

SIGHTLINE INSTITUTE

FINANCIAL REPORT

DECEMBER 31, 2015

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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 statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP.

June 21, 2016

SIGHTLINE INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS	2015	2014
Current Assets		
Cash and cash equivalents	\$ 561,032	\$ 264,993
Investments	1,853,156	1,968,329
Receivables		
Contributions receivable, net, current portion	48,588	27,527
Grants receivable, net, current portion	390,000	263,447
Inventory		3,982
Prepaid expenses and other assets	9,548	10,749
Total current assets	2,862,324	2,539,027
Long-Term Portion of Receivables		
Contributions receivable, net	155,367	152,544
Grants receivable, net		165,804
Property and Equipment, net	7,335	6,084
Total assets	<u>\$ 3,025,026</u>	<u>\$ 2,863,459</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 34,372	\$ 11,582
Accrued vacation and payroll	130,709	137,941
Total current liabilities	165,081	149,523
Net Assets		
Unrestricted	2,081,554	2,035,962
Temporarily restricted	778,391	677,974
Total net assets	2,859,945	2,713,936
Total liabilities and net assets	<u>\$ 3,025,026</u>	<u>\$ 2,863,459</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Public support						
Grants	\$ 625,376	\$ 413,130	\$ 1,038,506	\$ 772,524	\$ 329,978	\$ 1,102,502
Contributions	493,044	13,500	506,544	351,786	11,000	362,786
In-kind contributions	79,380		79,380	95,738		95,738
Fees for service	23,509		23,509	27,952		27,952
Sales of publications	1,538		1,538	3,353		3,353
Cost of sales	(3,985)		(3,985)	(1,319)		(1,319)
Investment income (loss)	(2,808)		(2,808)	46,182		46,182
Total revenue	1,216,054	426,630	1,642,684	1,296,216	340,978	1,637,194
Net Assets Released from Restrictions	326,213	(326,213)		144,476	(144,476)	
	1,542,267	100,417	1,642,684	1,440,692	196,502	1,637,194
Functional Expenses						
Program services	1,185,147		1,185,147	1,163,690		1,163,690
Management and general	66,790		66,790	51,294		51,294
Fundraising	244,738		244,738	220,261		220,261
Total functional expenses	1,496,675		1,496,675	1,435,245		1,435,245
Change in Net Assets	45,592	100,417	146,009	5,447	196,502	201,949
Net Assets, beginning of year	2,035,962	677,974	2,713,936	2,030,515	481,472	2,511,987
Net Assets, end of year	\$ 2,081,554	\$ 778,391	\$ 2,859,945	\$ 2,035,962	\$ 677,974	\$ 2,713,936

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Personnel related expenses	\$ 810,102	\$ 31,823	\$ 193,492	\$ 1,035,417
Consultants and contract personnel	198,481	775	7,435	206,691
Advertising and media	79,288		425	79,713
Rent	44,172	1,880	10,789	56,841
Travel and meals	19,515	4,064	8,959	32,538
Accounting and legal		21,840		21,840
Small equipment	8,183	351	5,415	13,949
Dues and fees	1,754	1,525	4,115	7,394
Telephone and internet	6,048	151	869	7,068
Printing and reproduction	3,359	127	3,160	6,646
Recruiting expense	4,640	214	1,229	6,083
Publications and subscriptions	988		4,699	5,687
Depreciation and amortization	3,192	147	846	4,185
Liability insurance		3,523		3,523
Miscellaneous expenses	5,425	370	3,305	9,100
	<u>\$ 1,185,147</u>	<u>\$ 66,790</u>	<u>\$ 244,738</u>	<u>\$ 1,496,675</u>
Total expenses	<u>\$ 1,185,147</u>	<u>\$ 66,790</u>	<u>\$ 244,738</u>	<u>\$ 1,496,675</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Personnel related expenses	\$ 719,167	\$ 21,878	\$ 173,573	\$ 914,618
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
Accounting and legal		10,099		10,099
Small equipment	6,293	375	5,039	11,707
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
Recruiting expense	514	31	148	693
Publications and subscriptions	2,060		2,198	4,258
Depreciation and amortization	3,540	211	1,016	4,767
Liability insurance		3,936		3,936
Miscellaneous expenses	4,631	901	4,448	9,980
Total expenses	<u>\$ 1,163,690</u>	<u>\$ 51,294</u>	<u>\$ 220,261</u>	<u>\$ 1,435,245</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 146,009	\$ 201,949
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	4,185	4,767
Realized and unrealized loss (gain) on investments	40,946	(22,123)
Loss on disposal of property and equipment	1,172	
Change in operating assets and liabilities		
Receivables	15,367	(129,398)
Inventory	3,982	1,319
Prepaid expenses and other assets	1,201	8,186
Accounts payable	22,790	1,271
Accrued vacation and payroll	(7,232)	(16,926)
	<u>228,420</u>	<u>49,045</u>
Net cash flows from operating activities	228,420	49,045
Cash Flows from Investing Activities		
Net proceeds (purchases) of investments	74,227	(197,495)
Purchase of equipment	(6,608)	(4,145)
	<u>67,619</u>	<u>(201,640)</u>
Net cash flows from investing activities	67,619	(201,640)
Net change in cash and cash equivalents	296,039	(152,595)
Cash and Cash Equivalents, beginning of year	<u>264,993</u>	<u>417,588</u>
Cash and Cash Equivalents, end of year	<u>\$ 561,032</u>	<u>\$ 264,993</u>

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.

