ECOTRUST

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

and

Consolidating Information

with

Independent Auditors' Reports

ECOTRUST

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HOFFMAN, STEWART & SCHMIDT, P.C.
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Independent Auditors' Report

The Board of Directors
Ecotrust

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Ecotrust, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 reflect total assets of $78,965,505 and $79,432,966 as of December 31, 2012 and 2011, respectively, and total revenues of $1,444,637 and $1,080,370, respectively, for the years then ended. 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 the investment in which, as discussed in *Note 7* to the financial statements, is accounted for by the equity method of accounting. The investment in Ecotrust Forests, LLC was $3,650,106 and $3,810,105 as of December 31, 2012 and 2011, respectively, and the equity in its net loss was $159,999 and $142,623, respectively, for the years then ended. The financial statements of Ecotrust Forests, LLC were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ecotrust Forests, LLC, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Auditors' Responsibility - Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ecotrust as of December 31, 2012 and 2011, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2013, on our consideration of Ecotrust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ecotrust's internal control over financial reporting and compliance.

Hoffman, Stewart + Schmidt, P.C.

Lake Oswego, Oregon
April 16, 2013

ECOTRUST

Consolidated Statements of Financial Position

December 31,	2012	2011
ASSETS		
Cash and cash equivalents *(Note 21)*	$ 4,426,672	$ 4,272,785
Receivables:		
Accounts receivable, net	592,161	523,352
Grants receivable *(Note 4)*	423,206	383,065
Notes receivable *(Note 5)*	87,198,417	87,524,291
Investments *(Notes 6 and 20)*	5,243,622	4,580,949
Investment in Ecotrust Forests, LLC *(Note 7)*	3,650,106	3,810,105
Prepaid expenses and other assets	336,033	121,385
Deferred tax asset *(Note 19)*	41,932	41,859
Intangible assets *(Note 8)*	639,080	835,499
Property and equipment *(Note 9)*	9,912,711	10,124,918
Total assets	**$ 112,463,940**	**$ 112,218,208**
LIABILITIES AND NET ASSETS, INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS		
Liabilities:		
Accounts payable	$ 221,015	$ 358,690
Accrued liabilities	603,169	841,854
Deferred revenue	225,498	384,215
Notes payable *(Note 10)*	10,556,737	10,598,914
Total liabilities	**11,606,419**	**12,183,673**
Commitments and contingencies *(Notes 11, 13, 14, 15 and 16)*		
Net assets, Investment Member and non-controlling interests:		
Net assets:		
Unrestricted	11,615,192	12,091,488
Temporarily restricted *(Note 12)*	3,107,755	1,773,229
Permanently restricted *(Note 21)*	3,942,759	3,842,759
Total net assets	**18,665,706**	**17,707,476**
Investment Member interest *(Note 15)*	82,003,599	82,112,707
Non-controlling interest *(Note 17)*	188,216	214,352
Total net assets, Investment Member and non-controlling interests	**100,857,521**	**100,034,535**
Total liabilities and net assets, Investment Member and non-controlling interests	**$ 112,463,940**	**$ 112,218,208**

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

ECOTRUST

Consolidated Statement of Activities

Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses), and other support:				
Foundation grants and contributions	$ 679,866	$ 2,142,931	$ -	$ 2,822,797
Government grants	1,986,696	17,500	-	2,004,196
Individual grants and contributions	302,705	697,158	100,000	1,099,863
Corporate grants and contributions	91,429	76,782	-	168,211
Other grants and contributions	17,917	146,804	-	164,721
Special events	54,610	-	-	54,610
Contracts and service fees *(Note 18)*	3,336,086	-	-	3,336,086
Investment return *(Note 6)*	1,301,312	499,998	-	1,801,310
Loss on disposal of property and equipment	(3,543)	-	-	(3,543)
Net assets released from restrictions *(Note 12)*	2,246,647	(2,246,647)	-	-
Total revenues, gains (losses), and other support	**10,013,725**	**1,334,526**	**100,000**	**11,448,251**
Operating expenses:				
Program services:				
Fisheries	782,373	-	-	782,373
Food and Farms	847,930	-	-	847,930
Forests and Ecosystem Services	1,690,504	-	-	1,690,504
Indigenous Leadership	472,975	-	-	472,975
Knowledge Systems	2,080,415	-	-	2,080,415
Natural Capital Fund	2,553,124	-	-	2,553,124
Total program services	8,427,321	-	-	8,427,321
Supporting services:				
Management and general	613,792	-	-	613,792
Communications	381,502	-	-	381,502
Development	407,661	-	-	407,661
Total supporting services	1,402,955	-	-	1,402,955
Total operating expenses	**9,830,276**	**-**	**-**	**9,830,276**
Increase in net assets from operations	**183,449**	**1,334,526**	**100,000**	**1,617,975**
Provision for income taxes *(Note 19)*	(123,373)	-	-	(123,373)
Provision for loan losses *(Note 5)*	(50,000)	-	-	(50,000)
Investment Member interest in income *(Note 15)*	(512,508)	-	-	(512,508)
Non-controlling interest in loss *(Note 17)*	26,136	-	-	26,136
Increase (decrease) in net assets	**(476,296)**	**1,334,526**	**100,000**	**958,230**
Net assets, beginning of year	12,091,488	1,773,229	3,842,759	17,707,476
Net assets, end of year	**$ 11,615,192**	**$ 3,107,755**	**$ 3,942,759**	**$ 18,665,706**

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

ECOTRUST

Consolidated Statement of Activities

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses), and other support:				
Foundation grants and contributions	$ 740,073	$ 2,338,550	$ -	$ 3,078,623
Government grants	1,805,211	-	-	1,805,211
Individual grants and contributions	159,727	4,000	-	163,727
Corporate grants and contributions	223,315	15,000	-	238,315
Special events	45,263	-	-	45,263
Contracts and service fees *(Note 18)*	3,244,229	-	-	3,244,229
Investment return *(Note 6)*	1,142,501	(172,794)	-	969,707
Gain on disposal of property and equipment	1,466	-	-	1,466
Net assets released from restrictions *(Note 12)*	3,247,993	(3,247,993)	-	-
Total revenues, gains (losses), and other support	**10,609,778**	**(1,063,237)**	**-**	**9,546,541**
Operating expenses:				
Program services:				
Fisheries	1,295,066	-	-	1,295,066
Food and Farms	1,154,821	-	-	1,154,821
Forests and Ecosystem Services	1,470,499	-	-	1,470,499
Indigenous Leadership	305,382	-	-	305,382
Knowledge Systems	2,128,145	-	-	2,128,145
Natural Capital Fund	2,535,582	-	-	2,535,582
Total program services	8,889,495	-	-	8,889,495
Supporting services:				
Management and general	608,903	-	-	608,903
Communications	366,485	-	-	366,485
Development	246,863	-	-	246,863
Total supporting services	1,222,251	-	-	1,222,251
Total operating expenses	**10,111,746**	**-**	**-**	**10,111,746**
Increase (decrease) in net assets from operations	**498,032**	**(1,063,237)**	**-**	**(565,205)**
Provision for income taxes *(Note 19)*	(108,088)	-	-	(108,088)
Provision for loan losses *(Note 5)*	(12,610,000)	-	-	(12,610,000)
Investment Member interest in loss *(Note 15)*	12,274,385	-	-	12,274,385
Non-controlling interest in income *(Note 17)*	(39,653)	-	-	(39,653)
Capital contributions	2,690	-	-	2,690
Capital distributions	(63)	-	-	(63)
Increase (decrease) in net assets	**17,303**	**(1,063,237)**	**-**	**(1,045,934)**
Net assets, beginning of year	12,074,185	2,836,466	3,842,759	18,753,410
Net assets, end of year	**$ 12,091,488**	**$ 1,773,229**	**$ 3,842,759**	**$ 17,707,476**

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

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Consolidated Statement of Functional Expenses

