



Financial Statements

For the Years Ended  
March 31, 2020 and 2019



# Lighthawk

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## **Independent Auditor's Report**

Board of Directors  
Lighthawk  
Fort Collins, Colorado

We have audited the accompanying financial statements of Lighthawk, a nonprofit corporation, (the "Organization"), which comprise the statement of financial position as of March 31, 2020 and 2019, 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 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

The COVID-19 outbreak in 2020 (see Note 13) has caused business disruption in a variety of industries, markets and geographic regions, which has resulted in considerable uncertainty as to the financial impact and duration, which cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

*ACM LLP*

Greeley, Colorado  
October 15, 2020

# Lighthawk

## Statements of Financial Position

| <i>March 31,</i>                                       | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| <b>Current assets</b>                                  |                     |                     |
| Cash and equivalents                                   | \$ 721,042          | \$ 1,089,190        |
| Unconditional promises to give, current portion        | 227,416             | 70,116              |
| Prepaid expenses                                       | 55,180              | 30,925              |
| Total current assets                                   | 1,003,638           | 1,190,231           |
| <b>Non-current assets</b>                              |                     |                     |
| <b>Equipment</b>                                       |                     |                     |
| Equipment  | 2,902               | 6,816               |
| Less accumulated depreciation                          | (2,208)             | (5,776)             |
| Equipment, net   | 694                 | 1,040               |
| <b>Other assets</b>                                    |                     |                     |
| Investments held for endowment                         | 839,542             | 934,058             |
| Unconditional promises to give, net of current portion | 800,000             | 5,000               |
| Total other assets                                     | 1,639,542           | 939,058             |
| <b>Total assets</b>                                    | <b>\$ 2,643,874</b> | <b>\$ 2,130,329</b> |
| <b>Liabilities and net assets</b>                      |                     |                     |
| <b>Current liabilities</b>                             |                     |                     |
| Accounts payable                                       | \$ 10,000           | \$ 15,479           |
| Accrued payroll  | 47,129              | 60,262              |
| Total current liabilities                              | 57,129              | 75,741              |
| <b>Commitments and contingencies</b>                   |                     |                     |
| <b>Net assets</b>                                      |                     |                     |
| Without donor restrictions                             | 535,983             | 997,656             |
| With donor restrictions                                | 2,050,762           | 1,056,932           |
| Total net assets                                       | 2,586,745           | 2,054,588           |
| <b>Total liabilities and net assets</b>                | <b>\$ 2,643,874</b> | <b>\$ 2,130,329</b> |

*See accompanying notes to the financial statements.*

# Lighthawk

## Statements of Activities

| Year Ended March 31,                  | 2020                          |                            |                     | 2019                          |                            |                     |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>Support and revenue</b>            |                               |                            |                     |                               |                            |                     |
| Contributions                         | \$ 239,338                    | \$ 1,501,500               | \$ 1,740,838        | \$ 1,034,084                  | \$ 330,000                 | \$ 1,364,084        |
| Donated services and materials        | 690,600                       | -                          | 690,600             | 593,118                       | -                          | 593,118             |
| Net investment (loss) income          | -                             | (68,261)                   | (68,261)            | -                             | 9,345                      | 9,345               |
| Other revenue                         | 26,945                        | -                          | 26,945              | 19,756                        | -                          | 19,756              |
| Net assets released from restrictions | 439,409                       | (439,409)                  | -                   | 458,486                       | (458,486)                  | -                   |
| <b>Total support and revenue</b>      | <b>1,396,292</b>              | <b>993,830</b>             | <b>2,390,122</b>    | <b>2,105,444</b>              | <b>(119,141)</b>           | <b>1,986,303</b>    |
| <b>Expenses</b>                       |                               |                            |                     |                               |                            |                     |
| Program services                      | 1,453,505                     | -                          | 1,453,505           | 1,364,499                     | -                          | 1,364,499           |
| General and administrative            | 186,053                       | -                          | 186,053             | 212,968                       | -                          | 212,968             |
| Fundraising                           | 218,407                       | -                          | 218,407             | 264,132                       | -                          | 264,132             |
| <b>Total expenses</b>                 | <b>1,857,965</b>              | <b>-</b>                   | <b>1,857,965</b>    | <b>1,841,599</b>              | <b>-</b>                   | <b>1,841,599</b>    |
| <b>Change in net assets</b>           | <b>(461,673)</b>              | <b>993,830</b>             | <b>532,157</b>      | <b>263,845</b>                | <b>(119,141)</b>           | <b>144,704</b>      |
| <b>Net assets, beginning of year</b>  | <b>997,656</b>                | <b>1,056,932</b>           | <b>2,054,588</b>    | <b>733,811</b>                | <b>1,176,073</b>           | <b>1,909,884</b>    |
| <b>Net assets, end of year</b>        | <b>\$ 535,983</b>             | <b>\$ 2,050,762</b>        | <b>\$ 2,586,745</b> | <b>\$ 997,656</b>             | <b>\$ 1,056,932</b>        | <b>\$ 2,054,588</b> |

