

FORTERRA NW

Consolidated Financial Statements

For the Year Ended December 31, 2024

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Independent Auditor's Report

**To the Board of Directors
Forterra NW
Seattle, Washington**

Opinion

We have audited the financial statements of Forterra NW, which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Forterra NW as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forterra NW and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited Forterra NW's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forterra NW's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Forterra NW's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forterra NW's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 24 through 25 are presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
May 30, 2025

FORTERRA NW**Consolidated Statement of Financial Position
December 31, 2024
(With Comparative Totals for 2023)**

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,889,627	\$ 4,105,441
Accounts and pledges receivable	588,400	622,937
Prepaid expenses	174,815	163,071
Land and rights held for sale, current	<u>2,199,500</u>	<u>1,687,500</u>
Total Current Assets	6,852,342	6,578,949
Accounts and pledges receivable, net of current portion	39,833	71,456
Note receivable	2,200,000	2,200,000
Land and rights held for sale, net of current portion	1,743,000	1,743,000
Investments in Forterra Strong Communities Funds	1,125,746	1,107,048
Property and equipment, net	2,939,559	2,991,745
Long-term land holdings	27,370,167	24,269,165
Investments in marketable securities	<u>3,208,859</u>	<u>2,978,566</u>
Total Assets	<u>\$ 45,479,506</u>	<u>\$ 41,939,929</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 310,853	\$ 145,769
Accrued expenses	355,966	307,159
Unearned revenue	150,089	34,288
Notes payable, current portion	100,000	
Line of credit	<u>800,000</u>	<u>800,000</u>
Total Current Liabilities	1,716,908	1,287,216
Notes payable, net of current portion	<u>4,992,315</u>	<u>3,610,716</u>
Total Liabilities	6,709,223	4,897,932
Net Assets:		
Net assets without donor restrictions-		
Undesignated	4,848,367	6,204,698
Board-designated	961,539	851,025
Invested in land and easements	<u>27,370,167</u>	<u>24,269,165</u>
Total net assets without donor restrictions	33,180,073	31,324,888
Net assets with donor restrictions	<u>5,590,210</u>	<u>5,717,109</u>
Total Net Assets	<u>38,770,283</u>	<u>37,041,997</u>
Total Liabilities and Net Assets	<u>\$ 45,479,506</u>	<u>\$ 41,939,929</u>

See accompanying notes.

FORTERRA NW

Consolidated Statement of Activities For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
			2023 Total
Support and Revenue:			
Grants and contributions	\$ 9,474,143	\$ 762,617	\$ 10,236,760
In-kind contributions	4,500		4,500
Fees for service	939,500		939,500
Investment return	3,073	84,355	87,428
Net assets released from restrictions	973,871	(973,871)	
Total Revenues and Other Income	11,395,087	(126,899)	11,268,188
Expenses:			
Program services	6,692,213		6,692,213
Management and general	1,226,327		1,226,327
Fundraising	924,486		924,486
Total Expenses	8,843,026		8,843,026
Change in Net Assets Before Property Donations and Impairment Losses	2,552,061	(126,899)	2,425,162
Donated land received	1,400,000		1,400,000
Land donated to others	(2,096,876)		(2,096,876)
Impairment losses			(1,639,111)
Change in Net Assets	1,855,185	(126,899)	1,728,286
Net assets beginning of year	31,324,888	5,717,109	37,041,997
Net Assets End of the Year	\$ 33,180,073	\$ 5,590,210	\$ 38,770,283

See accompanying notes.

FORTERRA NW

Consolidated Statement of Functional Expenses **For the Year Ended December 31, 2024** **(With Comparative Totals for 2023)**

	2024				
	Program Services	Management and General	Fundraising	Total	2023 Total
Salaries and wages	\$ 1,960,785	\$ 650,672	\$ 463,993	\$ 3,075,450	\$ 3,755,402
Payroll taxes and benefits	352,784	118,922	77,098	548,804	766,214
Total Salaries and Related Expenses	2,313,569	769,594	541,091	3,624,254	4,521,616
Grants and donations to others	4,134,494			4,134,494	2,182,973
Professional fees and consulting	1,285,730	291,701	280,872	1,858,303	2,205,913
Acquisition expenses	316,425			316,425	100,787
Interest expense	204,698			204,698	113,088
Insurance	132,312	40,906	29,998	203,216	198,962
Miscellaneous	120,534	22,285	16,343	159,162	173,762
Equipment rental and maintenance	58,423	36,689	30,051	125,163	150,961
Occupancy	18,111	54,333	18,111	90,555	94,745
Property management	79,162			79,162	91,637
Depreciation	54,132	2,586	1,896	58,614	219,197
Taxes	40,539	325		40,864	127,737
Advertising and promotion	7,245	2,619	1,920	11,784	22,470
Travel	10,084	362	591	11,037	27,899
Bad debt expense	13,631	4,927	3,613	22,171	
Total Expenses	8,789,089	1,226,327	924,486	10,939,902	10,231,747
Less-					
Land donated to others	(2,096,876)			(2,096,876)	(1,569,610)
Total Expenses as Presented on the Consolidated Statement of Activities	\$ 6,692,213	\$ 1,226,327	\$ 924,486	\$ 8,843,026	\$ 8,662,137

See accompanying notes.

