SIGHT CONNECTION
For the Blind & Partially Sighted

FINANCIAL STATEMENTS

December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

VINE DAHLEN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sight Connection

We have audited the accompanying financial statements of Sight Connection (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 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 Sight Connection as of December 31, 2016 and 2015, 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.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 3 to the financial statements, the entity has suffered recurring reductions in contribution revenues, sales to the public and sales of donated goods and has continued to use accumulated net assets for current operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Vine Dahlen PLLC

October 22, 2018

SIGHT CONNECTION
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 241,445	$ 311,817
Investments	396,203	557,415
Accounts and contracts receivable, net	178,902	146,747
Inventory	112,601	93,939
Prepaid expenses and other assets	82,627	88,479
Furniture, equipment, and leasehold improvements, net	96,599	87,379
Assets whose use is limited	501,692	462,765
TOTAL ASSETS	$ 1,610,069	$ 1,748,541

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES:		
Accounts payable	$ 138,607	$ 94,943
Accrued expenses	139,679	128,240
TOTAL LIABILITIES	278,286	223,183
NET ASSETS:		
Unrestricted	822,938	1,019,407
Temporarily restricted	281,233	278,339
Permanently restricted	227,612	227,612
TOTAL NET ASSETS	1,331,783	1,525,358
TOTAL LIABILITIES AND NET ASSETS	$ 1,610,069	$ 1,748,541

See accompanying notes to financial statements.

SIGHT CONNECTION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and gains, excluding sale of donated goods:		
Contributions	$ 299,024	$ 325,575
Government contracts	263,645	242,137
United Way	80,042	156,686
Sales to public	479,993	618,078
Program services	46,900	88,454
Investment income	27,346	30,566
Other revenue	2,501	764
Net realized and unrealized gain on investments	63,823	0
Net assets released from restriction	37,210	0
Total unrestricted revenues and gains, excluding sale of donated goods	1,300,484	1,462,260
Expenses and losses, excluding donated goods procurement and delivery:		
Program services	1,200,758	1,494,968
Management and general	325,681	162,408
Fundraising	167,649	65,731
Net realized and unrealized loss on investments	0	95,756
Total expenses and losses, excluding donated goods procurement and delivery	1,694,088	1,818,863
CHANGE IN NET ASSETS BEFORE DONATED GOODS REVENUE AND EXPENSE	(393,604)	(356,603)
Donated goods revenue and expense:		
Sale of donated goods	2,067,316	2,327,808
Donated goods procurement and delivery	(1,870,181)	(2,123,555)
Net donated goods revenue	197,135	204,253
DECREASE IN UNRESTRICTED NET ASSETS	(196,469)	(152,350)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	0	37,210
Investment income	10,440	9,605
Net realized and unrealized gain (loss) on investments	29,664	(7,514)
Net assets released from restriction	(37,210)	0
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	2,894	39,301
DECREASE IN NET ASSETS	(193,575)	(113,049)
BEGINNING NET ASSETS	1,525,358	1,638,407
ENDING NET ASSETS	$ 1,331,783	$ 1,525,358

See accompanying notes to financial statements.

SIGHT CONNECTION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	$ (193,575)	$ (113,049)
Adjustments to reconcile change in net assets to net cash:		
Depreciation and amortization	26,595	26,746
Realized gain on sale of investments	(28,942)	(68,561)
Unrealized (gain) loss on investments	(64,546)	171,831
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts and contracts receivable	(32,155)	59,732
Inventory	(18,662)	(27,492)
Prepaid expenses and other assets	5,852	2,322
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	55,103	1,490
Total adjustments and changes	(56,755)	166,068
	(250,330)	53,019
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Cash purchases of furniture and equipment	(35,815)	(5,000)
Purchase of investments	(191,637)	(353,714)
Proceeds from sale of investments	407,410	487,310
	179,958	128,596
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(70,372)	181,615
BEGINNING CASH AND EQUIVALENTS	311,817	130,202
ENDING CASH AND EQUIVALENTS	$ 241,445	$ 311,817

See accompanying notes to financial statements.