*See accompanying notes to the financial statements.*

# Lighthawk

## Statements of Cash Flows

| <i>Year Ended March 31,</i>   | 2020              | 2019                |
|---|-------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                   |                     |
| Change in net assets  | \$ 532,157        | \$ 144,704          |
| Adjustments to reconcile change in net assets<br>to net cash flows from operating activities: |                   |                     |
| Depreciation and amortization   | 346               | 934                 |
| Interest and dividends on investments   | (22,947)          | (10,903)            |
| Net realized and unrealized gains on investments  | 91,208            | 1,558               |
| Decrease (increase) in operating assets:  |                   |                     |
| Unconditional promises to give  | (952,300)         | 112,832             |
| Prepaid expenses  | (24,255)          | 5,928               |
| Increase (decrease) in operating liabilities:   |                   |                     |
| Accounts payable  | (5,479)           | 9,669               |
| Accrued payroll   | (13,133)          | 4,172               |
| Net cash flows from operating activities  | (394,403)         | 268,894             |
| <b>Cash flows from investing activities</b>   |                   |                     |
| Proceeds from sale of investments   | 26,255            | 25,062              |
| Net cash flows from investing activities  | 26,255            | 25,062              |
| <b>Cash flows from financing activities</b>   |                   |                     |
| Principal payments on note payable  | -                 | (15,000)            |
| Net cash flows from financing activities  | -                 | (15,000)            |
| <b>Net change in cash and cash equivalents</b>  | <b>(368,148)</b>  | <b>278,956</b>      |
| <b>Cash and cash equivalents, beginning of year</b>   | <b>1,089,190</b>  | <b>810,234</b>      |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 721,042</b> | <b>\$ 1,089,190</b> |
| <b>Supplemental disclosure of cash flow information</b>                                       |                   |                     |
| Donated securities immediately converted to cash  | \$ 5,288          | \$ 688,831          |
| Cash paid during the year for interest  | \$ -              | \$ 150              |

