

SIGHTLINE INSTITUTE

FINANCIAL REPORT

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sightline Institute
Seattle, Washington

We have audited the accompanying financial statements of Sightline Institute which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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; 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.

Auditor's 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. 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 auditor's 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 Sightline Institute as of December 31, 2014, 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.

Other Matter – Prior Year Financial Statements

The 2013 financial statements were reviewed by us and our report, dated May 20, 2014, stated that 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.

A handwritten signature in blue ink that reads "Rayan Holm Dahl". The signature is written in a cursive style with a large initial 'R'.

June 16, 2015

SIGHTLINE INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS	2014 (Audited)	2013 (Reviewed)
Current assets		
Cash and cash equivalents	\$ 264,993	\$ 417,588
Investments	1,968,329	1,748,711
Receivables		
Accounts receivable	157	10,427
Contributions receivable, net, current portion	27,527	38,083
Grants receivable, net, current portion	263,447	97,800
Inventory	3,982	5,301
Prepaid expenses and other assets	10,592	18,778
Total current assets	<u>2,539,027</u>	<u>2,336,688</u>
Long-term portion of receivables		
Contributions receivable, net	152,544	167,967
Grants receivable, net	165,804	165,804
Property and equipment, net	6,084	6,706
Total assets	<u>\$ 2,863,459</u>	<u>\$ 2,677,165</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 11,582	\$ 10,311
Accrued vacation and payroll	137,941	154,867
Total current liabilities	<u>149,523</u>	<u>165,178</u>
Net assets		
Unrestricted	2,035,962	2,030,515
Temporarily restricted	677,974	481,472
Total net assets	<u>2,713,936</u>	<u>2,511,987</u>
Total liabilities and net assets	<u>\$ 2,863,459</u>	<u>\$ 2,677,165</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	2014 (Audited)			2013 (Reviewed)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Public support						
Grants	\$ 772,524	\$ 329,978	\$ 1,102,502	\$ 540,835	\$ 8,665	\$ 549,500
Contributions	351,786	11,000	362,786	1,321,316		1,321,316
In-kind contributions	95,738		95,738	74,467		74,467
Fees for service	27,952		27,952	8,836		8,836
Event ticket sales				18,337		18,337
Sales of publications	3,353		3,353	6,128		6,128
Cost of sales	(1,319)		(1,319)	(951)		(951)
Investment income	46,182		46,182	766		766
Other income				448		448
Total revenue	1,296,216	340,978	1,637,194	1,970,182	8,665	1,978,847
Net assets released from restrictions	144,476	(144,476)		200,967	(200,967)	
	1,440,692	196,502	1,637,194	2,171,149	(192,302)	1,978,847
Functional expenses						
Program services	1,163,685		1,163,685	1,049,764		1,049,764
Management and general	51,299		51,299	45,023		45,023
Fundraising	220,261		220,261	248,355		248,355
Total functional expenses	1,435,245		1,435,245	1,343,142		1,343,142
Change in net assets	5,447	196,502	201,949	828,007	(192,302)	635,705
Net assets, beginning of year	2,030,515	481,472	2,511,987	1,202,508	673,774	1,876,282
Net assets, end of year	\$ 2,035,962	\$ 677,974	\$ 2,713,936	\$ 2,030,515	\$ 481,472	\$ 2,511,987

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

(Audited)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 571,780	\$ 16,917	\$ 133,273	\$ 721,970
Payroll taxes and benefits	147,388	4,961	40,300	192,649
Consultants and contract personnel	267,114	6,400	5,615	279,129
Advertising and media	93,338			93,338
Rent	38,736	2,226	10,742	51,704
Travel and meals	19,606	4,195	9,972	33,773
Small equipment	6,293	375	5,039	11,707
Accounting and legal		10,099		10,099
Dues and fees	2,305	570	3,984	6,859
Telephone and internet	4,382	353	802	5,537
Printing and reproduction	2,004	119	2,724	4,847
Depreciation and amortization	3,540	211	1,016	4,767
Publications and subscriptions	2,060		2,198	4,258
Postage and bulk mail	749	28	3,334	4,111
Insurance		3,936		3,936
Bad debt expense	1,536	91	441	2,068
Office supplies	975	50	285	1,310
Other	1,879	768	536	3,183
	<u>\$ 1,163,685</u>	<u>\$ 51,299</u>	<u>\$ 220,261</u>	<u>\$ 1,435,245</u>
Total expenses	<u>\$ 1,163,685</u>	<u>\$ 51,299</u>	<u>\$ 220,261</u>	<u>\$ 1,435,245</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

