

**SIGHTLINE INSTITUTE**

FINANCIAL REPORT

DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS  
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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Sightline Institute  
Seattle, Washington

We have audited the accompanying statement of financial position of Sightline Institute as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Sightline Institute's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sightline Institute as of December 31, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The financial statements for the year ended December 31, 2009, were reviewed by us, and our report thereon dated March 18, 2010, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

*Peterson Sullivan LLP*

March 17, 2011

# SIGHTLINE INSTITUTE

## STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS	2010 (Audited)	2009 (Reviewed)
Current assets		
Cash and cash equivalents	\$ 688,009	\$ 560,642
Investments	413,712	552,846
Receivables		
Accounts receivable	4,872	45,215
Contributions receivable, net, current portion	48,011	55,723
Grants receivable, current portion	75,000	55,000
Interest in notes receivable, current portion	164,109	155,225
Interest receivable	3,621	8,063
Inventory	8,784	12,180
Prepaid expenses	19,032	17,414
Total current assets	1,425,150	1,462,308
Long-term portion of receivables, less current portions		
Contributions receivable, net	194,484	216,539
Grants receivable	100,000	175,000
Interest in notes receivable		164,109
Property and equipment, net	13,094	12,709
Website development costs, net	31,639	46,070
Total assets	<u>\$ 1,764,367</u>	<u>\$ 2,076,735</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 7,461	\$ 1,906
Accrued payroll liabilities	98,821	71,874
Deferred revenue		36,940
Total current liabilities	106,282	110,720
Net assets		
Unrestricted	1,171,658	1,394,105
Temporarily restricted	486,427	571,910
Total net assets	1,658,085	1,966,015
Total liabilities and net assets	<u>\$ 1,764,367</u>	<u>\$ 2,076,735</u>

# SIGHTLINE INSTITUTE

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	2010 (Audited)			2009 (Reviewed)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue</b>						
Public support						
Grants	\$ 357,388	\$ 60,112	\$ 417,500	\$ 330,000	\$ 385,000	\$ 715,000
Contributions	325,900	24,400	350,300	199,591	73,600	273,191
In-kind contributions	108,506		108,506	62,140		62,140
Fees for service	43,630		43,630	9,804		9,804
Sales of publications	18,752		18,752	20,043		20,043
Cost of sales	(3,396)		(3,396)	(3,882)		(3,882)
Interest income on notes receivable	11,684		11,684	19,857		19,857
Investment income	12,675		12,675	21,180		21,180
<b>Total revenue</b>	<b>875,139</b>	<b>84,512</b>	<b>959,651</b>	<b>658,733</b>	<b>458,600</b>	<b>1,117,333</b>
Net assets released from restrictions	169,995	(169,995)		288,783	(288,783)	
	1,045,134	(85,483)	959,651	947,516	169,817	1,117,333
<b>Functional expenses</b>						
Program services	1,021,340		1,021,340	857,804		857,804
Management and general	51,575		51,575	67,077		67,077
Fundraising	194,666		194,666	195,722		195,722
<b>Total functional expenses</b>	<b>1,267,581</b>		<b>1,267,581</b>	<b>1,120,603</b>		<b>1,120,603</b>
<b>Change in net assets</b>	<b>(222,447)</b>	<b>(85,483)</b>	<b>(307,930)</b>	<b>(173,087)</b>	<b>169,817</b>	<b>(3,270)</b>
Net assets, beginning of year	1,394,105	571,910	1,966,015	1,567,192	402,093	1,969,285
<b>Net assets, end of year</b>	<b>\$ 1,171,658</b>	<b>\$ 486,427</b>	<b>\$ 1,658,085</b>	<b>\$ 1,394,105</b>	<b>\$ 571,910</b>	<b>\$ 1,966,015</b>

