sight connection
living well with vision loss

FINANCIAL STATEMENTS

December 31, 2015 and 2014

(With Independent Auditor's Report Thereon)

VINE DAHLEN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SightConnection

We have audited the accompanying financial statements of SightConnection (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 controls 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 controls. 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 SightConnection as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Vine Dahlen PLLC

November 1, 2016

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SIGHTCONNECTION
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Cash and cash equivalents	$ 311,817	$ 130,202
Investments	557,415	795,237
Accounts and contracts receivable, net	146,747	206,479
Inventory	93,939	66,447
Prepaid expenses and other assets	88,479	90,801
Furniture, equipment, and leasehold improvements, net	87,379	109,125
Assets whose use is limited	462,765	461,809
TOTAL ASSETS	$ 1,748,541	$ 1,860,100

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES:		
Accounts payable	$ 94,943	$ 92,010
Accrued expenses	128,240	129,683
TOTAL LIABILITIES	223,183	221,693
NET ASSETS:		
Unrestricted	1,019,407	1,171,757
Temporarily restricted	278,339	239,038
Permanently restricted	227,612	227,612
TOTAL NET ASSETS	1,525,358	1,638,407
TOTAL LIABILITIES AND NET ASSETS	$ 1,748,541	$ 1,860,100

See accompanying notes to financial statements.

SIGHTCONNECTION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and gains, excluding sale of donated goods:		
Contributions	$ 325,575	$ 192,158
Government contracts	242,137	230,007
United Way	156,686	157,974
Sales to public	618,078	463,159
Program services	88,454	43,845
Investment income	30,566	33,886
Other revenue	764	423
Net realized and unrealized gain on investments	0	49,306
Total unrestricted revenues and gains, excluding sale of donated goods	1,462,260	1,170,758
Expenses and losses, excluding donated goods procurement and delivery:		
Program services	1,477,462	1,436,323
Management and general	155,191	77,899
Fundraising	90,454	102,428
Net realized and unrealized loss on investments	95,756	0
Total expenses and losses, excluding donated goods procurement and delivery	1,818,863	1,616,650
CHANGE IN NET ASSETS BEFORE DONATED GOODS REVENUE AND EXPENSE	(356,603)	(445,892)
Donated goods revenue and expense:		
Sale of donated goods	2,327,808	2,419,912
Donated goods procurement and delivery	(2,123,555)	(2,246,169)
Net donated goods revenue	204,253	173,743
DECREASE IN UNRESTRICTED NET ASSETS	(152,350)	(272,149)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	37,210	0
Investment income	9,605	9,198
Net realized and unrealized gain (loss) on investments	(7,514)	28,704
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	39,301	37,902
DECREASE IN NET ASSETS	(113,049)	(234,247)
BEGINNING NET ASSETS	1,638,407	1,872,654
ENDING NET ASSETS	$ 1,525,358	$ 1,638,407

See accompanying notes to financial statements.

SIGHTCONNECTION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	$ (113,049)	$ (234,247)
Adjustments to reconcile change in net assets to net cash:		
Depreciation and amortization	26,746	36,143
Realized gain on sale of investments	(68,561)	(123,139)
Unrealized loss on investments	171,831	45,129
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts and contracts receivable	59,732	(30,991)
Inventory	(27,492)	4,754
Prepaid expenses and other assets	2,322	618
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,490	(12,154)
Total adjustments and changes	166,068	(79,640)
	53,019	(313,887)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Cash purchases of furniture and equipment	(5,000)	(26,800)
Purchase of investments	(353,714)	(388,222)
Proceeds from sale of investments	487,310	752,286
	128,596	337,264
NET INCREASE IN CASH AND EQUIVALENTS	181,615	23,377
BEGINNING CASH AND EQUIVALENTS	130,202	106,825
ENDING CASH AND EQUIVALENTS	$ 311,817	$ 130,202

SIGHTCONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	Vision Rehabilitation	Adaptive Aids	Educational Services	Total	Management and General	Fund Raising	Total	2015
Salaries and related expenses	$ 379,734	$ 170,432	$ 17,666	$ 567,832	$ 114,415	$ 32,774	$ 147,189	$ 715,021
Professional fees	90,734	62,654	5,854	159,242	11,596	6,050	17,646	176,888
Supplies	3,072	5,576	136	8,784	267	278	545	9,329
Computer software/online	12,805	7,106	2,596	22,507	413	3,475	3,888	26,395
Cost of sales to public	0	430,622	0	430,622	0	0	0	430,622
Telephone	5,678	3,574	367	9,619	728	380	1,108	10,727
Postage and shipping	2,566	1,615	166	4,347	329	3,627	3,956	8,303
Occupancy	55,535	85,154	12,958	153,647	12,958	18,512	31,470	185,117
Outside printing and publications	9,658	5,315	431	15,404	851	19,398	20,249	35,653
Transportation, conferences and conventions	20,428	2,926	1,986	25,340	390	2,555	2,945	28,285
Advertising	59	5,702	4	5,765	1	4	5	5,770
Bank charges	206	21,045	13	21,264	26	34	60	21,324
Insurance	12,981	8,171	840	21,992	1,664	868	2,532	24,524
Taxes and licenses	335	211	22	568	43	22	65	633
Miscellaneous	11,162	5,941	531	17,634	10,422	923	11,345	28,979
Depreciation and amortization	4,661	7,147	1,087	12,895	1,088	1,554	2,642	15,537
Total expenses before donated goods procurement and delivery	609,614	823,191	44,657	1,477,462	155,191	90,454	245,645	1,723,107
Donated goods procurement and delivery (Note 10)	0	0	0	0	0	2,123,555	2,123,555	2,123,555
TOTAL EXPENSES	$ 609,614	$ 823,191	$ 44,657	$ 1,477,462	$ 155,191	$ 2,214,009	$ 2,369,200	$ 3,846,662

See accompanying notes to financial statements.

SIGHTCONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	Vision Rehabilitation	Adaptive Aids	Educational Services	Total	Management and General	Fund Raising	Total	2014
Salaries and related expenses	$ 412,490	$ 165,432	$ 84,735	$ 662,657	$ 43,197	$ 50,959	$ 94,156	$ 756,813
Professional fees	16,999	81,559	3,998	102,556	4,721	11,698	16,419	118,975
Supplies	4,763	4,684	622	10,069	210	372	582	10,651
Computer software/online	8,291	9,160	4,348	21,799	655	8,470	9,125	30,924
Cost of sales to public	0	329,095	0	329,095	0	0	0	329,095
Telephone	4,364	2,490	1,032	7,886	345	617	962	8,848
Postage and shipping	1,498	855	354	2,707	119	888	1,007	3,714
Occupancy	82,260	53,647	12,518	148,425	12,517	17,883	30,400	178,825
Outside printing and publications	6,604	3,075	1,084	10,763	361	4,329	4,690	15,453
Transportation, conferences and conventions	15,597	664	3,154	19,415	863	724	1,587	21,002
Advertising	450	0	0	450	14	0	14	464
Bank charges	822	15,615	194	16,631	66	116	182	16,813
Insurance	11,902	6,790	2,813	21,505	941	1,682	2,623	24,128
Taxes and licenses	834	476	197	1,507	66	118	184	1,691
Events	0	0	23,999	23,999	0	0	0	23,999
Miscellaneous	24,229	14,243	4,905	43,377	12,686	2,948	15,634	59,011
Depreciation and amortization	7,472	4,873	1,137	13,482	1,138	1,624	2,762	16,244
Total expenses before donated goods procurement and delivery	598,575	692,658	145,090	1,436,323	77,899	102,428	180,327	1,616,650
Donated goods procurement and delivery (Note 10)	0	0	0	0	0	2,246,169	2,246,169	2,246,169
TOTAL EXPENSES	$ 598,575	$ 692,658	$ 145,090	$ 1,436,323	$ 77,899	$ 2,348,597	$ 2,426,496	$ 3,862,819

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES

SightConnection (the Organization), a Washington State nonprofit corporation, formerly known as Community Services for the Blind and Partially Sighted, works to enhance the ability of people with vision loss to lead active, independent lives. This work is achieved throughout Western Washington through the following programs:

Vision Rehabilitation
The Vision Rehabilitation program includes Counseling, Orientation and Mobility, Independent Living Skills Training, Low Vision Rehabilitation, and Assistive Technology. Activities in this program include training in independent living skills, safe movement and travel, activities of daily living, skills training, adjustment to vision loss, training in use of residual vision, information and education about adaptive assistive technology and providing general information and referrals. Using a variety of techniques and adapted visual aids, professional staff work with clients to help them maintain and enhance their ability to live independently despite their vision loss.

