

SIGHTLINE INSTITUTE

FINANCIAL REPORT

DECEMBER 31, 2017

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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, 2017 and 2016, 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, 2017 and 2016, 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 5, 2018

SIGHTLINE INSTITUTE

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 1,211,291	\$ 866,544
Investments	2,136,610	1,844,597
Receivables		
Contributions receivable, net, current portion	25,543	36,903
Grants receivable	250,000	15,000
Prepaid expenses and other assets	14,628	10,479
Total current assets	<u>3,638,072</u>	<u>2,773,523</u>
Long-Term Portion of Contributions Receivable, net	121,604	136,605
Property and Equipment, net	7,928	9,956
Total assets	<u>\$ 3,767,604</u>	<u>\$ 2,920,084</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,527	\$ 18,262
Accrued vacation and payroll	141,256	128,985
Total current liabilities	<u>156,783</u>	<u>147,247</u>
Net Assets		
Unrestricted	2,470,385	2,276,199
Temporarily restricted	1,140,436	496,638
Total net assets	<u>3,610,821</u>	<u>2,772,837</u>
Total liabilities and net assets	<u>\$ 3,767,604</u>	<u>\$ 2,920,084</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Public support						
Grants	\$ 886,985	\$ 718,015	\$ 1,605,000	\$ 530,157	\$ 272,086	\$ 802,243
Contributions	529,062		529,062	492,679	7,500	500,179
In-kind contributions	115,012		115,012	113,949		113,949
Fees for service	14,578		14,578	27,550		27,550
Sales of publications	359		359	373		373
Investment income	289,576		289,576	74,494		74,494
Total revenue	1,835,572	718,015	2,553,587	1,239,202	279,586	1,518,788
Net Assets Released from Restrictions	74,217	(74,217)		561,339	(561,339)	
	1,909,789	643,798	2,553,587	1,800,541	(281,753)	1,518,788
Functional Expenses						
Program services	1,398,740		1,398,740	1,313,618		1,313,618
Fundraising	240,762		240,762	206,689		206,689
Management and general	76,101		76,101	85,589		85,589
Total functional expenses	1,715,603		1,715,603	1,605,896		1,605,896
Change in net assets	194,186	643,798	837,984	194,645	(281,753)	(87,108)
Net Assets, beginning of year	2,276,199	496,638	2,772,837	2,081,554	778,391	2,859,945
Net Assets, end of year	<u>\$ 2,470,385</u>	<u>\$ 1,140,436</u>	<u>\$ 3,610,821</u>	<u>\$ 2,276,199</u>	<u>\$ 496,638</u>	<u>\$ 2,772,837</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Personnel-related expenses	\$ 990,347	\$ 191,312	\$ 39,422	\$ 1,221,081
Consultants	202,736	5,274	471	208,481
Advertising	109,084			109,084
Rent and maintenance	47,265	10,761	2,319	60,345
Travel and meals	16,277	8,431	1,828	26,536
Accounting and legal fees			24,640	24,640
Supplies and software	10,426	5,651	254	16,331
Printing and postage	4,888	8,688	229	13,805
Dues and fees	1,120	6,654	1,990	9,764
Telecommunications	6,149	862	188	7,199
Depreciation expense	4,189	978	192	5,359
Liability insurance			4,217	4,217
Conferences and continuing education	2,298	1,423	103	3,824
Publications and subscriptions	2,365	886	2	3,253
Miscellaneous expense	1,596	(158)	246	1,684
Total expenses	<u>\$ 1,398,740</u>	<u>\$ 240,762</u>	<u>\$ 76,101</u>	<u>\$ 1,715,603</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Personnel-related expenses	\$ 981,372	\$ 161,798	\$ 47,919	\$ 1,191,089
Consultants	124,307	3,824	1,381	129,512
Advertising	111,424	71		111,495
Rent and maintenance	43,955	8,885	2,276	55,116
Travel and meals	22,602	11,610	4,405	38,617
Accounting and legal fees			22,790	22,790
Supplies and software	9,278	4,887	317	14,482
Printing and postage	3,738	4,877	180	8,795
Dues and fees	1,166	4,504	1,894	7,564
Telecommunications	6,181	718	182	7,081
Depreciation expense	4,425	870	220	5,515
Liability insurance			3,824	3,824
Conferences and continuing education	3,581	1,768	34	5,383
Publications and subscriptions	977	2,804		3,781
Miscellaneous expense	612	73	167	852
Total expenses	<u>\$ 1,313,618</u>	<u>\$ 206,689</u>	<u>\$ 85,589</u>	<u>\$ 1,605,896</u>

See Notes to Financial Statements

SIGHTLINE INSTITUTE

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 837,984	\$ (87,108)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	5,359	5,515
Realized and unrealized gain on investments	(238,279)	(28,106)
Changes in operating assets and liabilities		
Receivables	(208,639)	405,447
Prepaid expenses and other assets	(4,149)	(931)
Accounts payable	(2,735)	(16,110)
Accrued vacation and payroll	12,271	(1,724)
Net cash flows from operating activities	<u>401,812</u>	<u>276,983</u>
Cash Flows from Investing Activities		
Net proceeds (purchases) related to investments	(53,734)	36,665
Purchase of equipment	(3,331)	(8,136)
Net cash flows from investing activities	<u>(57,065)</u>	<u>28,529</u>
Net change in cash and cash equivalents	<u>344,747</u>	<u>305,512</u>
Cash and Cash Equivalents, beginning of year	<u>866,544</u>	<u>561,032</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,211,291</u></u>	<u><u>\$ 866,544</u></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 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:

