

THE INTERNATIONAL DARK-SKY
ASSOCIATION, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The International Dark-Sky Association, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, "financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The International Dark-Sky Association, Inc. and Subsidiaries as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The International Dark-Sky Association, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The International Dark-Sky Association, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 International Dark-Sky Association, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The International Dark-Sky Association, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

LUOWIG KLENER + RUONOK PLLC

June 20, 2023

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 1,406,542	\$ 959,397
Investments	197,582	-
Grants and contributions receivable	26,909	31,000
Prepaid expenses	5,168	12,474
Total current assets	<u>1,636,201</u>	<u>1,002,871</u>
Investments - other	74,535	-
Furniture and equipment, net	28,308	9,697
Total assets	<u>\$ 1,739,044</u>	<u>\$ 1,012,568</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 21,256	\$ 21,331
Accrued payroll and related expenses	118,971	96,034
Deferred revenue	10,000	10,000
Total liabilities	<u>150,227</u>	<u>127,365</u>
Net assets:		
Without donor restrictions		
Undesignated	243,991	179,069
Designated by the Board	490,000	490,000
Total net assets without donor restrictions	<u>733,991</u>	<u>669,069</u>
With donor restrictions:		
Purpose restrictions	817,826	184,134
Perpetual in nature	37,000	32,000
Total net assets with donor restrictions	<u>854,826</u>	<u>216,134</u>
Total net assets	<u>1,588,817</u>	<u>885,203</u>
Total liabilities and net assets	<u>\$ 1,739,044</u>	<u>\$ 1,012,568</u>

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

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 1,109,177	\$ 789,388	\$ 1,898,565
Program revenue	150,737	-	150,737
Other income	19,096	-	19,096
Investment income	2,946	-	2,946
Consulting	488	-	488
Net assets released from restrictions:			
Satisfaction of donor restrictions	150,696	(150,696)	-
Total revenues and support	1,433,140	638,692	2,071,832
Expenses:			
Program services	932,148	-	932,148
General and administrative	181,256	-	181,256
Fund-raising	254,814	-	254,814
Total expenses	1,368,218	-	1,368,218
Change in net assets	64,922	638,692	703,614
Net assets, beginning of year	669,069	216,134	885,203
Net assets, end of year	\$ 733,991	\$ 854,826	\$ 1,588,817

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

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 951,642	\$ 260,200	\$ 1,211,842
Program revenue	89,332	-	89,332
Grants	30,000	-	30,000
Other income	22,747	-	22,747
Consulting	5,000	-	5,000
Interest income	31	-	31
Loss on disposal of property and equipment	(2,755)	-	(2,755)
Net assets released from restrictions:			
Satisfaction of donor restrictions	216,159	(216,159)	-
Total revenues and support	<u>1,312,156</u>	<u>44,041</u>	<u>1,356,197</u>
Expenses:			
Program services	910,551	-	910,551
General and administrative	120,125	-	120,125
Fund-raising	194,414	-	194,414
Total expenses	<u>1,225,090</u>	<u>-</u>	<u>1,225,090</u>
Change in net assets	87,066	44,041	131,107
Net assets, beginning of year, reclassified	<u>582,003</u>	<u>172,093</u>	<u>754,096</u>
Net assets, end of year	<u>\$ 669,069</u>	<u>\$ 216,134</u>	<u>\$ 885,203</u>

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

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	Program Services	General and Administrative	Fund-raising	Total
Payroll	\$ 495,950	\$ 19,850	\$ 82,357	\$ 598,157
Employee benefits	66,851	12,037	11,101	89,989
Payroll taxes	39,606	1,585	6,577	47,768
Total payroll expenses	602,407	33,472	100,035	735,914
Professional fees	121,306	114,538	80,802	316,646
Computer and software	42,676	9,086	19,736	71,498
Printing and publication	29,217	2,237	21,055	52,509
Travel	30,709	554	2,785	34,048
Grants	31,607	-	-	31,607
Chapter expenses	28,617	-	-	28,617
Occupancy	22,913	940	3,864	27,717
Postage and shipping	13,040	1,568	5,343	19,951
Insurance	-	17,267	-	17,267
Credit card fees	-	-	17,033	17,033
Miscellaneous	3,135	1,165	2,949	7,249
Office expenses	3,184	308	649	4,141
Depreciation	3,337	121	563	4,021
Total expenses	<u>\$ 932,148</u>	<u>\$ 181,256</u>	<u>\$ 254,814</u>	<u>\$ 1,368,218</u>

