Dear Friends,

In 2018, we leaned hard into our new strategic plan by thoughtfully building our impact in sectors and places. In last year’s report, we shared stories of Clean Technology investments — one of our three priority sectors. This year, we’ll look at another: Food and Agriculture. As you’ll see, our work with growers, fishers, processors and wholesalers runs deep and wide, supporting small businesses that have deep Northwest roots and an eye on the future.

As we dig in on food, let’s not forget the big picture. In 2018, Craft3 made 117 commercial loans and 710 consumer loans to borrowers across Washington and Oregon. We provided critical credit for growing businesses of all stripes, capitalized community projects in rural and urban parts of the region, saved 2,940 metric tons of greenhouse gases through cleantech investments and treated over 46 million gallons of water with our Clean Water Loans. Our continued focus on eight geographic hubs and Northwest Indian Country helps us deliver credit to people of color, women, veterans, immigrants and other groups that have been historically frozen out of access to capital. On top of it all, we were able to support land conservation efforts for the critical ecosystems that sustain our region.

In this time of change, we remain committed to the tenets of community resilience and providing resources that help our borrowers seize opportunity. We are witnesses to the changes, opportunities and progress that you make happen. Are we ready to support the work? You bet.

Adam Zimmerman, President & CEO
Since 1994, we've invested in communities across Washington and Oregon. We're pleased to share the scale of our impact during 2018.

- **$38.7 million** invested
- **117** business loans
- **342** home energy loans
- **329** clean water loans
- **728** jobs created or retained
- **56 percent** invested in underserved entrepreneurs
- **3,949** acres preserved
- **46.8 million** gallons of wastewater treated
LOAN production by product

- Craft3 Office Locations
  - General Business
  - Clean Technology
  - Community Facilities
  - Food and Agriculture
  - Underserved Communities
  - Clean Water
  - Home Energy
  - Ada Developers
Craft3’s roots are in rural coastal Oregon and Washington. Many of our early clients were farmers, dairy owners, fishers and seafood processors. In 2007, we expanded to Portland and Seattle to strengthen the connection between urban and rural — linking agriculture, aquaculture and fishing from predominantly rural communities to the urban activities of distribution and retail.

We provide critical access to capital for the entire food supply chain — from primary production (agriculture, fisheries and aquaculture) and value-added processing to distribution, wholesale and retail.

Our creative financing solutions help food and agriculture companies strengthen their business, access new markets and enhance soil and water health.

Since our founding, we’ve invested more than $81 million into food and agriculture projects in the Northwest. Over the next four years, we intend to increase our strategic engagement in the sector by replicating past successes, deepening roots with industry partners and deploying another $30 million.

In this Annual Report, you’ll read about borrowers that made a commitment to write their own story. We hope you’re as inspired by them as we are. See the online version of our Annual Report at http://bit.ly/Craft3in2018.
**IMPACTS** since 1994

**$81 million**
INVESTED

**228**
BUSINESSES

**2,530**
JOBS CREATED OR RETAINED

**18,773**
ACRES PRESERVED

**INVESTMENTS** by sub-sector

- **69.4%** Value-Added Processing
- **14.7%** Agriculture
- **13.3%** Commercial Fishing
- **2.7%** Wholesale/Retail
- **0.01%** Distribution
A chef by trade, Jeff Miller knows a thing or two about quality ingredients. While working in San Francisco restaurants, he began to appreciate the importance of fresh, locally grown produce. He often spoke with his wife about leaving the city to start a country farm — and that’s just what they did!

The couple landed in Snohomish and started Willie Green’s Organic Farm on a small plot of land. Thirty years later, Jeff and his family have 80 acres to farm.

“I love growing things,” says Jeff. “Being outside, working in the dirt and breathing fresh air. It keeps me grounded.”

It’s important to Jeff that Willie Green’s leaves little impact on the environment. When the cucumber beetle infested his Snohomish acreage, Jeff could have used pesticides to protect his crops. Instead, he decided to move farming operations to Skagit County, an area unaffected by the beetle.

It was around then that Jeff’s longtime friend Tim Crosby, coordinator of the Cascadia Foodshed Financing Project, partnered with Craft3 to increase investment in food and agriculture. So Tim sent Jeff our way.