	2017	2016
Purpose-restricted grants and contributions		
Housing and urbanism	\$ 820,204	\$ 259,973
Diversity, Equity, and Inclusion	48,779	
Coal exports	23,214	14,229
Marine ecosystem protection		1,900
Matching grant - fundraising and cultivation plan		30,000
Total purpose-restricted grants and contributions	892,197	306,102
Time-restricted grants and contributions	248,239	190,536
	<u>\$ 1,140,436</u>	<u>\$ 496,638</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>2017</u>	<u>2016</u>
Common stock	\$ 1,312,146	\$ 1,067,842
Corporate bonds	498,495	442,356
Certificates of deposit	300,921	309,203
Municipal securities	25,048	25,196
	<u>\$ 2,136,610</u>	<u>\$ 1,844,597</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 51,297	\$ 46,388
Realized gain (loss)	91,438	(4,271)
Unrealized gain	146,841	32,377
	<u>\$ 289,576</u>	<u>\$ 74,494</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 \$1,072 and \$2,028 at December 31, 2017 and 2016, 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	2017	2016
Office equipment	3 years	\$ 47,722	\$ 47,250
Furniture	5 years	4,529	4,529
Leasehold improvements	5 years	9,066	9,066
		61,317	60,845
Less: accumulated depreciation and amortization		(53,389)	(50,889)
		<u>\$ 7,928</u>	<u>\$ 9,956</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, 2017 and 2016, Sightline had accrued \$75,221 and \$53,577, respectively, which is included with accrued vacation and payroll on the statements of financial position.

In-Kind Contributions

During 2017 and 2016, Sightline received the benefit of donated advertising services, consulting, software, and graphic design services. 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 \$115,012 and \$113,949 in 2017 and 2016, respectively.

Advertising

As noted above, advertising is primarily received in-kind and is expensed as incurred. Advertising expense amounted to \$109,084 and \$111,495 in 2017 and 2016, 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.

Reclassifications

Certain amounts in the prior year statements have been reclassified to be consistent with current year presentation. These reclassifications had no impact on net assets.

Subsequent Events

Sightline has evaluated subsequent events through the date these financial statements were available to be issued, which was June 5, 2018.

Note 2. Contributions and Contributions Receivable

Contributions receivable consist of unconditional promises to give cash. Short-term contributions are recognized at net realizable value (face value less an allowance for doubtful accounts). 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 risk-adjusted present value discount rate and an allowance for doubtful accounts. Amortization of the discount is included in contribution revenue. Contributions are summarized as follows at December 31:

	<u>2017</u>	<u>2016</u>
Amounts receivable in:		
Less than one year	\$ 25,900	\$ 37,858
One to five years	89,300	96,450
Greater than five years	67,500	82,500
	<u>182,700</u>	<u>216,808</u>
Less: allowance for doubtful accounts	(1,072)	(2,028)
Less: discount on long-term pledges (at 6%)	(34,481)	(41,272)
Net contributions receivable	<u>\$ 147,147</u>	<u>\$ 173,508</u>

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

	<u>2017</u>	<u>2016</u>
Contributions receivable, net, current portion	\$ 25,543	\$ 36,903
Long-term portion of contributions receivable, net	121,604	136,605
	<u>\$ 147,147</u>	<u>\$ 173,508</u>

At December 31, 2017 and 2016, 86% and 81%, respectively, of net contributions receivable were due from one donor.

There were no significant contribution revenue concentrations for the years ended December 31, 2017 or 2016.

Note 3. Grants and Grants Receivable

Grants receivable consists of grants awarded but not yet received. Short-term grants are recognized at net realizable value (face value). 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, risk-adjusted present value discount rate. Grants receivable are due within one year at both December 31, 2017 and 2016.

At December 31, 2017, all grants receivables were due from two foundations. At December 31, 2016, all grants receivable were due from one foundation.

For the year ended December 31, 2017, 73% of grant revenue was from three foundations. At December 31, 2016, 63% of grant revenue was from four foundations.

Note 4. Operating Lease

Sightline leases its facilities under an operating lease expiring in July 2023. Total rent expense amounted to \$59,467 and \$54,632 for 2017 and 2016, respectively. Future minimum rental payments for this noncancelable operating lease are as follows for the years ending December 31:

2018	\$	54,623
2019		75,984
2020		78,316
2021		80,648
2022		82,980
Thereafter		48,972
	\$	<u>421,523</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, 2017 and 2016, Sightline contributed 10% of employees' salaries to the plan. Contributions to the plan by Sightline were \$90,933 and \$89,618 for 2017 and 2016, 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:

	2017	2016
Operating reserves	\$ 646,481	\$ 648,384
Non-designated funds	1,823,904	1,627,815
Total unrestricted net assets	<u>\$ 2,470,385</u>	<u>\$ 2,276,199</u>