(Reviewed)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 516,962	\$ 18,813	\$ 138,831	\$ 674,606
Payroll taxes and benefits	134,088	5,656	35,228	174,972
Consultants and contract personnel	231,319	144	12,160	243,623
Advertising and media	70,558			70,558
Rent	46,484	1,842	12,517	60,843
Travel and meals	20,979	2,053	26,902	49,934
Small equipment	4,740	217	4,553	9,510
Accounting and legal		11,200		11,200
Dues and fees	2,944	670	4,232	7,846
Telephone and internet	5,398	442	1,151	6,991
Printing and reproduction	3,874	86	5,890	9,850
Depreciation and amortization	5,813	139	945	6,897
Publications and subscriptions	2,097	1	1,978	4,076
Postage and bulk mail	715	9	3,338	4,062
Bad debt expense (recovery)	(780)	(36)	(243)	(1,059)
Office supplies	1,020	46	401	1,467
Other	3,553	3,741	472	7,766
	<u>\$ 1,049,764</u>	<u>\$ 45,023</u>	<u>\$ 248,355</u>	<u>\$ 1,343,142</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014 (Audited)	2013 (Reviewed)
Cash Flows from Operating Activities		
Change in net assets	\$ 201,949	\$ 635,705
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	4,767	6,897
Realized and unrealized loss (gain) on investments	(22,123)	7,979
Change in operating assets and liabilities		
Receivables	(129,398)	152,742
Inventory	1,319	951
Prepaid expenses and other assets	8,186	(8,247)
Accounts payable	1,271	7,818
Accrued vacation and payroll	(16,926)	32,212
	49,045	836,057
Net cash flows from operating activities	49,045	836,057
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,654,976	305,000
Purchase of investments	(1,852,471)	(1,289,125)
Purchase of equipment	(4,145)	(4,596)
	(201,640)	(988,721)
Net cash flows from investing activities	(201,640)	(988,721)
Net change in cash and cash equivalents	(152,595)	(152,664)
Cash and cash equivalents, beginning of year	417,588	570,252
Cash and cash equivalents, end of year	\$ 264,993	\$ 417,588

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 Cascadia a global model of sustainability—strong communities, a green economy, and a healthy environment. Sightline aims to set the region’s long-term agenda by defining the region’s largest sustainability challenges and describing the most effective solutions for meeting them. Sightline equips citizens and decision-makers with policy research and practical tools that help advance long-term solutions to those challenges. When short-term victories appear within reach, Sightline provides allies and decision-makers with facts, arguments, language, stories, and visuals that help secure those wins.

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.

Revenue Recognition

Grants and contributions consist of unrestricted and temporarily restricted grants and contributions, and include unconditional promises to give. Unconditional grants and contributions are recognized when awarded; unconditional promises to give are recognized when pledged. Grants, contributions, or pledges that include donor-imposed conditions are not recognized until the conditions have been substantially met.

Fees for services are recognized when services are performed. Event ticket sales are recognized when the event takes place. Sales of publications are recognized at the time of sale.

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 they are received as unrestricted support.

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

	2014	2013
Time restricted grants and contributions	\$ 581,443	\$ 472,807
Contributions and grants restricted to support specific programs	96,531	8,665
	<u>\$ 677,974</u>	<u>\$ 481,472</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. At times, Sightline maintains amounts on deposit in banks in excess of the federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Investments

Investments consist of certificates of deposit, common stocks, corporate bonds, municipal securities, and mutual funds. Certificates of deposit are stated at cost plus accrued interest. Other investments are measured at fair value and the change in value is included in the change in net assets. Fair values were determined using Level 1 observable market inputs, within the accounting fair value hierarchy, consisting of quoted prices in active markets (such as national exchanges) for identical assets.

Investments consist of the following at December 31:

	2014	2013
Certificates of deposit	\$ 490,484	\$ 705,414
Common stock	944,630	2,507
Corporate bonds	313,615	
Municipal securities	219,486	
Mutual funds		
Bond funds	114	578,965
Large growth equity		461,825
	<u>\$ 1,968,329</u>	<u>\$ 1,748,711</u>

Investment income consists of:

	2014	2013
Interest and dividends	\$ 24,059	\$ 8,745
Realized gain	13	1,232
Unrealized gain (loss)	22,110	(9,211)
	<u>\$ 46,182</u>	<u>\$ 766</u>

Receivables

Receivables (other than contributions and grants receivable; see Notes 2 and 3, respectively) are stated at their outstanding principal balances. Management reviews the collectibility of receivables on a periodic basis and writes off receivables deemed uncollectible. No allowance for uncollectible amounts was considered necessary at December 31, 2014 or 2013.

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 and amortization are provided on the straight-line method over the estimated useful lives of the assets. The cost, estimated useful lives, and accumulated depreciation and amortization of property and equipment are as follows:

	Estimated Useful Lives	2014	2013
Office equipment	3 years	\$ 41,046	\$ 61,609
Furniture	5 years	4,529	4,529
Leasehold improvements	5 years	9,066	9,066
		54,641	75,204
Less: accumulated depreciation and amortization		(48,557)	(68,498)
		<u>\$ 6,084</u>	<u>\$ 6,706</u>

Sabbatical Leave

Sightline has a sabbatical leave program that requires all regular employees to take a sabbatical of three full, contiguous months for every seven years of service. Compensated time under this program is accrued over the requisite service period. At December 31, 2014 and 2013, Sightline has accrued \$93,469 and \$102,975, respectively, which is included with accrued vacation and payroll on the statements of financial position.

