Consolidated Financial Statements of

ECOTRUST CANADA

Year ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Directors

We have audited the accompanying consolidated financial statements of Ecotrust Canada, which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Ecotrust Canada as at December 31, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 13, 2012

Burnaby, Canada

ECOTRUST CANADA

Consolidated Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated - note 3)
Assets		
Current assets:		
Cash and cash equivalents	$ 1,078,582	$ 893,570
Restricted cash and cash equivalents	-	2,850
Accounts receivable	474,970	557,450
Short-term investments	14,224	96,668
Inventory	41,775	40,569
Prepaid expenses	17,544	11,328
Current portion of loans receivable (note 5)	26,083	803,032
	1,653,178	2,405,467
Long-term investments (note 4)	-	370,151
Loans receivable, net of valuation allowance of $1,178,643 (2010 - $466,970) (note 5)	1,208,830	1,169,139
Capital assets (note 6)	132,863	48,705
	$ 2,994,871	$ 3,993,462
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	$ 310,313	$ 447,545
Deferred contributions (note 7)	298,826	496,417
Deferred revenue	3,100	20,037
Current portion of loans payable (note 9)	170,482	619,088
	782,721	1,583,087
Deferred capital contribution (note 8)	77,992	-
Loans payable (note 9)	-	20,000
Net assets	2,134,158	2,390,375
Commitments (note 10)		
	$ 2,994,871	$ 3,993,462

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

_______________ Director _______________ Director

ECOTRUST CANADA

Consolidated Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated - note 3)
Revenue:		
Contributions	$ 1,441,020	$ 1,472,692
Consulting	1,169,068	789,314
Dividend and investment income	47,910	93,495
Other income	54,739	133,181
	2,712,737	2,488,682
Expenses:		
Amortization	39,761	47,192
Audit and legal	103,107	84,473
Bad debts	34,196	-
Bank charges and interest	16,546	24,418
Board expenses	23,791	-
Contracts and consulting	606,964	612,354
Donations	7,000	54,500
Dues and memberships	9,379	16,503
Foreign exchange loss (gain)	(639)	3,067
Insurance	13,466	14,676
Gain on disposal of capital assets	-	(7,584)
Occupancy and utilities	105,096	131,740
Office	32,478	26,200
Other	7,066	(8,957)
Printing	30,316	7,582
Repairs	8,430	18,670
Salaries	1,616,012	1,465,938
Supplies	20,619	35,180
Telephone	49,718	51,521
Training and recruitment	12,356	-
Travel	233,409	244,089
Writedown (recovery) of inventory	5,936	(40,569)
	2,975,007	2,780,990
Deficiency of revenue over expenses before valuation allowances, equity losses and gains on disposal of long-term investments	(262,270)	(305,328)
Equity losses of long-term investments (note 4)	-	96,969
Loss (gain) on disposal of long-term investments (note 4)	7,672	(9,486)
Valuation recovery of loans receivable	(13,725)	(180,266)
	(6,053)	(92,783)
Deficiency of revenue over expenses	$ (256,217)	$ (199,528)

See accompanying notes to consolidated financial statements.

ECOTRUST CANADA

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Net assets, beginning of year:		
As previously reported	$ 2,605,481	$ 2,704,477
Restatement of prior years (note 3)	(215,106)	(114,574)
As restated	2,390,375	2,589,903
Deficiency of revenue over expenses	(256,217)	(199,528)
Net assets, end of year	$ 2,134,158	$ 2,390,375

See accompanying notes to consolidated financial statements.