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

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021

	Program Services	General and Administrative	Fund-raising	Total
Payroll	\$ 448,612	\$ 35,742	\$ 95,311	\$ 579,665
Employee benefits	50,456	3,742	10,349	64,547
Payroll taxes	35,689	2,470	7,321	45,480
Total payroll expenses	534,757	41,954	112,981	689,692
Professional fees	126,135	63,668	21,765	211,568
Grants	102,949	-	-	102,949
Computer and software	48,973	4,465	9,043	62,481
Printing and publication	30,267	164	28,209	58,640
Occupancy	18,154	1,576	3,724	23,454
Postage and shipping	12,213	1,382	2,325	15,920
Credit card fees	3,491	-	9,941	13,432
Insurance	9,741	773	1,998	12,512
Miscellaneous	3,712	4,182	3,185	11,079
Chapter expenses	7,821	-	-	7,821
Travel	5,443	911	280	6,634
Advertising	3,063	-	-	3,063
Depreciation	1,964	302	754	3,020
Office expenses	1,708	748	209	2,665
Conferences and meetings	160	-	-	160
Total expenses	<u>\$ 910,551</u>	<u>\$ 120,125</u>	<u>\$ 194,414</u>	<u>\$ 1,225,090</u>

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

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 703,614	\$ 131,107
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated securities	(300,585)	-
Depreciation	4,021	3,020
Loss on disposal of property and equipment	-	2,755
Realized and unrealized loss on investments and investments - other	4,427	-
Reinvested interest and dividend income	(3,088)	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	4,091	(31,000)
Prepaid expenses	7,306	(12,474)
Accounts payable and accrued expenses	(75)	14,830
Accrued payroll and related expenses	22,937	50,100
Deferred revenue	-	10,000
Total adjustments	<u>(260,966)</u>	<u>37,231</u>
Net cash provided by operating activities	442,648	168,338
Cash flows from investing activities:		
Purchases of property and equipment	(22,632)	(7,429)
Purchases of investments	(205,711)	-
Purchases of investments - other	(76,000)	-
Proceeds from the sale of donated securities	308,840	-
Net cash provided by (used in) investing activities	<u>4,497</u>	<u>(7,429)</u>
Cash flows from financing activities	-	-
Change in cash	447,145	160,909
Cash, beginning of year	959,397	798,488
Cash, end of year	<u>\$ 1,406,542</u>	<u>\$ 959,397</u>
Supplemental schedule of cash flow information:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Schedule of non-cash investing and financing activities:		
Donated securities	<u>\$ 300,585</u>	<u>\$ -</u>
Reinvested interest and dividend income	<u>\$ 3,088</u>	<u>\$ -</u>

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

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

1. Organization

The International Dark-Sky Association, Inc. (the Organization) was organized as a non-profit corporation in 1988. The purpose of the Organization is to restore the nighttime environment and protect communities and wildlife from light pollution. The Organization receives most of its funding through membership and contributions as well as grants from various sources.

Some of the Organization's activities are conducted by chapters. As of December 31, 2022, chapters in 8 states have been organized into single-member limited liability companies (LLC). The Organization is the sole member of each LLC.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The consolidated financial statements include the accounts of the Organization and the LLCs referred to in Note 1 (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. As of December 31, 2022 and 2021, the Board of Directors has designated net assets in the amount of \$490,000 as a general operating reserve to help ensure the long-term financial stability of the Organization.
- 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.

Grants and Contributions Receivable

Grants and contributions are recognized as revenue in the period in which the Organization receives notification of a grant or contribution. The Organization provides an allowance for doubtful accounts that is based upon a review of outstanding receivables, historical collection information and existing economic conditions. There was no allowance for doubtful accounts at December 31, 2022 and 2021.

See independent auditor's report.

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, Continued

Conditional Grants and Contributions

The Organization received a conditional contribution during the year ended December 31, 2022. The total amount of the contribution is \$1,000,000 and is payable over a three-year period beginning during the year ended December 31, 2022. The contribution is restricted as to use and must be invested in the Organization's strategic plan as defined in the agreement. The Organization received \$300,000 during the year ended December 31, 2022. The agreement also specifies certain contingencies that must be met to receive the remaining \$700,000 pledged by the donor. As a result, the remaining \$700,000 will not be recorded as contribution revenue until the specified contingencies are met.

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, 2022 and 2021. 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, 2022 and 2021, the Organization had \$992,903 and \$614,396, respectively, on deposit with a financial institution in excess of FDIC and NCUA limitations.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investments – Other

Investments - other is comprised of various certificates of deposit held for investment that are not debt securities. The certificates of deposit mature between August 2025 and August 2027, have an annual fixed interest rates ranging from 3.35% to 3.45% and are recorded at fair market value.

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as current, and certificates of deposit with remaining maturities greater than one year are classified as non-current.

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.

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 auditor's report.

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

2. Summary of Significant Accounting Policies, Continued

Income Taxes

The Organization 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 Organization'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 years ended December 31, 2022 and 2021. The Organization is classified as other than a private foundation under Section 509(a) of the IRC.

The Organization 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 Organization'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, 2022, there were no uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause the Organization to lose its tax-exempt status.

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.

