LightHawk

Financial Statements

For the Year Ended March 31, 2018

Anton Collins Mitchell LLP
Accountants & Consultants

Lighthawk

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Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report

Lighthawk
Fort Collins, Colorado

We have audited the accompanying financial statements of Lighthawk, a nonprofit corporations, (the "Organization"), which comprise the statement of financial position as of March 31, 2018, 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.

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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, 2018, 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 14, 2018

Lighthawk

Statement of Financial Position

March 31,	2018
Assets	
Current assets	
Cash and equivalents	$ 810,234
Current portion of unconditional promises to give	175,948
Prepaid expenses	36,853
Total current assets	1,023,035
Equipment	
Equipment	6,816
Less accumulated depreciation	(4,842)
Equipment, net	1,974
Other assets	
Endowment	949,775
Unconditional promises to give, net of current portion	12,000
Total other assets	961,775
Total assets	$ 1,986,784
Liabilities and net assets	
Current liabilities	
Accounts payable	$ 5,810
Accrued payroll	56,090
Notes payable	15,000
Total current liabilities	76,900
Commitments and contingencies	
Net assets	
Unrestricted	733,811
Temporarily restricted	641,953
Permanently restricted	534,120
Total net assets	1,909,884
Total liabilities and net assets	$ 1,986,784

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

Lighthawk

Statement of Activities

	2018			
Year Ended March 31,	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and revenue				
Contributions	**$ 663,215**	**$ 390,355**	**$ -**	**$ 1,053,570**
Donated services and materials	**540,153**	**-**	**-**	**540,153**
Investment income and change in endowments, net	**7,759**	**80,276**	**-**	**88,035**
Other revenue	**9,536**	**-**	**-**	**9,536**
Net assets released from restrictions	**385,969**	**(385,969)**	**-**	**-**
Total support and revenue	**1,606,632**	**84,662**	**-**	**1,691,294**
Expenses				
Program services	**1,300,496**	**-**	**-**	**1,300,496**
General and administrative	**213,709**	**-**	**-**	**213,709**
Fundraising	**258,420**	**-**	**-**	**258,420**
Total expenses	**1,772,625**	**-**	**-**	**1,772,625**
Change in net assets	**(165,993)**	**84,662**	**-**	**(81,331)**
Net assets, beginning of year	**899,804**	**557,291**	**534,120**	**1,991,215**
Net assets, end of year	**$ 733,811**	**$ 641,953**	**$ 534,120**	**$ 1,909,884**

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

Lighthawk

Statement of Cash Flows

Year Ended March 31,		2018
Cash flows from operating activities		
Change in net assets	$	**(81,331)**
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation and amortization		**4,080**
Net realized and unrealized gain on investments		**(65,809)**
(Increase) decrease in operating assets:		
Unconditional promises to give		**(73,783)**
Prepaid expenses		**(5,130)**
Travel advances		**137**
Increase (decrease) in operating liabilities:		
Accounts payable		**(29,505)**
Accrued payroll		**32,762**
Accrued interest		**(250)**
Net cash provided by operating activities		**(218,829)**
Cash flows from investing activities		
Proceeds from sale of investments		**589,876**
Reinvested interest and dividends		**(25,728)**
Purchase of investments		**(554,473)**
Loss on disposal of aircraft		**(1,710)**
Net cash used in investing activities		**7,965**
Cash flows used in financing activities		
Principal payments on note payable		**(10,000)**
Net change in cash and cash equivalents		(220,864)
Cash and cash equivalents, beginning of year		1,031,098
Cash and cash equivalents, end of year	$	810,234
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$	**750**

