Oregon
Kate Brown, Governor

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To: Oregon Energy Facility Siting Council

From: Todd R. Cornett, Assistant Director/Council Secretary

Date: October 12, 2018

Re: Agenda Item E (Information Item) - The Climate Trust Financial Audit for 2017 for the October 25-26, 2018 EFSC Meeting.

To continue to be recognized as a "Qualified Organization" for the purpose of receiving funds to produce the reduction in greenhouse gas emission necessary to meet the carbon emission standard associated with energy facilities that emit carbon dioxide, The Climate Trust must comply with OAR 345-001-0010(50)(d)) which is consistent with ORS 469.503(2)(e)(N)(iv):

> *"Has made available on an annual basis, beginning after the first year of operation, a signed opinion of an independent certified public accountant stating that the qualified organization's use of funds pursuant to this statute conforms with generally accepted accounting procedures except that the qualified organization shall have one year to conform with generally accepted accounting principles in the event of a nonconforming audit"*

On August 17, 2018 the attached report, "The Climate Trust and Subsidiary - Consolidated Financial Statements –Year Ended December 31, 2017", was submitted. Included on page one is the following language from Kern & Thompson, LLC, Certified Public Accountants dated August 3, 2018 which shows compliance with this requirement:

> *"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Climate Trust and Subsidiary as of December 31, 2017, 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."*

THE CLIMATE TRUST AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

THE CLIMATE TRUST™

KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

THE CLIMATE TRUST AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2017

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KERN THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Climate Trust and Subsidiary
Portland, Oregon

We have audited the accompanying consolidated financial statements of The Climate Trust and Subsidiary (non-profit organization and for-profit subsidiary), which comprise the consolidated statement of financial position as of December 31, 2017, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Climate Trust and Subsidiary as of December 31, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited The Climate Trust and Subsidiary's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
August 3, 2018

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THE CLIMATE TRUST AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

ASSETS

	2017	2016
Cash and cash equivalents	$ 4,744,698	$ 3,954,696
Investments	20,982,548	20,744,843
Accounts, grants and contracts receivables	91,718	87,073
Prepaid expenses and deposits	31,045	27,840
Prepaid offset purchases	1,554,419	1,863,786
Carbon offset inventory	2,183,738	3,528,458
Investments in pilot projects	2,735,931	-
Fixed assets net of accumulated depreciation ($33,252 and $82,018)	1,237	1,767
Total assets	**$ 32,325,334**	**$ 30,208,463**

LIABILITIES AND NET ASSETS

	2017	2016
Lines of credit	2,917,501	3,834,287
Accounts payable	62,250	87,070
Accrued expenses	288,604	237,274
Loan payable - pilot projects	2,909,606	-
Unearned offset revenue	22,333,378	24,326,964
Total liabilities	**28,511,339**	**28,485,595**
Net assets		
Unrestricted	3,813,995	1,722,868
Total net assets	**3,813,995**	**1,722,868**
Total liabilities and net assets	**$ 32,325,334**	**$ 30,208,463**

See notes to financial statements.

THE CLIMATE TRUST AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Revenues and other support		
Offset project revenue	$ 5,532,900	$ 3,396,073
Offset fee revenue	1,048,718	1,067,297
Other contract revenue	56,017	43,990
Contributions and grants	401,525	379,440
In-kind donations	157,180	248,849
Investment income, net of expenses	327,612	340,300
Total revenues and other support	**7,523,952**	**5,475,949**
Expenses		
Program services	6,533,226	4,652,885
Management and general	764,365	785,140
Total expenses	**7,297,591**	**5,438,025**
Income (loss) from operations	226,361	37,924
Unrealized gain (loss) on investments	1,864,766	484,355
Change in net assets	**2,091,127**	**522,279**
Net assets, beginning of year	1,722,868	1,200,589
Net assets, end of year	**$ 3,813,995**	**$ 1,722,868**

See notes to financial statements.