Adaptive Aids
The Adaptive Aids program has a "teaching store" where persons purchase and learn to use varied adaptive equipment. The items sold through the store help to convert visual information into more useable forms through enhancement of partial sight, touch, and hearing, or a combination of any and all of these factors. This program frequently acts as a point of entry to other Organization programs as a great deal of information and referral is provided to these clients and customers.

Educational Services
The Educational Services program develops and disseminates resource information, including printed and web-based information handouts and newsletters. The program also provides community education programs and classes, public service announcements and workshops.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of presentation
The Organization 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.

Use of estimates in the preparation of financial statements
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated materials, equipment, and services
Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Contributions of services are recognized if the services received create or enhance a nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills.

Revenue recognition
Revenues are generated from sales of adaptive aids to the public and to clients. Revenue is recognized when all the criteria are met, which is generally recognized upon shipment to the client or point of sale at the Organization's on-site retail store. Revenues are also generated through sale of donated goods through the use of an exclusive third-party retailer. Title is passed to the buyer upon delivery to the buyer at their retail locations. Revenue is recognized when all the criteria are met which is typically upon delivery to the retailer. As of December 31, 2015 and 2014, there were no material amounts of in-transit merchandise.

Recognition of donor restrictions
The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same period the contribution is received are reported as unrestricted support.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization recognizes expirations of donor restrictions as a release from restriction when the donated or acquired long-lived assets are placed in service.

Government contracts
A portion of the public support of the Organization is derived from government contracts administered by various federal and state government agencies. Revenue from these contracts is recognized when services are performed.

Income taxes
SightConnection has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as an organization formed to operate charitable, non-profit facilities and programs for the benefit of its members and for the community. It has also been designated as an organization which is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)
The Organization's tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2012 and forward, generally three years after the return is filed. In evaluating the Organization's tax provisions and accruals, future taxable income and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Organization believes their estimates are appropriate based on current facts and circumstances.

Cash and cash equivalents
For reporting purposes, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Permanently restricted money market funds are reported as investments.

Investments
Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income, including realized gains and losses on investments, and interest and dividends, is included in the increase or decrease in unrestricted net assets unless restricted by donor or by law. Unrealized gains and losses are included in the change in net assets.

Assets whose use is limited
Assets whose use is limited are "investments" and include permanently restricted assets and assets designated by the Board of Directors for future needs.

Accounts and contracts receivable
Accounts receivable are carried at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

The Organization's policy does not provide for accrual of interest or other service charges on receivables. Accounts are considered past due 30 days after invoice date at which time the customer is mailed a past due notice. Accounts that remain unpaid 120 days after invoice date are referred to management for review. Accounts are written off as uncollectible only after all efforts to collect have been exhausted.

Contracts receivable consist of amounts due under government contracts with state agencies.

Furniture, equipment, and leasehold improvements
Furniture, equipment, and leasehold improvements are recorded at cost if purchased and fair market value at the date of acquisition if received as a donation. Acquisitions of $500 or more are capitalized. Provision for depreciation and amortization is provided over the estimated useful lives of the assets, using the straight-line method. Estimated useful lives of the assets range from one to seven years. Amortization of leasehold improvements are provided over the estimated useful life of the assets or the remaining terms of the leases, whichever is shorter.

Inventory
Inventory is stated at the lower of cost or market using the first-in, first-out method and consists of finished goods which are adaptive aids for persons who are visually impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising
Advertising costs are charged to program and supporting services when incurred.

Shipping and handling costs
The Organization classifies freight billed to customers as sales to public revenue and the related freight costs as cost of sales to public.

Sales tax
Sales taxes assessed on sales to public are recorded as liabilities on the statement of financial position and such liabilities are reduced when sales taxes are remitted to the respective state and local agencies.

3. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are summarized as follows:

	2015	2014
Unemployment compensation trust account	$ 73,438	$ 76,070
Prepaid insurance	10,356	10,025
Deposits	4,537	4,537
Other prepaid expense	148	169
	$ 88,479	$ 90,801

4. ACCOUNTS AND CONTRACTS RECEIVABLE

Accounts and contracts receivable consist of the following:

	2015	2014
Accounts receivable	$ 22,325	$ 11,434
Contracts receivable	111,759	182,382
Contributions receivable	12,663	12,663
	$ 146,747	$ 206,479

The allowance for uncollectible accounts and contracts is $0 in 2015 and 2014 since management estimates that the balance in accounts and contracts receivable is fully collectible.

