

INTERNATIONAL DARK-SKY
ASSOCIATION, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3 - 4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 12

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of International Dark-Sky Association, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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").

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 International Dark-Sky Association, Inc. and Subsidiaries as of December 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.

Ludwig Klewer & Rudner PLLC

June 22, 2021



INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 798,488	\$ 523,395
Prepaid expenses	-	4,878
Total current assets	<u>798,488</u>	<u>528,273</u>
Furniture and equipment, net	<u>8,043</u>	<u>12,883</u>
Total assets	<u>\$ 806,531</u>	<u>\$ 541,156</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 2,621	\$ 6,993
Accrued payroll and related expenses	<u>49,814</u>	<u>43,717</u>
Total liabilities	52,435	50,710
Net assets:		
Without donor restrictions		
Undesignated	459,445	312,447
Designated by the Board	<u>169,651</u>	<u>142,999</u>
Total net assets without donor restrictions	629,096	455,446
With donor restrictions:		
Purpose restrictions	100,000	10,000
Perpetual in nature	<u>25,000</u>	<u>25,000</u>
Total net assets with donor restrictions	<u>125,000</u>	<u>35,000</u>
Total net assets	<u>754,096</u>	<u>490,446</u>
Total liabilities and net assets	<u>\$ 806,531</u>	<u>\$ 541,156</u>

See independent auditor's 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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 856,755	\$ 105,000	\$ 961,755
Grant - Paycheck Protection Program	106,690	-	106,690
Program revenue	58,382	-	58,382
Other income	10,738	-	10,738
Consulting	7,450	-	7,450
Interest income	40	-	40
Net assets released from restrictions:			
Satisfaction of donor restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total revenues and support	1,055,055	90,000	1,145,055
Expenses:			
Program services	649,654	-	649,654
General and administrative	87,110	-	87,110
Fund-raising	<u>144,641</u>	<u>-</u>	<u>144,641</u>
Total expenses	<u>881,405</u>	<u>-</u>	<u>881,405</u>
Change in net assets	173,650	90,000	263,650
Net assets, beginning of year	<u>455,446</u>	<u>35,000</u>	<u>490,446</u>
Net assets, end of year	<u>\$ 629,096</u>	<u>\$ 125,000</u>	<u>\$ 754,096</u>

See independent auditor's 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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 969,922	\$ 5,000	\$ 974,922
Grants	70,000	-	70,000
Consulting	55,900	-	55,900
Program revenue	40,397	-	40,397
Conference registration	20,150	-	20,150
Other income	6,711	-	6,711
Interest income	48	-	48
Net assets released from restrictions:			
Satisfaction of donor restrictions	52,317	(52,317)	-
Total revenues and support	1,215,445	(47,317)	1,168,128
Expenses:			
Program services	738,874	-	738,874
General and administrative	111,629	-	111,629
Fund-raising	141,862	-	141,862
Total expenses	992,365	-	992,365
Change in net assets	223,080	(47,317)	175,763
Net assets, beginning of year	232,366	82,317	314,683
Net assets, end of year	\$ 455,446	\$ 35,000	\$ 490,446

See independent auditor's 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, 2020

	Program Services	General and Administrative	Fund-raising	Total
Payroll	\$ 395,093	\$ 30,392	\$ 81,045	\$ 506,530
Payroll taxes	32,246	2,480	6,615	41,341
Employee benefits	25,777	2,246	5,288	33,311
Total payroll expenses	453,116	35,118	92,948	581,182
Professional fees	39,187	43,193	763	83,143
Printing and publication	22,341	3	16,386	38,730
Repairs and maintenance	27,112	1,925	5,135	34,172
Occupancy	20,588	1,513	4,033	26,134
Consulting	21,221	-	-	21,221
Chapter expenses	20,598	-	-	20,598
Miscellaneous	8,554	2,790	43	11,387
Postage and shipping	7,622	540	1,440	9,602
Bank fees	-	-	9,360	9,360
License and permits	-	-	9,303	9,303
Telephone	6,773	586	1,563	8,922
Insurance	6,054	466	1,242	7,762
Travel	4,550	198	293	5,041
Depreciation	3,775	290	775	4,840
Computer and software	2,206	170	452	2,828
Utilities	2,116	167	473	2,756
Office expenses	1,922	131	378	2,431
Advertising	1,658	-	-	1,658
Dues and subscriptions	261	20	54	335
Total expenses	<u>\$ 649,654</u>	<u>\$ 87,110</u>	<u>\$ 144,641</u>	<u>\$ 881,405</u>

See independent auditor's 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, 2019