ECOTRUST CANADA

Consolidated Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(restated - note 3)
Cash flows provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (256,217)	$ (199,528)
Non-cash items:		
Amortization of deferred capital contributions	(12,579)	-
In-kind donation of short term investments	(3,084)	-
Loans payable forgiven	(42,500)	-
Amortization	39,761	47,192
Gain on disposal of capital assets	-	(7,584)
Equity losses on long-term investments	-	96,969
Loss (gain) on disposal of long-term investments	7,672	(9,486)
Valuation allowance on receivables	(13,725)	-
Changes in non-cash operating working capital:		
Accounts receivable	82,480	(201,189)
Inventory	(1,206)	(40,569)
Prepaid expenses	(6,216)	8,018
Accounts payable, accruals and other liabilities	(137,232)	(501,624)
Deferred revenue and deferred contributions	(214,528)	(277,697)
	(557,374)	(1,085,498)
Investing:		
Purchase of capital assets	(33,348)	(46,904)
Proceeds on sale of capital assets	-	8,700
Net dispositions (acquisitions) in short-term investments	85,528	(81,549)
Proceeds of disposition (purchase) of long-term investments	362,479	(115,000)
Proceeds on redemption of investment in preference shares	-	130,269
Proceeds from loans receivable	750,983	678,207
Restricted short-term investments	-	517,562
	1,165,642	1,091,285
Financing:		
Repayment of loans payable	(426,106)	(471,902)
Increase (decrease) in cash and cash equivalents	182,162	(466,115)
Cash and cash equivalents, beginning of year	896,420	1,362,535
Cash and cash equivalents, end of year	$ 1,078,582	$ 896,420
Supplementary cash flow information		
Capital assets financed by deferred capital contributions	$ 90,571	$ -

See accompanying notes to consolidated financial statements.

1. **Operations:**

   Ecotrust Canada ("Ecotrust") was federally incorporated under the Canada Business Corporations Act as a non-profit organization. It is a Canada Revenue Agency registered charity (89474 9969-RR001), which is exempt from Canadian income taxes. Ecotrust, in alliance with affiliated organizations in the U.S., promotes the emergence of a conservation economy in the coastal temperate rain forests of British Columbia and, more broadly, North America. Ecotrust supports the work of conservation entrepreneurs, First Nations and community organizations.

2. **Significant accounting policies:**

   These financial statements are prepared in accordance with Canadian generally accepted accounting principles, including the following significant accounting policies:

   (a) Basis of presentation:

   These consolidated financial statements include the accounts of Ecotrust Canada and its wholly owned subsidiary, Ecotrust Canada Capital Corporation. All inter-entity transactions and balances have been eliminated on consolidation.

   Certain organizations subject to significant influence, as described in note 4, are accounted for using the equity method. Under the equity method, the original cost of the investment is adjusted by Ecotrust's share of post-acquisition earnings or losses less dividends received.

   Investments not subject to control are recorded at historical cost net of any impairments.

   Boat Basin Foundation is a controlled not-for-profit organization that has not been consolidated in these financial statements; however, the assets and liabilities are disclosed in note 4.

   (b) Donated services:

   A substantial number of individuals have donated significant time and expertise to Ecotrust, especially in projects and research, as well as in operations and fundraising. However, since no objective basis exists for determining fair values, no amounts have been recorded in the consolidated financial statements relating to these services.

   (c) Revenue recognition:

   Revenue from contributions is recognized using the deferral method. Under this method, restricted contributions and investment income are recognized in the period the related expenses are incurred or the restrictions are met. Contributions for depreciable capital assets are deferred and amortized on the same basis as the underlying asset.

   Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

(d) Foreign currency transactions:

Ecotrust uses the temporal method to translate foreign currency transactions. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate. Non-monetary assets and liabilities are translated at the historical rate. Foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date.

(e) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term deposits with initial maturity terms equal to or less than 90 days.

(f) Accounts and loans receivable:

All accounts and loans receivable are initially recorded at their fair value and subsequently at amortized cost, net of allowances for loan impairment. When a loan is deemed to be impaired, its carrying amount is reduced to its estimated realizable amount, which is measured by discounting the expected future cash flows at the effective interest rate inherent in the loans.