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Consolidated Statement of Cash Flows **For the Year Ended December 31, 2024** **(With Comparative Totals for 2023)**

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,728,286	\$ (5,111,996)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activity-		
Depreciation	58,614	219,197
Donated land received	(1,400,000)	
Land donated to others	2,096,876	1,569,610
Loss on disposal of land, property, and equipment	5,301	14,619
Impairment losses		1,639,111
Gain on investments	(161,338)	(273,765)
Pass-through (gain) loss from investments in Forterra Strong Communities Funds	(18,698)	255,462
Change in assets and liabilities:		
Accounts and pledges receivable	66,160	855,181
Prepaid expenses	(11,744)	80,349
Accounts payable and accrued expenses	213,891	(850,982)
Unearned revenue	115,801	(8,519)
Net Cash Provided by (Used in) Operating Activities	2,693,149	(1,611,733)
Cash Flows From Investing Activities:		
Purchase of land and rights held for sale	(4,309,878)	(2,323,000)
Proceeds from the sale of land and rights held for sale		152,635
Purchases of land, property, and equipment	(11,729)	(96,122)
Purchase of investments in marketable securities	(87,689)	(1,970,128)
Sales of investments in marketable securities	18,734	3,304,176
Net Cash Used in Investing Activities	(4,390,562)	(932,439)
Cash Flows From Financing Activities:		
Payments on line of credit	(800,000)	
Proceeds from line of credit	800,000	800,000
Proceeds from notes payable	1,481,599	1,310,716
Net Cash Provided by Financing Activities	1,481,599	2,110,716
Change in Cash and Cash Equivalents	(215,814)	(433,456)
Cash and cash equivalents, beginning of period	4,105,441	4,538,897
Cash and Cash Equivalents, End of Period	\$ 3,889,627	\$ 4,105,441
Supplementary Cash Flow Information:		
Cash paid during the year for interest	\$ 204,698	\$ 113,088
Receipt of donated land	\$ 1,400,000	\$ -
Land donated to others	\$ 2,096,876	\$ 1,569,610

See accompanying notes.

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 1 - Organization

Since 1989, Forterra NW has stewarded the wild, working, and urban lands of Washington. We conserve land to sustain our state's biodiversity and natural beauty, and we invest in rural livelihoods and sustainable communities so people have places to live, work, and recreate. This work means supporting appropriate development - the kind that creates livable cities and towns with affordable housing, economic opportunity, public transit, and parks - and preserving habitat we love and need, like farmlands, wetlands, and forests. Our mission demands wide-ranging expertise: We are conservationists, real estate developers, restoration ecologists, urban planners, lawyers, educators, conveners, and fundraisers.

The climate crisis is advancing and our population is growing. The enormity of these challenges calls not only for more than measured improvements, but a bold, imaginative vision of the future. We develop innovative policies, initiate creative partnerships, and embrace new technologies for conserving land, managing growth, making housing affordable, and creating rural livelihoods. In the world of conservation and real estate, opportunities often come and go quickly, and so we act with equal speed, mobilizing people and resources to acquire important lands before they're gone. In our thirty-some years of doing this work, we have conserved 280,240 acres (unaudited) and performed thousands of hours of stewardship with our volunteer and community partners.

Forterra builds equitable and long-term relationships with the communities in which we work, melding our capacity and expertise with community-led process and wisdom. We partner with government agencies, Tribes, businesses, and nonprofits, whose skill and access increase our effectiveness and whose perspectives both challenge and affirm us. At Forterra, we tackle complex issues. We pull in all sides, and in so doing, arrive in a place of creative discord. Here is where we thrive. Here is where we find common ground and uncommon solutions.

Forterra NW, a Washington State nonprofit corporation, has several wholly-owned subsidiaries that facilitate conservation development projects. These subsidiaries include Forterra Strong Communities Fund Manager, LLC (the Fund Manager), Forterra Roslyn LLC, Forterra Roslyn NWIC LLC, Forterra Builders LLC, and Forterra Hamilton LLC.