Year Ended December 31, 2012

	Program Services				
	Fisheries	Food and Farms	Forests and Ecosystem Services	Indigenous Leadership	Knowledge Systems
Salaries	$ 310,004	$ 430,547	$ 348,186	$ 216,815	$ 992,355
Payroll taxes and fringe benefits	76,014	110,996	88,185	48,683	304,923
Accounting and auditing	-	-	-	-	-
Advertising and marketing	-	11,455	650	400	381
Books, dues and memberships	68	509	267	49	3,523
Building, occupancy and maintenance	11,297	1,117	719	160	2,098
Conferences and meetings	(1,600)	11,743	4,093	3,174	7,708
Contracts and consultants	145,476	94,000	21,159	53,252	488,476
Depreciation and amortization	2,649	5,440	4,052	1,054	11,243
GIS, IT, software and data	14,478	36,956	20,886	6,354	78,991
Grants to other organizations	100,231	21,175	1,156,302	97,780	-
Insurance	1,425	4,466	3,477	1,150	13,346
Interest	-	-	-	-	-
Legal fees	6,836	-	-	-	2,466
Meals and travel	94,420	36,298	35,416	39,672	143,171
Miscellaneous	-	293	-	45	-
Supplies and equipment	6,822	1,805	979	1,343	6,962
Postage and delivery	1,507	9,123	707	200	2,579
Printing and publications	2,864	57,227	788	1,551	1,281
Recruiting and training	-	2,890	19	-	525
Rentals and office equipment	699	8,129	709	24	1,109
Taxes, licenses, and fees	1,578	1,685	150	23	1,960
Telephone and internet lines	7,605	2,076	3,760	1,246	17,318
Total expenses	**$ 782,373**	**$ 847,930**	**$ 1,690,504**	**$ 472,975**	**$ 2,080,415**

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

Program Services		Supporting Services				
Natural Capital Fund	Total Program Services	Management and General	Communications	Development	Total Supporting Services	Total
$ 604,261	$ 2,902,168	$ 481,167	$ 231,119	$ 295,075	$ 1,007,361	$ 3,909,529
153,862	782,663	64,229	17,674	75,441	157,344	940,007
122,360	122,360	51,058	-	-	51,058	173,418
6,558	19,444	98	415	-	513	19,957
5,680	10,096	1,686	348	1,483	3,517	13,613
286,943	302,334	1,767	1,543	-	3,310	305,644
(3,524)	21,594	2,773	5,229	1,134	9,136	30,730
188,839	991,202	12,433	65,678	59	78,170	1,069,372
539,863	564,301	6,601	2,704	-	9,305	573,606
31,849	189,514	(121,607)	14,230	1,047	(106,330)	83,184
160,764	1,536,252	14,600	-	-	14,600	1,550,852
21,091	44,955	8,850	1,786	-	10,636	55,591
189,873	189,873	-	-	-	-	189,873
45,566	54,868	421	-	-	421	55,289
30,958	379,935	30,660	30,363	28,576	89,599	469,534
150	488	25	38	-	63	551
16,426	34,337	20,626	2,188	1,713	24,527	58,864
1,383	15,499	1,856	513	145	2,514	18,013
9,787	73,498	2,305	4,278	495	7,078	80,576
19,570	23,004	676	570	135	1,381	24,385
12,108	22,778	806	199	-	1,005	23,783
103,777	109,173	16,097	430	90	16,617	125,790
4,980	36,985	16,665	2,197	2,268	21,130	58,115
$ 2,553,124	**$ 8,427,321**	**$ 613,792**	**$ 381,502**	**$ 407,661**	**$ 1,402,955**	**$ 9,830,276**

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Consolidated Statement of Functional Expenses

Year Ended December 31, 2011

	Program Services				
	Fisheries	**Food and Farms**	**Forests and Ecosystem Services**	**Indigenous Leadership**	**Knowledge Systems**
Salaries	$ 402,872	$ 498,149	$ 386,243	$ 56,335	$ 987,327
Payroll taxes and fringe benefits	98,414	144,015	96,845	16,287	321,018
Accounting and auditing	-	-	-	-	-
Advertising and marketing	1,063	12,830	415	-	-
Books, dues and memberships	676	556	863	11	339
Building, occupancy and maintenance	14,161	1,419	1,042	267	2,700
Conferences and meetings	27,566	11,468	5,046	25,165	13,693
Contracts and consultants	383,552	296,837	35,156	82,634	516,546
Depreciation and amortization	5,503	7,922	6,018	1,427	14,266
GIS, IT, software and data	16,315	31,670	17,769	3,895	58,367
Grants to other organizations	224,816	26,625	893,089	98,450	9,000
Insurance	(4,683)	(7,205)	(7,106)	(2,140)	(13,181)
Interest	-	-	-	-	-
Legal fees	-	-	-	-	-
Meals and travel	83,173	26,224	23,223	14,397	162,632
Miscellaneous	-	133	-	-	20
Supplies and equipment	8,531	7,366	3,038	944	11,695
Postage and delivery	1,958	10,794	1,162	282	3,512
Printing and publications	13,550	66,442	691	808	2,838
Recruiting and training	3,907	1,363	913	27	376
Rentals and office equipment	109	1,465	71	21	219
Taxes, licenses, and fees	1,258	12,134	1,689	(73)	21,032
Telephone and internet lines	12,325	4,614	4,332	6,645	15,746
Total expenses	**$ 1,295,066**	**$ 1,154,821**	**$ 1,470,499**	**$ 305,382**	**$ 2,128,145**

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

Program Services		Supporting Services				
Natural Capital Fund	Total Program Services	Management and General	Communications	Development	Total Supporting Services	Total
$ 610,953	$ 2,941,879	$ 421,535	$ 169,396	$ 176,468	$ 767,399	$ 3,709,278
150,811	827,390	105,936	17,016	52,367	175,319	1,002,709
84,087	84,087	49,700	-	-	49,700	133,787
8,248	22,556	-	8,891	846	9,737	32,293
4,897	7,342	1,106	82	1,863	3,051	10,393
302,930	322,519	18,996	402	-	19,398	341,917
9,083	92,021	16,342	75,571	3,400	95,313	187,334
198,872	1,513,597	21,027	40,484	150	61,661	1,575,258
526,875	562,011	6,995	2,082	-	9,077	571,088
30,934	158,950	(93,705)	5,730	50	(87,925)	71,025
162,120	1,414,100	-	10,180	-	10,180	1,424,280
11,331	(22,984)	(6,727)	(3,233)	-	(9,960)	(32,944)
211,800	211,800	(1)	-	-	(1)	211,799
55,170	55,170	207	1,300	-	1,507	56,677
20,839	330,488	25,227	12,370	6,933	44,530	375,018
27,800	27,953	(6,593)	-	61	(6,532)	21,421
8,759	40,333	18,663	5,065	21	23,749	64,082
1,629	19,337	1,874	1,955	1,283	5,112	24,449
2,979	87,308	354	6,181	159	6,694	94,002
1,225	7,811	1,127	133	885	2,145	9,956
9,572	11,457	72	11,432	197	11,701	23,158
89,538	125,578	14,498	406	-	14,904	140,482
5,130	48,792	12,270	1,042	2,180	15,492	64,284
$ 2,535,582	**$ 8,889,495**	**$ 608,903**	**$ 366,485**	**$ 246,863**	**$ 1,222,251**	**$ 10,111,746**

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Consolidated Statements of Cash Flows

Years Ended December 31,	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 958,230	$ (1,045,934)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
(Gain) loss on disposal of property and equipment	3,543	(1,466)
Investment Member interest in income (loss)	512,508	(12,274,385)
Non-controlling interest in income (loss)	(26,136)	39,653
Provision for loan losses	50,000	12,610,000
Depreciation and amortization	573,606	571,088
Net (gain) loss on investments	(346,683)	369,356
Deferred tax benefit	(73)	(41,859)
Donation of stock	(672,730)	(302,552)
Permanently restricted contributions	(100,000)	-
Capital contributions	-	(2,690)
Capital distributions	-	63
(Increase) decrease in:		
Accounts receivable	(68,809)	53,867
Grants receivable	(40,141)	(137,568)
Prepaid expenses and other assets	(214,648)	(6,345)
Increase (decrease) in:		
Accounts payable	(137,675)	(51,404)
Accrued liabilities	(238,685)	308,515
Deferred revenue	(158,717)	303,216
Net cash provided by operating activities	**93,590**	**391,555**
Cash flows from investing activities:		
Proceeds from sale of investments	770,189	1,806,875
Purchase of investments	(253,450)	(131,008)
Increase in intangible assets	-	(239,494)
Purchase of property and equipment	(168,523)	(84,032)
Payments received on notes receivable	575,874	158,419
Notes receivable issued by Ecotrust	(300,000)	(150,000)
Notes receivable issued by North Pacific Fisheries Trust	-	(50,588)
Notes receivable issued by Sub-CDEs	-	(27,949,000)
Net cash provided (used) by investing activities	**624,090**	**(26,638,828)**
Net increase (decrease) in cash and cash equivalents (carried forward)	**717,680**	**(26,247,273)**

