

**SIGHTLINE INSTITUTE**

FINANCIAL REPORT  
(A Review)

DECEMBER 31, 2013

## C O N T E N T S

	<b>Page</b>
<b>INDEPENDENT ACCOUNTANTS' REVIEW REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENT OF FUNCTIONAL EXPENSES - 2013 .....	4
STATEMENT OF FUNCTIONAL EXPENSES - 2012 .....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS .....	7 - 12

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors  
Sightline Institute  
Seattle, Washington

We have reviewed the accompanying statement of financial position of Sightline Institute as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2013 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

The financial statements for the year ended December 31, 2012, were audited by us, and we expressed an unmodified opinion on them in our report dated June 4, 2013, but we have not performed any auditing procedures since that date.

*Peterson Sullivan LLP.*

May 20, 2014

**SIGHTLINE INSTITUTE**

## STATEMENTS OF FINANCIAL POSITION

(See Independent Accountants' Review Report)

December 31, 2013 and 2012

ASSETS	2013 (Reviewed)	2012 (Audited)
Current assets		
Cash and cash equivalents	\$ 417,588	\$ 570,252
Investments	1,748,711	772,565
Receivables		
Accounts receivable	10,427	395
Contributions receivable, net, current portion	38,083	41,457
Grants receivable, net, current portion	97,800	130,000
Inventory	5,301	6,252
Prepaid expenses and other assets	18,778	13,305
Total current assets	2,336,688	1,534,226
Long-term portion of receivables		
Contributions receivable, net	167,967	197,367
Grants receivable, net	165,804	263,604
Property and equipment, net	6,706	6,233
Total assets	\$ 2,677,165	\$ 2,001,430
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 10,311	\$ 2,493
Accrued vacation and payroll	154,867	122,655
Total current liabilities	165,178	125,148
Net assets		
Unrestricted	2,030,515	1,202,508
Temporarily restricted	481,472	673,774
Total net assets	2,511,987	1,876,282
Total liabilities and net assets	\$ 2,677,165	\$ 2,001,430

See Notes to Financial Statements

## SIGHTLINE INSTITUTE

### STATEMENTS OF ACTIVITIES

(See Independent Accountants' Review Report)  
For the Years Ended December 31, 2013 and 2012

	2013 (Reviewed)			2012 (Audited)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue						
Public support						
Grants	\$ 540,835	\$ 8,665	\$ 549,500	\$ 382,947	\$ 422,604	\$ 805,551
Contributions	1,321,316		1,321,316	457,328	38,140	495,468
In-kind contributions	74,467		74,467	36,274		36,274
Fees for service	8,836		8,836	50,000		50,000
Sales of publications	6,128		6,128	7,017		7,017
Cost of sales	(951)		(951)	(1,183)		(1,183)
Investment income	766		766	16,778		16,778
Other income	18,785		18,785	102		102
Total revenue	1,970,182	8,665	1,978,847	949,263	460,744	1,410,007
Net assets released from restrictions	200,967	(200,967)		239,055	(239,055)	
	2,171,149	(192,302)	1,978,847	1,188,318	221,689	1,410,007
Functional expenses						
Program services	1,049,764		1,049,764	822,100		822,100
Management and general	45,023		45,023	40,218		40,218
Fundraising	248,355		248,355	187,845		187,845
Total functional expenses	1,343,142		1,343,142	1,050,163		1,050,163
<b>Change in net assets</b>	<b>828,007</b>	<b>(192,302)</b>	<b>635,705</b>	<b>138,155</b>	<b>221,689</b>	<b>359,844</b>
Net assets, beginning of year	1,202,508	673,774	1,876,282	1,064,353	452,085	1,516,438
<b>Net assets, end of year</b>	<b>\$ 2,030,515</b>	<b>\$ 481,472</b>	<b>\$ 2,511,987</b>	<b>\$ 1,202,508</b>	<b>\$ 673,774</b>	<b>\$ 1,876,282</b>

See Notes to Financial Statements

## SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES  
 (See Independent Accountants' Review Report)  
 For the Year Ended December 31, 2013  
 (Reviewed)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 516,962	\$ 18,813	\$ 138,831	\$ 674,606
Consultants and contract personnel	231,319	144	12,160	243,623
Payroll taxes and benefits	134,088	5,656	35,228	174,972
Advertising and media	70,558			70,558
Rent	46,484	1,842	12,517	60,843
Travel and meals	20,979	2,053	26,902	49,934
Accounting and legal		11,200		11,200
Printing and reproduction	3,874	86	5,890	9,850
Small equipment	4,740	217	4,553	9,510
Dues and fees	2,944	670	4,232	7,846
Telephone and internet	5,398	442	1,151	6,991
Depreciation and amortization	5,813	139	945	6,897
Publications and subscriptions	2,097	1	1,978	4,076
Postage and bulk mail	715	9	3,338	4,062
Office supplies	1,020	46	401	1,467
Bad debt expense (recovery)	(780)	(36)	(243)	(1,059)
Miscellaneous	3,553	3,741	472	7,766
	<u>\$ 1,049,764</u>	<u>\$ 45,023</u>	<u>\$ 248,355</u>	<u>\$ 1,343,142</u>