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:

	2015	2014
Purpose restricted grants and contributions		
Affordable housing	\$ 369,142	\$ -
Carbon pricing	17,237	
Pacific coast collaborative		591
Oil train under-insurance	9,834	50,426
Fossil fuels	905	
Sound stormwater		30,596
Environmental education		9,482
Coal exports in the Gulf Coast		5,436
	397,118	96,531
Time restricted grants and contributions	381,273	581,443
	\$ 778,391	\$ 677,974

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.

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:

	2015	2014
Common stock	\$ 1,035,431	\$ 944,630
Certificates of deposit	454,140	490,484
Corporate bonds	196,582	313,615
Municipal securities	167,003	219,486
Bond funds		114
	\$ 1,853,156	\$ 1,968,329

Investment income consists of:

	2015	2014
Interest and dividends	\$ 38,138	\$ 24,059
Realized gain (loss)	(15,905)	13
Unrealized gain (loss)	(25,041)	22,110
	<u>\$ (2,808)</u>	<u>\$ 46,182</u>

Receivables

Management reviews the collectibility of receivables on a periodic basis and writes off receivables deemed uncollectible. Receivables are presented net of an allowance for uncollectible amounts of \$3,223 and \$2,121 at December 31, 2015 and 2014, respectively.

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	2015	2014
Office equipment	3 years	\$ 39,115	\$ 41,046
Furniture	5 years	4,529	4,529
Leasehold improvements	5 years	9,066	9,066
		52,710	54,641
Less: accumulated depreciation and amortization		(45,375)	(48,557)
		<u>\$ 7,335</u>	<u>\$ 6,084</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, 2015 and 2014, Sightline has accrued \$79,864 and \$93,469, respectively, which is included with accrued vacation and payroll on the statements of financial position.

In-kind Contributions

During 2015 and 2014, Sightline received the benefit of donated advertising services, as well as donated supplies and consulting services (most was advertising). All advertising is recognized as income and an expense when utilized. Advertising services, along with donated supplies and consulting services, are recorded at their estimated fair value and totaled \$79,380 and \$95,738 in 2015 and 2014, 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 June 21, 2016.

Reclassifications

Certain balances have been reclassified in the December 31, 2014, financial statements in order to conform to current year presentation.

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>2015</u>	<u>2014</u>
Amounts receivable in:		
Less than one year	\$ 50,158	\$ 38,758
One to five years	108,058	82,416
Greater than five years	<u>97,500</u>	<u>127,500</u>
	255,716	248,674
Less: allowance for doubtful accounts	(3,223)	(2,121)
Less: discount on long-term pledges (at 6%)	<u>(48,538)</u>	<u>(66,482)</u>
Net contributions receivable	<u>\$ 203,955</u>	<u>\$ 180,071</u>

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

	2015	2014
Contributions receivable, net, current portion	\$ 48,588	\$ 27,527
Long-term portion of contributions receivable, net	155,367	152,544
	<u>\$ 203,955</u>	<u>\$ 180,071</u>

At December 31, 2015 and 2014, 75% and 78%, respectively, of net contributions receivable were due from one donor.

There were no significant revenue concentrations for the years ended December 31, 2015 and 2014.

Discount rates used here and in Note 3 vary due to the years when amounts were originally recognized. Discount rates also vary 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:

	2015	2014
Amounts receivable in:		
Less than one year	\$ 390,000	\$ 270,000
One to five years		175,000
	<u>390,000</u>	<u>445,000</u>
Less: discount on long-term pledges (at 2.25%)		<u>(15,749)</u>
Net grants receivable	<u>\$ 390,000</u>	<u>\$ 429,251</u>

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

	2015	2014
Grants receivable, net, current portion	\$ 390,000	\$ 263,447
Long-term portion of grants receivable, net		165,804
	<u>\$ 390,000</u>	<u>\$ 429,251</u>

At December 31, 2015, 96% of net grants receivable was due from three foundations. At December 31, 2014, 84% of net grants receivable was due from two foundations.

For the year ended December 31, 2015, 39% of grant revenue was from one foundation. At December 31, 2014, 27% of grant revenue was from one foundation.

Note 4. Operating Lease

Sightline leases its facilities under an operating lease expiring May 2018. Total rent expense amounted to \$56,841 and \$51,704 for 2015 and 2014, respectively. Future minimum rental payments for this non-cancelable operating lease are as follows for the years ending December 31:

2016	\$	53,395
2017		55,567
2018		23,530
		<hr/>
	\$	132,492
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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, 2015 and 2014, Sightline contributed 10% of employees' salaries to the plan. Contributions to the plan by Sightline were \$72,551 and \$66,203 for 2015 and 2014, respectively.

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:

	2015	2014
	<hr/>	<hr/>
Operating reserves	\$ 594,678	\$ 532,094
Non-designated funds	1,477,850	1,503,868
	<hr/>	<hr/>
Total unrestricted net assets	\$ 2,072,528	\$ 2,035,962
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