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

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Consolidated Statements of Cash Flows - Continued

Years Ended December 31,	2012	2011
Net increase (decrease) in cash and cash equivalents (brought forward)	**$ 717,680**	**$ (26,247,273)**
Cash flows from financing activities:		
Proceeds from notes payable	100,000	500,000
Payments on notes payable	(142,177)	(2,660,979)
Permanently restricted contributions	100,000	-
Capital contributions received	-	2,690
Capital distributions paid	-	(63)
Investment Member contributions	-	28,900,000
Investment Member distributions	(621,616)	(479,458)
Proceeds from issuance of common stock	-	50,000
Net cash provided (used) by financing activities	**(563,793)**	**26,312,190**
Increase in cash and cash equivalents	153,887	64,917
Cash and cash equivalents, beginning of year	4,272,785	4,207,868
Cash and cash equivalents, end of year	**$ 4,426,672**	**$ 4,272,785**
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 191,964	$ 221,870
Cash paid during the year for income taxes	149,923	111,991
Supplemental disclosure of noncash investing and financing activities:		
Receivable resulting from issuance of common stock	$ -	$ 12,500

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

1. Nature of Activities

Organization - Ecotrust (the Organization) was incorporated in Oregon on February 13, 1991, as a nonprofit charitable organization. Ecotrust's mission is to foster a natural model of development that creates more resilient communities, economies, and ecosystems. 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 the Organization are described below to enhance the usefulness of the consolidated financial statements to the reader.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Ecotrust; North Pacific Fisheries Trust; Ecotrust Properties, LLC; Ecotrust Properties II, LLC; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; Ecotrust CDE, LLC; Ecotrust Sub-CDE I, LLC (Sub-CDE I); Ecotrust Sub-CDE II, LLC (Sub-CDE II); Ecotrust Sub-CDE III, LLC (Sub-CDE III); Ecotrust Sub-CDE IV, LLC (Sub-CDE IV); Ecotrust Sub-CDE V, LLC (Sub-CDE V); Ecotrust Sub-CDE VI, LLC (Sub-CDE VI); Ecotrust Sub-CDE VII, LLC (Sub-CDE VII); 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 Tax Credit Investment Fund I, LLC (TCIF I); and Ecotrust Tax Credit Investment Fund II, LLC (TCIF II). All significant intercompany investments, accounts, and transactions have been eliminated in the consolidated financial statements. The consolidated financial statements at December 31, 2012 and 2011, also include the Wells Fargo Community Development Corporation's 99.99 percent investment member interest in Ecotrust Tax Credit Investment Fund I, LLC, and US Bancorp Community Investment Corporation's 99.99 percent investment member interest in Ecotrust Tax Credit Investment Fund II, LLC.

Basis of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies - Continued

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 the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements for, among other things, calculating the allowance for uncollectible receivables, the reserve for investment loss, and depreciation expense.

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

Investments - Investments in marketable debt and equity securities 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.

The investments in Sweetwater Travel Company and Celilo Media Group common stock; ZeaChem Inc. common stock warrants; Sustainability Investment Fund, LP, Ecotrust Solar, LLC, Vital Farmland LP, Organic Renaissance, LLP, Ecotrust Sub-CDE XI, LLC, and Ecotrust Sub-CDE XII, LLC 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).

2. Summary of Significant Accounting Policies - Continued

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. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. Contracts and service fees are recognized at the time services are provided and the revenues are earned.

The Organization 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.

Although the Organization has not received any gifts of land, buildings, or equipment during 2012 or 2011, it would report any such gifts 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, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Accounts Receivable - Receivables consist of amounts owing to the Organization from customers, other nonprofit organizations, and grantor agencies. They are recognized as services are performed or amounts are unconditionally promised. Receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts for notes and accounts receivable is estimated based on the Organization's historical losses, review of specific problem accounts, and financial stability of its customers. Generally, the Organization considers accounts receivable past due after 90 days.

Accounts receivable at December 31, 2012 and 2011 include $8,192 and $5,050, respectively, in billings that are at least 90 days old. The allowance for doubtful accounts receivable at December 31, 2012 and 2011, was $4,054 and $3,125, respectively. Bad debt expense (recoveries) of $929 and $(9,385) for the years ended December 31, 2012 and 2011, respectively, is included in miscellaneous expense in the consolidated statements of functional expenses.

Notes Receivable - Notes receivable are stated at unpaid principal balances, less an allowance for loan losses and net of deferred loan origination fees and unearned discounts.

2. Summary of Significant Accounting Policies - Continued

Notes Receivable - Continued - 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 the Organization's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. 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 team. However, the amount of the change that is reasonably possible cannot be estimated.

The Organization considers a loan impaired when based on current information or factors, it is probable the Organization will not collect the principal and interest payments according to the loan agreement. Management does not believe any of the Organization's notes receivable are impaired, except for Newwood Manufacturing, Inc. and Organic Renaissance, LLC and, therefore, has recorded an allowance for loan losses of $12,660,000 and $12,610,000 at December 31, 2012 and 2011, respectively.

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 $1,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years. Depreciation expense for 2012 and 2011, was $377,187 and $378,539, respectively.

Income Taxes - Ecotrust is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code 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, 2012 and 2011. Ecotrust is not classified as a private foundation. Ecotrust Sub-CDE VIII, LLC has elected to be taxed as a corporation and provides for its income tax expense and/or benefits in order to file its corporate tax returns. Ecotrust Sub-CDE VIII, LLC accounts for income taxes in accordance with the asset and liability method. Under this method, tax rates are applied to cumulative temporary differences based on when and how they are expected to affect the tax return.

Accounting principles generally accepted in the United States of America prescribe 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. As such, the returns for 2009, 2010, and 2011, are currently subject to examination. Any interest or penalties assessed by taxing authorities is included with management and general expenses.

2. Summary of Significant Accounting Policies - Continued

Deferred Income Taxes - The Organization provides for deferred income taxes resulting from timing differences between financial and tax reporting due primarily to depreciation methods and net operating loss carryovers.

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

Advertising - The Organization charges all advertising costs to expense as they are incurred. Advertising expense for the years ended December 31, 2012 and 2011, was $8,472 and $23,861, respectively.

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

The Organization has determined that it holds an interest in a VIE for which consolidation is required. Accordingly, Sub-CDE I, Sub-CDE II, Sub-CDE III, Sub-CDE IV, Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, and Sub-CDE X are consolidated into Ecotrust CDE, LLC, prior to its consolidation into Ecotrust.

The Organization follows accounting principles generally accepted in the United States of America in determining whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights, and has applied these requirements to the Organization's ownership interest in Ecotrust Tax Credit Investment Fund I, LLC and Ecotrust Tax Credit Investment Fund II, LLC. These principles address the consolidation by managing members if managing members are in control of partnerships or similar entities and the limited partners: 1) do not have the ability to dissolve the partnership or similar entity or otherwise remove the managing member, or 2) do not have substantive participating rights.

2. Summary of Significant Accounting Policies - Continued

Variable Interest Entities - Continued - The Organization has determined the limited members of TCIF I and TCIF II do not have the rights listed above, and the Organization controls these entities. Accordingly, TCIF I and TCIF II are consolidated into the Organization's financial statements.

Intangible Assets - The Organization has incurred transaction costs relating to the establishment of Ecotrust CDE, LLC; Ecotrust Sub-CDE III, LLC; Ecotrust Sub-CDE IV, LLC; 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; TCIF I and TCIF II. These costs are amortized over seven years on a straight-line basis *(Note 8)*.

Reclassifications - Certain information from the 2011 financial statements has been reclassified for comparative purposes to conform with the 2012 presentation.

3. Program and Supporting Services

Program Services

Fisheries

Ecotrust's fisheries program invests in networks and local organizations that actively pursue innovation in the stewardship of fisheries, marine ecosystems and watersheds. Ecotrust works to strengthen the conservation of regional marine and freshwater ecosystems, recognize and improve community stewardship, support the livelihoods of fishermen, grow collaborative businesses, create financing mechanisms for community-based fisheries, and evolve fisheries management policies.

Food and Farms

Ecotrust's Food and Farms program is working to build a robust regional food system that is environmentally sound, socially just, and economically viable. Ecotrust sees a world of possibilities for flourishing farms, vibrant communities, and healthy eaters. Ecotrust works to improve public understanding of agriculture and the challenges it faces, increase the market share of locally grown, processed, and manufactured foods, and share the abundance of our region with eaters from all walks of life.

