



## Financial Statements

For the Year Ended March 31, 2017

# Lighthawk

## Contents

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Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 15



## Independent Auditor's Report

Lighthawk  
Fort Collins, Colorado

We have audited the accompanying financial statements of Lighthawk (the "Organization"), which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthawk as of March 31, 2017, 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.

*Anton Collins Mitchell LLP*

Boulder, Colorado  
September 1, 2017

# Lighthawk

## Statement of Financial Position

<i>March 31,</i>	2017
<b>Assets</b>	
<b>Current assets</b>	
Cash and equivalents	\$ 1,031,098
Current portion of unconditional promises to give	74,165
Prepaid expenses	31,723
Travel advances	137
<b>Total current assets</b>	<b>1,137,123</b>
<b>Equipment</b>	
Equipment	9,666
Less accumulated depreciation	(5,322)
<b>Equipment, net</b>	<b>4,344</b>
<b>Other assets</b>	
Investments	893,641
Unconditional promises to give, net of current portion	40,000
<b>Total other assets</b>	<b>933,641</b>
<b>Total assets</b>	<b>\$ 2,075,108</b>
<b>Liabilities and net assets</b>	
Accounts payable	\$ 35,315
Accrued payroll	23,328
Accrued interest	250
Notes payable	25,000
<b>Total liabilities</b>	<b>83,893</b>
<b>Commitments and contingencies</b>	
<b>Net assets</b>	
Unrestricted	899,804
Temporarily restricted	557,291
Permanently restricted	534,120
<b>Total net assets</b>	<b>1,991,215</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,075,108</b>

*See accompanying independent auditor's report and notes to the financial statements.*

# Lighthawk

## Statement of Activities

<i>Year Ended March 31,</i>	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support and revenue</b>				
Contributions	\$ 694,236	\$ 371,929	\$ -	\$1,066,165
Donated services and materials	550,140	-	-	550,140
Investment income, net	22,581	74,612	-	97,193
Other revenue	66,464	-	-	66,464
Net assets released from restrictions	950,581	(950,581)	-	-
<b>Total support and revenue</b>	<b>2,284,002</b>	<b>(504,040)</b>	<b>-</b>	<b>1,779,962</b>
<b>Expenses</b>				
Program services	1,307,964	-	-	1,307,964
General and administrative	171,893	-	-	171,893
Fundraising	217,771	-	-	217,771
<b>Total expenses</b>	<b>1,697,628</b>	<b>-</b>	<b>-</b>	<b>1,697,628</b>
<b>Change in net assets</b>	<b>586,374</b>	<b>(504,040)</b>	<b>-</b>	<b>82,334</b>
<b>Net assets, beginning of year</b>	<b>313,430</b>	<b>1,061,331</b>	<b>534,120</b>	<b>1,908,881</b>
<b>Net assets, end of year</b>	<b>\$ 899,804</b>	<b>\$ 557,291</b>	<b>\$ 534,120</b>	<b>\$ 1,991,215</b>

*See accompanying independent auditor's report and notes to the financial statements.*

# Lighthawk

## Statement of Cash Flows

<i>Year Ended March 31,</i>	2017
<b>Cash flows from operating activities</b>	
Change in net assets	\$ 82,334
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,444
Gain on sale of aircraft	(55,116)
Net realized and unrealized gain on investments	(95,110)
(Increase) decrease in operating assets:	
Unconditional promises to give	369,783
Prepaid expenses	1,597
Travel advances	(137)
Increase (decrease) in operating liabilities:	
Accounts payable	23,557
Accrued payroll	303
Net cash provided by operating activities	328,655
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	814,053
Reinvested interest and dividends	(10,943)
Purchase of investments	(782,750)
Proceeds from sale of aircraft	119,625
Purchase of equipment	(2,558)
Net cash provided by investing activities	137,427
<b>Net change in cash and cash equivalents</b>	466,082
<b>Cash and cash equivalents, beginning of year</b>	565,016
<b>Cash and cash equivalents, end of year</b>	\$ 1,031,098
<b>Supplemental disclosure of cash flow information</b>	
Cash paid during the year for interest	\$ 500

