
Ecotrust

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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, 2018 and 2017, 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 \$148,035,793 and \$123,375,255 as of December 31, 2018 and 2017, respectively, and total revenues of \$1,547,836 and \$2,146,225 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, Ecotrust Forests II, LLC, and Ecotrust Forests III, LLC (the Ecotrust Forests' entities), 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 the Ecotrust Forests' entities was \$5,418,492 and \$5,586,847 as of December 31, 2018 and 2017, respectively, and the equity in their net loss was \$255,316 and \$164,799 for the years ended December 31, 2018 and 2017, respectively. The financial statements of the Ecotrust Forests' entities, were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ecotrust Forests' entities, 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 financial position of Ecotrust and its Subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in *Note 2* to the consolidated financial statements, Ecotrust and its Subsidiaries have adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Herman, Stewart & Schmitz, P.C.

Lake Oswego, Oregon
July 15, 2019

ECOTRUST

Consolidated Statements of Financial Position

December 31,	2018	2017
ASSETS		
Cash and cash equivalents	\$ 3,258,958	\$ 10,073,725
Accounts receivable, net	668,220	732,966
Grants receivable	170,000	151,738
Notes receivable - net (Note 4)	142,953,884	119,720,488
Investments (Notes 5, 18, and 19)	7,465,888	8,344,701
Investment in Ecotrust Forests' entities (Note 6)	5,418,492	5,586,847
Prepaid expenses and other assets	319,521	433,070
Deferred charges - net	121,701	129,350
Deferred rent receivable	239,727	203,400
Restricted cash (Note 19)	3,721,828	997,323
Property and equipment - net (Note 7)	31,860,001	22,671,971
Total assets	<u>\$ 196,198,220</u>	<u>\$ 169,045,579</u>
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS		
Liabilities:		
Accounts payable	\$ 327,966	\$ 343,981
Accrued liabilities	1,528,824	1,005,834
Deferred revenue	687,930	319,931
Deferred income taxes (Note 17)	388,856	-
Notes payable - net (Note 8)	7,548,935	5,133,378
Total liabilities	10,482,511	6,803,124
Commitments and contingencies (Notes 9, 11, 14, and 20)		
Net assets and Investment Member and non-controlling interests:		
Net assets:		
Without donor restrictions:		
Undesignated	19,062,168	22,410,149
Board designated for Indigenous Leadership	1,300,000	-
Total without donor restrictions	20,362,168	22,410,149
With donor restrictions (Notes 10 and 19)	10,330,259	8,446,590
Total net assets	30,692,427	30,856,739
Investment Member interest (Note 13)	144,527,472	123,340,686
Non-controlling interest (Note 15)	10,495,810	8,045,030
Total net assets and Investment Member and non-controlling interests	<u>185,715,709</u>	<u>162,242,455</u>
Total liabilities and net assets and Investment Member and non-controlling interests	<u>\$ 196,198,220</u>	<u>\$ 169,045,579</u>

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

ECOTRUST

Consolidated Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Foundation grants and contributions	\$ 443,956	\$ 2,164,751	\$ 2,608,707
Government grants	827,164	-	827,164
Individual grants and contributions	373,003	1,101,506	1,474,509
Corporate grants and contributions	53,459	232,250	285,709
Other grants and contributions	197	-	197
Contracts and service fees	4,792,695	-	4,792,695
Investment return (Note 5)	2,056,834	(191,340)	1,865,494
Net assets released from restrictions (Note 10)	1,423,498	(1,423,498)	-
	<u>9,970,806</u>	<u>1,883,669</u>	<u>11,854,475</u>
Net revenues, gains, and other support			
	9,970,806	1,883,669	11,854,475
Operating expenses:			
Program services:			
Fisheries	246,439	-	246,439
Food and Farms	605,943	-	605,943
Forests and Ecosystem Services	616,638	-	616,638
Indigenous Leadership	306,200	-	306,200
Knowledge Systems	794,040	-	794,040
Ecotrust Investments	5,735,322	-	5,735,322
	<u>8,304,582</u>	<u>-</u>	<u>8,304,582</u>
Total program services	8,304,582	-	8,304,582
Supporting services:			
Management and general	1,021,254	-	1,021,254
Communications	512,915	-	512,915
Events	578,069	-	578,069
Development	517,289	-	517,289
	<u>2,629,527</u>	<u>-</u>	<u>2,629,527</u>
Total supporting services	2,629,527	-	2,629,527
Total operating expenses	10,934,109	-	10,934,109
Increase (decrease) in net assets from operations	(963,303)	1,883,669	920,366
Provision for income taxes (Note 17)	(1,122,678)	-	(1,122,678)
Provision for loan losses (Note 4)	(252,213)	-	(252,213)
Gain on sale of property and equipment	1,026,001	-	1,026,001
Share in loss of Ecotrust Forests' entities (Note 6)	(255,316)	-	(255,316)
Investment Member interest in loss (Note 13)	120,109	-	120,109
Non-controlling interest in income (Note 15)	(600,780)	-	(600,780)
Gain on deconsolidation	199	-	199
	<u>(2,047,981)</u>	<u>1,883,669</u>	<u>(164,312)</u>
Increase (decrease) in net assets	(2,047,981)	1,883,669	(164,312)
Net assets, beginning of year	22,410,149	8,446,590	30,856,739
	<u>22,410,149</u>	<u>8,446,590</u>	<u>30,856,739</u>
Net assets, end of year	\$ 20,362,168	\$ 10,330,259	\$ 30,692,427
	<u>\$ 20,362,168</u>	<u>\$ 10,330,259</u>	<u>\$ 30,692,427</u>

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

ECOTRUST

Consolidated Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	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	1,078,504	2,726,703
Net assets released from restrictions (Note 10)	2,359,608	(2,359,608)	-
Net revenues, gains, and other support	17,783,549	958,634	18,742,183
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	4,779,344	-	4,779,344
Total program services	7,187,031	-	7,187,031
Supporting services:			
Management and general	953,039	-	953,039
Communications	391,148	-	391,148
Events	412,259	-	412,259
Development	460,729	-	460,729
Total supporting services	2,217,175	-	2,217,175
Total operating expenses	9,404,206	-	9,404,206
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' entities (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	7,487,956	22,028,757
Net assets, end of year	\$ 22,410,149	\$ 8,446,590	\$ 30,856,739

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

ECOTRUST

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services						Total Program Services	Supporting Services				Total Supporting Services	Total
	Fisheries	Food and Farms	Forests and Ecosystem Services	Indigenous Leadership	Knowledge Systems	Ecotrust Investments		Management and General	Communications	Events	Development		
Salaries	\$ 132,727	\$ 366,572	\$ 282,275	\$ 128,334	\$ 458,818	\$ 2,261,577	\$ 3,630,303	\$ 572,355	\$ 260,631	\$ 238,523	\$ 323,434	\$ 1,394,943	\$ 5,025,246
Payroll taxes and fringe benefits	34,139	91,350	77,802	32,861	122,161	518,133	876,446	223,239	73,047	55,687	84,946	436,919	1,313,365
Total payroll costs	166,866	457,922	360,077	161,195	580,979	2,779,710	4,506,749	795,594	333,678	294,210	408,380	1,831,862	6,338,611
Conferences and meetings	2,340	2,809	5,576	538	2,248	21,349	34,860	16,483	1,414	2,097	2,293	22,287	57,147
Contracts and consultants	25,602	53,729	32,959	-	99,792	351,119	563,201	135,568	85,691	9,890	12,635	243,784	806,985
Depreciation and amortization	-	-	-	-	-	700,652	700,652	58,342	-	5,748	-	64,090	764,742
Direct allocations to programs	11,100	28,579	19,077	12,502	32,094	42,470	145,822	(221,829)	20,515	27,760	27,732	(145,822)	-
Technology	10,053	29,387	21,281	12,533	24,547	80,344	178,145	(178,460)	19,971	26,195	27,082	(105,212)	72,933
Grants to other organizations	100	5,269	139,902	100,070	26,170	-	271,511	4,306	500	-	-	4,806	276,317
Insurance	-	269	-	-	-	108,644	108,913	39,837	-	5,400	-	45,237	154,150
Interest	-	-	-	-	-	91,680	91,680	-	-	-	-	-	91,680
Meals and travel	24,745	21,523	28,983	16,964	21,862	144,868	258,945	48,027	29,839	361	22,149	100,376	359,321
Miscellaneous	150	89	1,315	26	829	2,492	4,901	275	492	-	-	767	5,668
Occupancy	3,130	927	3,570	522	-	304,232	312,381	56,174	-	182,628	1,195	239,997	552,378
Professional fees	-	75	275	-	-	1,052,565	1,052,915	37,470	10,608	16,587	870	65,535	1,118,450
Supplies and equipment	2,353	5,365	3,623	1,850	4,131	55,197	72,519	124,516	10,207	7,193	10,488	152,404	224,923
Taxes, licenses, and fees	-	-	-	-	1,388	-	1,388	104,951	-	-	4,465	109,416	110,804
Total expenses	\$ 246,439	\$ 605,943	\$ 616,638	\$ 306,200	\$ 794,040	\$ 5,735,322	\$ 8,304,582	\$ 1,021,254	\$ 512,915	\$ 578,069	\$ 517,289	\$ 2,629,527	\$ 10,934,109

