management has evaluated subsequent events through May 30, 2018, the date the consolidated financial statements were available for issue.

On April 4, 2018, Ecotrust Sub-CDE XXIII, LLC (Sub-CDE XXIII) provided a total of \$11,640,000 in NMTC to The Redd on Salmon Street project. As a result of the transaction, Ecotrust issued two notes receivable with a total principal amount of \$9,063,840 bearing interest at 1 percent per annum. Interest only payments will be accrued and paid quarterly through March 2025. Thereafter, principal and interest payments of \$111,486 are due quarterly. The note matures December 2047 and is secured by a deed of trust on property held. In addition, Ecotrust received proceeds from notes payable totaling \$1,800,000. The notes bear an interest rate of 1.214 percent per annum with interest only payments through March 2025. Thereafter, principal and interest payments of approximately \$23,000 are due quarterly. The notes mature December 2047. Secured by land and real property and certain covenants apply.

On April 20, 2018, Ecotrust made a commitment to invest \$1,000,000 in Ecotrust Forests III, LLC. This investment will be similar to the investments in Ecotrust Forests, LLC and Ecotrust Forests II, LLC discussed in *Note 6*.

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, 2017 and 2016, and our report thereon dated May 30, 2018, 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 46 through 49 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 \$123,375,255 and \$133,826,070 as of December 31, 2017 and 2016, respectively, and total revenues of \$2,146,225 and \$2,200,984 for the years ended December 31, 2017 and 2016, respectively, and which insofar as it relates to the investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC of \$5,586,847 and \$5,422,857 as of December 31, 2017 and 2016, respectively, and the equity in their net loss of \$164,799 and \$198,404 for the years ended December 31, 2017 and 2016, respectively, 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.

May 30, 2018

ECOTRUST

Consolidating Schedule of Financial Position

December 31, 2017

ASSETS	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Cash and cash equivalents	\$ 9,953,392	\$ 120,333	\$ 10,073,725	\$ -	\$ 10,073,725
Accounts receivable, net	587,729	146,590	734,319	(1,353)	732,966
Grants receivable	151,738	-	151,738	-	151,738
Notes receivable, net	6,635,788	119,680,700	126,316,488	(6,596,000)	119,720,488
Investments	6,932,029	1,412,672	8,344,701	-	8,344,701
Investment in Variable Interest Entities	12,337	-	12,337	(12,337)	-
Investment in Ecotrust Forests, LLC and Ecotrust Forests II, LLC	5,586,847	-	5,586,847	-	5,586,847
Prepaid expenses and other assets	432,610	10,600	443,210	(10,600)	432,610
Deferred tax asset	-	460	460	-	460
Deferred charges, net	129,350	2,003,900	2,133,250	(2,003,900)	129,350
Deferred rent receivable	203,400	-	203,400	-	203,400
Restricted cash	997,323	-	997,323	-	997,323
Property and equipment, net	22,739,700	-	22,739,700	(67,729)	22,671,971
Total assets	\$ 54,362,243	\$ 123,375,255	\$ 177,737,498	\$ (8,691,919)	\$ 169,045,579
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS					
Liabilities:					
Accounts payable	\$ 342,760	\$ 2,574	\$ 345,334	\$ (1,353)	\$ 343,981
Accrued liabilities	1,005,834	-	1,005,834	-	1,005,834
Deferred revenue	2,314,773	19,658	2,334,431	(2,014,500)	319,931
Notes payable - net	11,729,378	-	11,729,378	(6,596,000)	5,133,378
Total liabilities	15,392,745	22,232	15,414,977	(8,611,853)	6,803,124
Net assets and Investment Member and non-controlling interests:					
Net assets:					
Unrestricted	22,477,878	12,337	22,490,215	(80,066)	22,410,149
Temporarily restricted	3,291,308	-	3,291,308	-	3,291,308
Permanently restricted	5,155,282	-	5,155,282	-	5,155,282
Total net assets	30,924,468	12,337	30,936,805	(80,066)	30,856,739
Investment Member interest	-	123,340,686	123,340,686	-	123,340,686
Non-controlling interest	8,045,030	-	8,045,030	-	8,045,030
Total net assets and Investment Member and non-controlling interests	38,969,498	123,353,023	162,322,521	(80,066)	162,242,455
Total liabilities and net assets and Investment Member and non-controlling interests	\$ 54,362,243	\$ 123,375,255	\$ 177,737,498	\$ (8,691,919)	\$ 169,045,579

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; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; 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; Ecotrust Sub-CDE XIX, LLC; Ecotrust Sub-CDE XX, LLC; Ecotrust Sub-CDE XXI, LLC; Ecotrust Sub-CDE XXII, LLC; and Ecotrust Sub-CDE XXIV, LLC.