The timing was perfect for it to all come together. Craft3 financed equipment to improve harvest and processing efficiency — helping Jeff’s bottom line and ensuring that he can stay focused on what he loves: growing organic food for tables around the Northwest.

Available
AT WHOLE FOODS & CHARLIE’S PRODUCE

$88,000 INVESTED

8 LIVING-WAGE JOBS

$28,000 LEVERAGED

Sustainable
BUSINESS PRACTICES
Quinault Tribe member Vincent McCrory represents the next generation of tribal fisherman. He got his start working on commercial crab boats as a deckhand. Now he’s ready to take the next step: pursue a lifelong goal of owning and operating his own commercial fishing business.

At a time when many coastal communities are seeing experienced fishermen retire and exit the fleet, Vincent is stepping up to continue the tradition of commercial fishing that sustains the Tribe’s way of life. He wants to pass on his knowledge and passion of commercial fishing to his children so that they can follow in his footsteps.

It is hard, of course, to be a skipper without a boat. So Vincent found a good one — the Miss Heather, a 42-footer with 300 crab pots.

Craft3 and Taala Fund, a Native loan fund serving Quinault Tribal members, worked together to finance the boat for him. It’s just one example of how we prioritize investments in Native entrepreneurs and business owners doing great things.

“Craft3 made my dream of owning a Quinault Tribal crab boat come true. It’s good to work with a lender that really understands how my business should work.”

— Vincent McCrory
When Ashley Chase was diagnosed with celiac disease, it came as a surprise. The Bend entrepreneur had always thought of herself as a healthy person.

But now, out of nowhere, she needed to focus even more on health and wellness. And for her, that meant saying goodbye to gluten.

Some of her favorite foods were incompatible with that diet — including her favorite organic granola, which was chock full of sugar. With that realization, Ashley started making her own granola with more nuts, seeds and nutrients and fewer oats, fillers and sugars.

When a local chef caught wind of her granola mix and asked to include her granola on his breakfast menu, Ashley founded Birdseed Food Co. as a one-woman operation.

A year later, it was clear to Ashley that she needed funds to grow — and so she turned to Craft3 for financing to move manufacturing into an outside packing facility and to expand to new grocers.

Birdseed Food Co. products are sold throughout Oregon and California and online at www.birdseedfoodco.com.
In her early twenties, Marisol Becerra began harvesting asparagus, tomatoes, corn and bell peppers on her father's 50-acre farm in the Walla Walla Valley. When her father was injured just before harvest, Marisol stepped in for the season — managing crews, monitoring soil and watering. At the end of harvest, she said to herself, “I think I can do this.” So Marisol started family-operated Memories@Martinez Farm, specializing in the wholesale distribution of Locati Farms-grown sweet onions to produce stands in Portland and throughout NE Oregon and SE Washington.

She needed financing, though, and she wasn’t ready for bank capital. Craft3 stepped in to help with a $25,000 loan to purchase onion-sorting equipment and inventory for the 2018 season.

We believe small distributors have the power to strengthen the connection between urban and rural. That’s what Marisol does, and that’s why we were proud to support her.

“It was amazing to have the money we needed to get our own equipment for packing and distribution this season. We didn’t have to compromise or scramble to borrow equipment from someone else, it was ours.”

— Marisol Becerra
2018FUNDERS

INSTITUTIONAL Grantors and Investors
- Bullitt Foundation
- Capital One
- City of Spokane
- Energy Trust of Oregon
- F.B. Heron Foundation
- First Dollar Foundation
- HSBC Bank USA
- JPMorgan Chase Foundation
- Kitsap Bank
- Lora L. and Martin N. Kelley Family Foundation
- Meyer Memorial Trust
- Opus Community Foundation
- Oregon Community Foundation
- Philanthropy Northwest
- Seattle Foundation
- Seattle Alternative Investment Association
- State of Oregon, Department of Environmental Quality
- State of Washington, Department of Commerce
- State of Washington, Department of Ecology
- Thread Fund
- Titcomb Foundation
- Umpqua Bank
- United Business Bank
- U.S. Department of Treasury, CDFI Fund
- Wells Fargo Foundation
- Weyerhaeuser Family Foundation
- Whatcom Community Foundation