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

ECOTRUST

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	Total Program Services	Management and General	Communications	Events	Development	Total Supporting Services	
Salaries	\$ 78,098	\$ 357,074	\$ 255,647	\$ 5,251	\$ 439,311	\$ 1,808,147	\$ 2,943,528	\$ 524,721	\$ 206,197	\$ 135,208	\$ 269,951	\$ 1,136,077	\$ 4,079,605
Payroll taxes and fringe benefits	29,044	115,391	84,045	2,125	136,830	538,181	905,616	207,895	73,619	45,827	91,552	418,893	1,324,509
Total payroll costs	107,142	472,465	339,692	7,376	576,141	2,346,328	3,849,144	732,616	279,816	181,035	361,503	1,554,970	5,404,114
Conferences and meetings	1,899	2,774	3,415	46	3,947	24,224	36,305	32,374	3,988	344	5,425	42,131	78,436
Contracts and consultants	112,516	80,394	35,557	17,462	127,079	115,688	488,696	236,302	64,189	2,093	18,304	320,888	809,584
Depreciation and amortization	-	-	-	-	-	655,227	655,227	33,168	-	3,699	-	36,867	692,094
Direct allocation to programs	6,827	26,932	21,303	640	32,941	38,213	126,856	(185,359)	17,323	18,210	22,970	(126,856)	-
Technology	10,528	29,122	20,023	497	35,860	87,377	183,407	(140,832)	17,108	16,801	22,764	(84,159)	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	111,305	36,644	-	3,900	-	40,544	151,849
Interest	-	-	-	-	-	154,161	154,161	-	-	-	-	-	154,161
Meals and travel	32,283	12,193	20,974	1,554	32,576	80,308	179,888	43,917	1,253	1,022	9,392	55,584	235,472
Miscellaneous	27	224	150	-	-	2,463	2,864	(284)	18	-	-	(266)	2,598
Occupancy	510	49	-	-	2,223	328,847	331,629	47,910	13	139,649	-	187,572	519,201
Professional fees	-	225	471	-	-	321,796	322,492	33,975	215	1,266	802	36,258	358,750
Supplies and equipment	1,159	11,117	2,522	-	7,226	24,177	46,201	69,554	4,975	7,728	15,210	97,467	143,668
Taxes, licenses, and fees	-	65	-	-	-	240,216	240,281	13,054	-	36,512	4,299	53,865	294,146
Total expenses	\$ 272,891	\$ 637,546	\$ 551,682	\$ 127,575	\$ 817,993	\$ 4,779,344	\$ 7,187,031	\$ 953,039	\$ 391,148	\$ 412,259	\$ 460,729	\$ 2,217,175	\$ 9,404,206

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

ECOTRUST

Consolidated Statements of Cash Flows

Years Ended December 31,	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ (164,312)	\$ 8,827,982
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Gain on sale of property and equipment	(1,026,001)	-
Investment Member interest in loss	(120,109)	(134,943)
Non-controlling interest in income	600,780	165,307
Provision for loan losses	252,213	97,250
Gain on sale of Point 97, LLC intellectual property	-	(19,000)
Gain on deconsolidation	(199)	(1,377)
Depreciation and amortization	764,742	692,094
Change in debt issuance costs	7,446	4,168
Net (gain) loss on investments	275,012	(525,161)
Net loss on investments in Ecotrust Forests' entities	255,316	164,799
Contributions to permanent endowment	(1,000,000)	-
Deferred income taxes	388,856	-
(Increase) decrease in:		
Accounts receivable	64,746	58,326
Grants receivable	(18,262)	248,893
Prepaid expenses and other assets	113,549	(102,705)
Deferred rent receivable	(36,327)	(203,400)
Accounts payable	74,675	(435,275)
Accrued liabilities	555,740	251,924
Deferred revenue	367,999	(83,624)
Net cash provided by operating activities	1,355,864	9,005,258
Cash flows from investing activities:		
Change in restricted cash	(2,724,505)	632,474
Proceeds from sale of investments	232,160	395,126
Purchase of investments	(1,074,980)	(289,502)
Decrease in investment from consolidation	1,200	-
Capital contributions to Ecotrust Forests' entities	(99,375)	(328,789)
Return of capital from Ecotrust Forests' entities	12,414	-
Purchases of property and equipment	(8,984,812)	(1,319,695)
Proceeds from sale of Point 97, LLC intellectual property	-	19,000
Payments received on notes receivable	308,449	616,643
Notes receivable issued	(51,443,058)	(18,915,000)
Net cash used by investing activities	(63,772,507)	(19,189,743)
Carried forward	(62,416,643)	(10,184,485)

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

ECOTRUST

Consolidated Statements of Cash Flows - Continued

Years Ended December 31,	2018	2017
Brought forward	\$ (62,416,643)	\$ (10,184,485)
Cash flows from financing activities:		
Payments on notes payable	-	(2,106,518)
Proceeds from notes payable	2,550,000	-
Issuance of loan costs	(141,889)	-
Payments for deferred charges	(25,000)	(117,207)
Contributions to permanent endowment	1,000,000	-
Capital contributions received	1,850,000	1,500,000
Distribution to member	-	(1,000,000)
Investment Member contributions	51,425,000	19,500,000
Investment Member distributions	(640,344)	(854,770)
Cash decrease from deconsolidation	(415,891)	(173,764)
Net cash provided by financing activities	55,601,876	16,747,741
Net increase (decrease) in cash and cash equivalents	(6,814,767)	6,563,256
Cash and cash equivalents, beginning of year	10,073,725	3,510,469
Cash and cash equivalents, end of year	\$ 3,258,958	\$ 10,073,725
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 73,439	\$ 134,150
Cash paid during the year for income taxes	581,616	209,979
Supplemental disclosures of noncash activity:		
Amounts removed from deconsolidation:		
Notes receivable	\$ 27,649,000	\$ 28,735,000
Interest receivable	-	72,710
Investments	1,412,671	-
Decrease in Investor Members' equity	29,061,671	28,807,710
Property additions in accounts payable - net	105,193	195,883
Change in fair market value of 457b plan	(32,750)	65,357

