

INTERNATIONAL DARK-SKY  
ASSOCIATION, INC.

Audited Financial Statements  
and Supplementary Information

For the year ended December 31, 2014

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INTERNATIONAL DARK-SKY ASSOCIATION, INC.

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LUDWIG KLEWER & CO. PLLC

Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
International Dark-Sky Association, Inc.

We have audited the accompanying financial statements of International Dark-Sky Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows 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 qualified audit opinion.

### **Basis for Qualified Opinion**

As explained in Note 2 to the financial statements, membership revenue is recorded on the cash basis of accounting in the financial statements. Accounting principles generally accepted in the United States of America require that revenue be recognized when earned. The effects on the accompanying financial statements of recording membership revenue on the cash basis of accounting have not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of International Dark-Sky Association, Inc. as of December 31, 2014, 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.

Chris Wm. Ludwig, CPA    Julie S. Klewer, CPA, MBA    Eric S. Rudner, CPA

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## Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on page 10 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements as a whole.

*LUDWIG KLEINER & CO. P.A.C.*

June 26, 2015

INTERNATIONAL DARK-SKY ASSOCIATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

ASSETS

Current assets:	
Cash	\$ 221,658
Accounts receivable	17,797
Prepaid expenses	4,269
Total current assets	<u>243,724</u>
Furniture and equipment, net	8,793
Total assets	<u>\$ 252,517</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 11,707
Accrued payroll and related expenses	14,640
Other accrued expenses	3,101
Total liabilities	<u>29,448</u>
Net assets, unrestricted	<u>223,069</u>
Total liabilities and net assets	<u>\$ 252,517</u>

See independent auditors' report and  
accompanying notes to financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC.

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2014

Revenues and support:	
Membership dues	\$ 212,034
Contributions	172,838
Consulting	87,255
Grants	42,647
FSA fees	14,775
Other income	3,360
Interest income	83
Loss on disposal of furniture and equipment	<u>(2,387)</u>
Total revenues and support	530,605
Expenses:	
Program services	525,524
Management and general	71,790
Fund-raising	<u>5,190</u>
Total expenses	<u>602,504</u>
Change in net assets	(71,899)
Net assets, unrestricted, beginning of year, restated	<u>294,968</u>
Net assets, unrestricted, end of year	<u>\$ 223,069</u>

See independent auditors' report and  
accompanying notes to financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS  
For the year ended December 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (71,899)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,780
Loss on disposal of furniture and equipment	2,387
Changes in operating assets and liabilities:	
Accounts receivable	127,922
Prepaid expenses	3,240
Accounts payable	1,474
Accrued payroll and related expenses	(19,417)
Other accrued expenses	(808)
Total adjustments	<u>119,578</u>
Net cash provided by operating activities	<u>47,679</u>
Cash flows from investing activities	-
Cash flows from financing activities	-
Change in cash	<u>47,679</u>
Cash, beginning of year	<u>173,979</u>
Cash, end of year	<u>\$ 221,658</u>

See independent auditors' report and  
accompanying notes to financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2014

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1. Organization

International Dark-Sky Association, Inc. (the Association) was organized as a non-profit corporation in 1988. The purpose of the Association is to eliminate the negative effects of light pollution through increased awareness of the issue and education on the means appropriate to achieve quality outdoor lighting. The Association receives most of its funding through membership and contributions as well as grants from various sources.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting. The Association reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted and permanently restricted) based upon the existence or absence of donor-imposed restrictions.

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There are no temporarily restricted net assets at December 31, 2014.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets held by the Association as of December 31, 2014.

Contributions

Contributions are recognized as revenue when received or unconditionally promised. The Association reports gifts of cash and other assets as temporarily or permanently restricted support if such gifts are received with donor stipulations that limit the use of the donated assets as to either purpose or time period. When a donor restriction expires, either through the passage of time or use of the monies for the purpose intended by the donor, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted net assets when the restriction is met in the same period as the contribution is received.

Membership Dues

Membership revenue is recognized when received, resulting in a departure from accounting principles generally accepted in the United States of America.