3. Program and Supporting Services - Continued

Program Services - Continued

Forests and Ecosystem Services

The goal of Ecotrust's Forests and Ecosystem Services program is to transform the dominant forest management paradigm to one that more closely mimics natural forest processes, while providing society with significant and measurable benefits. The purpose of our work is to build enduring social, economic and environmental value for our region, as an example for how other regions of the world can similarly build value. 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 is supporting a growing network of leaders, increasing education opportunities for native youth, and brokering resources for repatriation and improved management of traditional lands. Ecotrust actively works to promote leadership that both reaffirms tribal values and creates new possibilities for stewardship and economic development by native communities and reservations across the region. This leadership's deep responsibility to community and homeland vitality is essential for our region's long-term sense of place in the growing global economy.

Knowledge Systems

The Organization's Knowledge Systems initiatives focus on the complex interactions between social, economic, and ecological systems. Knowledge Systems delivers decision tools, analyses, and maps 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.

Natural Capital Fund

The Organization's Natural Capital Fund (the fund) makes income-earning investments, including investments in key industries, businesses, and projects that hold the promise of creating more resilient communities, economies, and ecosystems. Fund assets include the Jean Vollum Natural Capital Center, Inc., a historic warehouse in Northwest Portland that has been redeveloped for occupancy by the Organization, its affiliates, and a combination of retail and commercial office tenants with conservation-based missions. The fund 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 the fund is to provide organizational and program support for Ecotrust.

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 the Organization's programs. GIS, IT, software and data includes credits of $197,177 and $118,168 for the years ended December 31, 2012 and 2011, 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 the Organization's ideas and actions. Ecotrust uses a variety of traditional and new media to tell compelling stories that promote the Organization's ideas, build a cohesive brand, gather leaders and catalyze change on a regional, and increasingly, global scale.

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

4. Grants Receivable

Grants receivable include unconditional promises to give and are expected to be realized in the following periods:

	2012	**2011**
Amounts expected to be received in:		
Less than one year	$ 423,206	$ 383,065

At December 31, 2012 and 2011, Ecotrust had received conditional grants totaling $590,000 and $470,000, respectively. The grants are conditional on achievement of specific objectives within the Forests and Ecosystem Services program and the Knowledge Systems program. The conditional grants will be recognized as revenue when the conditions are met.

5. Notes Receivable

At December 31, 2012 and 2011, notes receivable include the following:

	2012	2011
Note receivable dated January 15, 2006, from Sooes, LLC (related party). Interest only payments at 2.207 percent per annum are accrued monthly and paid monthly. Matures January, 2017. Secured by deed of trust on property.	$ 4,604,361	$ 4,604,361
Note receivable dated January 15, 2006, from Sooes, LLC (related party). Interest at 1.0 percent per annum accrues monthly. Principal and interest due January, 2046. Secured by deed of trust on property.	1,550,639	1,550,639
Note receivable dated December 22, 2006, from Sixes & Dickey Rivers, LLC (related party). Interest only payments at 1.73 percent per annum are accrued and paid monthly. Matures December, 2046. Secured by deed of trust on property.	2,881,200	2,881,200
Note receivable dated December 22, 2006, from Sixes & Dickey Rivers, LLC (related party). Interest only payments at 1.0 percent per annum are accrued and paid monthly. Matures December, 2046. Secured by deed of trust on property.	998,800	998,800
Note receivable dated March 1, 2010, from Garibaldi Forest Management, LLC (related party). Interest only payments at .43096 percent per annum are accrued monthly and paid quarterly through September, 2015. Thereafter, principal and interest payments are due quarterly. Matures September, 2050. Secured by deed of trust on property.	7,459,740	7,459,740
Note receivable dated March 1, 2010, from Garibaldi Forest Management, LLC (related party). Interest only payments at .43096 percent per annum are accrued monthly and paid quarterly through September, 2015. Thereafter, principal and interest payments are due quarterly. Matures September, 2050. Secured by deed of trust on property.	2,240,260	2,240,260
Carried forward	19,735,000	19,735,000

5. Notes Receivable - Continued

	2012	2011
Brought forward	$ 19,735,000	$ 19,735,000
Note receivable dated March 1, 2010, from Garibaldi Forest Management, LLC (related party). Interest only payments at .43096 percent per annum are accrued monthly and paid quarterly through September, 2015. Thereafter, principal and interest payments are due quarterly. Matures September, 2050. Secured by deed of trust on property.	7,459,740	7,459,740
Note receivable dated March 1, 2010, from Garibaldi Forest Management, LLC (related party). Interest only payments at .43096 percent per annum are accrued monthly and paid quarterly through September, 2015. Thereafter, principal and interest payments are due quarterly. Matures September, 2050. Secured by deed of trust on property.	2,240,260	2,240,260
Note receivable dated July 12, 2010, from Ochoco Lumber Company. Interest only payments at 1.36063 percent per annum are accrued monthly and paid quarterly through June, 2017. Thereafter, principal and interest payments are due quarterly. Matures June, 2050. Secured by deed of trust on property.	19,642,500	19,642,500
Note receivable dated October 27, 2010, from Newwood Manufacturing, Inc. Interest only payments at 1.5802 percent per annum are accrued monthly and paid quarterly through May, 2018. Thereafter, principal and interest payments are due quarterly. Matures October, 2040. Secured by deed of trust on property, but subordinated to another lender.[A]	12,610,000	12,610,000
Carried forward	61,687,500	61,687,500

5. Notes Receivable - Continued

	2012	2011
Brought forward	$ 61,687,500	$ 61,687,500
Note receivable dated September 29, 2010, from ZeaChem Applied Technology LLC. Interest payments at 1.3034 percent per annum are accrued monthly and paid annually through September, 2017. Thereafter, principal and interest payments of $485,062 are due annually. Matures December, 2034. Secured by deed of trust on property.	7,353,667	7,353,667
Note receivable dated September 29, 2010, from ZeaChem Applied Technology LLC. Interest only payments at 1.3034 percent per annum are accrued monthly and paid annually through September, 2017. Thereafter, principal and interest payments of $154,769 are due annually. Matures December, 2034. Secured by deed of trust on property.	2,346,333	2,346,333
Note receivable dated June 30, 2011, from Rome Creek Timber, LLC. Interest only payments at 3.44 percent per annum are accrued monthly and paid quarterly. Matures June, 2018. Secured by deed of trust on property.	11,598,000	11,598,000
Note receivable dated August 23, 2011, from Cascadia Center for Sustainable Design and Construction, LLC. Interest only payments at 1.0 percent per annum are accrued and paid monthly through September, 2018. Thereafter, principal and interest payments of $15,023 are due monthly. Matures August, 2051. Secured by deed of trust on property.	5,043,210	5,043,210
Note receivable dated August 23, 2011, from Cascadia Center for Sustainable Design and Construction, LLC. Interest only payments at 1.0 percent per annum are accrued and paid monthly through September, 2018. Thereafter, principal and interest payments of $4,789 are due monthly. Matures August, 2051. Secured by deed of trust on property.	1,607,790	1,607,790
Carried forward	89,636,500	89,636,500

5. Notes Receivable - Continued

	2012	2011
Brought forward	$ 89,636,500	$ 89,636,500
Note receivable dated September 20, 2011, from Agro-Farma, Inc. Interest only payments at 3.0 percent per annum are accrued and paid monthly through June, 2019. Thereafter, principal and interest payments of $36,311 are due monthly. Matures June, 2042. Secured by deed of trust on property.	7,233,081	7,233,081
Note receivable dated September 20, 2011, from Agro-Farma, Inc. Interest only payments at 3.0 percent per annum are accrued and paid monthly through June, 2019. Thereafter, principal and interest payments of $12,384 are due monthly. Matures June, 2042. Secured by deed of trust on property.	2,466,919	2,466,919
Note receivable dated September 1, 2011, from Celilo Group Media, Inc. Paid in full January, 2012.	-	150,000
Note receivable dated September 24, 2012, from Organic Renaissance, LLP. Simple interest accrues at 3 percent per annum, due and payable with principal 30 days after written notice is delivered. Unsecured.	100,000	-
Fishing permits	421,917	647,791
	99,858,417	100,134,291
Less allowance for loan losses on note receivable from Newwood Manufacturing, Inc.[A]	(12,610,000)	(12,610,000)
Less allowance for loan losses on note receivable from Organic Renaissance, LLP.	(50,000)	-
	$ 87,198,417	$ 87,524,291

[A] This note receivable is owned by Ecotrust Sub-CDE VI. As of December 31, 2011, the loan was placed on nonaccrual status, and a valuation allowance of the entire loan balance was assessed. During the year ended December 31, 2012, Newwood was placed into receivership status.