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

ECOTRUST

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.; Ecotrust CDE, LLC; Ecotrust Sub-CDE VIII, LLC (Sub-CDE VIII); Ecotrust Sub-CDE IX, LLC (Sub-CDE IX); Ecotrust Sub-CDE X, LLC (Sub-CDE X); Ecotrust Sub-CDE XI, LLC (Sub-CDE XI); Ecotrust Sub-CDE XII, LLC (Sub-CDE XII); Ecotrust Sub-CDE XIII, LLC (Sub-CDE XIII); Ecotrust Sub-CDE XIV, LLC (Sub-CDE XIV); Ecotrust Sub-CDE XV, LLC (Sub-CDE XV); Ecotrust Sub-CDE XVI, LLC (Sub-CDE XVI); Ecotrust Sub-CDE XVII, LLC (Sub-CDE XVII); Ecotrust Sub-CDE XVIII, LLC (Sub-CDE XVIII); Ecotrust Sub-CDE XIX, LLC (Sub-CDE XIX); Ecotrust Sub-CDE XX, LLC (Sub-CDE XX); Ecotrust Sub-CDE XXI, LLC (Sub-CDE XXI); Ecotrust Sub-CDE XXII, LLC (Sub-CDE XXII); Ecotrust Sub-CDE XXIII, LLC (Sub-CDE XXIII); Ecotrust Sub-CDE XXIV, LLC (Sub-CDE XXIV); Ecotrust Sub-CDE XXV, LLC (Sub-CDE XXV); Ecotrust Sub-CDE 26, LLC (Sub-CDE 26); Ecotrust Sub-CDE 27, LLC (Sub-CDE 27); and Ecotrust Sub-CDE 28, LLC (Sub-CDE 28).

The consolidated financial statements as of and for the year ended December 31, 2017, also included the accounts of Ecotrust Sub-CDE V, LLC (Sub-CDE V); Ecotrust Sub-CDE VI, LLC (Sub-CDE VI); Ecotrust Sub-CDE VII, LLC (Sub-CDE VII); and Natural Capital Center, Inc.

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, 2018, the new markets tax credit (NMTC) compliance period ended for the projects associated with Sub-CDE V, Sub-CDE VI, and Sub-CDE VII and during the year ended December 31, 2017, the NMTC compliance period ended for projects associated with Sub-CDE VIII, Sub-CDE IX, and Sub-CDE X. This resulted in each Sub-CDE entering into a debt conversion agreement with the qualified active low-income community business (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, except for Sub-CDE IX which was for \$690.

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 a result, Sub-CDE V, Sub-CDE VI, and Sub-CDE VII were deconsolidated by the Company in 2018 and Sub-CDE VIII, Sub-CDE IX, and Sub-CDE X were deconsolidated in 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. During the year ended December 31, 2018 and 2017, a gain on deconsolidation of \$199 and \$1,377, respectively, was recognized by the Company equaling the difference between the amount received by the Company from the sale and the carrying value of the investments.

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:

Net assets without donor restrictions represent net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that may or will be met by actions of Ecotrust and/or the passage of time. Some net assets with donor restrictions include a stipulation that the resources be maintained permanently, but permit Ecotrust to use the income. Realized gains, as well as net appreciation of permanent endowment funds, may be expended unless explicit donor restrictions specify other treatment.

Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions (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 provision for loan losses, 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, 2018 and 2017, include \$11,393 and \$1,267, respectively, in billings that are at least 90 days old. Management did not believe an allowance for doubtful accounts receivable at December 31, 2018 and 2017, was necessary.

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). Certificates of deposit are also carried at cost.

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 \$204,203 and \$171,554 as of December 31, 2018 and 2017, respectively. Amortization expense for 2018 and 2017 was \$32,649 and \$56,285, respectively.

Deferred Rent Receivable - Ecotrust Properties, LLC 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, 2018 and 2017, \$1,732,400 and \$780,181 was held for donor restricted endowment funds, respectively. At December 31, 2018 and 2017, \$1,989,418 and \$217,142, 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 2018 and 2017 was \$732,093 and \$635,809, 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, 2018 and 2017, Ecotrust had received conditional promises totaling \$326,366 and \$967,316, 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. No net assets without donor restrictions were functioning as an endowment for 2018 or 2017.

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 allowing Ecotrust to appropriate for expenditure or accumulate so much of an endowment fund as Ecotrust determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Board of Directors.

Ecotrust classifies as donor restricted endowment funds (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. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure.

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

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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

Income Taxes - Ecotrust is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. It is, however, taxed on its unrelated business income, which is considered by management to be immaterial to the consolidated financial statements at December 31, 2018 and 2017. Ecotrust is not classified as a private foundation. Ecotrust Forest Management, Inc., Natural Capital Center, Inc., Sub-CDE VIII, and Sub-CDE 27 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 and natural basis in the consolidated statements of functional expenses. The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll costs, depreciation, technology, occupancy, and supplies and equipment. These expenses are allocated on the basis of estimates of time and effort.

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 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, Sub-CDE XIII, Sub-CDE XXIV, Sub-CDE XXV, Sub-CDE 26, Sub-CDE 27, and Sub-CDE 28. 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.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Variable Interest Entities - Continued - If any one of these characteristics is present, the entity is subject to the variable interest's consolidation model and consolidation is determined based on which member is the primary beneficiary. Equity investors lack the right to make decisions about the entity's activity if the voting rights of some investors are not proportional to their obligation to absorb losses or to share in residual returns. A VIE is required to be consolidated in the financial statements of the entity that is determined to be the primary beneficiary of the VIE.

Ecotrust has determined that it holds an interest in a VIE for which consolidation is required. Accordingly, Sub-CDE 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, Sub-CDE XXIII, Sub-CDE XXIV, Sub-CDE XXV, Sub-CDE 26, Sub-CDE 27, and Sub-CDE 28 are consolidated into Ecotrust CDE, LLC, prior to its consolidation into Ecotrust. Sub-CDE XIII, Sub-CDE XXV, Sub-CDE 26, Sub-CDE 27, and Sub-CDE 28 were not consolidated into Ecotrust CDE, LLC, as of and for the year ended December 31, 2018, before their respective NMTC deals were closed.

Adoption of New Accounting Standard - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Ecotrust implemented ASU 2016-14 during the year ended December 31, 2018, and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncement - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance under GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method, and will be effective for annual reporting periods beginning after December 15, 2018. Ecotrust is evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and related disclosures. Ecotrust has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

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.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

3. Program and Supporting Services - Continued

Program Services - Continued

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

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

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

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

Ecotrust 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, 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.

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 \$253,052 and \$221,494 for the years ended December 31, 2018 and 2017, 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 \$245,353 and \$224,693 for the years ended December 31, 2018 and 2017, 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.

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 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.

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 - Net

Notes receivable included the following at December 31:

	2018	2017
Note receivable from Rome Creek Timber, LLC was removed as part of deconsolidation	\$ -	\$ 11,598,000
Note receivable from Cascadia Center for Sustainable Design and Construction, LLC was removed as part of deconsolidation	-	5,043,210
Note receivable from Cascadia Center for Sustainable Design and Construction, LLC was removed as part of deconsolidation	-	1,607,790
Note receivable from Agro-Farma, Inc. of which \$300,000 was paid and \$6,933,081 was removed as part of deconsolidation.	-	7,233,081
Note receivable from Agro-Farma, Inc. was removed as part of deconsolidation	-	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.	<u>8,420,619</u>	<u>8,420,619</u>
Carried forward	18,120,619	46,069,619

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 18,120,619	\$ 46,069,619
Note receivable dated August 6, 2013, from Olympic Peninsula, LLC (related party). Interest only payments at 1 percent per annum are accrued and paid quarterly through September 2020. Thereafter, principal and interest payments of \$35,813 are due quarterly. Matures September 2038. Secured by deed of trust on property.	3,708,881	3,708,881
Note receivable dated July 8, 2014, from Kalispel Support. Interest only payments at 1.1255 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$57,582 are due quarterly. Matures December 2044. Secured by deed of trust on property.	4,661,640	4,661,640
Note receivable dated July 8, 2014, from Kalispel Support. Interest only payments at 1.1255 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$26,290 are due quarterly. Matures December 2044. Secured by deed of trust on property.	2,128,360	2,128,360
Note receivable dated February 27, 2014, from R&R QALICB, LLC. Interest only payments at 1.3025 percent per annum are accrued and paid quarterly through March 2021. Thereafter, principal and interest payments of \$73,019 are due quarterly. Matures December 2039. Secured by deed of trust on property.	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.	<u>4,848,000</u>	<u>4,848,000</u>
Carried forward	38,319,500	66,268,500