*See accompanying notes to the financial statements.*

# Lighthawk

## Statement of Functional Expenses – Year Ended March 31, 2020

| <i>Year Ended March 31, 2020</i>      | Supporting Services |                          |             | Total        |
|---------------------------------------|---------------------|--------------------------|-------------|--------------|
|                                       | Program Services    | General & Administrative | Fundraising |              |
| Salaries                              | \$ 419,401          | \$ 96,949                | \$ 142,648  | \$ 658,998   |
| Employee benefits                     | 108,730             | 27,201                   | 47,513      | 183,444      |
| Payroll tax expenses                  | 31,017              | 6,957                    | 10,788      | 48,762       |
| Subtotal                              | 559,148             | 131,107                  | 200,949     | 891,204      |
| Advertising                           | 15,371              | 2,256                    | 1,380       | 19,007       |
| Donated flight services and materials | 647,134             | -                        | -           | 647,134      |
| Bank service fees                     | -                   | 6,122                    | -           | 6,122        |
| Event expense                         | 59,337              | 2,644                    | 591         | 62,572       |
| Depreciation                          | 346                 | -                        | -           | 346          |
| Equipment                             | 1,077               | 54                       | -           | 1,131        |
| Software                              | 48,639              | 84                       | -           | 48,723       |
| Insurance                             | 33,902              | 3,791                    | -           | 37,693       |
| Miscellaneous                         | -                   | -                        | 5           | 5            |
| Postage                               | 2,816               | 111                      | 1,482       | 4,409        |
| Printing and publications             | 8,795               | 92                       | 430         | 9,317        |
| Professional fees                     | 19,919              | 22,079                   | 5,930       | 47,928       |
| Recognition and awards                | 1,647               | -                        | -           | 1,647        |
| Rent                                  | 11,408              | 8,268                    | -           | 19,676       |
| Supplies                              | 4,015               | 2,473                    | 1,632       | 8,120        |
| Telephone                             | 10,255              | 3,582                    | 3,133       | 16,970       |
| Travel                                | 29,696              | 3,390                    | 2,875       | 35,961       |
| Total expenses                        | \$ 1,453,505        | \$ 186,053               | \$ 218,407  | \$ 1,857,965 |

*See accompanying notes to the financial statements.*



# Lighthawk

## Statement of Functional Expenses – Year Ended March 31, 2019

| <i>Year Ended March 31, 2019</i>         | Program<br>Services | Supporting Services         |             | Total        |
|--|---------------------|-----------------------------|-------------|--------------|
|  |                     | General &<br>Administrative | Fundraising |              |
| Salaries                                 | \$ 438,283          | \$ 105,839                  | \$ 167,849  | \$ 711,971   |
| Employee benefits                        | 86,359              | 31,615                      | 36,426      | 154,400      |
| Payroll tax expenses                     | 32,787              | 8,049                       | 12,487      | 53,323       |
| Subtotal                                 | 557,429             | 145,503                     | 216,762     | 919,694      |
| Advertising                              | 13,264              | 2,680                       | 4,735       | 20,679       |
| Donated flight services and<br>materials | 557,989             | -                           | -           | 557,989      |
| Bank service fees                        | -                   | 2,259                       | -           | 2,259        |
| Event expense                            | 49,023              | 1,893                       | -           | 50,916       |
| Depreciation                             | 934                 | -                           | -           | 934          |
| Equipment                                | 648                 | 203                         | -           | 851          |
| Software                                 | 39,490              | 50                          | -           | 39,540       |
| Insurance                                | 33,755              | 3,481                       | -           | 37,236       |
| Interest                                 | -                   | 150                         | -           | 150          |
| Miscellaneous                            | -                   | 4,000                       | 75          | 4,075        |
| Postage                                  | 926                 | 104                         | 2,700       | 3,730        |
| Printing and publications                | 15,749              | 197                         | 9,569       | 25,515       |
| Professional fees                        | 35,778              | 30,774                      | 10,168      | 76,720       |
| Recognition and awards                   | 1,129               | -                           | -           | 1,129        |
| Rent                                     | 12,646              | 9,054                       | -           | 21,700       |
| Supplies                                 | 3,560               | 4,296                       | 1,745       | 9,601        |
| Telephone                                | 10,625              | 4,000                       | 3,706       | 18,331       |
| Travel                                   | 31,554              | 4,324                       | 14,672      | 50,550       |
| Total expenses                           | \$ 1,364,499        | \$ 212,968                  | \$ 264,132  | \$ 1,841,599 |

*See accompanying 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 300 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 flights 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.” 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

# Lighthawk

## Notes to Financial Statements

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### *Cash and Cash Equivalents*

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, including money market funds, 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 years ended March 31, 2020 and 2019.