Note 2 - Significant Accounting Policies

Principles of Consolidation - The accompanying financial statements include the accounts of Forterra NW and its wholly-owned subsidiaries. Intra-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as Forterra in the notes to the consolidated financial statements.

Basis of Presentation - Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Forterra and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restriction also include board-designated net assets.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024
(With Comparative Totals for 2023)

Note 2 - Continued

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash in excess of daily requirements is generally invested in interest-bearing instruments. Interest-bearing deposits with initial maturities of three months or less are considered cash equivalents. However, cash and equivalents associated with Forterra's investment portfolio are considered investments since the intent is to reinvest them in longer-term instruments when appropriate.

Investments in Marketable Securities - Investments in marketable securities, including endowment investments, are reported at fair value in the consolidated statement of financial position. Net investment return is reported in the consolidated statements of activities.

Investments in Forterra Strong Communities Funds - Forterra's investments in Forterra Strong Communities Funds I, L.P. (SCF I) and Forterra Strong Communities Fund II, L.P. (SCF II) are accounted for using the equity method of accounting (Note 5). In determining the accounting treatment for these investments, management considers various factors such as the amount of ownership interest, voting rights, and ability to influence decisions. Equity method investments are initially recorded at cost and are subsequently adjusted for Forterra's share of the investment's earnings or losses, and for cash contributions and distributions. Forterra evaluates the realization of equity investments if circumstances indicate that Forterra's investment is other than temporarily impaired.

Easements - Easements are capitalized at a nominal value of \$1 and classified within long-term land holdings. The costs of acquiring easements are expensed as incurred.

Property and Equipment - Property and equipment are stated at cost, if purchased, or at fair value at the time of donation, if donated. Forterra capitalizes purchases of property and equipment that exceed \$5,000. Property and equipment are depreciated using straight-line methods over the following estimated useful lives:

Buildings	10 - 30 Years
Leasehold improvements	15 Years
Public access improvements	10 Years
Furniture	7 - 10 Years
Equipment	2 - 5 Years
Software	3 Years

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 2 - Continued

Revenue Recognition and Receivables - Forterra recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a barrier to entitlement, and a right of return or release, are not recognized until the conditions on which they depend have been met. Prepaid grant funding received before conditions are met is reported as unearned revenue liability on the consolidated statement of financial position.

Forterra's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. There were \$9.3 million and \$19.5 million of unrecognized conditional governmental contracts and grants as of December 31, 2024 and 2023, respectively. These amounts will be recognized in future years if and when the related conditions are met.

Forterra earns fees for services performed. These fees are recognized at the point in time when the transaction is completed, and the performance obligation has been satisfied. Payment for these services is generally received after the service has been provided.

Concentration of Revenue - Forterra receives a significant amount of its grants and contributions revenues from local, state and federal governmental agencies in the form of grants, contracts, and other program service fees. Amounts received are subject to audit and adjustments by the grantor agencies. Any disallowed cost, including amounts already collected, may constitute a liability for Forterra. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded as such at the time that such amounts can be reasonably determined, normally upon notification by the governmental agency.

Additionally, 22% and 35% of Forterra's grants and contributions revenue came from one grantor for the years ended December 31, 2024 and 2023, respectively.

Accounts and Pledges Receivable - Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. At December 31, 2024 and 2023, two grantors accounted for 32% and 45% of total accounts and pledges receivable, respectively.

As of December 31, 2024, Forterra's related party accounts receivable balance totaled approximately \$124,000. There were no outstanding related accounts receivable balance as of December 31, 2023.

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 2 - Continued

Accounts and pledges receivable consisted of the following at December 31:

	2024	2023
Pledges receivable	\$ 44,025	\$ 256,998
Grants receivable	276,470	209,335
Other receivables	307,738	231,432
Total accounts and pledges receivable	628,233	697,765
Less allowance for doubtful accounts		(3,372)
Add back present value discount on noncurrent pledges	975	4,352
Less noncurrent other receivables	(30,808)	(30,808)
Less noncurrent pledges receivable	(10,000)	(45,000)
Total Accounts and Pledges Receivables, Current	\$ 588,400	\$ 622,937

In-Kind Contributions - Donations of property, equipment, and supplies are recorded as contributions at their estimated fair value at the date of receipt. In accordance with U.S. GAAP, the financial statements reflect only those contributed services requiring specific expertise or which are for constructing a fixed asset, which Forterra would otherwise need to purchase. Contributed services are recorded at rates that would have been paid for similar services in an arms-length transaction.