*See accompanying independent auditor's report and notes to the financial statements.*

# Lighthawk

## Statement of Functional Expenses

<i>Year Ended March 31,</i>	2017			Total
	Program Services	General & Administrative	Fundraising	
Salaries	\$ 416,755	\$ 96,230	\$ 137,931	\$ 650,916
Employee benefits	92,365	13,249	18,553	124,167
Payroll tax expenses	31,709	7,751	10,354	49,814
Subtotal	540,829	117,230	166,838	824,897
Advertising	104,616	-	-	104,616
Aircraft operating cost:				
LightHawk owned aircraft	28,590	-	-	28,590
Volunteer plane fuel and other flight expenses	252,892	-	-	252,892
Volunteer pilot donated services	167,193	-	-	167,193
Bank service fees	-	2,667	-	2,667
Event expense	35,369	-	-	35,369
Depreciation	1,444	-	-	1,444
Equipment	16,104	461	4,493	21,058
Insurance	7,479	812	466	8,757
Interest	500	-	-	500
Miscellaneous	4,554	1,207	1,177	6,938
Postage	5,373	143	2,812	8,328
Printing and publications	9,053	123	2,362	11,538
Professional fees	41,689	32,586	25,205	99,480
Recognition and awards	1,717	-	-	1,717
Rent	19,710	-	-	19,710
Supplies	8,312	4,538	1,739	14,589
Telephone	13,892	2,577	2,042	18,511
Travel	48,648	9,549	10,637	68,834
Total expenses	\$ 1,307,964	\$ 171,893	\$ 217,771	\$ 1,697,628

*See accompanying independent auditor's report and notes to the financial statements.*



# Lighthawk

## Notes to Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Lighthawk (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management who is responsible for the integrity and objectivity of the financial statements. The accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the financial statements.

#### *Nature of Operations*

The Organization is a Colorado not-for-profit corporation incorporated in 1981 under the laws of the State of Colorado, and is organized exclusively for charitable, educational, and scientific purposes.

Lighthawk’s Mission: “To accelerate conservation success through the powerful perspective of flight.”

Lighthawk believes in the power of flight to accelerate conservation. Lighthawk is a non-profit environmental aviation organization that leverages the skill and generosity of over 250 volunteer pilots to benefit conservation projects. Lighthawk believes that seeing the world from above causes people to care about what they witness from the air and stirs them into action when they return to the ground.

Lighthawk partners with conservation groups in the US, Canada, and Mexico to employ flight to protect land and water for people and nature.

Lighthawk donates annually to Carbonfund.org to help offset potential climate impacts of the donated flights.

#### *Basis of Presentation*

The Organization follows accounting standards set by the Financial Accounting Standards Board, commonly referred to as the “FASB.” The FASB sets GAAP which the Organization follows to ensure the financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification.

The financial statements are prepared on the accrual basis under ASC 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*. The Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

# Lighthawk

## Notes to Financial Statements

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### *Fiscal Year End and Reporting Period*

Effective December 31, 2015, the Organization changed from a December 31 year end to a March 31 year end. The period referred to in the financial statements covers the 12-month period of April 1, 2016 to March 31, 2017.

### *Cash and Cash Equivalents*

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are not held for long-term purposes, to be cash and cash equivalents.

### *Property and Equipment*

Property and equipment expenditures over \$1,000 are capitalized and recorded at cost, or if donated, at the estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of assets ranging from five to ten years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Repairs and maintenance costs are charged to expense when incurred.

Management assesses the carrying value of long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of the expected non-discounted future cash flows is less than the carrying amount of the asset. If impairment is indicated, the loss is measured based on the amount by which the carrying value exceeds its estimated fair value. Management does not believe that any indicators of impairment occurred during the year ended March 31, 2017.

### *Investments*

Investment purchases are recorded at cost and contributions to the Organization are recorded at their fair values on the date of contribution. Investments are reported at their fair values in the statement of financial position, and change in value is included in the statement of activities. Net investment return consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management fees.

### *Contributions*

Contributions are recognized when cash, other assets, a decrease in liabilities or expense, or an unconditional promise to give is received. In accordance with ASC 958-605 *Not-for-Profit Entities, Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions.