ECOTRUST

Consolidating Schedule of Activities

Year Ended December 31, 2017

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains, and other support:					
Foundation grants and contributions	\$ 2,495,856	\$ -	\$ 2,495,856	\$ -	\$ 2,495,856
Government grants	434,407	-	434,407	-	434,407
Individual grants and contributions	8,481,999	-	8,481,999	-	8,481,999
Corporate grants and contributions	286,195	-	286,195	-	286,195
Other grants and contributions	12,781	-	12,781	-	12,781
Contracts and service fees	6,331,111	147,414	6,478,525	(2,174,283)	4,304,242
Investment return	684,524	2,153,423	2,837,947	(75,993)	2,761,954
Net revenues, gains, and other support	18,726,873	2,300,837	21,027,710	(2,250,276)	18,777,434
Operating expenses:					
Salaries	4,079,605	-	4,079,605	-	4,079,605
Payroll taxes and fringe benefits	1,324,509	-	1,324,509	-	1,324,509
Total payroll costs	5,404,114	-	5,404,114	-	5,404,114
Conferences and meetings	78,436	-	78,436	-	78,436
Contracts and consultants	809,584	1,326,841	2,136,425	(1,326,841)	809,584
Depreciation and amortization	693,880	662,239	1,356,119	(664,025)	692,094
Technology	99,248	-	99,248	-	99,248
Grants to other organizations	460,885	-	460,885	-	460,885
Insurance	151,849	-	151,849	-	151,849
Interest	230,154	-	230,154	(75,993)	154,161
Meals and travel	235,472	-	235,472	-	235,472
Miscellaneous	2,598	-	2,598	-	2,598
Occupancy	519,201	-	519,201	-	519,201
Professional fees	316,098	220,034	536,132	(177,382)	358,750
Supplies and equipment	143,638	30	143,668	-	143,668
Taxes, licenses, and fees	322,708	6,689	329,397	-	329,397
Total operating expenses	9,467,865	2,215,833	11,683,698	(2,244,241)	9,439,457
Increase (decrease) in net assets from operations	9,259,008	85,004	9,344,012	(6,035)	9,337,977
Provision for income taxes	(89,299)	(122,712)	(212,011)	-	(212,011)
Provision for bad debt	(33,769)	-	(33,769)	7,821	(25,948)
Provision for loan losses	-	(97,250)	(97,250)	-	(97,250)
Gain on sale of Point 97, LLC intellectual property	19,000	-	19,000	-	19,000
Share in loss of Variable Interest Entities	(15)	-	(15)	15	-
Share in loss of Ecotrust Forests, LLC and Ecotrust Forests II, LLC	(164,799)	-	(164,799)	-	(164,799)
Investment Member interest in income	-	134,943	134,943	-	134,943
Non-controlling interest in loss	(165,307)	-	(165,307)	-	(165,307)
Capital contributions	-	1,950	1,950	(1,950)	-
Capital distributions	-	(53)	(53)	53	-
Gain on deconsolidation	1,377	-	1,377	-	1,377
Member equity deconsolidation	-	(2,978)	(2,978)	2,978	-
Increase (decrease) in net assets	8,826,196	(1,096)	8,825,100	2,882	8,827,982
Net assets, beginning of year	22,098,272	13,433	22,111,705	(82,948)	22,028,757
Net assets, end of year	\$ 30,924,468	\$ 12,337	\$ 30,936,805	\$ (80,066)	\$ 30,856,739

See notes on page 46.

ECOTRUST

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	68,428	2,081,141	2,149,569	(2,081,141)	68,428
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	\$ 47,056,176	\$ 133,873,022	\$ 180,929,198	\$ (8,796,259)	\$ 172,132,939
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 - net	13,831,728	-	13,831,728	(6,596,000)	7,235,728
Total liabilities	17,578,181	46,339	17,624,520	(8,713,311)	8,911,209
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	\$ 47,056,176	\$ 133,873,022	\$ 180,929,198	\$ (8,796,259)	\$ 172,132,939

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; 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; Ecotrust Sub-CDE XIX, LLC; Ecotrust Sub-CDE XIX, LLC; Ecotrust Sub-CDE XX, LLC; and Ecotrust Sub-CDE XXI, LLC.

ECOTRUST

Consolidating Schedule of Activities

Year Ended December 31, 2016

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains, and other support:					
Foundation 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	538,167	647,320	1,185,487	(647,465)	538,022
Direct allocations to programs	-	-	-	-	-
Technology	80,713	-	80,713	-	80,713
Grants to other organizations	707,324	-	707,324	-	707,324
Insurance	139,420	-	139,420	-	139,420
Interest	173,220	-	173,220	(6,333)	166,887
Meals and travel	262,110	-	262,110	-	262,110
Miscellaneous	15,345	-	15,345	-	15,345
Occupancy	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 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 Forest II, LLC	(198,404)	-	(198,404)	-	(198,404)
Investment Member interest in loss	-	8,770,041	8,770,041	-	8,770,041
Non-controlling interest in loss	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 48.