In-kind contributions for the years ended December 31 are as follows:

	2024	2023
Land, easements, property, and equipment	\$ 1,400,000	\$ -
Supplies	4,500	
Legal, marketing, and other services		208,365
Total In-Kind Contributions	\$ 1,404,500	\$ 208,365

Functional Allocation of Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements of activities without donor restrictions and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on employee hours worked or estimated percentage of effort.

Federal Income Tax - Forterra NW has been notified by the Internal Revenue Services (IRS) that it is exempt from federal income tax under Internal Revenue Code Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation, except to the extent of unrelated business taxable income, if any. The wholly-owned subsidiaries of Forterra NW are disregarded entities for tax purposes.

Subsequent Events - Forterra has evaluated subsequent events through May 30, 2025, the date on which the financial statements were available to be issued.

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 3 - Note Receivable

Note receivable at December 31, 2024 and 2023 totaled \$2,200,000 and consisted of a single note outstanding due from an unrelated third party. The note incurs interest at 4.0%, through maturity. Payment of both principal and interest is due at maturity on December 31, 2026.

Note 4 - Investments in Marketable Securities

Investments consisted of the following at December 31:

	2024	2023
Cash and cash equivalents	\$ 232,251	\$ 291,958
Mutual funds	2,072,677	1,930,982
Bonds	903,931	755,626
Total Investments in Marketable Securities	<u>\$ 3,208,859</u>	<u>\$ 2,978,566</u>

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U. S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Cash and Cash Equivalents - Valued at cost, which approximates fair value.

Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held by Forterra at year end.

Bonds - Valued at the closing price reported for similar instruments on the active market on which the securities are traded.

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 4 - Continued

Fair values of investments measured on a recurring basis at December 31, 2024 and 2023, were as follows:

	Fair Value Measurements as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 232,251	\$ -	\$ -	\$ 232,251
Mutual funds	2,072,677			2,072,677
Bonds		903,931		903,931
Totals	\$ 2,304,928	\$ 903,931	\$ -	\$ 3,208,859

	Fair Value Measurements as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 291,958	\$ -	\$ -	\$ 291,958
Mutual funds	1,930,982			1,930,982
Bonds		755,626		755,626
Totals	\$ 2,222,940	\$ 755,626	\$ -	\$ 2,978,566

Note 5 - Investments in Forterra Strong Communities Funds

Investments accounted for using the equity method consisted of the following at December 31:

	2024	2023
Forterra Strong Communities Fund I L.P.	\$ 1,114,252	\$ 1,092,259
Forterra Strong Communities Fund II L.P.	11,494	14,789
Total Investments in Forterra Strong Communities Funds	\$ 1,125,746	\$ 1,107,048

SCF I - Forterra Strong Communities Fund I, L.P. is a limited partnership, with the Fund Manager as the general partner and Forterra NW as one of the limited partners. SCF I was launched in December 2017 to advance sustainable development in urban areas that are becoming central to conserving the Pacific Northwest. SCF I pools, invests, and leverages social investment capital to acquire land for the social, environmental, public health, and economic needs of communities in the region.

SCF II - Forterra Strong Communities Fund II, L.P. is a limited partnership with the Fund Manager as the general partner. SCF II was initially capitalized in December 2018. SCF II prioritizes investments in opportunity zones to improve the health and resiliency of at-risk communities. Opportunity zones are low-income census tracts specially designated by states that allow investors with equity invested within these boundaries to defer, reduce, or eliminate their capital gains tax.

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Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 5 - Continued

Development Services - Forterra provides pre-development and other property-related services to SCF I and SCF II. Fees earned and recognized as revenue by Forterra totaled \$0 and \$5,413 during the years ended December 31, 2024 and 2023, respectively.

Property Management Fees - Forterra provides property management services to SCF I and SCF II. Fees earned and recognized as revenue by Forterra totaled \$0 and \$13,719 during the years ended December 31, 2024 and 2023, respectively.

Disposition Fees - In accordance with the SCF I limited partnership agreement, Forterra will be paid a disposition fee equal to two percent of the sale proceeds from any asset sale. One-half of the fee is due at the time of the sale and the second half of the fee is deferred and is payable subject to terms and conditions in the limited partnership agreement. No such fees were recognized during the years ended December 31, 2024 and 2023. At December 31, 2024 and 2023, \$30,808 was included in long-term accounts and pledges receivable on the consolidated statements of financial position, which represent the deferred fee earned in previous years.

Asset Management Fees - The Fund Manager as the general partner is responsible for the administration of SCF I and SCF II. On behalf of the Fund Manager (which has no employees) Forterra personnel provide administrative services relating to management of the partnerships' assets. During the years ended December 31, 2024 and 2023, SCF I and SCF II paid asset management fees of \$375,210 and \$472,000, respectively, to Forterra.