Cash

For the purposes of the statement of cash flows, the Association considers all cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. There are no cash equivalents at December 31, 2014. Cash balances are maintained at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts up to \$250,000 per institution. The National Credit Union Administration (NCUA) insures all cash accounts at credit unions up to \$250,000 per institution. At December 31, 2014, the Association had no cash on deposit in excess of FDIC and NCUA limitations.

See independent auditors' report.



INTERNATIONAL DARK-SKY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2014

2. Summary of Significant Accounting Policies, Continued

Accounts Receivable

Management uses the allowance method to account for uncollectible accounts and believes that all amounts are collectible at December 31, 2014. As of December 31, 2014, there were no amounts in accounts receivable greater than ninety days past due.

Furniture and Equipment

Purchases of furniture and equipment having a unit cost of \$1,000 or more and an estimated useful life of more than one year are capitalized at cost. Donated property and equipment meeting the same criteria is recorded at estimated fair market value on the date of the donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from five to ten years.

Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, net income from advertising activities not directly related to the Association's tax-exempt purpose may be subject to taxation as unrelated business income. There was no income tax expense for such unrelated business income for the year ended December 31, 2014. The Association is classified as other than a private foundation under Section 509(a) of the IRC.

The Association's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2014, there were no uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause the Association to lose its tax-exempt status.

The Association's federal Form 990, Return of Organization Exempt from Income Tax and Form 990T, Exempt Organization Business Income Tax Return, are generally subject to examination by the Internal Revenue Service (IRS) for three years after the date they were filed. The Association's Arizona Form 99, Arizona Exempt Organization Annual Information Return and Arizona Form 99T, Arizona Exempt Organization Business Income Tax Return, are generally subject to examination by the Arizona Department of Revenue for four years after the date the returns were filed.

Advertising

The cost of advertising is expensed when incurred or when the first advertising takes place. The Association does not participate in direct-response advertising, which requires the capitalization and amortization of the related cost.

Use of Estimates

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

See independent auditors' report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2014

2. Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by other reasonable methods.

3. Furniture and Equipment

Furniture and equipment at December 31, 2014 consists of:

Equipment	\$	41,908
Less accumulated depreciation		(33,115)
Furniture and equipment, net	\$	<u>8,793</u>

4. Operating Leases

The Association leases office space under a non-cancelable operating lease that will expire during May 2016. The Association also leases storage space under a month-to-month cancelable agreement. Total rent expense for the year ended December 31, 2014 was \$28,036. Future minimum lease payments due under the non-cancelable lease are:

Year ended December 31,

2015	\$	22,944
2016		9,773
	\$	<u>32,717</u>

5. Subsequent Events

The Association was unaware of any subsequent events as of June 26, 2015, the date the financial statements were available to be issued.

See independent auditors' report.

**SUPPLEMENTARY INFORMATION**

## INTERNATIONAL DARK-SKY ASSOCIATION, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2014

	Program Services	Management and General	Fund-raising	Total
Payroll	\$ 280,951	\$ 16,920	\$ 3,753	\$ 301,624
Professional fees	32,529	23,179	-	55,708
Meetings and conferences	38,899	477	-	39,376
Equipment and software	35,377	3,377	-	38,754
Rent	23,441	3,621	974	28,036
Payroll taxes	21,684	1,562	-	23,246
Printing and publication	21,819	524	-	22,343
Travel	19,972	1,526	-	21,498
Employee benefits	15,819	551	-	16,370
Postage	5,996	3,718	-	9,714
Utilities	6,553	2,015	208	8,776
Miscellaneous	4,157	2,697	-	6,854
Repairs and maintenance	4,229	499	151	4,879
Depreciation	4,780	-	-	4,780
Insurance	510	3,828	-	4,338
Advertising	4,001	180	-	4,181
Supplies	1,212	2,410	-	3,622
Bank fees	59	3,257	-	3,316
Telephone	2,543	120	104	2,767
Meals and entertainment	515	672	-	1,187
Dues and subscriptions	478	406	-	884
Taxes and licenses	-	251	-	251
Total expenses	<u>\$ 525,524</u>	<u>\$ 71,790</u>	<u>\$ 5,190</u>	<u>\$ 602,504</u>

Supplementary Information.  
See independent auditors' report.