See Notes to Financial Statements

# SIGHTLINE INSTITUTE

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

(Audited)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 564,283	\$ 24,314	\$ 118,122	\$ 706,719
Payroll taxes and benefits	180,698	7,786	37,826	226,310
Consultants and contract personnel	62,815	343	2,352	65,510
Advertising and media	40,289		298	40,587
Rent	42,980	1,911	9,942	54,833
Travel and meals	9,397	4,360	6,539	20,296
Depreciation and amortization	20,621	275	1,432	22,328
Telephone and internet	11,805	143	751	12,699
Small equipment	19,246	130	3,713	23,089
Accounting and legal	49,556	7,750		57,306
Printing and reproduction	5,311	232	4,866	10,409
Dues and fees	1,826	462	2,565	4,853
Postage and bulk mail	2,564	71	2,806	5,441
Office supplies	1,487	54	401	1,942
Publications and subscriptions	1,519		2,595	4,114
Bad debt	1,681	75	389	2,145
Miscellaneous	5,262	3,669	69	9,000
Total expenses	<u>\$ 1,021,340</u>	<u>\$ 51,575</u>	<u>\$ 194,666</u>	<u>\$ 1,267,581</u>

See Notes to Financial Statements

## SIGHTLINE INSTITUTE

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2009

(Reviewed)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 491,465	\$ 34,191	\$ 113,465	\$ 639,121
Payroll taxes and benefits	151,522	10,542	34,982	197,046
Consultants and contract personnel	45,965	381	10,971	57,317
Advertising and media	57,334		965	58,299
Rent	37,670	3,491	11,719	52,880
Travel and meals	28,225	1,769	4,067	34,061
Depreciation and amortization	19,646	421	1,646	21,713
Telephone and internet	10,638	477	1,050	12,165
Small equipment	5,584	712	5,743	12,039
Accounting and legal		10,400		10,400
Printing and reproduction	4,025	227	4,472	8,724
Dues and fees	1,855	531	4,460	6,846
Postage and bulk mail	3,000	116	1,950	5,066
Office supplies	1,614	275	599	2,488
Publications and subscriptions	1,425	23	493	1,941
Bad debt (recovery)	(5,033)	(407)	(1,589)	(7,029)
Miscellaneous	2,869	3,928	729	7,526
Total expenses	\$ 857,804	\$ 67,077	\$ 195,722	\$ 1,120,603

See Notes to Financial Statements

# SIGHTLINE INSTITUTE

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010 (Audited)	2009 (Reviewed)
Cash Flows from Operating Activities		
Change in net assets	\$ (307,930)	\$ (3,270)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	22,328	21,713
Change in operating assets and liabilities		
Receivables	129,552	(156,439)
Inventory	3,396	3,882
Prepaid expenses	(1,618)	1,201
Accounts payable	5,555	(4,168)
Accrued payroll liabilities	26,947	(11,255)
Deferred revenue	(36,940)	36,940
Net cash flows from operating activities	(158,710)	(111,396)
Cash Flows from Investing Activities		
Principal received on notes receivable	155,225	147,771
Sale (purchase) of investments, net	139,134	(21,511)
Purchase of equipment	(8,282)	(10,170)
Net cash flows from investing activities	286,077	116,090
<b>Net change in cash and cash equivalents</b>	<b>127,367</b>	<b>4,694</b>
Cash and cash equivalents, beginning of year	560,642	555,948
<b>Cash and cash equivalents, end of year</b>	<b>\$ 688,009</b>	<b>\$ 560,642</b>

See Notes to Financial Statements

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### Organization

Sightline Institute (“Sightline”) is an independent, nonprofit research and communications center working to make the Northwest a global model of sustainability – strong communities, a green economy, and a healthy environment. Since 1993, Sightline has equipped policymakers and citizens with the information and tools they need to advance solutions to the most significant challenges facing our region. Sightline's innovative research and practical ideas connect the dots across a range of issues, giving leaders the resources they need to create change.