THE CLIMATE TRUST AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Program Services	Management and General	Total 2017	Total 2016
Salaries	$ 772,355	$ 447,286	$ 1,219,641	$ 1,286,384
Payroll taxes	52,768	39,808	92,576	77,963
Employee benefits	135,673	98,246	233,919	235,054
Offset contracts	5,083,903	-	5,083,903	3,129,248
Professional services	318,428	25,910	344,338	421,871
Occupancy	25,757	42,025	67,782	66,051
Office expenses	1,853	59,911	61,764	67,115
Interest Expense	102,220	-	102,220	55,809
Meetings, conferences, and training	3,899	2,493	6,392	6,397
Travel	26,581	29,975	56,556	65,050
Miscellaneous	9,789	18,181	27,970	26,553
Depreciation	-	530	530	530
	$ 6,533,226	**$ 764,365**	**$ 7,297,591**	**$ 5,438,025**

See notes to financial statements.

THE CLIMATE TRUST AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 2,091,127	$ 522,279
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Depreciation	530	530
Net realized/unrealized (gain) loss on investments	(1,864,766)	(484,355)
(Increase) decrease in:		
Accounts, grants and contracts receivable	(4,645)	(78,998)
Prepaid expenses and deposits	(3,205)	21,517
Prepaid offset purchases	309,367	(190,932)
Sale (purchase) of carbon offset inventory	1,344,720	(3,244,193)
Accounts payable and accrued expenses	26,510	146,107
Refundable advance	-	(188,473)
Unearned offset revenue	(1,993,586)	(2,524,174)
Net cash provided by (used in) operating activities	**(93,948)**	**(6,020,692)**
Cash flows from investing activities:		
Purchase of investments	(4,507)	(1,988)
Proceeds from sale of investments	1,631,568	1,379,832
Investment in pilot projects	(2,735,931)	-
Net cash provided by (used in) investing activities	**(1,108,870)**	**1,377,844**
Cash flows from financing activities:		
(Payments) proceeds from line of credit, net	(916,786)	3,834,287
Proceeds from loan payable - pilot projects	2,909,606	-
Net cash provided by financing activities	**1,992,820**	**3,834,287**
Change in cash and cash equivalents	**790,002**	**(808,561)**
Cash and cash equivalents, beginning of year	3,954,696	4,763,257
Cash and cash equivalents, end of year	**$ 4,744,698**	**$ 3,954,696**
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 102,220**	**$ 55,809**

See notes to financial statements.

NOTE A – DESCRIPTION OF ORGANIZATION

Oregon Climate Trust (OCT) was originally formed in 1997. On August 4^{th}, 2016 OCT formed a wholly owned subsidiary, Climate Trust Capital LLC to serve as the management company (the "Management Company") to administer a limited partnership carbon investment pilot fund ("Fund I"). The Management Company entered into agreements with Climate Trust Capital Fund I GP, LLC and Climate Trust Capital Fund I, LP (collectively, Climate Trust Capital, "CTC"). OCT is the sole member of the Management Company. The Management Company is the sole member of Climate Trust Capital Fund I, LLC. Climate Trust Capital Fund I, LLC is the general partner in Climate Trust Capital Fund I, LP. Fund I is structured to receive program-related investment loan proceeds from The David and Lucile Packard Foundation (See note G) and operates in accordance with OCT's exempt purpose. During 2017, CTC received loan proceeds and invested funds in four carbon investment Fund I pilot projects; CTC had no transactions in 2016.

OCT's and CTC's (collectively, The Climate Trust and Subsidiary, "TCT', or the Organization) mission is to mobilize conservation finance to maximize environmental returns. TCT values air, water and soil through the financing, development and sale of qualified offsets and a relentless investment in people and projects with environmental purpose.

TCT is committed to staving off a disastrous rise in global temperatures by investing in quality projects that accelerate the pace of carbon mitigation. The Organization's track record is based on two decades of proficiency developing and monetizing carbon offset projects. TCT invests and engages at a critical stage of project development, when owners are seeking to reduce risk and need operational expertise to ensure their carbon projects are successful. TCT's innovative conservation financing solutions also have the added benefit of encouraging nascent sector development and establishing a supportive policy environment in the forestry, grassland conservation and livestock digester sectors.

TCT develops resources, programs and project portfolios to reduce, eliminate, sequester, or avoid carbon dioxide equivalents emissions. TCT acts on behalf of utilities, corporations, government agencies and private entities to stimulate, support and finance the supply of greenhouse gas emission reductions based on regulatory requirements and voluntary climate change commitments.