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 38,319,500	\$ 66,268,500
Note receivable dated May 23, 2014, from Desolation Creek, LLC (related party). Interest only payments at 1.329 percent per annum are accrued and paid quarterly through June 2021. Thereafter, principal and interest payments of \$32,814 are due quarterly. Matures May 2024. Secured by deed of trust on property.	3,243,062	3,243,062
Note receivable dated May 23, 2014, from Desolation Creek, LLC (related party). Interest only payments at 1.329 percent per annum are accrued and paid quarterly through June 2021. Thereafter, principal and interest payments of \$40,797 are due quarterly. Matures May 2024. Secured by deed of trust on property.	4,031,938	4,031,938
Note receivable dated December 5, 2014, from Colville Tribal Government Building Development, LLC. Interest only payments at 1.5801 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$43,657 are due quarterly. Matures December 2044. Secured by deed of trust on property.	3,362,000	3,362,000
Note receivable dated December 5, 2014, from Colville Tribal Government Building Development, LLC. Interest only payments at 1.5801 percent per annum are accrued and paid quarterly through December 2021. Thereafter, principal and interest payments of \$19,322 are due quarterly. Matures December 2044. Secured by deed of trust on property.	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
Carried forward	51,124,500	79,073,500

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 51,124,500	\$ 79,073,500
Note receivable dated March 13, 2015, from Fry Ontario, LLC. Interest only payments at 1.3328 percent per annum are accrued and paid quarterly through December 2022. Thereafter, principal and interest payments of \$18,044 are due quarterly. Matures December 2029. Secured by deed of trust on property.	481,600	481,600
Note receivable dated March 13, 2015, from Fry Ontario, LLC. Interest only payments at 1.3328 percent per annum are accrued and paid quarterly through December 2022. Thereafter, principal and interest payments of \$138,188 are due quarterly. Matures December 2029. Secured by deed of trust on property.	3,688,400	3,688,400
Note receivable dated May 8, 2015, from SEK-WET-SE Corporation. Interest only payments at 1.5305 percent per annum are accrued and paid quarterly through March 2022. Thereafter, principal and interest payments of \$57,284 are due quarterly. Matures March 2045. Secured by deed of trust on property.	4,435,400	4,435,400
Note receivable dated May 8, 2015, from SEK-WET-SE Corporation. Interest only payments at 1.5305 percent per annum are accrued and paid quarterly through March 2022. Thereafter, principal and interest payments of \$55,466 are due quarterly. Matures March 2045. Secured by deed of trust on property.	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	70,499,360	98,448,360

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 70,499,360	\$ 98,448,360
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	4,597,600
Carried forward	86,736,960	114,685,960

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 86,736,960	\$ 114,685,960
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	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	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	3,915,000
Note receivable dated April 4, 2018, from COCRF Investor Fund 105, LLC. Interest only payments at 1 percent per annum are accrued and paid quarterly through March 2025. Thereafter, principal and interest payments of \$111,486 are due quarterly. Matures December 15, 2047. Secured by deed of trust on property.	<u>9,063,840</u>	<u>-</u>
Carried forward	110,118,200	129,003,360

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 110,118,200	\$ 129,003,360
Note receivable dated May 1, 2018, from Freeroot Ventures, Inc. Interest only payments at 10 percent per annum are accrued and paid monthly through December 1, 2019. Thereafter, principal and interest payments of \$3,231 are due monthly. Matures December 31, 2025. Unsecured.	174,413	-
Note receivable dated June 15, 2018, from Kiosko. Principal only payments ranging from \$400 and \$2,600 are due monthly. Matures June 2021.	18,000	-
Note receivable dated September 21, 2018, from Cay-Uma-Wa. Interest only payments at 1.2594 percent per annum are accrued and paid quarterly through September 2025. Thereafter, principal and interest payments of \$148,526 are due quarterly. Matures September 2048. Secured by deed of trust on property.	11,847,300	-
Note receivable dated September 21, 2018, from Cay-Uma-Wa. Interest only payments at 1.2594 percent per annum are accrued and paid quarterly through September 2025. Thereafter, principal and interest payments of \$67,732 are due quarterly. Matures September 2048. Secured by deed of trust on property.	5,402,700	-
Note receivable dated October 8, 2018, from Kiosko. Principal only payments of \$250 are due monthly beginning January 2019. Matures April 2019.	1,000	-
Note receivable dated November 8, 2018, from NTUA New Markets V, Inc. Interest only payments at 1.4690 percent per annum are accrued and paid quarterly through November 2025. Thereafter, principal and interest payments of \$53,924 are due quarterly. Matures November 2041. Secured by deed of trust on property.	<u>3,070,540</u>	<u>-</u>
Carried forward	130,632,153	129,003,360

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

Brought forward	\$ 130,632,153	\$ 129,003,360
<p>Note receivable dated November 8, 2018, from NTUA New Markets V, Inc. Interest only payments at 1.4690 percent per annum are accrued and paid quarterly through November 2025. Thereafter, principal and interest payments of \$25,714 are due quarterly. Matures November 2041. Secured by deed of trust on property.</p>		
	1,464,210	-
<p>Note receivable dated November 19, 2018, from FR Restoration, LLC (related party). Interest only payments at 1.038 percent per annum are accrued and paid quarterly through December 2025. Thereafter, principal and interest payments are due quarterly to fully amortize upon maturity. Matures December 2043 and is secured by deed of trust on property.</p>		
	5,101,500	-
<p>Note receivable dated November 19, 2018, from FR Restoration, LLC (related party). Interest only payments at 1.038 percent per annum are accrued and paid quarterly through December 2025. Thereafter, principal and interest payments are due quarterly to fully amortize upon maturity. Matures December 2043 and is secured by deed of trust on property.</p>		
	2,173,500	-
<p>Note receivable dated November 19, 2018, from PZHerman, LLC. Interest only payments at 4 percent per annum are accrued and paid monthly through December 2023. Interest rate may increase to 5 percent per annum in April 2021. Thereafter, principal and interest payments are due monthly to fully amortize upon maturity. Matures November 2025. Secured by deed of trust on property.</p>		
	<u>2,710,059</u>	<u>-</u>
Carried forward	142,081,422	129,003,360

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

	2018	2017
Brought forward	\$ 142,081,422	\$ 129,003,360
Note receivable dated November 19, 2018, from PZHerman, LLC. Interest only payments at 4 percent per annum are accrued and paid monthly through December 2023. Interest rate may increase to 5 percent per annum in April 2021. Thereafter, principal and interest payments are due monthly to fully amortize upon maturity. Matures November 2025. Secured by deed of trust on property.	765,996	-
Note receivable dated November 30, 2018, from Valued Growth Associates New Markets Project CDE II, LLC. Interest only payments at 1.379 percent per annum are accrued and paid quarterly through December 2025. Thereafter, principal and interest payments of \$86,405 are due quarterly. Matures November 2048. Secured by deed of trust on property.	6,802,000	-
Note receivable dated November 30, 2018, from Valued Growth Associates New Markets Project CDE II, LLC. Interest only payments at 1.379 percent per annum are accrued and paid quarterly through December 2025. Thereafter, principal and interest payments of \$36,178 are due quarterly. Matures November 2048. Secured by deed of trust on property.	2,848,000	-
Fishing permits	152,479	160,928
	152,649,897	129,164,288
Less allowance for loan losses on notes receivable from: R&R QALICB, LLC	(9,521,600)	(9,443,800)
Other	(174,413)	-
	<u>\$ 142,953,884</u>	<u>\$ 119,720,488</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

4. Notes Receivable - Net - Continued

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, 2018 and 2017, the notes receivable owned by Sub-CDE XIV and from R&R QALICB, LLC and the note receivable owned by the Marble, LLC and from Freerott Ventures, Inc. were placed on nonaccrual status. For the years ended December 31, 2018 and 2017, impairment losses of \$252,213 and \$97,250, respectively, were recorded associated with these notes. Impairment losses are reported as provision for loan losses on the accompanying consolidated statement of activities.

