Sightline Institute

Financial Statements with
Independent Auditor's Report

Years Ended December 31, 2022 and 2021

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NONPROFIT
CPAs LLC

Sightline Institute

Contents

Independent Auditor's Report

To the Board of Directors
Sightline Institute
Seattle, Washington

Opinion

I have audited the accompanying financial statements of Sightline Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sightline Institute as of December 31, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Sightline Institute and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The December 31, 2021 financial statements of Sightline Institute were audited by other auditors, whose report dated July 22, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sightline Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sightline Institute’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sightline Institute’s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Bellingham, Washington
June 27, 2023

Sightline Institute

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 1,708,827	$ 2,206,296
Pledges receivable, net	35,419	78,295
Grants receivable, net	80,000	350,000
Prepaids and other current assets	75,479	24,292
Investments	3,294,336	3,512,296
Total current assets	5,194,061	6,171,179
Pledges receivable, net of current portion	56,843	70,660
Grants receivable, net of current portion	95,000	50,000
Property and equipment, net	14,300	20,616
Total assets	$ 5,360,204	$ 6,312,455
Liabilities and Net Assets		
Current liabilities		
Accounts payable and other accrued liabilities	$ 77,486	$ 45,141
Accrued payroll and related liabilities	269,684	232,838
Total current liabilities	347,170	277,979
Total liabilities	347,170	277,979
Net assets		
Without donor restrictions	4,208,515	4,772,231
With donor restrictions	804,519	1,262,245
Total net assets	5,013,034	6,034,476
Total liabilities and net assets	$ 5,360,204	$ 6,312,455

Sightline Institute

Statements of Activities

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and revenue						
Grants	$ 865,599	$ 959,000	$ 1,824,599	$ 908,864	$ 1,410,000	$ 2,318,864
Contributions	682,694	81,760	764,454	692,788	55,185	747,973
In-kind contributions	194,254	-	194,254	95,536		95,536
Net investment return (loss)	(676,882)	-	(676,882)	487,231	-	487,231
Other income	67,650	-	67,650	15,478	-	15,478
Net assets released from restriction	1,498,486	(1,498,486)	-	1,204,799	(1,204,799)	-
Total support and revenue	2,631,801	(457,726)	2,174,075	3,404,696	260,386	3,665,082
Expenses						
Program services	2,438,219	-	2,438,219	2,058,147	-	2,058,147
Management and general	412,333	-	412,333	86,569	-	86,569
Fundraising	344,965	-	344,965	336,537	-	336,537
Total expenses	3,195,517	-	3,195,517	2,481,253	-	2,481,253
Changes in net assets	(563,716)	(457,726)	(1,021,442)	923,443	260,386	1,183,829
Net assets – beginning of year	4,772,231	1,262,245	6,034,476	3,848,788	1,001,859	4,850,647
Net assets – end of year	$ 4,208,515	$ 804,519	$ 5,013,034	$ 4,772,231	$ 1,262,245	$ 6,034,476

Sightline Institute

Statements of Functional Expenses

Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,386,618	$ 62,658	$ 240,902	$ 1,690,178	$ 1,140,389	$ 2,823	$ 212,608	$ 1,355,820
Benefits	263,282	5,103	45,993	314,378	203,942	504	37,955	242,401
Payroll taxes	109,981	2,598	19,108	131,687	92,563	229	17,252	110,044
Total payroll and related	1,759,881	70,359	306,003	2,136,243	1,436,894	3,556	267,815	1,708,265
Consultants	314,947	176,048	26,365	517,360	304,553	40,993	23,646	369,192
Advertising, including in-kind	120,973	1,346	733	123,052	97,701	-	114	97,815
Rent and maintenance	86,746	21,132	-	107,878	68,125	916	13,388	82,429
Professional fees	17,800	77,437	-	95,237	80,333	25,440	1,031	106,804
Travel	57,902	14,253	395	72,550	4,773	203	883	5,859
Miscellaneous	36,458	20,558	397	57,413	16,292	4,012	6,352	26,656
Supplies and software	12,435	9,459	4,514	26,408	19,094	811	10,792	30,697
Dues and fees	6,855	14,585	3,229	24,669	9,569	10,495	4,405	24,469
Telecommunications	18,319	5,230	-	23,549	18,018	112	1,633	19,763
Printing and postage	5,903	1,926	3,329	11,158	2,795	31	6,478	9,304
Total expenses	$ 2,438,219	$ 412,333	$ 344,965	$ 3,195,517	$ 2,058,147	$ 86,569	$ 336,537	$ 2,481,253