5. INVESTMENTS

Following are the aggregate carrying amounts of investments:

	Fair Value Hierarchy Level	2015	2014
Investments:			
Money market funds	1	$ 29,755	$ 15,648
Corporate marketable debt securities	1	146,722	168,238
U.S. Treasury note	2	10,193	10,274
Marketable equity securities	1	403,237	618,678
Mutual funds	1	430,273	444,208
Total		$ 1,020,180	$ 1,257,046

The fair values of the Organization's financial assets, measured on a recurring basis, are classified based on the following hierarchy reflecting the significance of inputs used in determining fair value measurements:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets in active markets.
Level 2 – Other inputs that are directly or indirectly observable in the marketplace.
Level 3 – Unobservable inputs which are supported by little or no market activity.

Investments are reported on the statements of financial position as follows:

Investments	$ 557,415	$ 795,237
Assets whose use is limited:		
Board designated	235,153	234,197
Permanently restricted	227,612	227,612
Total assets whose use is limited	462,765	461,809
Total	$ 1,020,180	$ 1,257,046

Investment management fees were $9,475 and $11,027 for the years ended December 31, 2015 and 2014, respectively.

6. FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements consist of the following:

Furniture and equipment	$ 433,684	$ 428,684
Leasehold improvements	5,663	5,663
	439,347	434,347
Accumulated depreciation and amortization	(351,968)	(325,222)
	$ 87,379	$ 109,125

Depreciation expense was $26,746 and $36,143 for the years ended December 31, 2015 and 2014, respectively.

7. ACCRUED EXPENSES

Accrued expenses include the following:

	2015	2014
Accrued salaries, taxes, and benefits	$ 60,469	$ 62,456
Accrued vacation	62,135	62,135
Business taxes	2,954	2,445
Other	2,682	2,647
	$ 128,240	$ 129,683

8. LEASE COMMITMENTS

The Organization leases space in two facilities for its operations and also leases several vehicles to support its sale of donated goods operations, described in Note 10. All leases are classified as noncancelable operating leases, and are more fully explained below.

The Organization leases a facility for its primary operations under an agreement that expires June 30, 2018. The Organization is charged for their pro-rata share of the operating expenses of the facility (including insurance and taxes) not covered by the base rental payments. The facility lease is subject to escalation clauses.

During the year ended December 31, 2015 the lease was amended to allow for early termination of the lease term. The amended expiration date is February 28, 2017 and the amendment also includes the abatement of rent for the six months preceding the termination date in addition to a moving allowance of $25,000 that will be paid to the Organization within 5 days after the new expiration date.

The Organization leases a facility to support its sale of donated goods operations under an agreement that expires March 31, 2018. Rent payments are $3,805 per month.

The Organization leases several vehicles on a year-to-year basis and several under an agreement that expires on September 14, 2017. The Organization's agreement with the retailer described in Note 10 includes a clause where the retailer will pay for the remaining years of the Organization's vehicle lease if a renewal agreement with the retailer is not signed.

Rental expense under all leases was $403,471 and $400,135 for the years ended December 31, 2015 and 2014, respectively.

Future required minimum rental payments under noncancelable leases of over one year are as follows:

Year Ending December 31,	
2016	$ 244,000
2017	103,000
2018	12,000
	$ 359,000

9. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation up to $250,000. At times during the year, the Organization had balances in excess of the insured amount.

The Organization maintains an account with an investment firm. The account contains cash and securities. Within the limits of protection offered by the Securities Investor Protection Corporation (SIPC), claims against a broker-dealer are satisfied on cash up to a maximum of $250,000 and securities up to a maximum of $500,000. Coverage provided by the SIPC and the investment firms' insurance companies does not protect against the loss of market value of securities.

Other concentrations of credit risk are disclosed in Note 10.

10. SALE OF DONATED GOODS

The Organization operates under an agreement, expiring December 2016, whereby it solicits used merchandise from the community and receives a stated amount per cartload delivered to a local retailer, as well as reimbursement of expenses incurred. Expenses associated with this activity are reported as supporting services in the statements of functional expenses.