Grant Funding - Forterra NW passed through grant funding totaling \$271,293 to SCF I and SCF II during the year ended December 31, 2024. No grant funding was passed through to the Funds during the year ended December 31, 2023.

Related Party Payables and Receivables - Amounts receivable from SCF I and SCF II for the fees described above that are included in receivables on the consolidated statement of financial position totaled \$130,808 and \$45,087 as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, respectively, Forterra had no outstanding payable funds granted to SCF I and SCF II.

The following is a summary of the financial position of each equity method investment as of December 31, 2024:

	SCF I	SCF II
Cash and cash equivalents	\$ 299,020	\$ 2,533,809
Note receivable, net	700,000	
Real estate investments	6,783,130	1,955,769
Other assets	32,927	21,972
Total Assets	\$ 7,815,077	\$ 4,511,550
Liabilities	\$ 2,367,464	\$ 1,193
Partners' equity	5,447,613	4,510,357
Total Liabilities and Equity	\$ 7,815,077	\$ 4,511,550

FORTERRA NW

Notes to Consolidated Financial Statements **For the Year Ended December 31, 2024** **(With Comparative Totals for 2023)**

Note 5 - Continued

The following is a summary of the financial position of each equity method investment as of December 31, 2023:

	<u>SCF I</u>	<u>SCF II</u>
Cash and cash equivalents	\$ 321,198	\$ 2,886,787
Note receivable, net	700,000	
Real estate investments	7,906,041	2,869,706
Other assets	<u>23,869</u>	<u>18,498</u>
Total Assets	<u>\$ 8,951,108</u>	<u>\$ 5,774,991</u>
Liabilities	\$ 2,189,835	\$ 17,769
Partners' equity	<u>6,761,273</u>	<u>5,757,222</u>
Total Liabilities and Equity	<u>\$ 8,951,108</u>	<u>\$ 5,774,991</u>

The following is a summary of the results of operations of each equity method investment as of December 31, 2024:

	<u>SCF I</u>	<u>SCF II</u>
Revenues	\$ 83,632	\$ 33,711
Net income (loss)	\$ (1,313,660)	\$ (1,246,865)

The following is a summary of the results of operations of each equity method investment as of December 31, 2023:

	<u>SCF I</u>	<u>SCF II</u>
Revenues	\$ 4,697	\$ -
Net income (loss)	\$ (1,427,201)	\$ (5,557,920)

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 6 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,499,276	\$ 1,499,276
Buildings	1,221,149	1,221,149
Building and public access improvements	314,224	314,224
Equipment	80,232	80,232
Software	118,657	118,657
Construction in progress	<u>299,137</u>	<u>292,710</u>
	3,532,675	3,526,248
Less accumulated depreciation	<u>(593,116)</u>	<u>(534,503)</u>
Total Property and Equipment, Net	<u>\$ 2,939,559</u>	<u>\$ 2,991,745</u>

During the year ended December 31, 2023, Forterra reviewed property and equipment for indications of impairment. Management determined that an asset held from prior years, with a net value of \$1,639,111, was no longer being used for programmatic purposes and therefore an impairment loss was recorded of \$1,639,111 was recorded.

Note 7 - Land and Rights

A significant activity through which Forterra achieves impact is securing key lands for conservation, working land preservation, or community development purposes. Land acquired with the intention to own and steward it indefinitely is valued at cost and classified as long-term (noncurrent) land holdings. Land purchased with the intention to temporarily take ownership of it on behalf of another entity until that entity can secure funding to purchase the land from Forterra is classified as land and rights held for sale. It is further classified as short-term (current) held for sale or long-term (noncurrent) held for sale based on the intended transfer date. Land classified as held for sale is valued at the lower of cost or net realizable value.

In support of the landscape-scale conservation and community-building, Forterra designs, advocates for, and pursues real estate transactions using transfer of development rights (TDR) programs across the region. TDR is a market-based real estate tool that gives landowners the option to sell the development potential from their land to developers who can build to higher intensities in places where growth is desired. The result of TDR is permanent conservation of farm and forest lands, along with growth in urban areas, driven by the private market.