### *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 value in the statement of financial position and change in fair value is included in the statement of activities. Net investment (loss) income consists of interest and dividend income, realized and unrealized gains and losses, and capital gains and losses, net of 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 with and without donor 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.

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## Notes to Financial Statements

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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, 2020 and 2019, no allowance was considered necessary.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

### ***Financial Instruments and Credit 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, 2020 or 2019.

Investments are subject to market risk, which is the risk that the value of the investment will decrease due to the fluctuations in security prices. Fluctuations can be caused by changes in interest rates, market dynamics, and other factors outside the Organization’s control. Investments of \$1,389,205 and \$1,804,609 included highly liquid investment balances of \$549,663 and \$870,551 which are included in cash and cash equivalents in the statements of financial position at March 31, 2020 and 2019, respectively. The remaining balances are included in investments held for endowment.

### ***Functional Allocation of Expenses***

The costs of providing the Organization’s programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain categories of expenses are attributable to program expense or one or more supporting functions. Those expenses include but are not limited to salaries, payroll taxes, benefits, professional fees, and telephone. These

# Lighthawk

## Notes to Financial Statements

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expenses are allocated to program, general and administrative, and fundraising functions based on their utility of time and cost to each class. Other allocated costs include rent which is allocated based on square footage.

### ***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.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such assets pursuant to the valuation hierarchy.

*Mutual Funds* - The Organization invests in various mutual funds and exchange traded funds. Where quoted market prices are available for such funds in an active market, the funds are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then the funds are valued at net asset value based on the fair value of the underlying investments. Funds with these observable inputs are classified as Level 2 securities in the valuation hierarchy.

*Common Stocks* - Common and preferred stocks are valued based on quoted market prices. These are Level 1 investments.

*Bonds* - Bonds are valued at evaluated bid quoted prices for similar assets or liabilities in active markets. These are Level 2 investments.

### ***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

# Lighthawk

## Notes to Financial Statements

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Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended March 31, 2020 and 2019.

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 2017.

### ***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.

### ***Recently Adopted Accounting Pronouncements***

In June of 2018, the FASB issued Accounting Standard Update (“ASU”) 2018-08, *Contributions Receivable and Made*. The purpose of this ASU is to clarify and improve the scope and accounting guidance for contributions received and made. The new guidance aids in the classification of contributions and exchange transactions. Management adopted ASU 2018-08 as of April 1, 2019, and the ASU has been applied retrospectively to all periods presented and the adoption of this standard did not have a material impact on the financial statements.

### ***Recently Issued Accounting Pronouncements***

In May of 2014, the FASB issued ASU 2014-09, *Topic 606, Revenue from Contracts with Customers*. ASU 2014-09 for nonpublic entities should be applied for entities with an annual reporting period beginning after December 15, 2019 and interim reporting periods within annual reporting periods beginning after December 15, 2020. Early adoption is permitted beginning after December 15, 2016. Management is currently evaluating the impact of adoption of this standard on its financial statements.

In February of 2016, the FASB issued ASU 2016-02, *Topic 842, Leases*. The purpose of this ASU is to establish the principle to report transparent and economically neutral information about the assets and liabilities that arise from leases. The new guidance is effective for public business entities with fiscal years beginning after December 15, 2018. For all other organizations the new guidance is effective for fiscal years beginning after December 15, 2021 and interim periods with fiscal years beginning after December 15, 2022. Management is currently evaluating the impact of adoption of this standard on its financial statements.