Sightline Institute

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Changes in net assets	$ (1,021,442)	$ 1,183,829
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	10,157	9,369
Realized and unrealized loss (gain) on investments	740,303	(433,542)
(Increase) decrease in assets		
Pledges receivable	56,693	(9,962)
Grants receivable	225,000	(400,000)
Prepaids and other assets	(51,187)	13,102
Increase (decrease) in liabilities		
Accounts payable	32,345	(19,070)
Accrued payroll and related liabilities	36,846	(3,275)
Net cash provided by operating activities	28,715	340,451
Cash flows from investing activities		
Net sales (purchases) related to investments	(522,343)	392,780
Purchases of property and equipment	(3,841)	(21,226)
Net cash provided (used) by investing activities	(526,184)	371,554
Net change in cash and cash equivalents	(497,469)	712,005
Cash and cash equivalents – beginning of year	2,206,296	1,494,291
Cash and cash equivalents – end of year	$ 1,708,827	$ 2,206,296

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Sightline Institute (the Organization) is a Washington State nonprofit corporation formed in 1993. The Organization 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. The Organization equips the citizens and decision makers of Cascadia with the policy research and practical tools they need to advance long-term solutions to the region's most significant challenges. The Organization's work includes in-depth research, commentary, and analysis delivered online, by email and in person to regional policy champions, emerging leaders and a range of community partners.

Basis of accounting – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under this standard, the Organization is required to present its financial position and activities according to two classes of net assets:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.
>
> *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time, including contributions restricted by the donor to be invested in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is recognized, the contribution is recorded as without donor restrictions.

Cash and cash equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Pledges receivable – Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. In subsequent years, amortization of the pledge discount is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable pledges based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges receivable are presented net of an allowance of uncollectible amount of $1,211 at December 31, 2022 and 2021.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Grants receivable – Grants receivable consists of grants awarded but not yet received. Grants are recognized at fair value as of the date of the grant. The Organization considers all grants receivable collectible as of December 31, 2022 and 2021; thus, no allowance has been established for uncollectible grants. Receivables from three grantors comprised 100% of grants receivable at December 31, 2022 and 2021.

Investments – The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment securities, in general, are exposed to various risks, such as interest rate, market, and credit risk. It is reasonably possible, given the level of risk associated with the investment securities, that changes in the near term could materially affect the Organization's account balances and the amounts reported in the financial statements.

Property and equipment – The Organization capitalizes all property and equipment acquisitions in excess of $1,000. Property and equipment acquisitions are recorded at cost, if purchased, and fair value, if donated. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which ranges from 3 to 5 years.

Grants and contributions – Grants and contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Grants and contributions from two and three grantors made up 36% and 50% of total support and revenue, excluding net investment return (loss), for the years ended December 31, 2022 and 2021, respectively.

Donated goods and services – Donations of goods and services are recorded at their estimated fair values at the date of donation. Donated services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. In addition, many volunteers have donated significant amounts of time to the Organization's program services and fundraising campaigns. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

In-kind donations consisted entirely of services for the years ended December 31, 2022 and 2021. Donated goods and services are recorded at the fair market value based on the price of the item or service itself or similar goods and services available in the area. There were no donor restrictions on donated services received during the years ended December 31, 2022 and 2021. All donated services were used by the Organization in their operations.

Advertising – The Organization expenses advertising costs as they are incurred. Advertising expense totaled $123,052 and $97,815 for the years ended December 31, 2022 and 2021, respectively. Of these totals, $119,327 and 94,947 was received by in-kind contribution for the years ended December 31, 2022 and 2021, respectively.