Interest receivable on the above notes was \$4,146 and \$151,117 at December 31, 2018 and 2017, respectively, and is included in accounts receivable in the accompanying consolidated statements of financial position.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

5. Investments

Investments consist of the following at December 31:

	2018	2017
Investments carried at fair value:		
Money market funds	\$ -	\$ 1,412,671
Equity mutual funds	380,737	396,988
Investments held at OCF	<u>5,472,278</u>	<u>5,930,978</u>
Investments carried at fair value	5,853,015	7,740,637
Investments carried at cost less reserve for investment loss:		
Celilo Media Group common stock	69,755	69,755
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	2,864	4,064
Certificates of deposit	<u>1,010,009</u>	<u>-</u>
Investments carried at cost	2,157,632	1,148,823
Less reserve for investment loss	<u>(544,759)</u>	<u>(544,759)</u>
Investments carried at cost less reserve for investment loss	<u>1,612,873</u>	<u>604,064</u>
Total investments	<u><u>\$ 7,465,888</u></u>	<u><u>\$ 8,344,701</u></u>

Investment return includes the following at December 31:

	2018	2017
Interest and dividends from investments	\$ 169,730	\$ 49,202
Interest from notes receivable	1,970,776	2,152,340
Investment impairment	-	(519,759)
Net realized and unrealized gains (losses)	<u>(275,012)</u>	<u>1,044,920</u>
	<u><u>\$ 1,865,494</u></u>	<u><u>\$ 2,726,703</u></u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

5. Investments - Continued

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

6. Investment in Ecotrust Forests' Entities

As of December 31, 2018 and 2017, Ecotrust has contributed capital of \$4,420,000 to Ecotrust Forests, LLC. Ecotrust's ownership interest in Ecotrust Forests, LLC at December 31, 2018 and 2017, 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' entities in both 2018 and 2017. Ecotrust Forest Management, Inc. manages Ecotrust Forests, LLC.

Summarized financial information for Ecotrust Forests, LLC as of and for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
Total assets	<u>\$ 34,850,975</u>	<u>\$ 35,781,925</u>
Total liabilities	\$ 12,492,546	\$ 12,446,977
Members' equity	<u>22,358,429</u>	<u>23,334,948</u>
Total liabilities and members' equity	<u>\$ 34,850,975</u>	<u>\$ 35,781,925</u>
Revenue and gains	\$ 2,925,875	\$ 1,336,311
Expenses and losses	<u>3,902,394</u>	<u>2,030,914</u>
Net loss	<u>\$ (976,519)</u>	<u>\$ (694,603)</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

6. Investment in Ecotrust Forests' Entities - Continued

As of December 31, 2018 and 2017, Ecotrust has contributed capital of \$1,129,777 and \$1,112,007, respectively, to Ecotrust Forests II, LLC and received \$516,551 in return of capital for a net contributed capital of \$613,226 and \$595,456, respectively. Ecotrust's ownership interest in Ecotrust Forests II, LLC at December 31, 2018 and 2017, 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' entities in both 2018 and 2017. Ecotrust Forest Management, Inc. manages this LLC.

Summarized financial information for Ecotrust Forests II, LLC as of and for the years ended December 31, 2018 and 2017, is as follows:

	2018	2017
Total assets	<u>\$ 79,721,580</u>	<u>\$ 80,976,077</u>
Total liabilities	\$ 51,219,351	\$ 51,308,539
Members' equity	<u>28,502,229</u>	<u>29,667,538</u>
Total liabilities and members' equity	<u>\$ 79,721,580</u>	<u>\$ 80,976,077</u>
Revenue and gains	\$ 1,254,600	\$ 1,344,238
Expenses and losses	<u>3,419,909</u>	<u>2,950,249</u>
Net loss	(2,165,309)	(1,606,011)
Capital contributions - net	<u>1,000,000</u>	<u>18,503,000</u>
Net increase in equity	<u>\$ (1,165,309)</u>	<u>\$ 16,896,989</u>

During the year ended December 31, 2018, Ecotrust contributed capital of \$81,605 to Ecotrust Forests III, LLC and received \$12,414 in return of capital for a net contributed capital of \$69,191. Ecotrust's ownership interest in Ecotrust Forests III, LLC at December 31, 2018, is approximately 4 percent. The investment has been recorded using the equity method. Ecotrust's equity in the loss of Ecotrust Forests III, LLC has been recorded as a separate component of the share in loss of Ecotrust Forests' entities in 2018. Ecotrust Forest Management, Inc. manages this LLC. Under the terms of the partnership agreement, Ecotrust is committed to an additional \$918,395 of capital contributions.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

6. Investment in Ecotrust Forests' Entities - Continued

Summarized financial information for Ecotrust Forests III, LLC as of and for the year ended December 31, 2018, is as follows:

	2018
Total assets	<u>\$ 13,612,523</u>
Total liabilities	\$ 12,374,573
Members' equity	<u>1,237,950</u>
Total liabilities and members' equity	<u>\$ 13,612,523</u>
Revenue and gains	\$ -
Expenses and losses	<u>712,050</u>
Net loss	(712,050)
Capital contributions - net	<u>1,950,000</u>
Net increase in equity	<u>\$ 1,237,950</u>

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

	Ecotrust Forests, LLC	Ecotrust Forests II, LLC	Ecotrust Forests III, LLC	Total
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>-</u>	<u>(164,799)</u>
December 31, 2017	5,084,761	502,086	-	5,586,847
Contributions	-	17,770	81,605	99,375
Return of capital	-	-	(12,414)	(12,414)
Share in loss	<u>(191,495)</u>	<u>(38,543)</u>	<u>(25,278)</u>	<u>(255,316)</u>
December 31, 2018	<u>\$ 4,893,266</u>	<u>\$ 481,313</u>	<u>\$ 43,913</u>	<u>\$ 5,418,492</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

7. Property and Equipment - Net

Property and equipment consists of the following at December 31:

	2018	2017
Land	\$ 5,897,561	\$ 5,003,867
Buildings	21,279,881	21,126,494
Furniture and equipment	1,727,837	1,796,743
Artwork	42,500	42,500
	<u>28,947,779</u>	<u>27,969,604</u>
Less accumulated depreciation	<u>(6,837,289)</u>	<u>(6,510,502)</u>
	22,110,490	21,459,102
Construction in process	<u>9,749,511</u>	<u>1,212,869</u>
Net property and equipment	<u><u>\$ 31,860,001</u></u>	<u><u>\$ 22,671,971</u></u>

Construction in process at December 31, 2018 and 2017, represents costs associated with the development projects at The Redd on Salmon Street and The Irving Street Studio.