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## Notes to Financial Statements

### 2. AVAILABILITY OF RESOURCES AND LIQUIDITY

The following represents the Organization's financial assets at March 31, 2020:

|  |    |         |
|--|----|---------|
| Cash and cash equivalents  | \$ | 721,042 |
| Unconditional promises to give, current portion                            |    | 227,416 |
| Endowment appropriated for expenditure                                     |    | 26,980  |
| Financial assets available to meet general expenditures over the next year |    | 975,438 |

The Organization's goal is generally to maintain financial assets to meet 10 months of operating expenses as of each fiscal year end. Total financial assets available as of March 31, 2020 approximate eight months of expenses, not including donated flights. The assets above are subject to donor imposed restrictions as detailed in Note 6, *Net Assets With Donor Restrictions*. The organization also has access to accumulated investment earnings from an endowment of \$278,442 which are available for appropriation as disclosed in the Note 7, *Endowment*, and a line of credit of line of credit as described in Note 5, *Debt*. Additionally, as further described in Note 12, *Risks and Uncertainties*, the COVID-19 outbreak adds uncertainty as to the impact on the Organization's future funding.

### 3. UNCONDITIONAL PROMISES TO GIVE

Promises to give are receivable as follows as of March 31, 2020:

|                                      |    |           |
|--------------------------------------|----|-----------|
| <i>Amounts Due</i>                   |    |           |
| Within one year                      | \$ | 227,416   |
| One to five years                    |    | 500,000   |
| Thereafter                           |    | 300,000   |
| Total unconditional promises to give | \$ | 1,027,416 |

# Lighthawk

## Notes to Financial Statements

### 4. INVESTMENTS HELD FOR ENDOWMENT

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

| <i>March 31, 2020</i>                       | <b>Level 1</b>    | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>      |
|---|-------------------|-------------------|----------------|-------------------|
| Domestic equities <sup>(2)</sup>            | \$ 372,550        | \$ -              | \$ -           | \$ 372,550        |
| International equities <sup>(2)</sup>       | 182,106           | -                 | -              | 182,106           |
| Government bonds <sup>(3)</sup>             | -                 | 203,169           | -              | 203,169           |
| Corporate bonds <sup>(3)</sup>              | -                 | 25,432            | -              | 25,432            |
| Mutual funds <sup>(2)</sup>                 | 27,090            | -                 | -              | 27,090            |
| Cash and money market funds <sup>(1)</sup>  | 29,195            | -                 | -              | 29,195            |
| <b>Total investments held for endowment</b> | <b>\$ 610,941</b> | <b>\$ 228,601</b> | <b>\$ -</b>    | <b>\$ 839,542</b> |

| <i>March 31, 2019</i>                       | <b>Level 1</b>    | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>      |
|---|-------------------|-------------------|----------------|-------------------|
| Domestic equities <sup>(2)</sup>            | \$ 418,212        | \$ -              | \$ -           | \$ 418,212        |
| International equities <sup>(2)</sup>       | 225,246           | -                 | -              | 225,246           |
| Government bonds <sup>(3)</sup>             | -                 | 230,237           | -              | 230,237           |
| Corporate bonds <sup>(3)</sup>              | -                 | 25,007            | -              | 25,007            |
| Mutual funds <sup>(2)</sup>                 | 28,301            | -                 | -              | 28,301            |
| Cash and money market funds <sup>(1)</sup>  | 7,055             | -                 | -              | 7,055             |
| <b>Total investments held for endowment</b> | <b>\$ 678,814</b> | <b>\$ 255,244</b> | <b>\$ -</b>    | <b>\$ 934,058</b> |

<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.



# Lighthawk

## Notes to Financial Statements

The following schedule summarizes the components of net investment (loss) income as reported in the statement of activities for the years ended March 31:

*March 31, 2020*

|                                      |    |          |
|--------------------------------------|----|----------|
| Interest and dividend income         | \$ | 22,947   |
| Unrealized gain on investments       |    | (88,189) |
| Realized gain on sale of investments |    | 19       |
| Investment fees                      |    | (3,038)  |
| Net investment loss                  | \$ | (68,261) |

*March 31, 2019*

|                                      |    |         |
|--------------------------------------|----|---------|
| Interest and dividend income         | \$ | 10,903  |
| Unrealized gain on investments       |    | 1,365   |
| Realized gain on sale of investments |    | 2,453   |
| Investment fees                      |    | (5,376) |
| Net investment income                | \$ | 9,345   |

Investments consist of the endowment funds (See Note 7).