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 7 - Continued

Changes in short-term (current) land and rights are shown below for the year ended December 31, 2024:

	December 31, 2023	Additions	Disposals	December 31, 2024
Land	\$ 1,627,500	\$ 1,232,000	\$ (720,000)	\$ 2,139,500
Transferable development rights	60,000			60,000
Land and Rights Held for Sale, Current	\$ 1,687,500	\$ 1,232,000	\$ (720,000)	\$ 2,199,500

Changes in long-term (noncurrent) land and rights are shown below for the year ended December 31, 2024:

	December 31, 2023	Additions	Disposals	December 31, 2024
Transferable development rights	\$ 1,743,000	\$ -	\$ -	\$ 1,743,000
Land and Rights Held for Sale, Noncurrent	\$ 1,743,000	\$ -	\$ -	\$ 1,743,000

Changes in long-term (noncurrent) land holdings are shown below:

	December 31, 2023	Acquisition Costs	Expensing of Acquisition Costs	Disposals	December 31, 2024
Land	\$ 24,269,081	\$ 4,477,878	\$ -	\$ (1,376,878)	\$ 27,370,081
Easements	84	1,888,265	(1,888,263)		86
Long-Term Land Holdings	\$ 24,269,165	\$ 6,366,143	\$ (1,888,263)	\$ (1,376,878)	\$ 27,370,167

Note 8 - Line of Credit

Forterra has a line of credit with a bank with a total borrowing capacity of \$1,500,000. The line of credit matures on July 31, 2025. The line bears interest at a variable rate based on changes in the Prime Rate announced by the lender (7.50% as of December 31, 2024). The line requires Forterra to pay down the balance to zero for 30 consecutive days during each renewal period. As of December 31, 2024 and 2023, there were \$800,000 in borrowings against the line.

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 9 - Notes Payable

Forterra periodically enters into note payable arrangements to support funding of keystone land purchases. These purchases are often temporary in nature, with the intention that a specific entity will purchase the land from Forterra within a designated timeframe, usually one to three years. Upon sale of the land to the specified entity, Forterra will use the proceeds to pay down the note. The responsibility for interest and other financing charges associated with these notes can vary in terms of whether Forterra or the other entity covers these costs during the life of the note, and whether these charges are paid as incurred or added to note balances. Often, these notes are guaranteed by individuals supporting Forterra's commitments to such keystone land projects.

Notes payable consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
<u>Solar Ridge/Cle Elum Ridge</u>		
Note payable to Commerce Bank; interest at 4.00% through December 31, 2021 and 3.50% from January 1, 2022 through maturity; interest only payments due monthly beginning on January 31, 2017 through maturity on December 31, 2026, when principal is also due.	\$ 2,200,000	\$ 2,200,000
<u>Frog's Home</u>		
Note payable to Commerce Bank up to \$1,500,000; variable interest accrued and paid monthly at prime rate plus 0.25% (7.75% as of December 31, 2024); principal and any unpaid interest payable at maturity on August 31, 2026. The note is guaranteed by two donors and two board members.	1,310,716	1,310,716
<u>Roslyn LLC</u>		
Note payable to New Suncadia LLC; no interest accrues; principal due at maturity on November 16, 2025.	100,000	100,000
<u>Carbon Credit</u>		
Note payable to one board member and two donors of Forterra NW; variable interest at Applicable Federal Rate (AFR) as published by the Internal Revenue Service using the monthly compounding rate for Mid-Term obligations (3.12% at December 31, 2024); interest and principal payments are due monthly on the last day of each calendar month to the extent that net revenue is generated from the sale of carbon credits as defined in the loan agreement, with any unpaid balance due at maturity on December 31, 2027.	859,400	

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 9 - Continued

	<u>2024</u>	<u>2023</u>
<u>Oyhut</u>		
Note payable to a board member of Forterra NW; variable interest rate at Applicable Federal Rate (AFR) as published by the Internal Revenue Service using monthly compounding rate for Mid-Term Obligation (3.12% at December 31, 2024); interest due monthly on the last day of each calendar month through the maturity date on December 31, 2027, when principal is also due.		
	<u>622,199</u>	
Total notes payable	5,092,315	3,610,716
Less current portion of notes payable, including interest	<u>(100,000)</u>	
Total Notes Payable	<u><u>\$ 4,992,315</u></u>	<u><u>\$ 3,610,716</u></u>

Future maturities of these notes are as follows:

For the Year Ending December 31,

2025	\$ 100,000
2026	3,510,716
2027	<u>1,481,599</u>
Total Notes Payable	<u><u>\$ 5,092,315</u></u>

Note 10 - Commitments

Retirement Plan - Forterra has a defined contribution retirement plan for eligible employees. Forterra matches employee contributions at 100%, up to a maximum of 4% of a participating employee's base salary. For the years ended December 31, 2024 and 2023, Forterra contributed \$104,845 and \$193,264, respectively, to the plan.

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 11 - Board-Designated Net Assets

The Board has designated net assets for the following purposes at December 31:

	<u>2024</u>	<u>2023</u>
Land acquisition	\$ 715	\$ 715
Stewardship quasi-endowment	935,465	824,951
Other	<u>25,359</u>	<u>25,359</u>
Total Board-Designated Net Assets	<u>\$ 961,539</u>	<u>\$ 851,025</u>

The Board established a quasi-endowment fund to be used to support Forterra's work in management of stewarded lands.