Fishing permits are notes receivable from fishermen and Community Quota Entities (CQE) which have used the note proceeds to purchase fishing permits. The notes, secured by the fishing permits, bear interest at rates between 4.0 and 5.9 percent per annum and are due through 2015. Management has not deemed it necessary to record an allowance for loan losses for these receivables.

6. Investments

At December 31, 2012 and 2011, investments consist of the following:

	2012	2011
Money market funds	$ -	$ 86,956
Equity mutual funds	241,791	281,683
Unsecured corporate debt	239,967	-
Investments held at Oregon Community Foundation	3,730,971	3,335,867
Celilo Media Group common stock	69,755	69,755
ZeaChem Inc. common stock warrants	280,000	280,000
Sweetwater Travel Company common stock	119,422	119,422
Sustainability Investment Fund, LP	425,000	425,000
Ecotrust Solar, LLC	19,766	19,766
Organic Renaissance, LLP	30,000	-
Vital Farmland LP	100,000	-
Ecotrust Sub-CDE XI, LLC	1,000	-
Ecotrust Sub-CDE XII, LLC	950	-
	5,258,622	4,618,449
Less reserve for investment loss	(15,000)	(37,500)
	$ 5,243,622	$ 4,580,949

For the years ended December 31, 2012 and 2011, investment return includes the following:

	2012	2011
Interest and dividends	$ 1,454,627	$ 1,339,063
Net realized gains (losses)	5,876	(3,930)
Change in investment impairment	22,500	-
Net unrealized gains (losses)	478,306	(222,803)
Share in loss of Ecotrust Forests, LLC	(159,999)	(142,623)
	$ 1,801,310	$ 969,707

6. Investments - Continued

The Organization has an agreement with the Oregon Community Foundation (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.

7. Investment in Ecotrust Forests, LLC

During 2004, Ecotrust made a $1,300,000 legally binding commitment to invest in Ecotrust Forests, LLC, a related party. This commitment was paid in full as of December 31, 2006. During the years ended December 31, 2009 and 2008, Ecotrust invested an additional $2,620,000 and $500,000, respectively, in Ecotrust Forests, LLC. At December 31, 2012 and 2011, Ecotrust's ownership interest in Ecotrust Forests, LLC is approximately 16 and 18 percent, respectively. The investment has been recorded using the equity method. Ecotrust's equity in loss of Ecotrust Forests, LLC has been recorded as a component of investment return *(Note 6)* in both 2012 and 2011. Ecotrust Forest Management, Inc. manages Ecotrust Forests, LLC.

Summarized financial information for Ecotrust Forests, LLC as of and for the years ended December 31, 2012 and 2011, is as follows:

	2012	**2011**
Total assets	$ 53,819,330	$ 51,115,450
Total liabilities	$ 30,125,674	$ 30,111,606
Members' equity	23,693,656	21,003,844
Total liabilities and members' equity	$ 53,819,330	$ 51,115,450
Revenue	$ 784,746	$ 384,997
Expenses	1,934,934	1,324,203
Net loss	$ (1,150,188)	$ (939,206)

8. Intangible Assets

As of both December 31, 2012 and 2011, costs in the amount of $1,264,372 had been incurred by Ecotrust for the Community Development Financial Institutions Fund (the CDFI Fund) Community Development Entity (CDE) application process, the application for new markets tax credits, and the application of and structuring of the Organization's use of its allocation of new markets tax credits *(Note 16)*. The capitalized costs are amortized over seven years, the compliance period of the new markets tax credits, on a straight-line basis, commencing on the date the first qualified equity investment (QEI) is made. As of December 31, 2012 and 2011, net capitalized costs were $633,084 and $811,731, respectively. Amortization expense related to these costs for the years ended December 31, 2012 and 2011, was $178,647 and $171,166, respectively.

Ecotrust incurred transaction costs of $90,331 related to its investment in Ecotrust Sub-CDE I. These costs are included in intangible assets and are being amortized over seven years on a straight-line basis. As of December 31, 2012 and 2011, net capitalized costs were $1,265 and $14,172, respectively. Amortization expense related to these costs for the years ended December 31, 2012 and 2011, was $12,907 and $12,904, respectively.

Ecotrust incurred transaction costs of $34,067 related to its investment in Ecotrust Sub-CDE II. These costs are included in intangible assets and are being amortized over seven years on a straight-line basis. As of December 31, 2012 and 2011, net capitalized costs were $4,731 and $9,596, respectively. Amortization expense related to these costs for the years ended December 31, 2012 and 2011, was $4,865 and $4,867, respectively.

Total intangible assets at December 31, 2012 and 2011, are summarized as follows:

	2012	**2011**
Capitalized costs	$ 1,388,770	$ 1,388,770
Less accumulated amortization	(749,690)	(553,271)
	$ 639,080	$ 835,499

8. Intangible Assets - Continued

Estimated future amortization expense is as follows:

Years Ending December 31,	Amount
2013	163,443
2014	143,115
2015	143,115
2016	137,021
2017	44,183
2018	8,203
	$ 639,080

9. Property and Equipment

	2012	2011
Land	$ 1,888,316	$ 1,888,316
Buildings	11,442,971	11,305,089
Furniture and equipment	1,245,577	1,215,100
	14,576,864	14,408,505
Less accumulated depreciation	(4,664,153)	(4,283,587)
Net property and equipment	$ 9,912,711	$ 10,124,918

10. Notes Payable

	2012	2011
Note payable from TCIF I to Ecotrust Forests, LLC (related party), including interest at 1 percent per annum that accrues monthly and is paid monthly. Secured by the Fund Pledge Agreement, as defined in the Loan Agreement. Matures January, 2017.	$ 4,604,361	$ 4,604,361
Note payable from TCIF II to Ecotrust Forests, LLC (related party), including interest at 1 percent per annum that accrues monthly and is paid monthly. Secured by the Fund Pledge Agreement, as defined in the Loan Agreement. Matures December, 2046.	2,881,200	2,881,200
Note payable to The David and Lucile Packard Foundation, including simple interest at 2 percent per annum. Interest and principal amounts are to be paid annually with the remaining principal and interest balance expected to be paid in 2014.	266,782	266,782
Note payable to Furlotti Family Foundation, including interest at 2 percent per annum. Interest payments are due annually starting on December 31, 2009. Principal is due on December 31, 2016. Unsecured.	1,000,000	1,000,000
Note payable to Healy Foundation, in monthly installments of $16,091 including interest at 6 percent per annum. Remaining interest and principal are due on July 31, 2016. Secured by real property with a carrying value of $7,688,619.	1,437,770	1,555,673
Carried forward	10,190,113	10,308,016

10. Notes Payable - Continued

	2012	2011
Brought forward	$ 10,190,113	$ 10,308,016
Note payable to Healy Foundation, in monthly installments of $5,303 including interest at 5 percent per annum. Remaining interest and principal are due on July 31, 2016. Secured by real property with a carrying value of $7,688,619.	266,624	290,898
Note payable to New Priorities Foundation, including interest at 2 percent per annum that is paid annually on October 1st. Principal is due October 1, 2022. Unsecured.	100,000	-
	$ 10,556,737	$ 10,598,914

Future principal maturities of notes payable are as follows at December 31, 2012:

Years Ending December 31,	Amount
2013	$ 149,536
2014	423,968
2015	165,228
2016	2,232,444
2017	4,604,361
Thereafter	2,981,200
	$ 10,556,737

11. Lease Agreements

Natural Capital Center, Inc. leases retail and office space to others under noncancelable operating leases that expire at various dates through 2017. Future minimum lease payments to be received under the operating leases are as follows at December 31, 2012:

Years Ending December 31,	**Amount**
2013	$ 652,000
2014	633,000
2015	641,000
2016	430,000
2017	38,000
Total minimum lease payments	$ 2,394,000

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2012 and 2011:

	2012	**2011**
Program restrictions	$ 1,417,202	$ 1,160,650
Natural Capital Fund	1,376,580	586,819
Unexpended endowment earnings	313,973	25,760
	$ 3,107,755	$ 1,773,229

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, 2012 and 2011:

	2012	**2011**
Programs	$ 2,043,393	$ 2,941,682
Endowment earnings appropriated for expenditure	194,015	154,945
Other	9,239	151,366
Total net assets released from restrictions	$ 2,246,647	$ 3,247,993

13. Retirement Plans

The Organization 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 $202,877 and $175,544 for the years ended December 31, 2012 and 2011, respectively.