Federal income taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income tax on income derived from activities related to its tax-exempt purposes. Accordingly, no provision for income tax is necessary.

Note 1 – Summary of Significant Accounting Policies – (Continued)

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on the functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program, including personnel related expenses, are allocated directly according to their natural expenditure classifications. All other expenses, including some personnel related expenses, that are not directly assigned are based on the ratio of time and effort for each program and supporting function to the time and effort spent by the Organization as a whole.

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassification – Certain classifications have been made to the prior year's financial statements to conform to the current year's presentation.

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 27, 2023, the date that the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year consist of the following at December 31:

	2022	2021
Cash and cash equivalents	$ 1,708,827	$ 2,206,296
Pledges receivable	92,262	148,955
Grants receivable	175,000	400,000
Investments	3,294,336	3,512,296
Total financial assets	5,270,425	6,267,547
Less amounts not available for general expenditure		
Board designated	(1,360,593)	(1,057,624)
Donor restricted	(804,519)	(1,262,245)
	$ 3,105,313	$ 3,947,678

The Organization has certain board designated net assets limited in use, which are intended for operating expenditures. Board-designated amount could be made available for general expenses, if necessary, but is subject to Board approval. The Organization has certain donor-restricted net assets limited to use which are not available for general expenditures within one year in the normal course of operations. Accordingly, these net assets have been subtracted from the calculation above.

Note 2 – Liquidity and Availability – (Continued)

The Organization 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 the Organization'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, liquid accounts.

It is the Organization's policy to hold, around the time the Board adopts the Organization's budget each spring, 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 the Organization'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 and approval by the board of directors or its designee.

Note 3 – Pledges Receivable

Pledges receivable consist of the following at December 31:

	2022	2021
Receivable in less than one year	$ 36,344	$ 79,221
Receivable in one to five years	69,800	88,200
Total pledges receivable, gross	106,144	167,421
Less: Allowance for doubtful pledges	(1,210)	(1,211)
Less: discount to net present value at 6%	(12,672)	(17,255)
	$ 92,262	$ 148,955

One and four donors represents 80% and 86% of pledges receivable, net at December 31, 2022 and 2021, respectively.

Note 4 – Investments and Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access.

Note 4 – Investments and Fair Value Measurements – (Continued)

Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used during the years ended December 31, 2022 and 2021.

Investments at fair value using, Level 1 inputs, consist of the following as of December 31:

	2022	2021
Common stocks	$ 2,448,188	$ 2,692,541
Corporate bonds	588,629	679,014
Treasury notes and other governmental securities	257,519	140,741
	$ 3,294,336	$ 3,512,296

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market date is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another.

The Organization evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2022 and 2021, there were no significant transfers in or out of Level 3.

Note 5 – Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Office equipment	$ 88,983	$ 85,141
Furniture	5,883	5,883
Leasehold improvements	9,066	9,066
Property and equipment, gross	103,932	100,090
Less: accumulated depreciation	(89,632)	(79,474)
	$ 14,300	$ 20,616

Depreciation expense totaled $12,774 and $9,369 for the years ended December 31, 2022 and 2021, respectively.

Note 6 – Sabbatical Leave

The Organization 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, 2022 and 2021, the Organization had accrued $148,567 and $96,555, respectively, which is included in accrued payroll and other liabilities in the statement of financial position.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2022	2021
Purpose restricted		
Housing and urbanism	$ 607,151	$ 1,035,422
Alaska	40,291	40,334
Fossil Fuels	38,205	-
Farms and forests	31,667	-
Diversity, equity, and inclusion	-	67,036
Thin Green Line	-	25,000
YIMBYtown	-	5,000
Total purpose restricted	717,314	1,172,792
Time restricted	87,205	89,453
	$ 804,519	$ 1,262,245

Note 8 – Retirement Plan

The Organization has a defined contribution employee pension plan. All employees are eligible to participate after three months of service, as defined. The Organization contributes 10% of employees' salaries to the plan. Contributions to the plan by the Organization totaled $163,052 and $136,927 for the years ended December 31, 2022 and 2021, respectively.