

SIGHTLINE INSTITUTE

FINANCIAL REPORT

DECEMBER 31, 2016

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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, 2016 and 2015, 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, 2016 and 2015, 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 6, 2017

SIGHTLINE INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 866,544	\$ 561,032
Investments	1,844,597	1,853,156
Receivables		
Contributions receivable, net, current portion	36,903	48,588
Grants receivable, net, current portion	15,000	390,000
Prepaid expenses and other assets	10,479	9,548
Total current assets	<u>2,773,523</u>	<u>2,862,324</u>
Long-Term Portion of Contributions Receivable, net	136,605	155,367
Property and Equipment, net	9,956	7,335
Total assets	<u>\$ 2,920,084</u>	<u>\$ 3,025,026</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 18,262	\$ 34,372
Accrued vacation and payroll	128,985	130,709
Total current liabilities	<u>147,247</u>	<u>165,081</u>
Net Assets		
Unrestricted	2,276,199	2,081,554
Temporarily restricted	496,638	778,391
Total net assets	<u>2,772,837</u>	<u>2,859,945</u>
Total liabilities and net assets	<u>\$ 2,920,084</u>	<u>\$ 3,025,026</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Public support						
Grants	\$ 530,157	\$ 272,086	\$ 802,243	\$ 625,376	\$ 413,130	\$ 1,038,506
Contributions	492,679	7,500	500,179	493,044	13,500	506,544
In-kind contributions	113,949		113,949	79,380		79,380
Fees for service	27,550		27,550	23,509		23,509
Sales of publications	373		373	1,538		1,538
Cost of sales				(3,985)		(3,985)
Investment income (loss)	74,494		74,494	(2,808)		(2,808)
Total revenue	<u>1,239,202</u>	<u>279,586</u>	<u>1,518,788</u>	<u>1,216,054</u>	<u>426,630</u>	<u>1,642,684</u>
Net Assets Released from Restrictions	561,339	(561,339)		326,213	(326,213)	
	1,800,541	(281,753)	1,518,788	1,542,267	100,417	1,642,684
Functional Expenses						
Program services	1,313,618		1,313,618	1,185,147		1,185,147
Management and general	85,589		85,589	66,790		66,790
Fundraising	206,689		206,689	244,738		244,738
Total functional expenses	<u>1,605,896</u>		<u>1,605,896</u>	<u>1,496,675</u>		<u>1,496,675</u>
Change in net assets	194,645	(281,753)	(87,108)	45,592	100,417	146,009
Net Assets, beginning of year	<u>2,081,554</u>	<u>778,391</u>	<u>2,859,945</u>	<u>2,035,962</u>	<u>677,974</u>	<u>2,713,936</u>
Net Assets, end of year	<u>\$ 2,276,199</u>	<u>\$ 496,638</u>	<u>\$ 2,772,837</u>	<u>\$ 2,081,554</u>	<u>\$ 778,391</u>	<u>\$ 2,859,945</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel-related expenses	\$ 981,372	\$ 47,919	\$ 161,798	\$ 1,191,089
Consultants and contract personnel	124,307	1,381	3,824	129,512
Advertising and media	111,424		71	111,495
Rent	43,566	2,257	8,809	54,632
Travel and meals	26,183	4,439	13,378	44,000
Accounting and legal		22,790		22,790
Small equipment	8,298	276	4,703	13,277
Dues and fees	1,166	1,894	4,504	7,564
Telephone and internet	6,181	182	718	7,081
Printing and reproduction	3,168	154	2,841	6,163
Recruiting expense	593	29	117	739
Publications and subscriptions	977		2,804	3,781
Depreciation and amortization	4,425	220	870	5,515
Liability insurance		3,824		3,824
Miscellaneous expenses	1,958	224	2,252	4,434
Total expenses	<u>\$ 1,313,618</u>	<u>\$ 85,589</u>	<u>\$ 206,689</u>	<u>\$ 1,605,896</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (87,108)	\$ 146,009
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	5,515	4,185
Realized and unrealized loss on investments	28,106	40,946
Loss on disposal of property and equipment		1,172
Changes in operating assets and liabilities		
Receivables	405,447	15,367
Inventory		3,982
Prepaid expenses and other assets	(931)	1,201
Accounts payable	(16,110)	22,790
Accrued vacation and payroll	(1,724)	(7,232)
	333,195	228,420
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Net proceeds (purchases) related to investments	(19,547)	74,227
Purchase of equipment	(8,136)	(6,608)
	(27,683)	67,619
Net cash flows from investing activities		
Net change in cash and cash equivalents	305,512	296,039
Cash and Cash Equivalents, beginning of year	561,032	264,993
Cash and Cash Equivalents, end of year	\$ 866,544	\$ 561,032

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 equips the Northwest's citizens and decision-makers with the policy research and practical tools they need to advance long-term solutions to our region's most significant challenges. Our work includes in-depth research, commentary, and analysis, delivered online, by email, and in-person to Northwest policy champions, emerging leaders, and a range of community partners.

