



Sightline Institute

Financial Statements
Years Ended December 31, 2019 and 2018

Sightline Institute

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Sightline Institute

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Independent Auditor's 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, 2019, 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 of America; 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 of America. 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.



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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, 2019, 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 of America.

Other Matter - Prior-Period Financial Statement

The financial statements of Sightline Institute as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated July 12, 2019.

BDO USA, LLP
July 8, 2020

Financial Statements

Sightline Institute
Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,573,841	\$ 642,519
Investments	2,495,236	2,039,248
Receivables:		
Contributions receivable, net, current portion	40,324	25,543
Grants receivable	300,000	452,000
Prepaid expenses and other assets	20,029	14,085
Total Current Assets	4,429,430	3,173,395
Long-term portion of contributions receivable, net	113,715	106,100
Property and equipment, net	14,913	12,791
Total Assets	\$ 4,558,058	\$ 3,292,286
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 25,105	\$ 35,298
Accrued vacation and payroll	200,764	180,737
Total Current Liabilities	225,869	216,035
Net Assets		
Without donor restrictions	2,931,713	2,241,357
With donor restrictions	1,400,476	834,894
Total Net Assets	4,332,189	3,076,251
Total Liabilities and Net Assets	\$ 4,558,058	\$ 3,292,286

See accompanying notes to financial statements.

Sightline Institute
Statements of Activities

<i>Years Ended December 31,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Public support:						
Grants	\$ 566,698	\$ 1,671,500	\$ 2,238,198	\$ 252,300	\$ 877,000	\$ 1,129,300
Contributions	558,537	92,640	651,177	482,556	-	482,556
In-kind contributions	625	-	625	22,538	-	22,538
Fees for service	2,189	-	2,189	14,666	-	14,666
Sales of publications	243	-	243	249	-	249
Other income	1,229	-	1,229	-	-	-
Investment income (loss)	365,510	-	365,510	(151,824)	-	(151,824)
Total Revenue	1,495,031	1,764,140	3,259,171	620,485	877,000	1,497,485
Net Assets Released from Restrictions	1,198,558	(1,198,558)	-	1,182,542	(1,182,542)	-
	2,693,589	565,582	3,259,171	1,803,027	(305,542)	1,497,485
Functional Expenses						
Program services	1,666,062	-	1,666,062	1,735,600	-	1,735,600
Fundraising	284,665	-	284,665	237,817	-	237,817
Management and general	52,506	-	52,506	58,638	-	58,638
Total Functional Expenses	2,003,233	-	2,003,233	2,032,055	-	2,032,055
Change in Net Assets	690,356	565,582	1,255,938	(229,028)	(305,542)	(534,570)
Net Assets, beginning of year	2,241,357	834,894	3,076,251	2,470,385	1,140,436	3,610,821
Net Assets, end of year	\$ 2,931,713	\$ 1,400,476	\$ 4,332,189	\$ 2,241,357	\$ 834,894	\$ 3,076,251

See accompanying notes to financial statements.

Sightline Institute
Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Program Services	Fundraising	Management and General	Total
Personnel-related expenses	\$ 1,342,844	\$ 231,311	\$ 24,711	\$ 1,598,866
Consultants	199,592	5,285	172	205,049
Rent and maintenance	69,094	13,050	2,091	84,235
Travel and meals	19,796	8,709	3,954	32,459
Accounting and legal fees	-	-	13,900	13,900
Supplies and software	5,778	5,515	143	11,436
Printing and postage	2,071	8,280	35	10,386
Telecommunications	7,389	869	78	8,336
Dues and fees	1,267	4,319	2,664	8,250
Depreciation expense	5,856	1,134	102	7,092
Publications and subscriptions	3,555	3,044	4	6,603
Conferences and continuing education	5,134	1,120	36	6,290
Liability insurance	-	-	4,489	4,489
Advertising	2,127	105	5	2,237
Miscellaneous expense	101	1,874	118	2,093
Contribution expense	1,200	-	-	1,200
Recruiting expense	258	50	4	312
Total Expenses	\$ 1,666,062	\$ 284,665	\$ 52,506	\$ 2,003,233

See accompanying notes to financial statements.

Sightline Institute
Statement of Functional Expenses

<i>Year Ended December 31, 2018</i>	Program Services	Fundraising	Management and General	Total
Personnel-related expenses	\$ 1,183,855	\$ 183,832	\$ 23,747	\$ 1,391,434
Consultants	385,848	8,888	305	395,041
Rent and maintenance	53,516	10,193	1,890	65,599
Travel and meals	22,839	9,789	10,699	43,327
Accounting and legal fees	-	-	13,500	13,500
Supplies and software	10,216	6,017	355	16,588
Printing and postage	2,600	8,853	92	11,545
Telecommunications	6,677	794	84	7,555
Dues and fees	1,477	3,878	2,100	7,455
Depreciation expense	4,891	932	99	5,922
Publications and subscriptions	3,096	3,052	65	6,213
Conferences and continuing education	2,835	1,026	33	3,894
Liability insurance	-	-	4,512	4,512
Advertising	20,875	-	-	20,875
Miscellaneous expense	(119)	127	1,111	1,119
Contribution expense	34,660	-	-	34,660
Recruiting expense	2,334	436	46	2,816
Total Expenses	\$ 1,735,600	\$ 237,817	\$ 58,638	\$ 2,032,055

See accompanying notes to financial statements.