WEALTH MANAGERS of Individual Investors
- Baldwin Brothers
- Figure 8 Investment Strategies
- Fresh Pond Capital at Reynders McVeigh Capital Management, LLC
- Laird Norton Wealth Management
- Natural Investments, LLC
- NorthFork Financial, LLC
- The Sustainability Group at Loring, Wolcott & Coolidge
- Tiedemann Advisors
- Trillium Asset Management
CASCADIA FOODSHED FINANCING PROJECT

Investing in regional food and agriculture businesses that aren’t yet ready for bank financing can sometimes require creative partnerships. That’s why, in 2018, we began working with the Cascadia Foodshed Financing Project (CFFP), a collaboration of local and regional foundations committed to increasing the availability of capital for food, agriculture and fisheries businesses.

Our partnership, which increases knowledge-sharing and brokers new relationships is anchored by operating grants to Craft3 totaling more than $300,000. We’ve been able to leverage that grant funding to bring in an additional $2.2 million in impact investments. Together, those financial resources will help us invest in the sorts of food and agriculture businesses that you’ve read about here.

“I’m proud that Craft3 and CFFP are working together to build a regional, sustainable food economy. Their expertise in food and agriculture is helping us understand what sort of new, creative capital sources may be needed to better-support Pacific Northwest farmers and entrepreneurs.”

Tim Crosby, CFFP Coordinator
## 2018 FINANCIALS

### AUDITED financial summary

#### CONSOLIDATED STATEMENT OF ACTIVITIES*

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<thead>
<tr>
<th>REVENUE AND OTHER SUPPORT</th>
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<tbody>
<tr>
<td>Grants and contributions</td>
<td>5,423,242</td>
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<td>Interest and fees</td>
<td>11,782,556</td>
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<td>Other income</td>
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<td><strong>Total Revenue</strong></td>
<td><strong>17,888,846</strong></td>
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<th>EXPENSES</th>
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<td>Program services</td>
<td>15,278,168</td>
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<tr>
<td>Supporting services</td>
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<td><strong>Total Expenses</strong></td>
<td><strong>17,495,896</strong></td>
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| Change in net assets before unrealized investment gains (losses) and federal income tax | 392,950 |
| Net unrealized gains (losses) on investments | 12,657  |
| Federal income tax benefit | (351,383) |

| **CHANGE IN NET ASSETS/NET INCOME** | **54,224** |

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

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<tr>
<th>ASSETS</th>
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<tbody>
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<td>Current cash and investments</td>
<td>42,249,382</td>
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<td>Loans receivable, net</td>
<td>101,599,146</td>
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<td>Other assets</td>
<td>4,274,787</td>
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<td><strong>Total Assets</strong></td>
<td><strong>148,123,315</strong></td>
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<tr>
<th>LIABILITIES</th>
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<td>Current liabilities</td>
<td>25,353,768</td>
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<td>Long-term debt, net of current</td>
<td>74,783,618</td>
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<td><strong>Total Liabilities</strong></td>
<td><strong>100,137,386</strong></td>
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<table>
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<tr>
<th>NET ASSETS</th>
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<tbody>
<tr>
<td>Unrestricted</td>
<td>47,215,936</td>
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<tr>
<td>With donor restrictions</td>
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<td><strong>Total Net Assets</strong></td>
<td><strong>47,985,929</strong></td>
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<tr>
<td>Total Liabilities and Net Assets</td>
<td><strong>148,123,315</strong></td>
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*The Consolidated Statement of Financial Position and Consolidated Statement of Activities presented were audited by Moss Adams, LLP. See [www.craft3.org/results](http://www.craft3.org/results) for audited statements.*
Board of Directors

(left to right)

Lee Winslett
Mary Houghton
Denise Pranger
Stan Amy
Martha Choe
Walt Krumbholz
Paul Benoit, Chair
Brady Scott
(Former Director)
Linda Hoffman
Linda Nettekoven
Ron Grzywinski

Not pictured
Jo Ann Kauffman
HELLO SUGAR,