TCT receives funds from electricity facility developers under requirements of the Oregon Carbon Dioxide Standard, and from other entities seeking to reduce their carbon footprint. As a result, TCT evaluates, implements, finances, monitors and administers contracts with third parties that produce measurable and verifiable greenhouse gas reductions or "carbon offsets". Carbon offset contracts are awarded to other entities in accordance with the mission of TCT which also receives contributions and earned revenue from both public and private entities.

Offset Funds and Definitions

Offset Funds – If a power facility elects to use the monetary path for compliance, the amount of emission reduction needed to meet the CO2 Standard is factored to calculate the amount of offset funds the certificate holder must provide to a "qualified organization," TCT in this case. TCT is to use 80% of the offset funds to "contract for the implementation of offsets directly".

Obligated – Offset funds that are committed to meet a future payable for offsets via an Emission Reduction Purchase Agreement (ERPA).

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

Unobligated – Offset funds that are not yet committed to meet a future payable.

Deobligated – Offset funds that were committed via an ERPA, but due to ERPA under-performance or non-performance, are reallocated to an unobligated status.

Retirement – The act of declaring the receipt of Verified Emission Reductions (offsets) as retired for perpetuity on TCT's Carbon Registry so that they cannot be double counted.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Oregon Climate Trust and Climate Trust Capital. All intercompany transactions and balances have been eliminated.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

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 unrestricted or temporarily restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. There were no temporarily restricted net assets as of December 31, 2017 and 2016.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include restricted cash required to be held in a separate bank accounts which totaled $3,602,650 and $3,098,845 and, respectively, at December 31, 2017 and 2016. These restricted cash accounts are pledged as security to the funder for performance of contractual obligations. Cash and cash equivalents held for long-term investment purposes are excluded from cash and cash equivalents and are included in investments.

Investments

Investments are carried at fair value.

Accounts, Grants and Contracts Receivable

Accounts receivable are unsecured and reported at the amount management expects to collect on balances outstanding at year-end.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts, Grants and Contracts Receivable (Continued)

The organization also receives grants and contracts from federal agencies and private foundations. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be insignificant.

Carbon Offset Inventory

Carbon offset inventory represents offsets transferred to TCT upon receipt of payment. Offsets may be utilized to provide utilities and other companies access to quality carbon credits. Cost is determined using the specific identification method.

Prepaid Offset Purchases

Prepaid offset purchases represent payments to suppliers for carbon credits to be delivered in future periods. Management has evaluated the financial stability and past performance history of such suppliers, and has recorded prepaid balances from three suppliers that meet its criteria.

Investment in Pilot Projects

Investment in pilot projects represents revenue sharing joint ventures with four project owners funded with loan proceeds under a Credit Agreement with The David and Lucile Packard Foundation (the Foundation). The funds were deployed for program related investments with the project owners for the pre-purchase of carbon credits from forestry, livestock digester and grassland conservation projects (See note H). The joint venture investments are secured by carbon credits to be produced in future years. Management has evaluated the financial stability of the project owners and provided due diligence documentation to the Foundation prior to the disbursement of the loan funds, and has determined no impairment has occurred.

The Organization has entered into a carbon finance investment agreement with each project owner that provides 100% of carbon credits produced will be transferred to the Organization until Net Revenue (as defined by the agreement) equals the investment amount. Subsequently, the Net Revenue will be shared equally with the project owner until the agreement terminates after the 10 year crediting period expires.

Revenue Recognition

Offset project funds received but not yet obligated are recorded as unearned offset revenue. Offset project revenue is recognized when contracted carbon offsets are acquired and retired. Revenues associated with the purchase and sale of carbon offsets are recorded when the title passes.

Offset fee revenues are recognized as revenue as selection, contracting and management services are performed. Fixed-fee management contract revenues are recognized using the percentage of completion method of accounting. Percentage of completion is determined by estimating expected total effort percentages by year and applying such percentages to the total contractual fee revenue amount. Offset fee revenues received but not yet earned are recorded as unearned offset fee revenue. Other service revenues are recognized at the time services are provided.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. The Organization reports gifts of cash and other assets as temporarily 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 reported in the consolidated statement of activities as net assets released from restrictions.