See Notes to Financial Statements

## SIGHTLINE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES  
(See Independent Accountants' Review Report)  
For the Year Ended December 31, 2012  
(Audited)

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 492,649	\$ 17,887	\$ 116,538	\$ 627,074
Consultants and contract personnel	68,822	193	4,466	73,481
Payroll taxes and benefits	127,147	5,312	30,902	163,361
Advertising and media	27,707		802	28,509
Rent	46,628	1,933	12,011	60,572
Travel and meals	14,099	1,981	5,421	21,501
Accounting and legal		7,750		7,750
Printing and reproduction	5,771	239	3,037	9,047
Small equipment	6,689	270	4,686	11,645
Dues and fees	3,821	534	4,030	8,385
Telephone and internet	7,387	277	954	8,618
Depreciation and amortization	17,454	125	793	18,372
Publications and subscriptions	1,005		1,874	2,879
Postage and bulk mail	1,035	17	1,676	2,728
Office supplies	1,044	39	369	1,452
Bad debt expense	69	3	18	90
Miscellaneous	773	3,658	268	4,699
Total expenses	<u>\$ 822,100</u>	<u>\$ 40,218</u>	<u>\$ 187,845</u>	<u>\$ 1,050,163</u>

See Notes to Financial Statements

## SIGHTLINE INSTITUTE

### STATEMENTS OF CASH FLOWS

(See Independent Accountants' Review Report)  
For the Years Ended December 31, 2013 and 2012

	2013 (Reviewed)	2012 (Audited)
Cash Flows from Operating Activities		
Change in net assets	\$ 635,705	\$ 359,844
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	6,897	18,372
Realized and unrealized loss (gain) on investments	7,979	(4,504)
Change in operating assets and liabilities		
Receivables	152,742	(267,999)
Inventory	951	1,183
Prepaid expenses and other assets	(8,247)	2,231
Accounts payable	7,818	(2,938)
Accrued vacation and payroll	32,212	8,765
Net cash flows from operating activities	836,057	114,954
Cash Flows from Investing Activities		
Proceeds from sale of investments	305,000	365,000
Purchase of investments	(1,289,125)	(337,295)
Purchase of equipment	(4,596)	(1,359)
Net cash flows from investing activities	(988,721)	26,346
<b>Net change in cash and cash equivalents</b>	<b>(152,664)</b>	<b>141,300</b>
Cash and cash equivalents, beginning of year	570,252	428,952
<b>Cash and cash equivalents, end of year</b>	<b>\$ 417,588</b>	<b>\$ 570,252</b>

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 the Northwest a global model of sustainability – strong communities, a green economy, and a healthy environment. Since 1993, Sightline has equipped policymakers and citizens with the information and tools they need to advance solutions to the most significant challenges facing the region. Sightline's innovative research and practical ideas connect the dots across a range of issues, giving leaders the resources they need to create change.

#### **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.

Fees for services are recognized when services are performed.

#### **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:

	2013	2012
Time restricted grants and contributions	\$ 472,807	\$ 636,990
Contributions and grants restricted to support specific programs		
Speaker series		27,500
Other	8,665	9,284
	\$ 481,472	\$ 673,774

### **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. The risk is managed by maintaining all deposits in high quality financial institutions.

### **Investments**

Investments consist of certificates of deposit, mutual funds, and corporate bonds. 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:

	2013	2012
Certificates of deposit	\$ 705,414	\$ 405,525
Fidelity balanced mutual fund	351,990	
Fidelity puritan mutual fund	226,975	
Fidelity strategic income mutual fund	180,146	
Domini fixed income mutual fund	111,312	113,558
Calvert fixed income mutual fund - short duration	77,695	77,676
Calvert fixed income mutual fund - social investment	65,692	67,452
Parnassus fixed income mutual fund	26,980	27,732
Corporate bond (General Electric)		76,848
Other	2,507	3,774
	\$ 1,748,711	\$ 772,565

Investment income consists of:

	2013	2012
Interest and dividends	\$ 8,745	\$ 12,274
Realized gain	1,232	2,310
Unrealized gain (loss)	(9,211)	2,194
	\$ 766	\$ 16,778

## **Receivables**

Receivables (other than contributions and grants receivable; see Notes 2 and 3, respectively) are stated at their outstanding principal balances. Management reviews the collectibility of receivables on a periodic basis and writes off receivables deemed uncollectible. No amounts were considered uncollectible at December 31, 2013 or 2012.