In 2004, the Organization created a nonqualified 457(b) deferred compensation plan which covers the Organization's President. Contributions to this plan are at the discretion of the Board of Directors and were $21,500 and $16,500 for the years ended December 31, 2012 and 2011, respectively. Investments and accrued liabilities include $166,066 and $126,221 at December 31, 2012 and 2011, respectively, related to this plan.

14. 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 financial statements.

15. Investment Member Interest

Ecotrust has formed Sub-CDE I, Sub-CDE II, Sub-CDE III, Sub-CDE IV, Sub-CDE V, Sub-CDE VI, Sub-CDE VII, Sub-CDE VIII, Sub-CDE IX, and Sub-CDE X to make qualified equity investments in community development entities which have made loans to qualified low-income community businesses and engage in other activities which qualify for Federal New Markets Tax Credits *(Note 16)*. Ecotrust is the Managing Member in each of these LLCs. Ecotrust also formed TCIF I and TCIF II to be the Investor Member in Sub-CDE I and Sub-CDE II, respectively.

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 New Markets Tax Credits in any one year shall be allocated 0.01 percent to the Managing Member and 99.99 percent to the Investor Members.

15. Investment Member Interest - Continued

The Investment Member interest is as follows:

	2012	2011
Balance, beginning of year	$ 82,112,707	$ 65,966,550
Investment Member contributions:		
GESF-B Inc.	-	12,000,000
Cascadia Investment Fund, LLC	-	6,900,000
GS Agro-Farma NMTC Investment Fund, LLC	-	10,000,000
Investment Member interest in income (loss)	512,508	(12,274,385)
Investment Member distributions	(621,616)	(479,458)
Balance, end of year	$ 82,003,599	$ 82,112,707

16. New Markets Tax Credits

In 2005, the Organization received an allocation of $50,000,000 in new markets tax credits (NMTC) from the Federal CDFI Fund, which may be generated as qualified equity investments are made and will result in tax credit benefits of $19,500,000 to investor members. Additional allocations of $30,000,000 and $42,000,000 in NMTC were received in 2009 and 2011, respectively, which will result in tax credit benefits of $28,080,000 collectively. 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 qualified equity investments in qualified low-income community investments (which may include 5 percent of the qualified equity investments received to be held as reserves).

16. New Markets Tax Credits - Continued

The credits are subject to recapture if the Investee Companies fail to meet certain new markets tax credit compliance requirements during the seven-year tax credit period. Recapture of credits will occur if: 1) the Investee Companies cease to continuously be community development entities; 2) the Investee Companies cease to use substantially all of the qualified equity investments for qualified low-income community investments (including 5 percent of the qualified equity investments received and held as reserves); 3) the Investee Companies redeem the qualified equity investment 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 new markets tax credits 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 2013, the new market tax credit compliance period will end for the projects associated with Ecotrust Sub-CDE I, LLC and Ecotrust Sub-CDE II, LLC. Management believes the tax credit investors associated with those projects will exercise their put options and will sell their interests in Ecotrust Tax Credit Investment Fund I, LLC and Ecotrust Tax Credit Investment Fund II, LLC to Ecotrust Forests, LLC. Before the put option is exercised, the tax investors are expected to consent to a debt to equity conversion of the debt owed to the Sub-CDE entities by the related qualified active low-income community businesses (QALICBs), resulting in the Sub-CDE entities owning a majority of the QALICBs.

17. Non-controlling Interest

During the years ended December 31, 2011 and 2010, Ecotrust Forest Management, Inc. issued shares of common stock to an employee.

The non-controlling interest is as follows:

	2012	2011
Balance, beginning of year	$ 214,352	$ 124,699
Issuance of common stock	-	50,000
Non-controlling interest's share of net income (loss)	(26,136)	39,653
Balance, end of year	$ 188,216	$ 214,352

18. Related-Party Transactions

Contracts and service fees revenue for 2012 and 2011 includes management fees of $516,576 and $466,880, respectively, earned from Ecotrust Forests, LLC.

Accounts receivable at December 31, 2012, includes $130,219 for management fees and $827 for reimbursement of operating expenses, due from Ecotrust Forests, LLC. Accounts receivable at December 31, 2011, includes $116,721 for management fees and $784 for reimbursement of operating expenses, due from Ecotrust Forests, LLC.

For the years ended December 31, 2012 and 2011, interest income includes $218,891 and $218,805, respectively, received from notes receivable *(Note 5)* from Sooes, LLC, Sixes & Dickey Rivers, LLC and Garibaldi Forest Management, LLC. Those LLCs are related parties due to 99.9 percent ownership in each LLC by Ecotrust Forests, LLC and 0.1 percent ownership in each LLC by Ecotrust Forest Management, Inc.

For each of the years ended December 31, 2012 and 2011, interest expense includes $74,858 from notes payable *(Note 11)* to Ecotrust Forests, LLC.

For each of the years ended December 31, 2012 and 2011, management fees totaling $100,000 were paid to Sub-CDE III and Sub-CDE IV by Ecotrust Forests, LLC.

For each of the years ended December 31, 2012 and 2011, Ecotrust paid $44,000 in compliance fees to Ecotrust Forests, LLC.

19. 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.; Ecotrust CDE, LLC (subject to certain state and local taxes); and Ecotrust Sub-CDE VIII, LLC, which has elected to be taxed as a corporation.

The provision for income taxes consists of the following components:

	2012	2011
Current:		
Federal	$ 92,278	$ 78,376
State and local	31,168	71,571
	123,446	149,947
Deferred tax benefit	(73)	(41,859)
	$ 123,373	$ 108,088

19. Income Taxes - Continued

At December 31, 2012, the Natural Capital Center, Inc. and Ecotrust Forest Management, Inc. have the following carryovers for income tax purposes:

Federal and state:		
Net operating loss carryover, expiring 2023	$	175,759
Net operating loss carryover, expiring 2024		115,267
Net operating loss carryover, expiring 2025		106,956
Net operating loss carryover, expiring 2026		35,908
Net operating loss carryover, expiring 2027		107,223
Net operating loss carryover, expiring 2028		237,676
Net operating loss carryover, expiring 2029		68,370
	$	847,159

Deferred income taxes are recognized for temporary differences resulting from different revenue recognition methods used for financial statement and income tax reporting whereby certain revenues of Ecotrust Sub-CDE VIII, LLC have been deferred for financial statement purposes, but are includable in taxable income for tax purposes. This has created a deferred tax asset of $41,932 and $41,859 at December 31, 2012 and 2011, respectively.

In addition, Ecotrust Properties, LLC holds property and equipment that has been depreciated using different methods for book and tax purposes. The net difference between the net book value reported on the consolidated financial statements and the tax basis included in Ecotrust Properties, LLC's tax return is $183,921 at December 31, 2012. That amount has been offset against the net operating loss carryforwards for purposes of calculating the deferred tax benefit in the consolidated financial statements.

No deferred tax asset has been reported on the consolidated financial statements for the above carryforwards, since management believes there is a significant chance the carryforwards will expire unused. Accordingly, the estimated income tax benefit from the temporary differences and loss carryforwards have been offset by a valuation allowance for the loss carryforwards of the same amount, as follows:

		2012		2011
Deferred tax asset arising from temporary differences	$	41,932	$	41,859
Estimated deferred tax asset arising from net operating loss carryforwards		147,021		198,483
Less valuation allowance		(147,021)		(198,483)
Net deferred tax asset	$	41,932	$	41,859

20. Fair Value Measurements

Accounting principles generally accepted in the United States of America establish 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.

Assets measured at fair value on a recurring basis include the following:

	2012	**2011**
Money market funds	$ -	$ 86,956
Equity mutual funds	241,791	281,683
Investments held at OCF	3,730,971	3,335,867
	$ 3,972,762	$ 3,704,506

20. Fair Value Measurements - Continued

Fair value was determined at December 31, 2012 and 2011, as follows:

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity mutual funds:				
Large blend	$ 84,826	$ -	$ -	$ 84,826
Large growth	144,655	-	-	144,655
Mid-cap value	10,148	-	-	10,148
High yield bond	2,162			2,162
Investments held at OCF	-	-	3,730,971	3,730,971
	$ 241,791	$ -	$ 3,730,971	$ 3,972,762

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds	$ 86,956	$ -	$ -	$ 86,956
Equity mutual funds:				
Large blend	114,685	-	-	114,685
Large growth	160,216	-	-	160,216
Mid-cap value	6,782	-	-	6,782
Investments held at OCF	-	-	3,335,867	3,335,867
	$ 368,639	$ -	$ 3,335,867	$ 3,704,506

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 6*, investments held at OCF represent the Organization's share of a pooled investment portfolio managed by OCF. The Organization'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.