(g) Inventory:

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted-average cost basis and includes all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(h) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at their fair market value, where determinable. Amortization is provided on a straight-line basis based over the assets' estimated useful lives using the following rates:

Asset	Years
Furniture and equipment	5 - 7
Computers – hardware and software	3 - 5
Leasehold improvements	Lesser of useful life and remaining lease term

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent liabilities. Areas requiring significant management estimate include the valuation of accounts receivable, valuation of long-term investments, valuation of loans receivable, the fair value of capital asset contributions and the useful lives of capital assets. Actual results could differ from the estimates.

(j) Financial instruments:

Financial instruments are classified into one of the following five categories: held for trading, held-to-maturity; loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments are included on the consolidated statement of financial position and are initially measured at fair value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification.

Financial assets classified as held for trading are measured at fair value with changes in fair value included in the consolidated statement of operations. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recorded as changes in net assets until the asset is disposed of.

Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

Ecotrust has classified cash and cash equivalents, restricted cash and cash equivalents and short-term investments as held for trading. Accounts receivable and loans receivable are classified as loans and receivables. Accounts payable and accrued liabilities and loans payable are classified as other liabilities and measured at amortized cost.

Ecotrust continues to apply the financial instruments disclosure and presentation standards in accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3861, as permitted for not-for-profit organizations.

(k) Future accounting standards:

In December 2010, the CICA, in conjunction with the Accounting Standards Board, issued Part III – Accounting Standards for Not-for-Profit Organizations (“Part III”) of the CICA Handbook. Part III is effective for fiscal years commencing on or after January 1, 2012 and provides Canadian private sector not-for-profit organizations with a new financial reporting framework in conjunction with Part II, Accounting Standards for Private Enterprises.

Ecotrust is currently evaluating the impact of adopting the new Accounting Standards for Not-for-Profit Organizations.

3. Prior year restatements

(a) In the current year management undertook a detailed review of its payroll records and identified liabilities related to employee overtime for which no amount has been recorded in prior years.

(b) In the current year, management undertook a review of its prior years' contributions and noted one agreement for funding received and recorded as revenue in the year ended December 31, 2010 included restrictions whereby the contribution should have been deferred and recognized in accordance with the revenue recognition policy as described in note 2(c).

(c) In the current year management performed a detailed reviewed of its financial records and identified various minor adjustments relating to the prior year financial statements, which have been corrected retrospectively. As a result, prior year balances have been recast to reflect these individually immaterial adjustments as follows:

	Opening net assets		Accounts payable	Deferred contributions	Revenue Year ended	Prepaid expenses	Capital assets	Expenses Year ended
	January 1, 2011	January 1, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010
As previously reported	$ 2,605,481	$ 2,704,477	$ 280,688	$ 453,811	$ 2,548,838	$ 6,329	$ 65,594	$ 2,740,617
Adjustments:								
(a) Accrual for overtime	(142,638)	(114,574)	142,638	-	-	-	-	28,062
(b) Deferral of restricted contributions	(42,606)	-	-	42,606	(42,606)	-	-	-
(c) Other adjustments	(29,862)	-	17,972	-	(17,549)	4,999	(16,889)	12,314
As restated	$ 2,390,375	$ 2,589,903	$ 441,298	$ 496,417	$ 2,488,683	$ 11,328	$ 48,705	$ 2,780,993

4. Long-term investments and controlled not-for-profit entities:

	2011	2010
Size Nine Holding Company Limited. ("Size Nine") (a)	$ -	$ -
First Nations Regeneration Fund, Inc. ("FNRF") (b)	-	370,151
Climate Smart Businesses, Inc. ("Climate Smart") (c)	-	-
	$ -	$ 370,151

Ecotrust retains an interest in Size Nine and Climate Smart; however, based on the results of the entities' operations and management's assessed impairments, they continue to be recorded at nil (2010 - nil).