# Lighthawk

## Notes to Financial Statements

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Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at their estimated fair values. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. A discount was not recorded as management believes the amount is immaterial.

In years subsequent to initial recording, an allowance for uncollectible amounts is determined based on the relationship with the donor, historical experience, an assessment of the current economic environment, and analysis of subsequent events. As of March 31, 2017, no allowance was considered necessary.

### *Recognition of Donor Restrictions*

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

### *Donated Services, Equipment and Materials*

Donated services are reported as contributions when services create or enhance nonfinancial assets or would be purchased if they require specialized skills and are provided by individuals possessing those skills. Donated equipment and materials are recorded at estimated fair values as revenue and expense, or capitalized assets, depending on the nature of the donation.

### *Advertising*

ASC 720-35 *Other Expenses, Advertising Costs* requires direct response advertising to be capitalized when it can be shown that customers responded to a specific advertisement and there is probable future economic benefit. The Organization does not currently use direct response advertising; hence, advertising costs are expensed when incurred.

### *Concentration of Risk*

The Organization manages deposit concentration risk by placing their temporary cash and cash equivalents with reputable financial institutions. Amounts on deposit at any single financial institution are limited so as not to exceed Federal Deposit Insurance Corporation (“FDIC”) or other insurance limits. The Organization had no deposits in excess of insured limits at March 31, 2017. The Organization has never experienced a loss related to these excess balances.

# Lighthawk

## Notes to Financial Statements

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### *Functional Allocation of Expenses*

The costs of conducting the various program and supporting service activities have been summarized on a functional basis in the statement of activities and presented in detail in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### *Income Taxes*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income during the year ended March 31, 2017.

The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2013.

### *Use of Estimates*

In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### *Fair Value Measurements*

ASC 820, *Fair Value Measurements and Disclosures* requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as described below:

- *Level 1* - Quoted market prices in active markets for identical assets and liabilities;
- *Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data;
- *Level 3* - Unobservable inputs are used when little or no market data is available.

# Lighthawk

## Notes to Financial Statements

### 2. UNCONDITIONAL PROMISES TO GIVE

Promises to give are summarized as follows as of March 31, 2017:

Amounts Due:	
Within one year	\$ 74,165
One to five years	40,000
Total	\$ 114,165

### 3. INVESTMENTS

Investments stated at fair value on a recurring basis consist of the following at March 31, 2017:

	Level 1	Level 2	Level 3
Domestic equities <sup>(2)</sup>	\$ 583,465	\$ -	\$ -
International equities <sup>(2)</sup>	45,655	-	-
Government bonds <sup>(3)</sup>	-	176,396	-
Corporate bonds <sup>(3)</sup>	-	25,005	-
Cash and money market funds <sup>(1)</sup>	63,120	-	-
	\$ 692,240	\$ 201,401	\$ -

<sup>(1)</sup> Fair values are equal to the sums of the account balances.

<sup>(2)</sup> Fair values are based upon quoted market prices for identical securities in active markets or published redemption values at the close of business on the reporting date.

<sup>(3)</sup> Fair values are based upon quoted prices for similar assets in active markets or published redemption values at the close of business on the reporting date.

The following schedule summarizes the components of investment return as reported in the statement of activities for the year ended March 31, 2017:

Interest and dividend income	\$ 10,943
Unrealized gain on investments	55,155
Realized gain on sale of investments	39,955
Investment fees	(8,860)
Net investment activity	\$ 97,193

The majority of investments consist of the Azeez endowment. The Azeez endowment (See Note 11) fund investments are managed and controlled by the Azeez endowment committee. The Azeez endowment committee consists of two members of the Lighthawk board and one member of the Michael and Kathleen Azeez Foundation board.

# Lighthawk

## Notes to Financial Statements

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### 4. NOTE PAYABLE

Debt consists of a note payable to a trust that calls for quarterly payments of interest only. The original interest rate of 5.0% was renegotiated to 1.5% in 2005 and 2.0% in 2015. The original maturity date of March 2005 was extended to March 2015 and then to March 2018. The Note is unsecured.