Sightline Institute
Statements of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
Cash Flows from (for) Operating Activities		
Change in net assets	\$ 1,255,938	\$ (534,570)
Adjustments to reconcile change in net assets to net cash flows from (for) operating activities:		
Depreciation	7,092	5,922
Realized and unrealized (gain) loss on investments	(299,757)	210,718
Changes in operating assets and liabilities:		
Receivables	129,604	(186,496)
Prepaid expenses and other assets	(5,944)	543
Accounts payable	(10,193)	19,771
Accrued vacation and payroll	20,027	39,481
Net Cash Flows from (for) Operating Activities	1,096,767	(444,631)
Cash Flows for Investing Activities		
Net purchases related to investments	(156,231)	(113,356)
Purchase of equipment	(9,214)	(10,785)
Net Cash Flows for Investing Activities	(165,445)	(124,141)
Net Change in Cash and Cash Equivalents	931,322	(568,772)
Cash and Cash Equivalents, beginning of year	642,519	1,211,291
Cash and Cash Equivalents, end of year	\$ 1,573,841	\$ 642,519

See accompanying notes to financial statements.

Sightline Institute

Notes to Financial Statements

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 the region’s most significant challenges. Sightline’s 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 two classes of net assets: without donor restrictions and with donor restrictions. Contributions that are received are recorded depending on the existence and/or nature of any donor restrictions.

Revenue Recognition

Grants and contributions consist of unrestricted and restricted grants and contributions, and 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.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions are met.

Net assets with donor restrictions consist of the following:

<i>December 31,</i>	2019	2018
Purpose-Restricted Grants and Contributions		
Housing and urbanism	\$ 1,098,117	\$ 650,043
Thin Green Line	127,374	22,805
Diversity, Equity, and Inclusion	11,484	29,689
YIMBYtown	7,082	-
Total Purpose-Restricted Grants and Contributions	1,244,057	702,537
Time-Restricted Grants and Contributions	156,419	132,357
Total Net Assets with Donor Restrictions	\$ 1,400,476	\$ 834,894

Sightline Institute

Notes to Financial Statements

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 common stocks, corporate bonds, certificates of deposit, and treasury notes and other governmental 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:

<i>December 31,</i>	2019	2018
Common stock	\$ 1,429,963	\$ 1,115,114
Corporate bonds	496,227	449,805
Certificates of deposit	452,386	402,484
Treasury notes and other governmental securities	116,660	71,845
Total Investments	\$ 2,495,236	\$ 2,039,248

Investment income (loss) consists of the following:

<i>Years Ended December 31,</i>	2019	2018
Interest and dividends	\$ 65,753	\$ 58,894
Realized gain (loss)	240,003	(7,267)
Unrealized gain (loss)	59,754	(203,451)
Total	\$ 365,510	\$ (151,824)

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 \$2,381 and \$714 at December 31, 2019 and 2018, respectively.

Sightline Institute

Notes to Financial Statements

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	2019	2018
Office equipment	3 years	\$ 61,902	\$ 57,152
Furniture	5 years	5,883	5,883
Leasehold improvements	5 years	9,066	9,066
		76,851	72,101
Less: Accumulated depreciation and amortization		(61,938)	(59,310)
Total		\$ 14,913	\$ 12,791

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, 2019 and 2018, Sightline had accrued \$132,563 and \$113,846, respectively, which is included with accrued vacation and payroll on the statements of financial position.

In-Kind Contributions

During 2019 and 2018, Sightline received the benefit of donated advertising services, consulting, 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 \$625 and \$22,538 in 2019 and 2018, respectively.

Advertising

As noted above, advertising is primarily received in-kind and is expensed as incurred. Advertising expense amounted to \$2,237 and \$20,875 in 2019 and 2018, respectively.

Income Taxes

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

Sightline Institute

Notes to Financial Statements

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional expenses include all direct expenditures of each program or supporting service and certain categories of expenses that are attributed to more than one program or supporting function. Costs that are readily traceable to an identified cost objective, including personnel related expenses, are directly allocated. All other expenses, including some personnel related expenses, that are not directly assigned are allocated based on the ratio of time and effort for each program and supporting function to the time and effort spent by the entire organization.

Recent Accounting Pronouncement Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU assists in the determination of the nature of the transaction, which then governs the revenue recognition methodology and timing of the transaction. The ASU is effective for contributions received by Sightline in periods beginning after December 15, 2018. Sightline adopted this update in 2019 under the modified-prospective basis. The adoption of this update did not materially impact contribution revenue in the financial statements.