## **Inventory**

Inventory, consisting of publications, is stated at the lower of average cost or market.

## **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 is provided on the straight-line method over the estimated useful lives of the assets. The cost, estimated useful lives, and accumulated depreciation of property and equipment are as follows:

	Estimated Useful Lives	2013	2012
Office equipment	3 years	\$ 61,609	\$ 58,405
Furniture	5 years	4,529	4,529
Leasehold improvements	5 years	9,066	9,066
		75,204	72,000
Less: accumulated depreciation		(68,498)	(65,767)
		<u>\$ 6,706</u>	<u>\$ 6,233</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, 2013 and 2012, Sightline has accrued \$102,975 and \$73,473, respectively, which is included with accrued vacation and payroll on the statements of financial position.

## **In-kind Contributions**

During 2013 and 2012, Sightline received the benefit of donated advertising services as well as donated supplies (most was advertising). All advertising is recognized as income and an expense when utilized. Advertising services, along with donated supplies, are recorded at their estimated fair value and totaled \$74,497 and \$36,274 in 2013 and 2012, respectively.

## **Income Taxes**

Sightline is a nonprofit organization which is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Tax returns for the last three years are subject to audit by federal taxing authorities.

## **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 from the December 31, 2012, 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 the same date as the independent accountants' review report.

## **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>2013</u>	<u>2012</u>
Amounts receivable in:		
Less than one year	\$ 50,388	\$ 54,428
One to five years	106,424	115,562
Greater than five years	<u>127,500</u>	<u>157,500</u>
	284,312	327,490
Less: allowance for doubtful accounts	(3,153)	(4,562)
Less: discount on long-term pledges (at 6%)	<u>(75,109)</u>	<u>(84,104)</u>
Net contributions receivable	<u>\$ 206,050</u>	<u>\$ 238,824</u>

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

	<u>2013</u>	<u>2012</u>
Contributions receivable, net, current portion	\$ 38,083	\$ 41,457
Long-term portion of contributions receivable, net	<u>167,967</u>	<u>197,367</u>
	<u>\$ 206,050</u>	<u>\$ 238,824</u>

For the years ended December 31, 2013 and 2012, 65% and 20%, respectively, of contribution revenue was from one donor.

At December 31, 2013, 70% of total net contributions receivable was due from one donor, and at December 31, 2012, 76% of total net contributions receivable was due from two donors.

Discount rates used here and in Note 3 vary due to the year(s) when amounts were originally recognized and 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:

	2013	2012
Amounts receivable in:		
Less than one year	\$ 100,000	\$ 130,000
One to five years	175,000	275,000
	275,000	405,000
Less: discount on long-term pledges (at 2.25%)	(11,396)	\$ (11,396)
Net grants receivable	\$ 263,604	\$ 393,604

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

	2013	2012
Grants receivable, net, current portion	\$ 97,800	\$ 130,000
Long-term portion of grants receivable, net	165,804	263,604
	\$ 263,604	\$ 393,604

For the year ended December 31, 2013, 53% of grants recognized as revenue was from three foundations. At December 31, 2012, 47% of grants recognized as revenue was from one foundation.

At December 31, 2013 and 2012, 100% and 92%, respectively, of total net grants receivable was due from one foundation.

**Note 4. Operating Lease**

Sightline leases its facilities under an operating lease expiring May 2018. Rent expense under this lease amounted to \$60,842 for 2013 and \$60,571 for 2012. Future minimum rental payments for this non-cancelable operating lease are as follows for the years ending December 31:

2014	\$	49,051
2015		51,223
2016		53,395
2017		55,567
2018		23,530
	\$	<u>232,766</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, 2013 and 2012, Sightline contributed 10% of employees' salaries to the plan. Contributions to the plan by Sightline were \$62,857 for 2013 and \$60,835 for 2012.

**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:

	<u>2013</u>	<u>2012</u>
Operating reserves	\$ 500,159	\$ 418,638
Non-designated funds	<u>1,530,356</u>	<u>783,870</u>
Total unrestricted net assets	<u>\$ 2,030,515</u>	<u>\$ 1,202,508</u>

**Note 7. Related Party Transaction**

During 2013, Sightline received a bequest from the estate of a related party totaling \$856,932. The resulting revenue was unrestricted support and was recognized as contribution revenue in the 2013 statement of activities.