Changes in long-term investments during the year are as follows:

	2011	2010
Balance, beginning of year	$ 370,151	$ 472,903
Purchase of investments	-	115,000
Sale of Sweetwater Travel Co.	-	(130,269)
Proceeds on sale of interest in First Nations Regeneration Fund	(362,479)	-
Loss in the year on significantly influenced and controlled entities	-	(96,969)
Gain (loss) on disposal of investment	(7,672)	9,486
Balance, end of year	$ -	$ 370,151

(a) As at January 1, 2011, Ecotrust owned 35% of the outstanding shares of Size Nine, a for-profit organization. On December 31, 2011 Ecotrust acquired an additional 40% of the share capital of Size Nine increasing the total shareholdings to 75% for nominal value. During 2011, Ecotrust continued to review the assets of Size Nine and, in relation to a secured mortgage due from Size Nine to Vancity, it was determined by management that there were insufficient assets to support the valuation of the investment in Size Nine. As a result, at December 31, 2011 the value of this investment remains nil (2010 - nil). Ecotrust does not consolidate Size Nine into these consolidated financial statements.

(b) At January 1, 2011 Ecotrust owned 28.57% of the outstanding shares of FNRF, a for profit entity. During 2011 Ecotrust sold its interest in FNRF for proceeds of $362,479 and recognized a loss of $7,672 on the sale.

(c) As at January 1, 2011 Ecotrust owned 50% of Climate Smart, a for-profit entity. Ecotrust accounts for the investment under the equity method. During the year ended December 31, 2011, Climate Smart incurred losses of approximately $73,000 (2010 - $408,000) and had accumulated deficit of approximately $895,000 (2010 - $821,000) as at that date. As a result, Ecotrust continues to record its investment in Climate Smart at nil (2010 - nil).

4. Long-term investments and controlled not-for-profit entities (continued):

(d) Ecotrust controls Boat Basin Foundation (the "Foundation"), a not-for-profit entity, by virtue of a number of Ecotrust's directors and management forming the majority of the board of directors of the Foundation. Ecotrust does not consolidate the Foundation into these consolidated financial statements. Unaudited financial information of the Foundation as at June 30, 2011 is as follows:

Financial Position

	2011	2010
Assets	$ 2,164,537	$ 2,210,124
Liabilities (i)	$ 1,796,329	$ 1,937,290
Net assets	368,208	272,834
	$ 2,164,537	$ 2,210,124

Results of Operations

	2011	2010
Revenue	$ 237,398	$ 154,794
Expenses	142,024	193,672
	$ 95,374	$ (38,878)

Cash Flows

	2011	2010
Cash from operations	$ 184,297	$ 42,064
Cash used in financing and investing activities:		
Investing	(193,087)	79,898
Financing	-	(120,000)
Increase (decrease) in cash	$ (8,790)	$ 1,962

(i) Included in the Foundation's liabilities is a promissory note payable to Ecotrust Canada in the amount of $600,000 (2010 - $600,000).

5. Loans receivable:

	2011	2010
Pacific Coast Fish Conservation Company (“PCFCC”)(a)	$ 357,000	$ 357,000
Size Nine (b)	250,837	250,837
Boat Basin Foundation (c)	684,970	684,970
Other receivables	435,779	1,146,334
Less valuation allowance	(493,673)	(466,970)
	1,234,913	1,972,171
Less current portion (net of valuation allowance)	26,083	803,032
	$ 1,208,830	$ 1,169,139

Ecotrust engages in community development lending through its Natural Capital Fund. The purpose of this fund is to promote environmentally responsible industry and trade for the benefit of economically challenged communities in the coastal British Columbia region. Loans issued are interest bearing with rates ranging from 0% to 7%. Ecotrust has security and is the primary lender for approximately $686,616 (2010 - $1,118,557) of the gross amount outstanding. Repayment terms vary between two and ten years.

(a) The loan receivable from PCFCC in the amount of $357,000 is non-interest bearing and is unsecured. Additionally, Ecotrust has advanced an operating loan facility to PCFCC in the amount of $18,215 as at December 31, 2011 (2010 - $31,485). The amount is interest bearing at 6%. Interest of $1,822 (2010 - $2,194) was earned in the year related to the operating loan.