Reclassifications

Certain amounts in the prior-year 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 July 8, 2020.

Sightline Institute

Notes to Financial Statements

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, Sightline continues to operate during the COVID-19 outbreak and, as of this report date, has not experienced significant impacts to its financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Sightline is not able to estimate the effects of the pandemic on its future operations, financial condition or liquidity for fiscal year 2020. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provision relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to the tax depreciation methods for qualified improvement property.

It also appropriated funds for the Small Business Administration Paycheck Protection Program (“PPP”) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small business and nonprofits harmed by COVID-19. Sightline has not applied for or received a PPP loan.

Management continues to examine the impact that the CARES Act may have on Sightline. Currently, management is unable to determine the full impact the CARES Act will have on Sightline’s financial condition, results from operations, or liquidity.

2. Liquidity and Availability of Resources

Sightline seeks to fund its operations largely from current year revenue. To ensure access to cash for the payment of monthly expenditures regardless of cash receipts, it is Sightline’s policy to keep a minimum of the equivalent of 1.5 months of budgeted cash expenditures, averaged over the current calendar year, in FDIC insured or U.S. government guaranteed, immediately liquid accounts (e.g., checking, savings, or U.S. government money market).

It is Sightline’s policy to keep an additional 40% of the organization’s current calendar year’s budgeted cash expenditures in cash, laddered certificates of deposit, and commercial debt securities, all of which can be converted to cash immediately.

Remaining financial assets are invested in a blend of cash, fixed income assets, and marketable equity investments, all of which can also be converted to cash immediately. It is Sightline’s policy that these assets be invested with an average weighting of 30% in fixed income positions and 70% in equity positions, with a maximum departure of 10% above or below those averages at the investment advisor’s discretion. A departure greater than 10% from these targets requires the notification of and approval by the board or its designee.

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Notes to Financial Statements

The following table reflects Sightline's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 1,573,841	\$ 642,519
Investments	2,495,236	2,039,248
Grants and contributions receivable, net	454,039	583,643
Total Financial Assets	4,523,116	3,265,410
Grants and contributions receivable, long-term portion	(113,715)	(106,100)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 4,409,401	\$ 3,159,310

3. 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:

<i>December 31,</i>	2019	2018
Amounts Receivable in:		
Less than one year	\$ 41,460	\$ 25,900
One to five years	99,900	82,150
Greater than five years	37,500	52,500
	178,860	160,550
Less: Allowance for doubtful accounts	(2,381)	(714)
Less: Discount on long-term pledges (6%)	(22,440)	(28,193)
Net Contributions Receivable	\$ 154,039	\$ 131,643

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

<i>December 31,</i>	2019	2018
Contributions receivable, net, current portion	\$ 40,324	\$ 25,543
Long-term portion of contributions receivable, net	113,715	106,100
Total	\$ 154,039	\$ 131,643

Sightline Institute

Notes to Financial Statements

At December 31, 2019 and 2018, 73% and 90%, respectively, of net contributions receivable were due from one donor.

There were no significant contribution revenue concentrations for the years ended December 31, 2019 or 2018.

4. 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, 2019 and 2018.

At December 31, 2019, all grants receivables were due from two foundations. At December 31, 2018, all grants receivable were due from one foundation.

For the year ended December 31, 2019, 68% of grant revenue was from four foundations. For the year ended December 31, 2018, 56% of grant revenue was from two foundations.

Note 5. Related-Party Transactions

Sightline's Board of Directors includes individuals who also serve on the Board of Directors of some of Sightline's regular grantors. Sightline received two separate grants from organizations with common board members in each of the years ended December 31, 2019 and 2018. These grants totaled \$95,000 and \$99,800, respectively, and are included within grants on the statements of activities for each year.

Note 6. Operating Lease

Sightline leases its facilities under an operating lease expiring in July 2023. Total rent expense amounted to \$83,594 and \$63,311 for 2019 and 2018, respectively. Future minimum rental payments for this noncancelable operating lease are as follows for the years ending December 31:

2020	\$	78,316
2021		80,648
2022		82,980
2023		48,972
Total	\$	290,916

Note 7. 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, 2019 and 2018, Sightline contributed 10% of employees' salaries to the plan. Contributions to the plan by Sightline were \$118,761 and \$97,430 for 2019 and 2018, respectively.

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Notes to Financial Statements

Note 8. Board Designations

The Board of Directors has designated a reserve of net assets without donor restrictions to cover potential operating shortfalls in future years. These reserve designations are as follows:

<i>December 31,</i>	2019	2018
Operating reserves	\$ 901,592	\$ 875,023
Non-designated funds	2,030,121	1,366,334
Total Net Assets Without Donor Restrictions	\$ 2,931,713	\$ 2,241,357