20. Fair Value Measurements - Continued

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

	2012	2011
Balance at beginning of year	$ 3,335,867	$ 3,699,971
Deposits to OCF	100,000	-
Distributions from OCF	(168,815)	(162,397)
Unrealized and realized gains (losses) - net	395,257	(245,419)
Interest and dividends	94,533	65,673
Investment fees	(25,871)	(21,961)
Balance at end of year	$ 3,730,971	$ 3,335,867

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 Celilo Media Group and Organic Renaissance, LLP are classified as Level 3 (unobservable inputs). The investment in unsecured corporate debt is classified as Level 2.

	Cost	Reserve for Investment Loss	Net Carrying Value
December 31, 2012:			
Investments - Celilo Media Group	$ 69,755	$ -	$ 69,755
Investments - Organic Renaissance, LLP	30,000	(15,000)	15,000
Unsecured corporate debt	239,967	-	239,967
	$ 339,722	$ (15,000)	$ 324,722
December 31, 2011:			
Investments - Celilo Media Group	$ 69,755	$ (37,500)	$ 32,255

21. Endowment

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

	2012	2011
Indigenous Leadership Endowment	$ 500,000	$ 500,000
Ecotrust income endowment	3,442,759	3,342,759
	$ 3,942,759	$ 3,842,759

Endowment net assets are invested as follows at December 31:

	2012	2011
Cash and cash equivalents	$ 525,761	$ 525,760
Beneficial interest in investments at OCF	3,730,971	3,335,867
	$ 4,256,732	$ 3,861,627

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for 2011 and 2012, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2010	$ -	$ 357,212	$ 3,842,759	$ 4,199,971
Investment return	-	(176,507)	-	(176,507)
Appropriation for expenditure	(6,892)	(154,945)	-	(161,837)
Endowment net assets, December 31, 2011	(6,892)	25,760	3,842,759	3,861,627
Contributions	-	-	100,000	100,000
Investment return	6,892	482,228	-	489,120
Appropriation for expenditure	-	(194,015)	-	(194,015)
Endowment net assets, December 31, 2012	$ -	$ 313,973	$3,942,759	$ 4,256,732

21. Endowment - Continued

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires Ecotrust to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $6,892 as of December 31, 2011. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

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

- The duration and preservation of the fund
- The purposes of the Organization 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 the Organization
- The investment policies of the Organization

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 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.

22. Subsequent Events

Management has evaluated subsequent events through April 16, 2013, the date the consolidated financial statements were available for issue.

ECOTRUST

CONSOLIDATING INFORMATION

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Independent Auditors' Report on Consolidating Information

The Board of Directors
Ecotrust

We have audited the consolidated financial statements of Ecotrust as of and for the years ended December 31, 2012 and 2011, and our report thereon dated April 16, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 42 through 45 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 audit 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 reflect total assets of $78,965,505 and $79,432,966 as of December 31, 2012 and 2011, respectively, and total revenues of $1,444,637 and $1,080,370 for the years ended December 31, 2012 and 2011, respectively, and which insofar as it relates to the investment in Ecotrust Forests, LLC of $3,650,106 and $3,810,105 as of December 31, 2012 and 2011, respectively, and the share in loss of Ecotrust Forests, LLC of $159,999 and $142,623 for the years ended December 31, 2012 and 2011, 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.

April 16, 2013

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Consolidating Schedule of Financial Position

December 31, 2012

ASSETS	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Cash and cash equivalents	$ 3,957,458	$ 469,214	$ 4,426,672	$ -	$ 4,426,672
Receivables:					
Accounts receivable, net	368,516	262,032	630,548	(38,387)	592,161
Grants receivable	423,206	-	423,206	-	423,206
Notes receivable, net	471,917	86,726,500	87,198,417	-	87,198,417
Investments	5,003,655	239,967	5,243,622	-	5,243,622
Investment in Ecotrust Forests, LLC	3,650,106	-	3,650,106	-	3,650,106
Prepaid expenses and other assets	327,942	26,641	354,583	(18,550)	336,033
Deferred tax asset	-	41,932	41,932	-	41,932
Intangible assets, net	633,074	1,878,644	2,511,718	(1,872,638)	639,080
Property and equipment, net	9,912,711	-	9,912,711	-	9,912,711
Total assets	**$ 24,748,585**	**$ 89,644,930**	**$ 114,393,515**	**$ (1,929,575)**	**$ 112,463,940**
LIABILITIES AND NET ASSETS AND INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS					
Liabilities:					
Accounts payable	$ 234,089	$ 25,313	$ 259,402	$ (38,387)	$ 221,015
Accrued liabilities	602,727	442	603,169	-	603,169
Deferred revenue	1,977,570	119,401	2,096,971	(1,871,473)	225,498
Notes payable	3,071,176	7,485,561	10,556,737	-	10,556,737
Total liabilities	**5,885,562**	**7,630,717**	**13,516,279**	**(1,909,860)**	**11,606,419**
Net assets, Investment Member and non-controlling interests:					
Net assets:					
Unrestricted	11,624,293	10,614	11,634,907	(19,715)	11,615,192
Temporarily restricted	3,107,755	-	3,107,755	-	3,107,755
Permanently restricted	3,942,759	-	3,942,759	-	3,942,759
Total net assets	**18,674,807**	**10,614**	**18,685,421**	**(19,715)**	**18,665,706**
Investment Member interest	-	82,003,599	82,003,599	-	82,003,599
Non-controlling interest	188,216	-	188,216	-	188,216
Total net assets, Investment Member and non-controlling interests	**18,863,023**	**82,014,213**	**100,877,236**	**(19,715)**	**100,857,521**
Total liabilities and net assets, Investment Member and non-controlling interests	**$ 24,748,585**	**$ 89,644,930**	**$ 114,393,515**	**$ (1,929,575)**	**$ 112,463,940**

Notes:

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

Ecotrust; Ecotrust Properties, LLC; Ecotrust Properties II, LLC; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; North Pacific Fisheries Trust; Garibaldi Holdings, LLC; and Ecotrust CDE, LLC.

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

Ecotrust Sub-CDE I, LLC; Ecotrust Sub-CDE II, LLC; Ecotrust Sub-CDE III, LLC; Ecotrust Sub-CDE IV, LLC; 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 Tax Credit Investment Fund I, LLC; and Ecotrust Tax Credit Investment Fund II, LLC.

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Consolidating Schedule of Activities