#### Financial Statement Presentation

Sightline reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Sightline has no permanently restricted net assets, so this class of net assets is not shown on the financial statements. Contributions that are received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. Sightline has elected to show temporarily restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Temporarily restricted net assets consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Time restricted grants and contributions	\$ 426,315	\$ 478,337
Contributions and grants restricted to support specific programs		
Sound stormwater	45,000	
Oregon stormwater	5,000	
Climate policy projects	10,112	29,483
Diversity planning projects		30,000
Community leaders outreach		23,816
Green collar jobs projects		6,805
Cascadia scorecard		3,469
	<u>\$ 486,427</u>	<u>\$ 571,910</u>

## **Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less. Sightline's cash balances exceed federally insured limits.

## **Income Taxes**

Sightline is a nonprofit organization which is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Tax returns for the last three years are subject to audit by federal authorities.

## **Investments**

Investments are measured at fair value and the change in value is included in the change in net assets. Fair value is defined as an exit price, representing the amount that would be received to sell an asset in an orderly transaction between market participants. The fair value measurement of the investments was determined using Level 1 observable market inputs, within the fair value hierarchy, consisting of quoted prices in active markets for identical assets.

Investments consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Calvert fixed income mutual fund - short duration	\$ 73,842	\$ 71,672
Calvert fixed income mutual fund - social investment	59,325	55,880
Domini fixed income mutual fund	104,611	100,056
U.S. Treasury bills	150,601	301,725
Parnassus fixed income mutual fund	25,333	23,513
	<u>\$ 413,712</u>	<u>\$ 552,846</u>

Investment income on the statements of activities consists of interest and dividend income, and realized and unrealized gains and losses.

## **Receivables**

Receivables are stated at their outstanding principal balances. Management reviews the collectibility of receivables on a periodic basis and determines the appropriate amount of any allowance. Sightline charges off receivables to the allowance when management determines that a receivable is not collectible. Sightline generally does not require collateral or charge interest on receivable balances.

## **Inventory**

Inventory, consisting of publications, is stated at the lower of average cost or market.

## **Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at fair value at the date of receipt, if donated. Items with a cost in excess of \$1,000 and a useful life of at least one year are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. The cost, estimated useful lives, and accumulated depreciation of property and equipment are as follows:

	Estimated Useful Lives	2010	2009
Office equipment	3 years	\$ 55,611	\$ 47,329
Furniture	5 years	4,529	9,310
Leasehold improvements	5 years	9,066	9,066
		69,206	65,705
Less: accumulated depreciation		(56,112)	(52,996)
		<u>\$ 13,094</u>	<u>\$ 12,709</u>

## **Sabbatical Leave**

Sightline has a sabbatical leave program that stipulates that all regular employees will take a mandatory sabbatical of three full months for every seven years of service. Compensated time under this program is accrued over the requisite service period. At December 31, 2010 and 2009, Sightline has accrued \$62,069 and \$39,192, respectively, which is included with accrued payroll liabilities on the statements of financial position.

## **Deferred Revenue**

In 2009, Sightline entered into a contract to assist a local government agency with a new program.

Deferred revenue consists of these fees which were received in advance. Revenue is recognized when the services are performed.

### **Website Development Costs**

Sightline has capitalized costs related to its internally developed website. The website was completed during 2008 and there have been no additional costs with this project. Website development costs are amortized using the straight-line method over the estimated useful life of five years. Total capitalized website development costs at December 31, 2010 and 2009, were \$72,158. Total amortization expense for 2010 was \$14,431 (2009 was also \$14,431) and accumulated amortization was \$40,519 (2009 was \$26,088). Amortization expense is expected to be as follows for the years ending December 31:

2011	\$	14,431
2012		14,431
2013		<u>2,777</u>
	\$	<u>31,639</u>

### **Donated Materials and Services**

During 2010 and 2009, Sightline received the benefit of donated consulting, legal, and advertising services. All significant advertising and legal expenses have been contributed in-kind and are recognized as income and an expense when utilized. These services, along with donated materials, are recorded at their estimated fair market value and totaled \$108,506 and \$62,140 in 2010 and 2009, respectively.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

### **Functional Allocation of Expenses**

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

### **Reclassifications**

Certain amounts from the December 31, 2009, financial statements have been reclassified to conform to the current year presentation.