At December 31, 2018, approximately \$874,000 remained on construction contracts associated with the above projects. The projects are expected to be completed in 2019.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Net

Notes payable includes the following at December 31:

	2018	2017
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. Principal is due on May 16, 2023. Unsecured.	250,000	250,000
Note payable to OCF including interest at 1.75 percent per annum. Interest payments are due quarterly. 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. Remaining principal and interest payments are due on March 15, 2023. Certain covenants apply. Unsecured.	500,000	500,000
Note payable to The Lora L. and Martin N. Kelley Family Foundation including interest at 1.75 percent per annum. Interest payments are due quarterly. 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. Remaining principal and interest payments are due on March 15, 2023. Certain covenants apply. Unsecured.	250,000	250,000
Carried forward	2,250,000	2,250,000

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Net - Continued

	2018	2017
Brought forward	\$ 2,250,000	\$ 2,250,000
Note payable to COCRF SubCDE 38, LLC including interest at 1.1521 percent per annum. Presented net of unamortized debt issuance costs of \$112,453 and \$116,622 at December 31, 2018 and 2017, respectively. Interest payments are due quarterly 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 \$9,489,622.	1,869,647	1,865,478
Note payable to COCRF SubCDE 38, LLC including interest at 1.1521 percent per annum. Interest payments are due quarterly 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 \$9,489,622.	1,017,900	1,017,900
Note payable to Globetrotter Foundation including interest at 2 percent per annum. Interest payments are due quarterly. Remaining principal and interest payments are due on January 14, 2025. Unsecured.	250,000	-
Note payable to Sangham Foundation including interest at 2 percent per annum. Interest payments are due quarterly. Remaining principal and interest payments are due on March 15, 2025. Unsecured.	250,000	-
Carried forward	5,637,547	5,133,378

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Net - Continued

	2018	2017
Brought forward	\$ 5,637,547	\$ 5,133,378
Note payable to Susan Hoffman including interest at 2 percent per annum. Interest payments are due quarterly. Remaining principal and interest payments are due on March 15, 2025. Certain covenants apply. Unsecured.	250,000	-
Note payable to COCRF SubCDE 75, LLC including interest at 1.2140 percent per annum. Presented net of unamortized debt issuance costs of \$138,612 and \$-0- at December 31, 2018 and 2017, respectively. Interest payments are due quarterly through March 1, 2025. Thereafter, principal and interest payments of \$14,888 are due quarterly. Matures December 1, 2047. Certain covenants apply. Secured by land and real property with a carrying value of \$12,315,764.	1,043,628	-
Note payable to COCRF SubCDE 75, LLC including interest at 1.2140 percent per annum. Interest payments are due quarterly through March 1, 2025. Thereafter, principal and interest payments of \$7,779 are due quarterly. Matures December 1, 2047. Certain covenants apply. Secured by land and real property with a carrying value of \$12,315,764.	617,760	-
	<u>\$ 7,548,935</u>	<u>\$ 5,133,378</u>

Each of the notes payable made by COCRF SubCDE 38, LLC and COCRF SubCDE 75, LLC are intended to qualify as a qualified low income community investment and The Marble, LLC and The Redd Foundry, LLC are intended to qualify as QALICBs, as such terms are defined by Section 45D of the IRC of 1986, as amended and Section 1.45D-1(d)(4) of the Internal Revenue Service Regulations. Under the terms of the loan agreements, The Marble, LLC and The Redd Foundry, LLC acknowledges and agrees that they will satisfy the requirements necessary to remain a QALICB.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

8. Notes Payable - Net - Continued

Future principal maturities of notes payable are as follows:

Years Ending December 31,	Amount
2023	\$ 2,364,596
Thereafter	<u>5,435,404</u>
Total	7,800,000
Less unamortized loan issuance costs	<u>(251,065)</u>
	<u><u>\$ 7,548,935</u></u>

9. Lease Agreements

Ecotrust leases office space to others under non-cancelable operating leases that expire at various dates through December 2020. Ecotrust Properties, LLC leases retail and office space to others under non-cancelable operating leases that expire at various dates through April 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 2018 and 2017 was \$1,624,264 and \$1,572,427, respectively.

Future minimum lease payments to be received under the operating leases are as follows at December 31, 2018:

Years Ending December 31,	Amount
2019	\$ 1,333,316
2020	1,256,539
2021	1,164,621
2022	513,249
2023	181,981
Thereafter	<u>61,255</u>
Total minimum lease payments	<u><u>\$ 4,510,961</u></u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

10. Net Assets with Donor Restrictions

Net assets with donor restrictions for the following purpose or periods at December 31:

	2018	2017
Subject for expenditure for specified purposes:		
Natural Capital Holdings	\$ 1,775,249	\$ 841,255
Programs	<u>1,180,332</u>	<u>742,438</u>
	2,955,581	1,583,693
Subject to the passage of time	170,000	151,738
Endowments:		
Subject to appropriation and expenditure according to endowment spending policy	1,049,396	1,555,877
Permanent endowment funds:		
Community Engagement Endowment	200,000	200,000
Indigenous Leadership Endowment	500,000	500,000
Creative Storytelling in Salmon Nation	1,000,000	-
Ecotrust income endowment	<u>4,455,282</u>	<u>4,455,282</u>
Total endowment funds	<u>7,204,678</u>	<u>6,711,159</u>
Total net assets with donor restrictions	<u><u>\$ 10,330,259</u></u>	<u><u>\$ 8,446,590</u></u>

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

	2018	2017
Programs	\$ 1,108,357	\$ 2,123,907
Endowment earnings appropriated for expenditure	<u>315,141</u>	<u>235,701</u>
Total net assets released from restrictions	<u><u>\$ 1,423,498</u></u>	<u><u>\$ 2,359,608</u></u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

11. Retirement Plans

Ecotrust sponsors a defined contribution retirement plan (the Plan) which covers all employees who work more than 50 percent of the time and have more than six months of service. Under the terms of the Plan, Ecotrust makes a contribution equal to 3 percent of compensation for all eligible employees. Ecotrust makes an additional matching contribution equal to 50 percent of employee contributions up to a maximum of 3 percent of compensation. Additional discretionary contributions are also allowed. Contributions to the Plan were \$225,504 and \$203,348 for the years ended December 31, 2018 and 2017, 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 \$20,625 and \$16,500 for the years ended December 31, 2018 and 2017, respectively. Investments and accrued liabilities include \$380,738 and \$396,988 at December 31, 2018 and 2017, respectively, related to this plan.

12. Concentrations of Risk

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

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

During the year ended December 31, 2018 and 2017, one mutually exclusive donor accounted for 23 and 73 percent, respectively, of total contributions.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

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, Sub-CDE XXIII, Sub-CDE XXIV, Sub-CDE XXV, Sub-CDE 26, Sub-CDE 27, and Sub-CDE 28 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 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, Sub-CDE XXIII, Sub-CDE XXIV, Sub-CDE XXV, Sub-CDE 26, Sub-CDE 27, and Sub-CDE 28 for the year ended December 31, 2018.

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.

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:

	2018	2017
Balance, beginning of year	\$ 123,340,686	\$ 133,813,250
Investment Member contributions:		
Mokio Investment Fund, LLC	-	7,000,000
COCRF Investor 108, LLC	-	12,500,000
COCRF Investor 105, LLC	12,000,000	-
COCRF Investor 115, LLC	4,675,000	-
COCRF Investor 136, LLC	10,000,000	-
Umatilla Investment Fund, LLC	17,250,000	-
COCRF Investor 144, LLC	<u>7,500,000</u>	<u>-</u>
	51,425,000	19,500,000
Deconsolidation:		
Ochoco Investment Fund, LLC	-	(19,122,379)
NWC Investment Fund, LLC	-	(1,312)
ZAT Investment Fund, LLC	-	(9,859,160)
GESF-B Inc.	(13,014,005)	-
Cascadia Investment Fund, LLC	(6,702,286)	-
GS Agro-Farma NMTC Investment Fund, LLC	<u>(9,761,470)</u>	<u>-</u>
	(29,477,761)	(28,982,851)
Investment Member interest in loss	(120,109)	(134,943)
Investment Member distributions	<u>(640,344)</u>	<u>(854,770)</u>
Balance, end of year	<u><u>\$ 144,527,472</u></u>	<u><u>\$ 123,340,686</u></u>

The Investment Member interest in loss for 2018 and 2017 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, 2018, 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 39 percent Federal tax credit available over a seven year period to the investors. In order to qualify for these credits, Ecotrust must comply with various Federal requirements. These requirements include, but are not limited to, investing at least 85 percent of the QEI's in qualified low-income community investments (which may include 5 percent of the QEI's received to be held as reserves).