### 5. DEBT

The Organization held debt during the year ended March 31, 2019 which consisted of an unsecured note payable to a trust that called for quarterly interest-only payments at a rate of 2.0%. The original maturity date of March 2005 was extended to September 30, 2018. During the year ended March 31, 2019, the Organization paid \$15,000 on the principal and \$150 in interest. The note matured and was fully paid during the year ended March 31, 2019.

During July of 2017, the Organization entered into a secured line of credit agreement with an available line of credit is based on the collateral investment accounts held with the creditor. There is a variable interest rate, which includes a base rate calculated based on commercially recognized interest rates, industry conditions relating to the extension of credit, and general market conditions plus a rate ranging from minus 2.75% to plus .75%, depending on the assets under management calculated at market close of the previous business day. As of March 31, 2020, the available line of credit was \$518,581 and interest was 3.75% (base rate, minus 1.25%). No draws have been made on the line of credit during the years ended March 31, 2020 and 2019.

# Lighthawk

## Notes to Financial Statements

### 6. NET ASSETS WITH DONOR RESTRICTIONS

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

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

At March 31, net assets with donor restrictions are restricted for the following purposes:

| <i>March 31,</i>  | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| Subject to the passage of time                                      |                     |                     |
| Unconditional promises to give                                      | \$ 1,027,416        | \$ 75,116           |
| Endowment Subject to endowment<br>spending policy and appropriation | 812,562             | 907,799             |
| Subject to expenditure for a specific purpose:                      |                     |                     |
| Western Region  | 155,784             | 22,508              |
| Eastern Region  | 52,000              | 45,509              |
| Other   | 3,000               | 6,000               |
| <b>Total</b>  | <b>\$ 2,050,762</b> | <b>\$ 1,056,932</b> |

During the years ended March 31, net assets released from donor restrictions are as follows:

| <i>Year ended March 31,</i>                       | <b>2020</b>       | <b>2019</b>       |
|---|-------------------|-------------------|
| Expiration of time restrictions                   |                   |                   |
| Payments on promises to give                      | \$ 170,200        | \$ 177,749        |
| Satisfaction of purpose restrictions              |                   |                   |
| Western Region                                    | 105,808           | 179,159           |
| Eastern Region                                    | 133,425           | 57,075            |
| Other   | 3,000             | 18,248            |
| Appropriations from donor<br>restricted endowment | 26,976            | 26,255            |
|   | <b>\$ 439,409</b> | <b>\$ 458,486</b> |

# Lighthawk

## Notes to Financial Statements

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### 7. ENDOWMENT

The endowment consists of two funds established to support the general mission of the Organization. As required by GAAP, net assets associated with endowment funds 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 net assets with donor restrictions required to be maintained in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 net assets with donor restrictions to be maintained in perpetuity is classified as accumulated investment income 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 endowment is composed of 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 net assets with donor restrictions. The investment policy of the Fund is controlled by a committee whose policy is directed by market conditions.

# Lighthawk

## Notes to Financial Statements

During late 2006, a donor contributed \$10,000 to the Organization to establish a second endowment fund. In the following years, additional contributions to the endowment increased the balance 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. In accordance with the endowment, no appropriations will be made until the amount available for release exceeds \$1,000.

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

|                                      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|--------------------------------------|-------------------------------|----------------------------|------------|
| Endowment net assets, April 1, 2018  | \$ 25,066                     | \$ 924,709                 | \$ 949,775 |
| Contributions                        | -                             | -                          | -          |
| Investment income                    | -                             | 9,345                      | 9,345      |
| Distributions                        | (25,062)                      | -                          | (25,062)   |
| Appropriated for expenditure         | 26,255                        | (26,255)                   | -          |
| Endowment net assets, March 31, 2019 | \$ 26,259                     | \$ 907,799                 | \$ 934,058 |
| Contributions                        | -                             | -                          | -          |
| Investment income                    | -                             | (68,261)                   | (68,261)   |
| Distributions                        | (26,255)                      | -                          | (26,255)   |
| Appropriated for expenditure         | 26,976                        | (26,976)                   | -          |
| Endowment net assets, March 31, 2020 | \$ 26,980                     | \$ 812,562                 | \$ 839,542 |