SIGHT CONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL
	Vision Rehabilitation	Adaptive Aids	Total	Management and General	Fundraising	Total	2016
Salaries and related expenses	$ 303,844	$ 143,089	$ 446,933	$ 238,105	$ 104,630	$ 342,735	$ 789,668
Professional fees	66,959	43,940	110,899	30,958	20,700	51,658	162,557
Supplies	4,986	3,263	8,249	2,299	1,537	3,836	12,085
Computer software/online	9,454	6,224	15,678	4,385	2,932	7,317	22,995
Cost of sales to public	0	380,238	380,238	0	0	0	380,238
Telephone	4,666	3,072	7,738	2,164	1,447	3,611	11,349
Postage and shipping	2,274	1,497	3,771	1,055	705	1,760	5,531
Occupancy	46,859	70,473	117,332	12,914	17,342	30,256	147,588
Outside printing and publications	9,644	6,349	15,993	4,474	2,991	7,465	23,458
Transportation, conferences and conventions	9,238	10,333	19,571	5,474	3,660	9,134	28,705
Advertising	473	8,924	9,397	107	144	251	9,648
Bank charges	6,853	4,512	11,365	3,179	2,125	5,304	16,669
Insurance	10,244	6,745	16,989	4,752	3,177	7,929	24,918
Taxes and licenses	142	93	235	66	44	110	345
Events	0	0	0	341	0	341	341
Miscellaneous	13,094	8,703	21,797	13,804	4,061	17,865	39,662
Depreciation and amortization	5,820	8,753	14,573	1,604	2,154	3,758	18,331
Total expenses before donated goods procurement and delivery	494,550	706,208	1,200,758	325,681	167,649	493,330	1,694,088
Donated goods procurement and delivery (Note 11)	0	0	0	0	1,870,181	1,870,181	1,870,181
TOTAL EXPENSES	$ 494,550	$ 706,208	$ 1,200,758	$ 325,681	$ 2,037,830	$ 2,363,511	$ 3,564,269

See accompanying notes to financial statements.

SIGHT CONNECTION
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	Fundraising	Total	2015
Salaries and related expenses	$ 379,734	$ 170,432	$ 17,666	$ 567,832	$ 114,415	$ 32,774	$ 147,189	$ 715,021
Professional fees	93,751	58,854	6,049	158,654	11,982	6,252	18,234	176,888
Supplies	3,176	5,333	204	8,713	405	211	616	9,329
Computer software/online	13,972	8,794	904	23,670	1,791	934	2,725	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	4,395	2,766	284	7,445	563	294	857	8,302
Occupancy	55,535	85,154	12,958	153,647	12,958	18,512	31,470	185,117
Outside printing and publications	18,855	11,868	1,220	31,943	2,416	1,294	3,710	35,653
Transportation, conferences and conventions	14,898	9518	964	25,380	1,909	996	2,905	28,285
Advertising	3,055	1,923	198	5,176	391	204	595	5,771
Bank charges	11,287	7,105	730	19,122	1,447	755	2,202	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
Events	0	0	0	0	0	0	0	0
Miscellaneous	10,303	6,729	658	17,690	10,608	681	11,289	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	632,616	818,201	44,151	1,494,968	162,408	65,731	228,139	1,723,107
Donated goods procurement and delivery (Note 11)	0	0	0	0	0	2,123,555	2,123,555	2,123,555
TOTAL EXPENSES	$ 632,616	$ 818,201	$ 44,151	$ 1,494,968	$ 162,408	$ 2,189,286	$ 2,351,694	$ 3,846,662

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES

Sight Connection (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. In 2015 this program was discontinued.

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, 2016 and 2015, 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
Sight Connection 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 files its federal and state income tax returns annually, which are subject to examination by taxing authorities, generally for three years after the return is filed. The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of other expenses on the statements of activities.

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. GOING CONCERN

The Organization has incurred continuing decreases in net assets and negative cash flows that have materially impacted operations. As disclosed in Note 11, the Organization was notified subsequent to year end that the sale of donated goods agreement was terminated. Additional changes to the Organization's clinic and retail operations, staffing, and a decrease in government contracts, contributions and United Way funding have led the Organization to rely on accumulated net assets to fund ongoing operations subsequent to the date of these financial statements. These factors create a substantial doubt about the Organization's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

Management has evaluated these conditions and has developed a plan to address the issues above and believes its ability to continue as a going concern is dependent upon increasing contribution and grant revenues and addressing operational issues in its clinic and retail store. In addition, management has instituted certain cost reduction measures to control expenditures.

The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are summarized as follows:

	2016	2015
Unemployment compensation trust account- Note 15	$ 44,813	$ 73,438
Prepaid insurance	10,725	10,356
Deposits	16,564	4,537
Other prepaid expense	10,525	148
	$ 82,627	$ 88,479

5. ACCOUNTS AND CONTRACTS RECEIVABLE

Accounts and contracts receivable consist of the following:

	2016	2015
Accounts receivable	$ 15,488	$ 22,325
Contracts receivable	152,188	111,759
Contributions receivable	11,226	12,663
	$ 178,902	$ 146,747

The allowance for uncollectible accounts and contracts is $0 in 2016 and 2015 since management estimates that the balance in accounts and contracts receivable is fully collectible.