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:

	2016	2015
Purpose-restricted grants and contributions		
Affordable housing	\$ 259,973	\$ 369,142
Matching grant - fundraising and cultivation plan	30,000	
Coal exports	14,229	
Marine ecosystem protection	1,900	
Carbon pricing		17,237
Oil train under-insurance		9,834
Fossil fuels		905
Total purpose restricted grants and contributions	306,102	397,118
Time-restricted grants and contributions	190,536	381,273
	<u>\$ 496,638</u>	<u>\$ 778,391</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.

Investments

Investments consist of certificates of deposit, common stocks, corporate bonds, and municipal securities. 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:

	<u>2016</u>	<u>2015</u>
Common stock	\$ 1,067,842	\$ 1,035,431
Corporate bonds	442,356	196,582
Certificates of deposit	309,203	454,140
Municipal securities	25,196	167,003
	<u>\$ 1,844,597</u>	<u>\$ 1,853,156</u>

Investment income consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 46,388	\$ 38,138
Realized loss	(4,271)	(15,905)
Unrealized gain (loss)	32,377	(25,041)
	<u>\$ 74,494</u>	<u>\$ (2,808)</u>

Receivables

Management reviews the collectibility of receivables on a periodic basis and writes off receivables deemed uncollectible. Contributions receivable are presented net of an allowance for uncollectible amounts of \$2,028 and \$3,223 at December 31, 2016 and 2015, 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	2016	2015
Office equipment	3 years	\$ 47,250	\$ 39,115
Furniture	5 years	4,529	4,529
Leasehold improvements	5 years	9,066	9,066
		60,845	52,710
Less: accumulated depreciation and amortization		(50,889)	(45,375)
		<u>\$ 9,956</u>	<u>\$ 7,335</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, 2016 and 2015, Sightline had accrued \$53,577 and \$79,864, respectively, which is included with accrued vacation and payroll on the statements of financial position.

In-Kind Contributions

During 2016 Sightline received the benefit of donated advertising services, consulting, software, and graphic design services. During 2015, 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 expense when utilized. All services, along with donated supplies, are recorded at their estimated fair value and totaled \$113,949 and \$79,380 in 2016 and 2015, 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 6, 2017.

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>2016</u>	<u>2015</u>
Amounts receivable in:		
Less than one year	\$ 37,858	\$ 50,158
One to five years	96,450	108,058
Greater than five years	<u>82,500</u>	<u>97,500</u>
	216,808	255,716
Less: allowance for doubtful accounts	(2,028)	(3,223)
Less: discount on long-term pledges (at 6%)	<u>(41,272)</u>	<u>(48,538)</u>
Net contributions receivable	<u>\$ 173,508</u>	<u>\$ 203,955</u>

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

	<u>2016</u>	<u>2015</u>
Contributions receivable, net, current portion	\$ 36,903	\$ 48,588
Long-term portion of contributions receivable, net	<u>136,605</u>	<u>155,367</u>
	<u>\$ 173,508</u>	<u>\$ 203,955</u>

At December 31, 2016 and 2015, 81% and 75%, respectively, of net contributions receivable were due from one donor.

There were no significant contribution revenue concentrations for the years ended December 31, 2016 or 2015.

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 within one year at both December 31, 2016 and 2015.

At December 31, 2016, all grants receivables were due from one foundation. At December 31, 2015, 96% of net grants receivable was due from three foundations.

For the year ended December 31, 2016, 63% of grant revenue was from four foundations. At December 31, 2015, 39% of grant revenue was from one foundation.

Note 4. Operating Lease

Sightline leases its facilities under an operating lease expiring in May 2018. Total rent expense amounted to \$54,632 and \$56,841 for 2016 and 2015, respectively. Future minimum rental payments for this noncancelable operating lease are as follows for the years ending December 31:

2017	\$	55,567
2018		23,530
		<hr/>
	\$	79,097
		<hr/> <hr/>

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, 2016 and 2015, Sightline contributed 10% of employees' salaries to the plan. Contributions to the plan by Sightline were \$89,618 and \$72,551 for 2016 and 2015, 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:

	2016	2015
	<hr/>	<hr/>
Operating reserves	\$ 648,384	\$ 594,678
Non-designated funds	1,627,815	1,486,876
	<hr/>	<hr/>
Total unrestricted net assets	\$ 2,276,199	\$ 2,081,554
	<hr/> <hr/>	<hr/> <hr/>