(b) The loan receivable from Size Nine relates to a mortgage in the amount of $250,837 (2010 - $250,837), less a valuation allowance of $90,000 (2010 - $90,000). These amounts are interest bearing at prime rate plus 3% and are secured by a second charge over the land and property of Size Nine. Interest of $12,509 (2010 - $15,020) has been earned on the outstanding amount in the year ended December 31, 2011.

(c) The loan receivable from Boat Basin Foundation (“Boat Basin”), an entity under common control by virtue of management and board members of Ecotrust having representation on the board of Boat Basin, in the principal amount of $600,000 (2010 - $600,000), and includes accrued interest in amount of $84,970 (2010 - $84,970). The loan is secured by second charge over Boat Basin’s real property, with the valuation of this property expected to be sufficient to enable Ecotrust to recover the loan principal and interest.

6. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	(restated - note 3) Net book value
Furniture and equipment	$ 55,568	$ 47,996	$ 7,572	$ 9,228
Computers	218,535	98,370	120,165	30,934
Leasehold improvements	14,954	9,828	5,126	8,543
	$ 289,057	$ 156,194	$ 132,863	$ 48,705

7. Deferred contributions:

	2011	2010 (restated - note 3)
Balance, beginning of year	$ 496,417	$ 794,151
Contributions received	946,763	545,874
Amounts spent and recognized as revenue in the year	(1,144,354)	(843,608)
Balance, end of year	$ 298,826	$ 496,417

8. Deferred capital contributions:

	2011	2010
Balance, beginning of year	$ -	$ -
Contributions received	90,571	-
Amounts recognized as revenue in the year	(12,579)	-
Balance, end of year	$ 77,992	$ -

9. Loans payable:

	2011	2010
Loan payable to Tides, with interest at 2.5% per annum, interest only payable semi-annually, unsecured, maturing December 31, 2010. Repaid in full during 2011	$ -	$ 250,000
Loan payable to Ethical Investor Group, with interest at 2% per annum, interest-only payable annually, unsecured, maturing on December 7, 2012	20,000	20,000
Loans payable to Working Opportunity Fund for the purpose of providing loans to third-party borrowers, with interest at prime minus 0.5% per annum, secured by security agreements over underlying loan collateral. Repaid in full in 2011	-	2,560
Loan payable to Size Nine, secured by a general security agreement and mortgage, both in the second position, interest at prime plus 4%, the loan matures on December 15, 2015. Principal is due in full on date of maturity.	95,482	176,500
Loan payable to Illahie Foundation, with interest at 2% per annum, due semi-annually, unsecured, maturing December 7, 2014. Scheduled principal repayments are $10,000 per annum	55,000	65,000
Loan payable to Community Futures, with interest at prime plus 3.5%, unsecured with blended principal and interest payments of $526 due monthly, maturing on June 1, 2012. Prepaid in full during 2011	-	125,028
	170,482	639,088
Less current portion	170,482	619,088
	$ -	$ 20,000

All loans payable are repayable on demand in less than one year and, as a result, have been classified as current.

Scheduled principal repayments to be made during the next five years are as follows:

2012	$ 20,000
2013	-
2014	55,000
2015	95,482
2016	-
	$ 170,482

10. Commitments:

(a) Ecotrust Canada leases office spaces and property under various lease agreements. Rental payments for the years ending December 31 are as follows:

2012	$ 81,069
2013	71,260
2014	70,081
2015	26,660

(b) Ecotrust Canada has access to a $100,000 operating line of credit, with interest at prime plus 2% per annum. No amounts were drawn on this line of credit at December 31, 2011 (2010 – nil).

11. Related party transactions:

In addition to related party amounts disclosed elsewhere in these consolidated financial statements, Ecotrust has paid $3,605 (2010 - $55,989) of expenses on behalf of the investee companies.