6. INVESTMENTS

Following are the aggregate carrying amounts of investments:

	Fair Value Hierarchy Level		
Investments:			
Money market funds	1	$ 30,947	$ 29,755
Corporate marketable debt securities	2	114,673	146,722
U.S. Treasury note	1	30,140	10,193
Marketable equity securities	1	251,391	403,237
Mutual funds	1	470,744	430,273
Total		$ 897,895	$ 1,020,180

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	$ 396,203	$ 557,415
Assets whose use is limited:		
Board designated	274,080	235,153
Permanently restricted	227,612	227,612
Total assets whose use is limited	501,692	462,765
Total	$ 897,895	$ 1,020,180

Investment management fees were $7,729 and $9,475 for the years ended December 31, 2016 and 2015, respectively.

7. FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

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

	2016	2015
Furniture and equipment	$ 469,498	$ 433,684
Leasehold improvements	5,663	5,663
	475,161	439,347
Accumulated depreciation and amortization	(378,562)	(351,968)
	$ 96,599	$ 87,379

Depreciation expense was $26,595 and $26,746 for the years ended December 31, 2016 and 2015, respectively.

8. ACCRUED EXPENSES

Accrued expenses include the following:

Accrued salaries, taxes, and benefits	$ 79,138	$ 60,469
Accrued vacation	53,108	62,135
Business taxes	2,015	2,954
Other	5,418	2,682
	$ 139,679	$ 128,240

9. 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 11. All leases are classified as noncancelable operating leases.

The Organization leases a facility for its primary operations under an agreement that expires June 30, 2018. During the year ended December 31, 2016, 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.

During 2016, a new facility lease was signed for the Organization's primary operations. The lease commences in February 2017 and expires in 2027. The Organization is charged for its pro rata share of operating expenses not covered by base rental payments. Rent payments begin at approximately $7,600 per month and escalate annually.

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. This lease was terminated early due to the subsequent event disclosed in Note 11.

9. LEASE COMMITMENTS (Continued)

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 11 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. Subsequent to year end, all the vehicle leases were terminated or not renewed at expiration.

Rental expense under all leases was $329,003 and $403,471 for the years ended December 31, 2016 and 2015, respectively.

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

Year Ending December 31,	
2017	$ 157,000
2018	106,000
2019	97,000
2020	100,000
2021	103,000
Thereafter	571,000
	$ 1,134,000

10. CONCENTRATION OF CREDIT RISK

The Organization maintains its 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 11.

11. 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.

11. SALE OF DONATED GOODS (Continued)

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, 2016 and 2015:

	2016	2015
Revenue	$ 2,067,316	$ 2,327,808
Expenses:		
Salaries	1,036,296	1,178,045
Truck expenses	200,034	249,678
Employee benefits	119,448	144,022
Payroll taxes	127,112	164,797
Occupancy	73,513	79,272
Telephone	32,604	18,692
Purchase of goods	188,782	149,277
Miscellaneous	12,683	13,835
Business taxes	1,441	1,300
Payroll processing	13,180	12,624
Advertising	574	95
Insurance	9,266	7,958
Consulting	19,959	48,368
Supplies	12,189	10,783
Administrative fees	23,100	33,600
Depreciation	8,263	11,209
Total expenses	1,870,181	2,123,555
Net donated goods revenue	$ 197,135	$ 204,253

The Organization's revenue from the sale of donated goods is provided by one retailer. At December 31, 2016 and 2015, accounts receivable from this customer totaled $131,912 and $83,121, respectively.

Subsequent to year end, during contract renegotiations, the retailer decided to terminate the contract in its entirety. As a result, this line of business was shut down, and all associated revenues and expenses will no longer be earned or incurred. As a part of the termination, a new agreement was signed ensuring a minimum level of contribution until June 29, 2019, with renewal options. The Organization has evaluated the various costs and contracts associated with this line of business and does not believe there is ongoing liability to the Organization.

12. 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.

13. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Time - Note 14	$ 281,233	$ 241,129
Computer equipment	0	37,210
	$ 281,233	$ 278,339

Releases of temporarily restricted net assets were $37,210 and $0 for the years ended December 31, 2016 and 2015, respectively.

14. 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.

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.

14. ENDOWMENTS (Continued)

Endowment asset net composition

Changes in endowment net assets for the years ended December 31, 2016 and 2015 were as follows:

	Temporarily Restricted	Permanently Restricted	Total
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
Investment income	10,440	0	10,440
Realized and unrealized gains	29,664	0	29,664
Endowment net assets, as of December 31, 2016	$ 281,233	$ 227,612	$ 508,845

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, 2016 and 2015. Subsequent to year end, the Organization appropriated amounts from the endowments which caused the endowments to fall below the level required by the donor.

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.

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.

15. 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. 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, 2016 and 2015.

16. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

17. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The standard makes targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in consolidated financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for the year ending December 31, 2018.

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of consolidated financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the year ending December 31, 2019.

The FASB also issued ASU 2016-02, *Leases*. This standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending December 31, 2020.

The Organization is currently in the process of evaluating the impact of adoption of these accounting standards on the financial statements.

18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 22, 2018, which is the date the financial statements were available to be issued.