Endowment composition by type for the years ended March 31, is as follows:

| <i>March 31, 2020</i>                 | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|---------------------------------------|-------------------------------|----------------------------|------------|
| Original donor-restricted gift amount |                               |                            |            |
| to be maintained in perpetuity        | \$ -                          | \$ 534,120                 | \$ 534,120 |
| Accumulated investment income         | -                             | 278,442                    | 278,442    |
| Appropriated for expenditure          | 26,980                        | -                          | 26,980     |
| Total endowment net assets            | \$ 26,980                     | \$ 812,562                 | \$ 839,542 |

# Lighthawk

## Notes to Financial Statements

| <i>March 31, 2019</i>          | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|--------------------------------|-------------------------------|----------------------------|------------|
| required                       |                               |                            |            |
| to be maintained in perpetuity | \$ -                          | \$ 534,120                 | \$ 534,120 |
| Accumulated investment income  | -                             | 373,679                    | 373,679    |
| Appropriated for expenditure   | 26,259                        | -                          | 26,259     |
| Total endowment net assets     | \$ 26,259                     | \$ 907,799                 | \$ 934,058 |

### 8. 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 \$32,095 and \$30,732 during the years ended March 31, 2020 and 2019.

### 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> | 2020       | 2019       |
|-----------------------------|------------|------------|
| Donated flight services     | \$ 182,950 | \$ 163,500 |
| Pilot and aircraft support  | 464,184    | 394,489    |
| Other                       | 43,466     | 35,129     |
|                             | \$ 690,600 | \$ 593,118 |

The use or distribution of donated services, equipment and materials during the year ended March 31, 2020 and 2019, were allocated to program services according the natural category to which they relate in the statement of functional expenses.

### 10. CONCENTRATIONS

During the year ended March 31, 2020, approximately 57% of contributions revenue was received from one donor. At March 31, 2020, unconditional promises to give were comprised of pledges from four contributors of which one pledge was 88% of total unconditional promises to give.

During the year ended March 31, 2019, approximately 43% of contributions revenue was received from one donor. At March 31, 2019, unconditional promises to give were comprised of pledges from four contributors of which three pledges were greater than 10% of total unconditional promises to give.

# Lighthawk

## Notes to Financial Statements

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### 11. LEASE COMMITMENTS

The Organization leases office space under an operating lease agreement with a term expiring July 31, 2020. The lease expense for the year ended March 31, 2020 and 2019 was \$18,840 and is included in rent on the statement of functional expenses. The remaining lease obligation as of March 31, 2020 is \$7,850 and is due in the year ending March 31, 2021.

### 12. RISKS AND UNCERTAINTIES

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization (“WHO”), has caused business disruption in a variety of industries, markets and geographic regions.

As a result of the spread of the COVID-19, public events and Organization’s activities have been limited and economic uncertainties have risen which could have a negative financial impact on donations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while management expects this matter to negatively impact the Organization’s business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. See Note 2 for additional disclosure.

### 13. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Organization has evaluated subsequent events through October 15, 2020 which is the date these financial statements were available to be issued. Other than matters described below, there were no subsequent events that required recognition or additional disclosure in these financial statements.

As a result of the economic stimulus efforts by the U.S. Government related to the COVID-19 outbreak, as discussed in Note 12, *Risks and Uncertainties*, the Organization received funding for a Paycheck Protection Program loan through the Small Business Administration totaling \$180,400. This loan may be forgiven if loan funds are used for approved expenses and the Organization maintains its workforce; however, the benefit to the Organization at the date these financial statements were available to be issued is unknown.