

INTERNATIONAL DARK-SKY
ASSOCIATION, INC. AND SUBSIDIARIES

Reviewed Consolidated Financial Statements

For the year ended December 31, 2018

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of International Dark-Sky Association, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

LUDWIG KLEWER & RUDNER PLLC

August 28, 2019



INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current assets:		
Cash	\$	429,422
Prepaid expenses		<u>2,948</u>
Total current assets		432,370
Furniture and equipment, net		<u>16,879</u>
Total assets	\$	<u><u>449,249</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$	3,075
Accrued payroll and related expenses		41,775
Deferred membership revenue		<u>89,716</u>
Total liabilities		134,566
Net assets:		
Without donor restrictions		232,366
With donor restrictions:		
Purpose restrictions		62,317
Perpetual in nature		<u>20,000</u>
Total net assets with donor restrictions		<u>82,317</u>
Total net assets		<u>314,683</u>
Total liabilities and net assets	\$	<u><u>449,249</u></u>

See independent accountant's review report and accompanying notes to consolidated financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 490,342	\$ 48,500	\$ 538,842
Membership dues	195,766	-	195,766
Consulting	71,550	-	71,550
Grants	60,000	-	60,000
FSA fees	34,750	-	34,750
Special events, net	2,205	-	2,205
Other income	919	-	919
Interest income	47	-	47
Net assets released from restrictions:			
Satisfaction of donor restrictions	53,035	(53,035)	-
Total revenues and support	908,614	(4,535)	904,079
Expenses:			
Program services	608,682	-	608,682
General and administrative	121,161	-	121,161
Fund-raising	124,855	-	124,855
Total expenses	854,698	-	854,698
Change in net assets	53,916	(4,535)	49,381
Net assets, beginning of year	178,450	86,852	265,302
Net assets, end of year	\$ 232,366	\$ 82,317	\$ 314,683

See independent accountant's review report and accompanying notes to consolidated financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Program Services	General and Administrative	Fund-raising	Total
Payroll	\$ 268,500	\$ 53,061	\$ 103,610	\$ 425,171
Payroll taxes	23,906	4,491	1,497	29,894
Employee benefits	18,203	6,550	-	24,753
Total payroll expenses	310,609	64,102	105,107	479,818
Professional fees	59,723	13,115	3,716	76,554
Travel	51,930	8,283	4,057	64,270
Printing and publication	41,217	7,448	2,854	51,519
Chapter expenses	29,337	5,501	1,834	36,672
Occupancy	25,523	4,785	1,595	31,903
Computer and software	21,251	4,891	1,341	27,483
Office expenses	13,922	2,748	884	17,554
Bank fees	12,126	2,648	758	15,532
Miscellaneous	11,281	1,789	620	13,690
Postage and shipping	10,940	1,959	714	13,613
Consulting	9,203	1,649	650	11,502
Insurance	7,753	1,450	483	9,686
Depreciation	3,197	599	200	3,996
Advertising	670	194	42	906
Total expenses	<u>\$ 608,682</u>	<u>\$ 121,161</u>	<u>\$ 124,855</u>	<u>\$ 854,698</u>

See independent accountant's review report and accompanying notes to consolidated financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ 49,381
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,996
Changes in operating assets and liabilities:	
Prepaid expenses	2,983
Accounts payable and accrued expenses	(10,538)
Accrued payroll and related expenses	27,207
Deferred membership revenue	(13,515)
Total adjustments	<u>10,133</u>
Net cash provided by operating activities	59,514
Cash flows from investing activities:	
Purchases of furniture and equipment	(12,020)
Net cash used in investing activities	<u>(12,020)</u>
Cash flows from financing activities	<u>-</u>
Change in cash	47,494
Cash, beginning of year	381,928
Cash, end of year	<u>\$ 429,422</u>
Supplemental schedule of cash flow information:	
Cash paid for income taxes	<u>\$ -</u>

See independent accountant's review report and
accompanying notes to consolidated financial statements.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

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.