In-Kind Support

In-kind support consists primarily of discounts on services for professionals and is recorded at fair value on date of donation.

Federal and State Income Taxes

OCT is organized as a nonprofit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as the Organization has no unrelated business income. The Organization is not a private foundation.

The CTC's are single member limited liability corporations or limited partnerships with no limited partners, all controlled by OCT and considered disregarded entities for tax purposes.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements are 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE C – INVESTMENTS

Investments are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is also shown in the statement of activities. Interest income is accrued as earned.

In order to present comparable operating results of the Organization's ongoing endeavors, the statement of activities present the net realized/unrealized gain (loss) on investments separate from operating activities.

Total investment return consists of the following components:

	2017	2016
Operating:		
Investment income	$ 477,333	$ 501,994
Investment fees	(149,721)	(161,694)
	327,612	340,300
Nonoperating:		
Net realized/unrealized gain (loss)	1,864,766	484,355
Total investment return	$ 2,192,378	$ 824,655

NOTE D – UNEARNED OFFSET REVENUE

The Organization has entered into several long-term purchase agreements for the supply and purchase of carbon offset credits each year. Purchase commitments under these arrangements are included in the unearned offset revenue balance of $22,333,378 and are as follows at December 31, 2017:

Year Ended December 31,	
2018	$ 4,662,829
2019	2,042,907
2020	1,463,863
2021	1,179,477
2022	868,310
Thereafter	5,698,347
Total	$ 15,915,733

NOTE E – CONCENTRATION OF REVENUE

For 2017, carbon offset project revenues from two contracts represent 57% of total revenue. For 2016, carbon offset project revenues from two contracts represent 56% of total revenue.

NOTE F – LINES OF CREDIT

The Climate Trust and Subsidiary has a $500,000 line of credit from Beneficial State Bank with interest payable monthly at the bank's prime rate less .25% (4.5% at December 31, 2017). The line matures January 2019 and is secured by a $500,000 certificate of deposit and is subject to certain nonfinancial covenants. No advances on the line were outstanding at December 31, 2017 and 2016.

The Climate Trust and Subsidiary has an $11,965,000 line of credit from UBS Bank USA with interest payable at the 30 day LIBOR rate plus 1.75% (3.31% at December 31, 2017). The line is due on demand and secured by certain UBS Investment account balances. Advances outstanding at December 31, 2017 were $ 2,917,501.

NOTE G – CTC CREDIT AND PUT OPTION AGREEMENTS

On September 7, 2016, Fund I entered into a $2,750,004 maximum Put Option as a requirement of the Credit Agreement with The David and Lucile Packard Foundation. The Put Option gives Fund I the right, but not the obligation, to sell up to $2,750,004 of credits to Oregon Climate Trust over the life of the Credit Agreement. As of December 31, 2017, $2,750,004 was obligated to the Put Option through an internal accounting entry within the Unearned Offset Revenue account, which reclassified the $2,750,004 from the unobligated category to the obligated category. Because both the unobligated and obligated categories are in Unearned Offset Revenue, there is no net effect on this account.

NOTE H – LOAN PAYABLE – PILOT PROJECTS

On Oct 10, 2016, CTC executed a Credit Agreement with the David and Lucile Packard Foundation for consideration of loan proceeds up to $5,500,000. Interest is payable quarterly and accrues on the outstanding principal balance at a rate equal to 1.0% per annum, simple interest. Principal payments begin twenty-four months after the first draw on the loan. During 2017, CTC received loan proceeds and invested funds in four carbon investment Fund I pilot projects; CTC had no transactions in 2016. As of December 31, 2017, $2,909,606 was outstanding under the Credit Agreement of which $2,735,931 was distributed to the project owners for the pre-purchase of carbon offset credits. The difference between the amount of the loan and the amount deployed is held in a CTC cash account and utilized for the costs associated with development of the carbon credits.