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions were available as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Subject to the Passage of Time or Expenditure for a Specified Purpose:		
Land acquisition	\$ 2,937,473	\$ 3,078,389
Special projects	180,602	2,001
Cascade agenda/Olympic agenda	256,256	329,629
Stewardship of specific properties or specific geographic areas	948,424	1,001,380
Green Cities Partnership	79,522	113,799
Future operations	<u>36,670</u>	<u>125,003</u>
Total Subject to the Passage of Time or Expenditure for a Specified Purpose	4,438,947	4,650,201
Donor Restricted Endowment Fund:		
Stewardship endowment fund	1,117,459	1,117,459
Excess (deficit) in endowment investments	<u>33,804</u>	<u>(50,551)</u>
Total Donor Restricted Endowment Fund	<u>1,151,263</u>	<u>1,066,908</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,590,210</u>	<u>\$ 5,717,109</u>

Note 13 - Endowment Funds

Forterra's endowment consists of two individual funds, a donor-restricted endowment fund and a board-designated quasi-endowment fund, both established for long-term land stewardship. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 13 - Continued

Interpretation of Relevant Law - The Board of Directors of Forterra has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, Forterra classifies as net assets with donor restriction to be held in perpetuity (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 representing accumulated earnings is held as net assets with donor restriction until those amounts are appropriated for expenditure by Forterra in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, Forterra 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 Forterra 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 Forterra; and
- The investment policies of Forterra.

Change in endowment net assets for the year ended December 31, 2024:

	Net Assets Without Donor Restriction	Net Assets With Donor Restrictions Accumulated Deficit	Endowment Corpus	Total
Endowment net assets, December 31, 2023	\$ 824,951	\$ (50,551)	\$ 1,117,459	\$ 1,891,859
Endowment investment return	110,514	84,355		194,869
Endowment Net Assets, December 31, 2024	\$ 935,465	\$ 33,804	\$ 1,117,459	\$ 2,086,728

Return Objectives and Risk Parameters - Forterra has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that allow for inflation and earnings, but primarily using principal preservation strategy.

Forterra expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually (4 percent for inflation and 4 percent for ongoing stewardship operations). Actual returns in any given year may vary from this amount.

FORTERRA NW

Notes to Consolidated Financial Statements For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

Note 13 - Continued

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Forterra relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Forterra targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Forterra has a policy of appropriating for distribution each year 4 percent of its endowment fund's balance as of the end of the year. In establishing this policy, Forterra considered the long-term expected return on its endowment. Accordingly, over the long term, the intent is that the current spending policy would allow its endowment to grow at an average of 4 percent annually net of advisory fees and net of inflation.

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires Forterra to retain as a fund of perpetual duration. Forterra has interpreted PMIFA to permit spending from underwater funds in accordance with prudent measures required under law. Deficiencies of this nature were \$1,690 and \$50,551 as of December 31, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations.

Note 14 - Liquidity

Forterra receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Restricted assets in excess of daily cash requirements are invested in certificate of deposits, money market funds, and other short-term investments. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon by board resolution. Forterra manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Forterra has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. Forterra has a policy to target a year-end balance of reserves of undesignated net assets without donor restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, Forterra forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

FORTERRA NW**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2024
(With Comparative Totals for 2023)**

Note 14 - Continued

The following reflects Forterra's financial assets as of year end reduced by the amounts not available for general use within one year due to donor imposed restrictions or internal designations as of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,889,627	\$ 4,105,441
Accounts and pledges receivable	628,233	694,393
Notes receivable	2,200,000	2,200,000
Investments in marketable securities	<u>3,208,859</u>	<u>2,978,566</u>
Total financial assets	9,926,719	9,978,400
Less amounts not available to be used within one year-		
Noncurrent accounts and pledges receivable	(39,833)	(71,456)
Noncurrent note receivable	(2,200,000)	(2,200,000)
Funds with donor-imposed restrictions	(5,553,540)	(5,592,106)
Board-designated reserves	<u>(961,539)</u>	<u>(851,025)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,171,807</u>	<u>\$ 1,263,813</u>

SUPPLEMENTARY INFORMATION

FORTERRA NW

Consolidating Statement of Financial Position December 31, 2024 (With Comparative Totals for 2023)