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

During 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, 2014 through 2018, 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. During the year ended December 31, 2018, The Redd Foundry, LLC issued membership equity to another investor.

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

	2018	2017
Balance, beginning of year	\$ 8,045,030	\$ 7,379,723
Issuance of membership equity, The Redd, LLC	1,100,000	1,500,000
Issuance of membership equity, The Redd Foundry, LLC	750,000	-
Distribution to member, The Redd, LLC	-	(1,000,000)
Non-controlling interest in income (loss):		
Ecotrust Forest Management, Inc.	(1,022)	23,962
The Redd, LLC	605,271	75,062
The Marble, LLC	(83,965)	66,283
The Redd Foundry, LLC	80,496	-
	600,780	165,307
Total non-controlling interest in income - net	600,780	165,307
Balance, end of year	\$ 10,495,810	\$ 8,045,030

16. Related-Party Transactions

Contracts and service fees revenue for 2018 and 2017 includes management fees of \$1,340,328 and \$1,096,588, respectively, earned from Ecotrust Forests, LLC, Ecotrust Forests II, LLC, and Ecotrust Forests III, LLC. Accounts receivable at December 31, 2018, includes \$370,074 for management fees and \$51,667 for reimbursement of operating expenses due from Ecotrust Forests, LLC, Ecotrust Forests II, LLC, and Ecotrust Forests III, 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.

Wasson Creek, LLC; Olympic Peninsula, LLC; Desolation Creek, LLC; Chimacum Ridge, LLC; Onion Peak, LLC; Wildcat Whiskey, LLC, and FR Restoration, LLC are managed by Ecotrust Forest Management, Inc. As indicated in *Note 4*, certain notes receivable totaling \$60,144,500 and \$52,869,500 at December 31, 2018 and 2017, respectively, are due from these entities. Interest income related to those notes totaled \$644,595 and \$537,096 for 2018 and 2017, 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 (subject to certain state and local taxes); The Marble, LLC (subject to certain state and local taxes); The Redd Foundry, LLC (subject to certain state and local taxes); Ecotrust CDE, LLC (subject to certain state and local taxes); and Sub-CDE VIII and Sub-CDE 27, both of which have elected to be taxed as corporations.

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

	2018	2017
Current:		
Federal	\$ 447,704	\$ 111,945
State and local	286,118	100,066
	733,822	212,011
Deferred income taxes	388,856	-
	\$ 1,122,678	\$ 212,011

Deferred taxes are recognized 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, 2018, the components of Ecotrust's deferred tax liability are as follows:

Deferred tax assets	\$ 71,137
Deferred tax liabilities	(459,993)
Net deferred tax liabilities	\$ (388,856)

18. Fair Value Measurements

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

	2018	Level 1	Level 3	Total
Equity mutual funds	\$ 380,737	\$ -	\$ -	\$ 380,737
Investments held at OCF	-	5,472,278	-	5,472,278
	\$ 380,737	\$ 5,472,278	\$ -	\$ 5,853,015
2017				
Money market funds	\$ 1,412,671	\$ -	\$ -	\$ 1,412,671
Equity mutual funds	396,988	-	-	396,988
Investments held at OCF	-	5,930,978	-	5,930,978
	\$ 1,809,659	\$ 5,930,978	\$ -	\$ 7,740,637

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.

	2018	2017
Balance, beginning of year	\$ 5,930,978	\$ 5,119,148
Proceeds	(232,160)	(231,475)
Unrealized and realized gains (losses) - net	(275,012)	1,004,210
Interest and dividends	<u>48,472</u>	<u>39,095</u>
Balance, end of year	<u><u>\$ 5,472,278</u></u>	<u><u>\$ 5,930,978</u></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>2018</u>	<u>2017</u>
	Level 3	Level 3
Investments in closely-held entities	<u><u>\$ 602,864</u></u>	<u><u>\$ 604,064</u></u>

Investments in closely held entities are reduced by a reserve for investment loss of \$544,759 at December 31, 2018 and 2017.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

18. Fair Value Measurements - Continued

The following table represents the valuation techniques used to measure the fair value investments in closely-held entities, and the significant unobservable inputs and the ranges of value for those inputs at December 31:

Instrument	Fair Value		Valuation Technique	Unobservable Inputs	Range of Input Values
	2018	2017			
Investment in closely-held entities	<u>\$602,864</u>	<u>\$604,064</u>	Discounted cash flows	Impairment of investment	25-100 percent

19. Endowment

Endowment net assets consist solely of donor-restricted amounts and are invested as follows at December 31:

	2018	2017
Restricted cash	\$ 1,732,400	\$ 780,181
Investments held at OCF	<u>5,472,278</u>	<u>5,930,978</u>
	<u>\$ 7,204,678</u>	<u>\$ 6,711,159</u>

Changes in endowment net assets for 2017 and 2018 were as follows:

Balance, December 31, 2016	\$ 5,868,356
Investment return	1,078,504
Appropriation for expenditure	<u>(235,701)</u>
Balance, December 31, 2017	6,711,159
Contributions	1,000,000
Investment return	(191,340)
Appropriation for expenditure	<u>(315,141)</u>
Balance, December 31, 2018	<u>\$ 7,204,678</u>

ECOTRUST

Notes to Consolidated Financial Statements - Continued

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.

21. Liquidity and Availability of Resources

Ecotrust's financial assets available for general expenditure within one year consist of the following:

	2018	2017
Cash and cash equivalents	\$ 3,258,958	\$ 10,073,725
Accounts receivable, net	668,220	732,966
Grants receivable	170,000	151,738
Current portion of notes receivable for operations	17,529	9,624
Investments	7,465,888	8,344,701
Restricted cash for endowment funds	<u>1,732,400</u>	<u>780,181</u>
 Total financial assets available within one year	 13,312,995	 20,092,935
Less:		
Amounts unavailable for general expenditures within one year:		
Restricted by donors as to purpose	2,955,581	1,583,693
Endowment funds	<u>7,204,678</u>	<u>6,711,159</u>
 Total amounts unavailable for general expenditures within one year due to donor restrictions	 10,160,259	 8,294,852
 Board designated funds for Indigenous Leadership	 <u>1,300,000</u>	 <u>-</u>
 Total amounts unavailable	 <u>11,460,259</u>	 <u>8,294,852</u>
 Total financial assets available to management for general expenditure within one year	 <u>\$ 1,852,736</u>	 <u>\$ 11,798,083</u>

Ecotrust maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Ecotrust's Board designated funds for Indigenous Leadership is a component of net assets without donor restriction. Although management intends to use these funds in accordance with provisions outlined by the Board of Directors, amounts could be available for current operations, if approved by the Board.

ECOTRUST

Notes to Consolidated Financial Statements - Continued

22. Subsequent Events

Management has evaluated subsequent events through July 15, 2019, the date the consolidated financial statements were available for issue.

ECOTRUST

CONSOLIDATING INFORMATION

Independent Auditors' Report on Consolidating Information

The Board of Directors
Ecotrust

We have audited the consolidated financial statements of Ecotrust and its Subsidiaries as of and for the years ended December 31, 2018 and 2017, and our report thereon dated July 15, 2019, 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 51 through 54 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 \$148,035,793 and \$123,375,255 as of December 31, 2018 and 2017, respectively, and total revenues of \$1,547,836 and \$2,146,225 for the years ended December 31, 2018 and 2017, respectively, and which insofar as it relates to the investment in Ecotrust Forests, LLC, Ecotrust Forests II, LLC, and Ecotrust Forests III of \$5,418,492 and \$5,586,847 as of December 31, 2018 and 2017, respectively, and the equity in their net loss of \$255,316 and \$164,799 for the years ended December 31, 2018 and 2017, 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.