### **Subsequent Events**

Sightline has evaluated subsequent events through the date these financial statements were available to be issued, which was the date of the independent auditors' report.

## Note 2. Contributions and Contributions Receivable

Contributions receivable consist of unconditional promises to give cash. Management has discounted long-term contributions and established an allowance for doubtful accounts. Contributions are summarized as follows at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Amounts receivable in:		
Less than one year	\$ 6,744	\$ 11,743
One to five years	160,186	182,681
Greater than five years	187,500	202,500
	<u>354,430</u>	<u>396,924</u>
Less: allowance for doubtful accounts	(8,818)	(11,568)
Less: discount on long-term pledges (at 6%)	(103,117)	(113,094)
Net contributions receivable	<u>\$ 242,495</u>	<u>\$ 272,262</u>

These amounts are included in the statements of financial position as follows:

	<u>2010</u>	<u>2009</u>
Contributions receivable – current portion	\$ 48,011	\$ 55,723
Contributions receivable – long-term portion	194,484	216,539
	<u>\$ 242,495</u>	<u>\$ 272,262</u>

During the year ended December 31, 2010, 29% of contribution revenue was from one donor. During the year ended December 31, 2009, 22% of contribution revenue was from two donors.

At December 31, 2010 and 2009, 67% and 62%, respectively, of total net contributions receivable were due from one donor.

## Note 3. Grants and Grants Receivable

Grants receivable consists of grants awarded but not yet received. Management has not discounted grants receivable based on materiality. Grants receivable are due as follows at December 31:

	<u>2010</u>	<u>2009</u>
Receivable in one year	\$ 75,000	\$ 55,000
Receivable in two to three years	100,000	175,000
	<u>\$ 175,000</u>	<u>\$ 230,000</u>

During the year ended December 31, 2010, 55% of grants received were from three foundations. During the year ended December 31, 2009, 71% of grants received were from four foundations.

At December 31, 2010 and 2009, 100% and 98%, respectively, of total grants receivable were due from one foundation.

**Note 4. Interest in Notes Receivable/Remainder Value of Estate**

In July 2007, Sightline received a bequest leaving it 2.13% of an estate. The estate included two promissory notes, interests in certain closely held partnerships, and cash. According to the bequest, Sightline received its 2.13% interest in two promissory notes (originally valued at \$741,652; remaining balance of \$164,109 and \$319,334 at December 31, 2010 and 2009, respectively). The promissory notes are unsecured, accrue interest at 5.05% per year, and there is the option for obligors to prepay the notes. The final collection on these notes is due July 10, 2011, for \$164,109.

These amounts are included in the statements of financial position as follows:

	<u>2010</u>	<u>2009</u>
Interest in notes receivable – current portion	\$ 164,109	\$ 155,225
Interest in notes receivable – long-term portion		<u>164,109</u>
	<u>\$ 164,109</u>	<u>\$ 319,334</u>

Interest income on the interest in notes receivable was \$11,684 and \$19,857 for 2010 and 2009, respectively.

**Note 5. Operating Lease**

Sightline leases its facilities under an operating lease expiring May 2013. Rent expense under this lease amounted to \$54,833 for 2010 and \$51,900 for 2009. Future minimum rental payments under non-cancelable operating leases are as follows for the years ending December 31:

2011	\$ 55,567
2012	57,739
2013	<u>24,435</u>
	<u>\$ 137,741</u>

**Note 6. Retirement Plan**

Sightline has a defined contribution employee pension plan. All employees are eligible to participate after three months of service, as defined. Contributions to the plan by Sightline were \$67,750 for 2010 and \$57,028 for 2009.

**Note 7. Board Designations**

The Board of Directors has designated a reserve of unrestricted net assets to cover potential operating shortfalls in future years. These reserve designations are as follows at December 31:

	<u>2010</u>	<u>2009</u>
Operating reserves	\$ 488,297	\$ 456,473
Non-designated funds	<u>683,361</u>	<u>937,632</u>
Total unrestricted net assets	<u>\$ 1,171,658</u>	<u>\$ 1,394,105</u>