	2024				
	Forterra NW	Other Entities	Eliminations	Total	2023 Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 3,540,469	\$ 349,158	\$ -	\$ 3,889,627	\$ 4,105,441
Accounts and pledges receivable	613,186	149,000	(173,786)	588,400	622,937
Prepaid expenses	155,438	19,377		174,815	163,071
Land and rights held for sale, current	2,199,500			2,199,500	1,687,500
Total Current Assets	6,508,593	517,535	(173,786)	6,852,342	6,578,949
Accounts and pledges receivable, net of current portion	39,833			39,833	71,456
Note receivable	2,200,000			2,200,000	2,200,000
Land and rights held for sale, noncurrent	1,743,000			1,743,000	1,743,000
Investments in Forterra Strong Communities Funds	880,043	245,703		1,125,746	1,107,048
Investments in wholly-owned subsidiaries	1,383,820		(1,383,820)		
Property and equipment, net	41,328	2,898,231		2,939,559	2,991,745
Long-term land holdings	26,718,075	652,092		27,370,167	24,269,165
Investments in marketable securities	3,208,859			3,208,859	2,978,566
Total Assets	\$ 42,723,551	\$ 4,313,561	\$ (1,557,606)	\$ 45,479,506	\$ 41,939,929
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	\$ 451,996	\$ 32,643	\$ (173,786)	\$ 310,853	\$ 145,769
Accrued expenses	355,966			355,966	307,159
Unearned revenue	150,089			150,089	34,288
Notes payable, current portion		100,000		100,000	
Line of credit	800,000			800,000	800,000
Total Current Liabilities	1,758,051	132,643	(173,786)	1,716,908	1,287,216
Notes payable, net of current portion	4,992,315			4,992,315	3,610,716
Total Liabilities	6,750,366	132,643	(173,786)	6,709,223	4,897,932
Net Assets:					
Net assets without donor restrictions-					
Undesignated	2,703,361	3,528,826	(1,383,820)	4,848,367	6,204,698
Board-designated	961,539			961,539	851,025
Invested in land and easements	26,718,075	652,092		27,370,167	24,269,165
Total net assets without donor restrictions	30,382,975	4,180,918	(1,383,820)	33,180,073	31,324,888
Net assets with donor restrictions	5,590,210			5,590,210	5,717,109
Total Net Assets	35,973,185	4,180,918	(1,383,820)	38,770,283	37,041,997
Total Liabilities and Net Assets	\$ 42,723,551	\$ 4,313,561	\$ (1,557,606)	\$ 45,479,506	\$ 41,939,929

See independent auditor's report.

FORTERRA NW

Consolidating Statement of Activities For the Year Ended December 31, 2024 (With Comparative Totals for 2023)

	2024				2023 Total
	Forterra NW	Other Entities	Eliminations	Total	
Without Donor Restriction Activity					
Revenues and Other Income:					
Grants and contributions	\$ 9,469,493	\$ 4,650	\$ -	\$ 9,474,143	\$ 4,620,242
In-kind contributions	4,500			4,500	208,365
Fee for service	798,937	214,714	(74,151)	939,500	1,035,135
Investment return	63,263	(60,190)		3,073	67,910
Net assets released from restrictions	973,871			973,871	1,352,522
Total Revenues and Other Income	11,310,064	159,174	(74,151)	11,395,087	7,284,174
Expenses:					
Program services	6,507,276	259,088	(74,151)	6,692,213	5,927,743
Management and general	1,226,327			1,226,327	1,490,540
Fundraising	924,486			924,486	1,243,854
Total Expenses	8,658,089	259,088	(74,151)	8,843,026	8,662,137
Change in Net Assets Without Donor Restrictions Before Property Donations and Impairment Losses	2,651,975	(99,914)		2,552,061	(1,377,963)
Donated land received	1,400,000			1,400,000	
Land donated to others	(2,096,876)			(2,096,876)	(1,569,610)
Impairment losses					(1,639,111)
Total Change in Net Assets Without Donor Restrictions	1,955,099	(99,914)		1,855,185	(4,586,684)
Donor-Restricted Activity					
Revenues and Other Income:					
Grants and contributions	762,617			762,617	714,219
Investment return	84,355			84,355	112,991
Net assets released from restrictions	(973,871)			(973,871)	(1,352,522)
Total Change in Net Assets With Donor Restrictions	(126,899)			(126,899)	(525,312)
Total Change in Net Assets	1,828,200	(99,914)		1,728,286	(5,111,996)
Net Assets:					
Beginning of year	34,144,985	4,261,332	(1,364,320)	37,041,997	42,153,993
Equity contributions from Forterra NW		19,500	(19,500)		
End of Year	\$ 35,973,185	\$ 4,180,918	\$ (1,383,820)	\$ 38,770,283	\$ 37,041,997

See independent auditor's report.