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

Lighthawk

Statement of Functional Expenses

	2018			
Year Ended March 31,	**Program Services**	**General & Administrative**	**Fundraising**	**Total**
Salaries	$ 420,529	$ 107,038	$ 175,503	$ 703,070
Employee benefits	84,612	30,852	39,522	154,986
Payroll tax expenses	31,160	7,757	13,195	52,112
Subtotal	536,301	145,647	228,220	910,168
Advertising	79,992	2,846	4,332	87,170
Aircraft operating cost:				
Volunteer plane fuel and other flight expenses	321,786	-	-	321,786
Volunteer pilot donated services	162,175	-	-	162,175
Bank service fees	-	2,513	-	2,513
Event expense	50,256	2,528	-	52,784
Depreciation	1,230	-	-	1,230
Equipment	236	-	412	648
Software	8,410	84	126	8,620
Insurance	31,612	4,541	-	36,153
Interest	-	500	-	500
Miscellaneous	-	1,611	445	2,056
Postage	764	251	695	1,710
Printing and publications	11,178	-	3,294	14,472
Professional fees	34,299	36,350	5,960	76,609
Recognition and awards	1,727	-	-	1,727
Rent	9,434	8,932	-	18,366
Supplies	2,274	1,647	1,057	4,978
Telephone	13,370	4,050	4,740	22,160
Travel	35,452	2,209	9,139	46,800
Total expenses	$ 1,300,496	$ 213,709	$ 258,420	$ 1,772,625

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

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 ("ASC").

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.

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.

Equipment

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, 2018.

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.

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, 2018, 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, 2018. The Organization has never experienced a loss related to these excess balances.

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, 2018.

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 2014.

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.

Chart of Accounts

In fiscal year 2018, the Organization changed their chart of accounts; as such, the period referred to in the financial statements cover the 12-month period from April 1, 2017 to March 31, 2018.

2. UNCONDITIONAL PROMISES TO GIVE

Promises to give are summarized as follows as of March 31, 2018:

Amounts Due:		
Within one year	$	**175,948**
One to five years		**12,000**
Total	$	**187,948**

3. INVESTMENTS

Investments stated at fair value on a recurring basis consist of the following at March 31, 2018:

		Level 1		Level 2		Level 3		Total
Domestic equities [2]	$	544,552	$	-	$	-	$	544,552
International equities [2]		97,985		-		-		97,985
Government bonds [3]		-		234,069		-		234,069
Corporate bonds [3]		-		24,551		-		24,551
Cash and money market funds [1]		48,618		-		-		48,618
	$	691,155	$	258,620	$	-	$	949,775

[1] Fair values are equal to the sums of the account balances.
[2] 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.
[3] 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, 2018:

Interest and dividend income	$	25,728
Unrealized gain on investments		34,920
Realized gain on sale of investments		30,889
Investment fees		(3,502)
Net investment income and change in endowments	$	88,035

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.

4. NOTE PAYABLE

Debt consists of a note payable to a trust that calls for quarterly payments of interest only. The interest rate was renegotiated to 2.0% in 2015. The original maturity date of March 2005 has been extended to September 30, 2018. The Note is unsecured. As of March 31, 2018, the Organization paid $10,000 on the principal and $750 in interest.

5. TEMPORARILY RESTRICTED NET ASSETS

For financial reporting purposes, Lighthawk uses two geographic categories – Western and Eastern Region – to segregate its temporarily restricted net assets.

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

At March 31, 2018, temporarily restricted net assets are restricted for the following purposes:

Time restriction	$	187,948
Undistributed endowment earnings		390,590
Western Region		6,667
Eastern Region		32,500
Other		24,248
Total	$	641,953

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 $32,206 during the year ended March 31, 2018.

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. On August 7, 2017, the Organization renewed the lease for the same monthly payment with a termination date in July 2018. 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 or month to month payments.

8. RELATED PARTY TRANSACTIONS

During the year ended 2018, Lighthawk received approximately $21,180 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:

Year Ended March 31,		**2018**
Pilot and aircraft support	**$**	**162,175**
Pilot support in Lighthawk aircraft		**321,786**
Other		**56,192**
	$	**540,153**

The use or distribution of donated services, equipment and materials during the year ended March 31, 2018, were allocated to program services.

10. CONCENTRATIONS

During the year ended March 31, 2018, approximately 35% of contributions were received from two donors. At March 31, 2018, approximately 89% of unconditional promises to give were comprised of pledges from four contributors.

11. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT

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.

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 a 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. In the following years, the endowment increased by $4,000. 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.

Changes in endowment net assets for the year ended March 31, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, March 31, 2017	$ -	$ 335,378	$ 534,120	$ 869,498
Investment income	-	80,277	-	80,277
Endowment net assets, March 31, 2018	$ -	$ 415,655	$ 534,120	$ 949,775

12. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through September 14, 2018 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.