### 5. TEMPORARILY RESTRICTED NET ASSETS

For financial reporting purposes, Lighthawk uses five geographic categories – Pacific, Rocky Mountain, Atlantic, and Other – to segregate its temporarily restricted net assets.

Although financial reporting is presented using five broad categories, there are more specific donor stipulations within these categories used for internal purposes.

At March 31, 2017, temporarily restricted net assets are restricted for the following purposes:

Time restriction	\$	114,410
Endowment asset appreciation		335,378
Rocky Mountain		11,667
Pacific		46,668
Atlantic		49,168
Total	\$	557,291

### 6. RETIREMENT PLAN

The Organization has a 401(k) profit sharing plan that is available to all employees over the age of twenty-one who have completed one year of at least 1,000 hours of service. Employees may elect to defer up to the Internal Revenue Service (IRS) maximum contribution limit. For each plan year, the Organization may make discretionary contributions. The Organization contributed \$21,355 during the year ended March 31, 2017.

### 7. OPERATING LEASE COMMITMENTS

The Organization leases office space in Fort Collins, Colorado which requires monthly payments of \$1,523 through the termination date of the lease in July 2017. The Organization also leases equipment under various short-term leases. These leases vary in duration and are generally for terms of less than one month. The Organization also leases a storage unit in Fort Collins, Colorado that required a one time payment of \$671 and expires on November 5, 2017.

# Lighthawk

## Notes to Financial Statements

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### 8. RELATED PARTY TRANSACTIONS

During the year ended 2017, Lighthawk received approximately \$126,291 of contributions from members of the Board and their related foundations.

### 9. DONATED SERVICES, EQUIPMENT AND MATERIALS

Support from donated services, equipment, and materials for the year ended is as follows:

<i>Year Ended March 31,</i>	<b>2017</b>
Pilot and aircraft support	\$ 166,053
Pilot support in Lighthawk aircraft	252,892
Other	131,195
	<b>\$ 550,140</b>

The use or distribution of donated services, equipment and materials during the year ended March 31, 2017, were allocated to program services.

### 10. CONCENTRATIONS

During the year ended March 31, 2017, approximately 28% of contributions were received from one donor. At March 31, 2017, approximately 89% of unconditional promises to give were comprised of pledges from three contributors.

### 11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are those subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization. Permanently restricted net assets consist of two donor-restricted endowment funds.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# Lighthawk

## Notes to Financial Statements

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### *Interpretation of Relevant Law*

The Board of Directors has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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. 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 in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

### *Income and Spending*

Almost all of the Organization's permanently restricted net assets result from one contribution. In May 1999, the Michael and Kathleen Azeez Foundation donated various stocks to the Organization with a value of \$520,120 establishing an endowment fund (the "Fund") to be held and administered solely for the long term benefit of the Organization. The investment policy states that 3% of the trailing 12-quarter average value of the Fund is to be distributed to the Organization and may be expended to promote its charitable purpose. Annual changes in the fair value of the Fund are reported in temporarily restricted net assets. The investment policy of the Fund is controlled by committee whose policy is directed by market conditions.

During late 2006, a donor contributed \$10,000 to the Organization to establish a second endowment fund. Income from this endowment will be released for spending at a rate of 3% based on a rolling average of the twelve quarters investment value. Nothing will be released until the amount available for release exceeds \$1,000.



# Lighthawk

## Notes to Financial Statements

Changes in endowment net assets for the year ended March 31, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, March 31, 2016	\$ -	\$ 260,766	\$ 534,120	\$ 794,886
Investment income	-	74,612	-	74,612
Released from restriction	24,143	(24,143)	-	-
Endowment net assets, March 31, 2017	\$ 24,143	\$ 311,235	\$ 534,120	\$ 869,498

Endowment net assets are comprised of the following at March 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Azeez Endowment	\$ -	\$ 324,612	\$ 520,120	\$ 844,732
General Endowment	-	10,766	14,000	24,766
Released from restriction	24,143	(24,143)	-	-
	\$ 24,143	\$ 311,235	\$ 534,120	\$ 869,498

## 12. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through September 1, 2017 which is the date these financial statements were available to be issued. There are no subsequent events that require recognition or additional disclosure in these financial statements.