Year Ended December 31, 2012

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains (losses), and other support:					
Foundation grants and contributions	$ 2,822,797	$ -	$ 2,822,797	$ -	$ 2,822,797
Government grants	2,004,196	-	2,004,196	-	2,004,196
Individual grants and contributions	1,099,863	-	1,099,863	-	1,099,863
Corporate grants and contributions	168,211	-	168,211	-	168,211
Other grants and contributions	164,721	-	164,721	-	164,721
Special events	54,610	-	54,610	-	54,610
Contracts and service fees	3,914,500	203,784	4,118,284	(782,198)	3,336,086
Investment return	383,369	1,417,941	1,801,310	-	1,801,310
Loss on disposal of property and equipment	(3,543)	-	(3,543)	-	(3,543)
Total revenues, gains (losses), and other support	**10,608,724**	**1,621,725**	**12,230,449**	**(782,198)**	**11,448,251**
Operating expenses:					
Salaries	3,901,529	8,000	3,909,529	-	3,909,529
Payroll taxes and fringe benefits	940,007	-	940,007	-	940,007
Accounting and auditing	123,118	50,300	173,418	-	173,418
Advertising and marketing	19,957	-	19,957	-	19,957
Books, dues and memberships	13,613	-	13,613	-	13,613
Building, occupancy and maintenance	305,644	-	305,644	-	305,644
Conferences and meetings	30,730	-	30,730	-	30,730
Contracts and consultants	1,069,372	375,346	1,444,718	(375,346)	1,069,372
Depreciation and amortization	555,839	468,952	1,024,791	(451,185)	573,606
GIS, IT, software and data	83,184	-	83,184	-	83,184
Grants to other organizations	1,550,852	-	1,550,852	-	1,550,852
Insurance	55,591	-	55,591	-	55,591
Interest	115,017	74,856	189,873	-	189,873
Legal fees	55,089	200	55,289	-	55,289
Meals and travel	469,534	-	469,534	-	469,534
Miscellaneous	551	-	551	-	551
Supplies and equipment	58,864	-	58,864	-	58,864
Postage and delivery	18,013	-	18,013	-	18,013
Printing and publications	80,576	-	80,576	-	80,576
Recruiting and training	24,385	-	24,385	-	24,385
Rentals and office equipment	23,783	-	23,783	-	23,783
Taxes, licenses, and fees	116,177	9,613	125,790	-	125,790
Telephone and internet lines	58,115	-	58,115	-	58,115
Total operating expenses	**9,669,540**	**987,267**	**10,656,807**	**(826,531)**	**9,830,276**
Increase in net assets from operations	**939,184**	**634,458**	**1,573,642**	**44,333**	**1,617,975**
Provision for income taxes	(1,482)	(121,891)	(123,373)	-	(123,373)
Provision for loan losses	(50,000)	-	(50,000)	-	(50,000)
Investment Member interest in income	-	(512,508)	(512,508)	-	(512,508)
Non-controlling interest in loss	26,136	-	26,136	-	26,136
Increase in net assets	**913,838**	**59**	**913,897**	**44,333**	**958,230**
Net assets, beginning of year	17,760,969	10,555	17,771,524	(64,048)	17,707,476
Net assets, end of year	**$ 18,674,807**	**$ 10,614**	**$ 18,685,421**	**$ (19,715)**	**$ 18,665,706**

See notes on page 42.

ECOTRUST

Consolidating Schedule of Financial Position

December 31, 2011

ASSETS	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Cash and cash equivalents	$ 3,754,033	$ 518,752	$ 4,272,785	$ -	$ 4,272,785
Receivables:					
Accounts receivable, net	344,849	213,341	558,190	(34,838)	523,352
Grants receivable	383,065	-	383,065	-	383,065
Notes receivable	797,791	86,726,500	87,524,291	-	87,524,291
Investments	4,580,949	-	4,580,949	-	4,580,949
Investment in Ecotrust Forests, LLC	3,810,105	-	3,810,105	-	3,810,105
Prepaid expenses and other assets	121,385	18,550	139,935	(18,550)	121,385
Deferred tax asset	-	41,859	41,859	-	41,859
Intangible assets, net	811,727	2,347,595	3,159,322	(2,323,823)	835,499
Property and equipment, net	10,124,918	-	10,124,918	-	10,124,918
Total assets	**$ 24,728,822**	**$ 89,866,597**	**$ 114,595,419**	**$ (2,377,211)**	**$ 112,218,208**

LIABILITIES AND NET ASSETS, INVESTMENT MEMBER AND NON-CONTROLLING INTERESTS

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Liabilities:					
Accounts payable	$ 358,436	$ 35,092	$ 393,528	$ (34,838)	$ 358,690
Accrued liabilities	738,573	103,281	841,854	-	841,854
Deferred revenue	2,543,139	119,401	2,662,540	(2,278,325)	384,215
Notes payable	3,113,353	7,485,561	10,598,914	-	10,598,914
Total liabilities	**6,753,501**	**7,743,335**	**14,496,836**	**(2,313,163)**	**12,183,673**
Net assets, Investment Member and non-controlling interests:					
Net assets:					
Unrestricted	12,144,981	10,555	12,155,536	(64,048)	12,091,488
Temporarily restricted	1,773,229	-	1,773,229	-	1,773,229
Permanently restricted	3,842,759	-	3,842,759	-	3,842,759
Total net assets	**17,760,969**	**10,555**	**17,771,524**	**(64,048)**	**17,707,476**
Investment Member interest	-	82,112,707	82,112,707	-	82,112,707
Non-controlling interest	214,352	-	214,352	-	214,352
Total net assets, Investment Member and non-controlling interests	**17,975,321**	**82,123,262**	**100,098,583**	**(64,048)**	**100,034,535**
Total liabilities and net assets, Investment Member and non-controlling interests	**$ 24,728,822**	**$ 89,866,597**	**$ 114,595,419**	**$ (2,377,211)**	**$ 112,218,208**

Notes:

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

Ecotrust; Ecotrust Properties, LLC; Ecotrust Properties II, LLC; Ecotrust Forest Management, Inc.; Natural Capital Center, Inc.; North Pacific Fisheries Trust; Garibaldi Holdings, LLC; and Ecotrust CDE, LLC.

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

Ecotrust Sub-CDE I, LLC; Ecotrust Sub-CDE II, LLC; Ecotrust Sub-CDE III, LLC; Ecotrust Sub-CDE IV, LLC; 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 Tax Credit Investment Fund I, LLC; and Ecotrust Tax Credit Investment Fund II, LLC.

ECOTRUST

Consolidating Schedule of Activities

Year Ended December 31, 2011

	Ecotrust	Variable Interest Entities	Total	Eliminations	Consolidated Totals
Revenues, gains (losses), and other support:					
Foundation contributions	$ 3,078,623	$ -	$ 3,078,623	$ -	$ 3,078,623
Government grants	1,805,211	-	1,805,211	-	1,805,211
Individual grants and contributions	163,727	-	163,727	-	163,727
Corporate grants and contributions	238,315	-	238,315	-	238,315
Special events	45,263	-	45,263	-	45,263
Contracts and service fees	3,791,262	128,363	3,919,625	(675,396)	3,244,229
Investment return	(159,303)	1,129,010	969,707	-	969,707
Gain on disposal of property and equipment	1,466	-	1,466	-	1,466
Total revenues, gains (losses), and other support	**8,964,564**	**1,257,373**	**10,221,937**	**(675,396)**	**9,546,541**
Operating expenses:					
Salaries	3,687,327	16,642	3,703,969	-	3,703,969
Payroll taxes and fringe benefits	991,940	2,441	994,381	-	994,381
Accounting and auditing	112,009	21,778	133,787	-	133,787
Advertising and marketing	32,293	-	32,293	-	32,293
Books, dues and memberships	10,393	-	10,393	-	10,393
Building, occupancy and maintenance	341,917	-	341,917	-	341,917
Conferences and meetings	186,971	363	187,334	-	187,334
Contracts and consultants	1,575,248	346,676	1,921,924	(346,676)	1,575,248
Depreciation and amortization	553,321	388,767	942,088	(371,000)	571,088
GIS, IT, software and data	71,025	-	71,025	-	71,025
Grants to other organizations	1,424,280	-	1,424,280	-	1,424,280
Insurance	(32,944)	-	(32,944)	-	(32,944)
Interest	136,941	74,858	211,799	-	211,799
Legal fees	56,677	-	56,677	-	56,677
Meals and travel	375,018	-	375,018	-	375,018
Miscellaneous	21,431	-	21,431	-	21,431
Supplies and equipment	64,082	-	64,082	-	64,082
Postage and delivery	24,449	-	24,449	-	24,449
Printing and publications	94,002	-	94,002	-	94,002
Recruiting and training	9,956	-	9,956	-	9,956
Rentals and office equipment	23,158	-	23,158	-	23,158
Taxes, licenses, and fees	144,092	10,027	154,119	-	154,119
Telephone and internet lines	64,284	-	64,284	-	64,284
Total operating expenses	**9,967,870**	**861,552**	**10,829,422**	**(717,676)**	**10,111,746**
Increase (decrease) in net assets from operations	**(1,003,306)**	**395,821**	**(607,485)**	**42,280**	**(565,205)**
Provision for income taxes	(46,666)	(61,422)	(108,088)	-	(108,088)
Provision for loan losses	-	(12,610,000)	(12,610,000)	-	(12,610,000)
Investment Member interest in loss	-	12,274,385	12,274,385	-	12,274,385
Non-controlling interest in income	(39,653)	-	(39,653)	-	(39,653)
Capital contributions	-	2,690	2,690	-	2,690
Capital distributions	-	(63)	(63)	-	(63)
Increase (decrease) in net assets	**(1,089,625)**	**1,411**	**(1,088,214)**	**42,280**	**(1,045,934)**
Net assets, beginning of year	18,850,594	9,144	18,859,738	(106,328)	18,753,410
Net assets, end of year	**$ 17,760,969**	**$ 10,555**	**$ 17,771,524**	**$ (64,048)**	**$ 17,707,476**

See notes on page 44.