After payment of the expenses for the procurement and delivery of donated goods, excess revenue is used to fund the Organization's programs. The results of this activity are as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Revenue	$ 2,327,808	$ 2,419,912
Expenses:		
Salaries	1,178,045	1,294,441
Truck expenses	249,678	286,324
Employee benefits	144,022	173,188
Payroll taxes	164,797	175,429
Occupancy	79,272	79,583
Telephone	18,692	19,564
Purchase of goods	149,277	83,013
Miscellaneous	13,835	29,434
Business taxes	1,300	1,274
Payroll processing	12,624	13,281
Advertising	95	525
Insurance	7,958	8,777
Consulting	48,368	11,021
Supplies	10,783	25,216
Administrative fees	33,600	25,200
Depreciation	11,209	19,899
Total expenses	2,123,555	2,246,169
Net donated goods revenue	$ 204,253	$ 173,743

10. SALE OF DONATED GOODS (Continued)

The Organization's revenue from the sale of donated goods is provided by one retailer. At December 31, 2015 and 2014, accounts receivable from this customer totaled $83,121 and $165,708, respectively.

11. EMPLOYEE RETIREMENT PLAN

The Organization has a 403(b) deferred compensation plan in effect covering all its employees. All employees are eligible to make elective deferrals in any amount up to the maximum percentage legally permissible. There are no employer contributions to the plan.

12. RESTRICTED NET ASSETS

Temporary restricted net assets are available for the following purpose at year end:

	2015	2014
Time	$ 241,129	$ 239,038
Computer equipment	37,210	0
	$ 278,339	$ 239,038

Releases of temporarily restricted net assets were $0 for each of the years ended December 31, 2015 and 2014.

Permanently restricted net assets of $227,612 are restricted to investment in perpetuity and are included in assets whose use is limited in the statement of financial position. The income is expendable to support any activities of the Organization.

13. ENDOWMENTS

The Organization's endowment consists of two individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of relevant law
The Board of Directors of the Organization (Board) has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by the State of Washington, as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

13. ENDOWMENTS (Continued)

Interpretation of relevant law (continued)
None of the permanently restricted endowment funds of the Organization require additional accumulations to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization. The Board appropriates for expenditure for the uses and purposes for which an endowment fund is established so much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund over the historic dollar value of the fund as is prudent under UPMIFA.

Endowment net asset composition
At December 31, 2015 and 2014, the Organization's endowment net assets were composed entirely of donor restricted funds.

Changes in endowment net assets for the years ended December 31, 2015 and 2014 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as of December 31, 2013	$ 201,136	$ 227,612	$ 428,748
Investment income	9,198	0	9,198
Realized and unrealized gains	28,704	0	28,704
Endowment net assets, as of December 31, 2014	239,038	227,612	466,650
Investment income	9,605	0	9,605
Realized and unrealized losses	(7,514)	0	(7,514)
Endowment net assets, as of December 31, 2015	$ 241,129	$ 227,612	$ 468,741

Funds with deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2015 and 2014.

Return objectives and risk parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to provide support for the Organization's ongoing needs while seeking to preserve at necessary and appropriate levels the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to achieve a balance of income and growth at a moderate level of risk.

13. ENDOWMENTS (Continued)

Strategies employed for achieving objectives
To satisfy its long-term rate-of-return objectives, the Organization's investment strategy for all investments is to emphasize long-term growth (capital appreciation plus investment income). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy
Annually, the Organization reviews the performance of the various endowment fund portfolios to determine what, if any, income in the form of interest, dividends and net capital appreciation may be appropriated for use to support the Organization's programs and services. In making this decision, the Organization exercises prudent judgment so as to assure that the funds retain sufficient assets and income to allow for reasonable future unfavorable market conditions and the preservation of principal.

14. CONTINGENCIES

The Organization is a member of a trust that facilitates the utilization by member agencies of the Reimbursement Financing Method of meeting obligations under the State of Washington unemployment insurance statutes. As of December 31, 2015 and 2014, the Organization had deposits with the trust of $73,438 and $76,020, respectively, which are reported as prepaid expenses in the statement of financial position. The Organization cannot reasonably estimate a liability for any unpaid unemployment claims as of year-end; accordingly, a liability has not been accrued as of December 31, 2015 and 2014.

15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2016, which is the date the financial statements were available to be issued.

Subsequent to year end the Organization executed a lease agreement for a facility for its primary operations beginning February 1, 2017. The lease is non-cancellable and expires in 2027. The Organization will be charged their pro-rata share of the operating expenses of the facility (including insurance and taxes) not covered by the base rent payments. The facility lease is subject to escalation clauses, with amounts beginning at $7,611 a month in the first year of the lease.