Some of the Association's activities are conducted by chapters. As of December 31, 2018, single-member limited liability companies (LLC) have been created for the Ohio, Missouri and Massachusetts chapters. The Association is the sole member of each LLC, and additional chapters will be similarly structured.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The consolidated financial statements include the accounts of the Association and International Dark-Sky Association – Ohio Chapter, LLC, International Dark-Sky Association – Missouri Chapter, LLC and International Dark-Sky Association – Massachusetts Chapter, LLC (collectively referred to as the Organization). All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization reports net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are recognized as revenue when received or unconditionally promised. The Organization reports gifts of cash and other assets as increases in net assets without donor restrictions of the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

See independent accountant's review report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

2. Summary of Significant Accounting Policies, Continued

Membership Dues

Membership revenue represents amounts collected for annual memberships to the Organization. Membership revenue is recognized in the consolidated financial statements during the month earned. Deferred membership revenue in the amount of \$89,716 at December 31, 2018 represents amounts collected but unearned.

Cash

For the purposes of the consolidated statement of cash flows, the Organization 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, 2018. 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, 2018, the Organization had \$92,539 on deposit with a financial institution in excess of FDIC and NCUA limitations.

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, 2018. The Association is classified as other than a private foundation under Section 509(a) of the IRC.

The Association is the sole member of each of the chapter limited liability companies. The Internal Revenue Service disregards single-member limited liability companies for income tax reporting purposes. Therefore, the net activity from the chapters is combined and reported on the Association's annual Return of Organization Exempt from Income Tax.

The Organization'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, 2018, 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.

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 accountant's review report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

3. Functional Expenses

The consolidated financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, rent and other occupancy-related costs, as well as salaries related expenses, travel, office expenses, printing, professional fees and information technology, which are allocated on the bases of time and effort estimates.

4. Liquidity and Availability of Resources

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are comprised of:

Less:

Amounts unavailable for general expenditure within one year due to:

Restrictions by donors with purpose restrictions	62,317
Restrictions by donors with time restrictions	<u>20,000</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 347,105</u>

5. Furniture and Equipment

Furniture and equipment at December 31, 2018 consists of:

Furniture and equipment	\$ 56,607
Less accumulated depreciation	<u>(39,728)</u>
Furniture and equipment, net	<u>\$ 16,879</u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows at December 31, 2108:

Subject to expenditure for specified purpose:

Salary support	\$ 49,415
Educational outreach	10,000
Advocacy	<u>2,902</u>
	62,317

Endowments:

General endowment	<u>20,000</u>
Total net assets with donor restrictions	<u>\$ 82,317</u>

See independent accountant's review report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

6. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2018:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Salary support	\$ 30,000	\$ (6,908)
Feasibility study	-	(4,000)
Advocacy	-	(42,127)
	<u>30,000</u>	<u>(53,035)</u>
Endowments:		
General endowment	18,500	-
	<u>\$ 48,500</u>	<u>\$ (53,035)</u>

7. Endowments

The Organization's endowments include donor restricted funds. As required by accounting principles generally accepted in the United States of America applicable to nonprofit organizations, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted Arizona's version (Titled the "Management of Charitable Funds Act" (the Act)) of the 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 (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 Board of Directors has appropriated 2018 earnings on unrestricted investments and on donor-restricted endowments, that are not subject to donor stipulation, for expenditure.

8. Operating Leases

The Association leases office space under a non-cancelable operating lease that will expire during July 2019. The Association also leases office equipment under a non-cancelable operating lease that will expire during November 2020. Total rent expense for the year ended December 31, 2018 was \$30,577. Future minimum lease payments due under the leases are:

<u>Year ended December 31,</u>	
2019	\$ 19,708
2020	<u>2,772</u>
	<u>\$ 22,480</u>

See independent accountant's review report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2018

9. Subsequent Events

The Organization was unaware of any subsequent events as of August 28, 2019, the date the consolidated financial statements were available to be issued.

See independent accountant's review report.