July 15, 2019

ECOTRUST

Consolidating Schedule of Financial Position

December 31, 2018

ASSETS	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Cash and cash equivalents	\$ 3,204,585	\$ 54,373	\$ 3,258,958	\$ -	\$ 3,258,958
Accounts receivable, net	684,191	1,725	685,916	(17,696)	668,220
Grants receivable	170,000	-	170,000	-	170,000
Notes receivable, net	19,186,234	145,479,705	164,665,939	(21,712,055)	142,953,884
Investments	7,465,888	-	7,465,888	-	7,465,888
Investment in Variable Interest Entities	14,483	-	14,483	(14,483)	-
Investment in Ecotrust Forests' entities	5,418,492	-	5,418,492	-	5,418,492
Prepaid expenses and other assets	319,184	337	319,521	-	319,521
Deferred charges - net	96,701	2,499,653	2,596,354	(2,474,653)	121,701
Deferred rent receivable	239,727	-	239,727	-	239,727
Restricted cash	3,721,828	-	3,721,828	-	3,721,828
Property and equipment - net	32,055,748	-	32,055,748	(195,747)	31,860,001
Total assets	<u>\$ 72,577,061</u>	<u>\$ 148,035,793</u>	<u>\$ 220,612,854</u>	<u>\$ (24,414,634)</u>	<u>\$ 196,198,220</u>
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS					
Liabilities:					
Accounts payable	\$ 327,965	\$ 17,697	\$ 345,662	\$ (17,696)	\$ 327,966
Acerued liabilities	1,528,738	86	1,528,824	-	1,528,824
Deferred revenue	3,162,583	-	3,162,583	(2,474,653)	687,930
Deferred income taxes	388,856	-	388,856	-	388,856
Notes payable - net	25,784,935	3,476,055	29,260,990	(21,712,055)	7,548,935
Total liabilities	31,193,077	3,493,838	34,686,915	(24,204,404)	10,482,511
Net assets and Investment Member and non-controlling interests:					
Net assets:					
Without donor restrictions	20,557,915	14,483	20,572,398	(210,230)	20,362,168
With donor restrictions	10,330,259	-	10,330,259	-	10,330,259
Total net assets	30,888,174	14,483	30,902,657	(210,230)	30,692,427
Investment Member interest	-	144,527,472	144,527,472	-	144,527,472
Non-controlling interest	10,495,810	-	10,495,810	-	10,495,810
Total net assets and Investment Member and non-controlling interests	<u>41,383,984</u>	<u>144,541,955</u>	<u>185,925,939</u>	<u>(210,230)</u>	<u>185,715,709</u>
Total liabilities and net assets and Investment Member and non-controlling interests	<u>\$ 72,577,061</u>	<u>\$ 148,035,793</u>	<u>\$ 220,612,854</u>	<u>\$ (24,414,634)</u>	<u>\$ 196,198,220</u>

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.; and Ecotrust CDE, LLC.

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

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; Ecotrust Sub-CDE XXIII, LLC; Ecotrust Sub-CDE XXIV, LLC; Ecotrust Sub-CDE XXV, LLC; Ecotrust Sub-CDE 26, LLC; Ecotrust Sub-CDE 27, LLC; and Ecotrust Sub-CDE 28, LLC.

ECOTRUST

Consolidating Schedule of Activities

Year Ended December 31, 2018

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains, and other support:					
Foundation grants and contributions	\$ 2,608,707	\$ -	\$ 2,608,707	\$ -	\$ 2,608,707
Government grants	827,164	-	827,164	-	827,164
Individual grants and contributions	1,474,509	-	1,474,509	-	1,474,509
Corporate grants and contributions	285,709	-	285,709	-	285,709
Other grants and contributions	197	-	197	-	197
Contracts and service fees	6,754,898	290,353	7,045,251	(2,252,556)	4,792,695
Investment return	64,464	1,998,821	2,063,285	(197,791)	1,865,494
Net revenues, gains, and other support	12,015,648	2,289,174	14,304,822	(2,450,347)	11,854,475
Operating expenses:					
Salaries	5,025,246	-	5,025,246	-	5,025,246
Payroll taxes and fringe benefits	1,313,365	-	1,313,365	-	1,313,365
Total payroll costs	6,338,611	-	6,338,611	-	6,338,611
Conferences and meetings	57,147	-	57,147	-	57,147
Contracts and consultants	806,152	1,387,696	2,193,848	(1,386,863)	806,985
Depreciation and amortization	766,528	579,497	1,346,025	(581,283)	764,742
Technology	72,933	-	72,933	-	72,933
Grants to other organizations	276,317	-	276,317	-	276,317
Insurance	154,150	-	154,150	-	154,150
Interest	167,673	16,994	184,667	(92,987)	91,680
Meals and travel	359,321	-	359,321	-	359,321
Miscellaneous	5,668	-	5,668	-	5,668
Occupancy	552,378	-	552,378	-	552,378
Professional fees	1,088,699	290,947	1,379,646	(261,196)	1,118,450
Supplies and equipment	224,912	11	224,923	-	224,923
Taxes, licenses, and fees	63,801	47,003	110,804	-	110,804
Total operating expenses	10,934,290	2,322,148	13,256,438	(2,322,329)	10,934,109
Increase (decrease) in net assets from operations	1,081,358	(32,974)	1,048,384	(128,018)	920,366
Provision for income taxes	(1,113,347)	(9,331)	(1,122,678)	-	(1,122,678)
Provision for loan losses	(174,413)	(77,800)	(252,213)	-	(252,213)
Gain on sale of property and equipment	1,026,001	-	1,026,001	-	1,026,001
Share in income of Variable Interest Entities	4	-	4	(4)	-
Share in loss of Ecotrust Forests' entities	(255,316)	-	(255,316)	-	(255,316)
Investment Member interest in income	-	120,109	120,109	-	120,109
Non-controlling interest in income	(600,780)	-	(600,780)	-	(600,780)
Capital contributions	-	5,143	5,143	(5,143)	-
Capital distributions	-	(59)	(59)	59	-
Gain on deconsolidation	199	-	199	-	199
Member equity deconsolidation	-	(2,942)	(2,942)	2,942	-
Increase (decrease) in net assets	(36,294)	2,146	(34,148)	(130,164)	(164,312)
Net assets, beginning of year	30,924,468	12,337	30,936,805	(80,066)	30,856,739
Net assets, end of year	\$ 30,888,174	\$ 14,483	\$ 30,902,657	\$ (210,230)	\$ 30,692,427

See notes on page 51.

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' entities	5,586,847	-	5,586,847	-	5,586,847
Prepaid expenses and other assets	432,610	11,060	443,670	(10,600)	433,070
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	<u>\$ 54,362,243</u>	<u>\$ 123,375,255</u>	<u>\$ 177,737,498</u>	<u>\$ (8,691,919)</u>	<u>\$ 169,045,579</u>
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:					
Without donor restrictions	22,477,878	12,337	22,490,215	(80,066)	22,410,149
With donor restrictions	8,446,590	-	8,446,590	-	8,446,590
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	<u>38,969,498</u>	<u>123,353,023</u>	<u>162,322,521</u>	<u>(80,066)</u>	<u>162,242,455</u>
Total liabilities and net assets and Investment Member and non-controlling interests	<u>\$ 54,362,243</u>	<u>\$ 123,375,255</u>	<u>\$ 177,737,498</u>	<u>\$ (8,691,919)</u>	<u>\$ 169,045,579</u>

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 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	649,273	2,153,423	2,802,696	(75,993)	2,726,703
Net revenues, gains, and other support	18,691,622	2,300,837	20,992,459	(2,250,276)	18,742,183
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	287,457	6,689	294,146	-	294,146
Total operating expenses	9,432,614	2,215,833	11,648,447	(2,244,241)	9,404,206
Increase 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' entities	(164,799)	-	(164,799)	-	(164,799)
Investment Member interest in loss	-	134,943	134,943	-	134,943
Non-controlling interest in income	(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 53.