The quarterly principal payments are based upon net cash received from the sale of carbon credits, with minimum cumulative payments to be met as follows:

% of total advances	Due by
18%	May 2021
36%	May 2023
82%	May 2025

NOTE I – EPAF CREDIT AND PUT OPTION AGREEMENT

On August 1, 2017, Oregon Climate Trust entered into a grant agreement with the United States Department of Agriculture to pilot the Environmental Price Assurance Facility (EPAF), an internal set-aside designation of funds within TCT. The EPAF will essentially establish a carbon price floor through an auction process whereby the winning bidders will hold a put option that will give them the right but not the obligation to sell offsets to the Oregon Climate Trust. The grant agreement requires Oregon Climate Trust to segregate a certain amount to purchase offsets through put option agreements entered under the EPAF. During 2017, $2,000,000 was obligated to the put option through an internal accounting entry within the Unearned Offset Revenue account, which reclassified the $2,000,000 from the unobligated category to the obligated category. Because both the unobligated and obligated categories are in Unearned Offset Revenue, there is no net effect on this account.

NOTE J – LEASE COMMITMENT

TCT leases office space under lease agreements through December 31, 2023. Monthly rent is $4,926 and increases annually. Lease expense for the years ended December 31, 2017 and 2016 was $67,782 and $66,051, respectively.

Future annual minimum lease payments under this agreement are as follows:

Year Ended December 31,		
2018	$	50,700
2019		44,904
2020		46,257
2021		47,646
2022		49,071
Thereafter		50,535
Total	$	289,113

NOTE K – RETIREMENT PLAN

TCT has a defined contribution 401(k) plan covering all eligible employees. The Organization makes contributions to the plan up to 4% of all eligible participants' compensation. Contributions to the plan for 2017 and 2016 were $40,873 and $41,905, respectively.

NOTE L – CONCENTRATIONS OF CREDIT RISK

The Organization's cash accounts are maintained in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. Balances in excess of insured limits were approximately $4,331,400 and $3,705,000 as of December 31, 2017 and 2016, respectively. Uninsured balances at December 31, 2017 include approximately $350,600 in cash balances held in investment brokerage accounts.

NOTE L – CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position. TCT's investment return, utilizing fixed income securities, is exposed to interest rate changes.

NOTE M – COMMITMENTS AND CONTINGENCIES

TCT has commitments under various carbon offset and other contracts whereby additional payments or receipts are due contingent upon the companies or TCT fulfilling certain obligations. Due to the uncertain nature of these commitments, future anticipated payments and receipts are not determinable and are not reported in the accompanying consolidated financial statements.

NOTE N – RELATED PARTY DISCLOSURE

The Organization enters into contracts with third parties as required by the Qualified Organization under the Oregon Carbon Dioxide Standard (the Standard) and other programs. As required by the Standard, certain Board Members are either representatives of utilities for which the Organization manages funding or Board Members nominated by the Energy Facility Siting Council or Northwest Energy Coalition. Due to these requirements and as a matter of regular business, TCT has entered into active contracts that involve organizations in which two Board Members are employees. TCT's conflict of interest policy requires that all Board Members disclose potential conflicts and refrain from voting on any actions that pose a possible or actual conflict of interest.

NOTE O – FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the consolidated statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

NOTE O – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

2017	Fair Value	Level 1	Level 2
Cash and cash equivalents	$ 415,649	$ 415,649	$ -
International Equities	3,193,282	3,193,282	-
US Equities	6,349,228	6,349,228	-
Fixed income securities:			
Corporate	4,915,354	-	4,915,354
Municipal	2,044,895	-	2,044,895
Treasuries	3,644,793	-	3,644,793
Asset-backed	419,348	-	419,348
	$ 20,982,549	$ 9,958,159	$ 11,024,390

2016	Fair Value	Level 1	Level 2
Cash and cash equivalents	$ 778,272	$ 778,272	$ -
International Equities	2,861,543	2,861,543	-
US Equities	6,137,326	6,137,326	-
Fixed income securities:			
Corporate	5,056,894	-	5,056,894
Municipal	2,070,028	-	2,070,028
Treasuries	3,162,702	-	3,162,702
Asset-backed	678,078	-	678,078
	$ 20,744,843	$ 9,777,141	$ 10,967,702

Fair values for equities and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for investments in fixed income securities are provided primarily by custodians and are based on pricing models that incorporate available trade, bid and other market information.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 3, 2018, which is the date the financial statements were available to be issued.