In-kind Contributions

During 2014 and 2013, Sightline received the benefit of donated advertising services as well as donated supplies (most was advertising). All advertising is recognized as income and an expense when utilized. Advertising services, along with donated supplies, are recorded at their estimated fair value and totaled \$95,738 and \$74,467 in 2014 and 2013, respectively.

Income Taxes

Sightline is a nonprofit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

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.

Subsequent Events

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

Note 2. Contributions and Contributions Receivable

Contributions receivable consist of unconditional promises to give cash. Long-term contributions are recognized at fair value (at the time of the donation) and, in arriving at fair value, management has discounted these contributions using an estimated present value discount rate and an allowance for doubtful accounts. Contributions are summarized as follows at December 31:

	<u>2014</u>	<u>2013</u>
Amounts receivable in:		
Less than one year	\$ 38,758	\$ 50,388
One to five years	82,416	106,424
Greater than five years	127,500	127,500
	<u>248,674</u>	<u>284,312</u>
Less: allowance for doubtful accounts	(2,121)	(3,153)
Less: discount on long-term pledges (at 6%)	(66,482)	(75,109)
Net contributions receivable	<u>\$ 180,071</u>	<u>\$ 206,050</u>

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

	<u>2014</u>	<u>2013</u>
Contributions receivable, net, current portion	\$ 27,527	\$ 38,083
Long-term portion of contributions receivable, net	152,544	167,967
	<u>\$ 180,071</u>	<u>\$ 206,050</u>

At December 31, 2014 and 2013, 78% and 70%, respectively, of net contributions receivable was due from one donor.

For the year ended December 31, 2013, 65% of contribution revenue was from one donor. There were no significant revenue concentrations for the year ended December 31, 2014.

Discount rates used here and in Note 3 vary due to the year(s) when amounts were originally recognized and due to payment terms.

Note 3. Grants and Grants Receivable

Grants receivable consists of grants awarded but not yet received. Long-term grants receivable are recognized at fair value (at the grant date) and, in arriving at fair value, management has discounted long-term grants receivable using an estimated present value discount rate. Grants receivable are due as follows at December 31:

	<u>2014</u>	<u>2013</u>
Amounts receivable in:		
Less than one year	\$ 270,000	\$ 100,000
One to five years	<u>175,000</u>	<u>175,000</u>
	445,000	275,000
Less: discount on long-term pledges (at 2.25%)	<u>(15,749)</u>	<u>(11,396)</u>
Net grants receivable	<u><u>\$ 429,251</u></u>	<u><u>\$ 263,604</u></u>

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

	<u>2014</u>	<u>2013</u>
Grants receivable, net, current portion	\$ 263,447	\$ 97,800
Long-term portion of grants receivable, net	<u>165,804</u>	<u>165,804</u>
	<u><u>\$ 429,251</u></u>	<u><u>\$ 263,604</u></u>

At December 31, 2014, 84% of net grants receivable was due from two foundations. At December 31, 2013, 100% of net grants receivable was due from one foundation.

For the year ended December 31, 2014, 27% of grants recognized as revenue was from one foundation. At December 31, 2013, 53% of grants recognized as revenue was from three foundations.

Note 4. Operating Lease

Sightline leases its facilities under an operating lease expiring May 2018. Rent expense under this lease amounted to \$51,704 and \$60,843 for 2014 and 2013, respectively. Future minimum rental payments for this non-cancelable operating lease are as follows for the years ending December 31:

2015	\$	51,223
2016		53,395
2017		55,567
2018		<u>23,530</u>
	\$	<u>183,715</u>

Note 5. Retirement Plan

Sightline has a defined contribution employee pension plan. All employees are eligible to participate after three months of service, as defined. For the years ended December 31, 2014 and 2013, Sightline contributed 10% of employees' salaries to the plan. Contributions to the plan by Sightline were \$66,203 for 2014 and \$62,857 for 2013.

Note 6. 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>2014</u>	<u>2013</u>
Operating reserves	\$ 532,094	\$ 500,159
Non-designated funds	<u>1,503,868</u>	<u>1,530,356</u>
Total unrestricted net assets	<u>\$ 2,035,962</u>	<u>\$ 2,030,515</u>

Note 7. Related Party Transaction

During 2013, Sightline received a bequest from the estate of a related party (employee family member) totaling \$856,932. The resulting revenue was unrestricted support and was recognized as contribution revenue in the 2013 statement of activities.