3. 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 the following at December 31,:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,406,542	\$ 959,397
Investments	197,582	-
Grants and contributions receivable	<u>26,909</u>	<u>31,000</u>
Total financial assets available within one year	1,631,033	990,397
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restrictions by donors with purpose restrictions	817,826	184,134
Restrictions by donors with time restrictions	<u>37,000</u>	<u>32,000</u>
Total amounts unavailable for general expenditures within one year	854,826	216,134
Amounts unavailable to management without board approval:		
Designated by the Board	<u>490,000</u>	<u>490,000</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 286,207</u>	<u>\$ 284,263</u>

See independent auditor's report.

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

4. Investments

Investments are stated at market value and consist of the following at December 31,:

	<u>2022</u>	<u>2021</u>
Exchange traded funds	\$ 161,036	\$ -
US Treasury securities	36,546	-
Total investments	<u>\$ 197,582</u>	<u>\$ -</u>

Investment income, including earnings on investments – other and cash deposits, consists of the following for the year ended December 31,:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 7,373	\$ 31
Realized and unrealized loss on investments	(4,427)	-
Investment income	<u>\$ 2,946</u>	<u>\$ 31</u>

5. Furniture and Equipment

Furniture and equipment consists of the following at December 31,:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 20,542	\$ 17,910
Less accumulated depreciation	(12,234)	(8,213)
Website in progress	20,000	-
Furniture and equipment, net	<u>\$ 28,308</u>	<u>\$ 9,697</u>

The total estimated capital cost of the website project is \$70,000, and the project is expected to be completed during the third quarter of 2023.

6. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

See independent auditor's report.

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

6. Fair Value Measurements, Continued

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value as of December 31, 2022. There were no assets subject to fair value measurements as of December 31, 2021.

- *US treasury securities and exchange traded funds:* Valued at fair value based on national trade listing.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of investment assets at December 31, 2022, all considered Level 1, include exchange traded funds of \$161,036 and US Treasury securities of \$36,546.

7. Net Assets With Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purpose:		
Strategic plan initiative	\$ 562,645	\$ -
New Mexico pilot	100,000	-
UA Lighting and policy database	27,414	40,000
Website and CRM	49,315	81,000
Chapters	76,218	48,134
Sky quality monitors	2,234	15,000
	817,826	184,134
Endowments:		
Perpetual in nature	37,000	32,000
Total net assets with donor restrictions	\$ 854,826	\$ 216,134

See independent auditor's report.

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

7. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2022:

	<u>Contributions</u>	<u>Releases/ Transfers</u>
Subject to expenditure for specified purpose:		
Strategic plan initiative	\$ 581,080	\$ (18,435)
New Mexico pilot	100,000	-
UA Lighting and policy database	25,000	(37,586)
Website and CRM	-	(31,685)
Chapters	78,308	(50,224)
Sky quality monitors	-	(12,766)
	<u>784,388</u>	<u>(150,696)</u>
Endowments:		
Perpetual in nature	5,000	-
	<u>\$ 789,388</u>	<u>\$ (150,696)</u>

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2021:

	<u>Contributions</u>	<u>Releases/ Transfers</u>
Subject to expenditure for specified purpose:		
UA Lighting and policy database	\$ 40,000	\$ (50,000)
Website and CRM	50,000	(9,000)
Educational outreach	2,000	(2,000)
Chapters	156,200	(155,159)
Sky quality monitors	5,000	-
	<u>253,200</u>	<u>(216,159)</u>
Endowments:		
Perpetual in nature	7,000	-
	<u>\$ 260,200</u>	<u>\$ (216,159)</u>

8. 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 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 2022 and 2021 earnings on unrestricted investments and on donor-restricted endowments, which are not subject to donor stipulation, for expenditure.

See independent auditor's report.

THE INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

8. Endowments, Continued

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulation to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted the Act to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate 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

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, there were no funds with deficiencies.

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment fund while seeking to maintain the original value of any contributions to the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Investment income on endowment funds is appropriated for expenditure in the year earned, and is, therefore, included in net assets without donor restrictions. During each of the years ended December 31, 2022 and 2021, the Organization received \$7,000 in donor-restricted endowment contributions.

9. Net Asset Reclassifications

Net assets with donor restrictions have been increased, and net assets without donor restrictions have been decreased by \$47,093 as of December 31, 2020. This reclassification was made to reflect the nature of chapter activities as of and for the year ended December 31, 2020. There was no impact to the change in net assets, as originally reported, as a result of these reclassifications.

10. Operating Leases

During July 2022, the Organization renewed its office space lease under a non-cancelable operating lease that will expire on August 1, 2023. Total rent expense for the years ended December 31, 2022 and 2021 was \$19,627 and \$16,184, respectively. Future minimum lease payments due under the lease as of December 31, 2022 are \$11,433 during the year ended December 31, 2023.

11. Subsequent Events

As of June 20, 2023, management is not aware of any subsequent events having occurred that would have a material impact on the presentation of the Organization's consolidated financial statements.

See independent auditor's report.