	Program Services	General and Administrative	Fund-raising	Total
Payroll	\$ 371,184	\$ 39,297	\$ 97,728	\$ 508,209
Payroll taxes	28,279	3,702	3,832	35,813
Employee benefits	21,755	4,857	1,823	28,435
Total payroll expenses	421,218	47,856	103,383	572,457
Professional fees	41,075	28,111	2,154	71,340
Chapter expenses	52,360	6,326	556	59,242
Printing and publication	41,533	3,348	7,874	52,755
Occupancy	29,687	2,511	5,777	37,975
Travel	29,080	3,409	3,691	36,180
Conferences and meetings	29,207	52	44	29,303
Computer and software	21,982	3,101	2,594	27,677
Advertising	25,857	16	10	25,883
Miscellaneous	7,089	9,930	368	17,387
Office expenses	13,461	1,605	2,017	17,083
Bank fees	4,308	1,367	10,192	15,867
Postage and shipping	8,941	1,190	1,141	11,272
Insurance	6,449	1,816	1,323	9,588
Consulting	3,430	392	538	4,360
Depreciation	3,197	599	200	3,996
Total expenses	<u>\$ 738,874</u>	<u>\$ 111,629</u>	<u>\$ 141,862</u>	<u>\$ 992,365</u>

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

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 263,650	\$ 175,763
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,840	3,996
Changes in operating assets and liabilities:		
Prepaid expenses	4,878	(1,930)
Accounts payable and accrued expenses	(4,372)	2,516
Accrued payroll and related expenses	6,097	3,344
Deferred membership revenue	-	(89,716)
Total adjustments	<u>11,443</u>	<u>(81,790)</u>
Net cash provided by operating activities	275,093	93,973
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Change in cash	275,093	93,973
Cash, beginning of year	<u>523,395</u>	<u>429,422</u>
Cash, end of year	<u>\$ 798,488</u>	<u>\$ 523,395</u>
Supplemental schedule of cash flow information:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

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

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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, 2020, chapters in 11 states have been organized into single-member limited liability companies (LLC). The Association 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 Association 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, 2020 and 2019, the Board of Directors has designated net assets in the amount of \$169,651 and \$142,999 as a general operating reserve to help ensure the long-term financial stability of the Association.
- 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.

Membership Dues

Membership revenue represents amounts collected for annual membership to the Organization. Prior to January 1, 2019, membership dues were deemed an exchange transaction, and membership revenue was recognized ratably over the period of membership. However, during the year ended December 31, 2019, the Organization's bylaws were revised to decrease to 20% the portion of the Organization's Board of Directors that can be elected by members.

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

Membership Dues, continued

As a result, the Organization has determined that payments made by members are, in substance, a contribution. Therefore, beginning January 1, 2019 and forward, all payments received from members are accounted for as a contribution under FASB ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

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, 2020 and 2019. 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, 2020 and 2019, the Organization had \$460,365 and \$173,613, respectively, 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.

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.

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, 2020. 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.

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies, Continued

Income Taxes, continued

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, 2020, 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.

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>2020</u>	<u>2019</u>
Cash	\$ 798,488	\$ 523,395
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restrictions by donors with purpose restrictions	100,000	10,000
Restrictions by donors with time restrictions	<u>25,000</u>	<u>25,000</u>
Total amounts unavailable for general expenditures within one year	125,000	35,000
Amounts unavailable to management without board approval:		
Designated by the Board	<u>169,651</u>	<u>142,999</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 503,837</u>	<u>\$ 345,396</u>

4. Paycheck Protection Program Conditional Grant

On April 7, 2020, the Organization received a loan in the amount of \$106,690 from the Small Business Administration's Paycheck Protection Program ("Program"). Under the terms of the agreement, there are no payments due for six months from the date the loan proceeds are disbursed. Interest will accrue at the rate of 1% per annum during the deferment period. The Organization may apply for forgiveness of the total loan amount, by providing evidence that the loan proceeds were used to fund eligible costs defined by the Paycheck Protection Program during either an eight or twenty-four week period beginning on the date the loan proceeds are disbursed. Any amount not forgiven will be payable, in full and including interest, on April 7, 2022; however, the Organization may negotiate with the lender to extend the maturity date to April 7, 2025.

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

4. Paycheck Protection Program Conditional Grant, Continued

The Organization is accounting for the proceeds as a conditional contribution under FASB ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*. Under this guidance, the loan forgiveness is recognized as contribution revenue as the conditions of forgiveness are substantially met. As of December 31, 2020 the Organization has expended 100% of the proceeds for eligible expenses during the period from the date the proceeds were disbursed through December 31, 2020. The Organization has also evaluated additional forgiveness criteria under the Program, including FTE and wage reduction requirements and exceptions, and management believes that these additional forgiveness criteria have been substantially met as of December 31, 2020. As a result, the Organization has recognized grant revenue in the amount of \$106,690 for the year ended December 31, 2020. Subsequent to December 31, 2020, the lender notified the Organization that full forgiveness of the loan had been granted.

5. Furniture and Equipment

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

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 56,607	\$ 56,607
Less accumulated depreciation	(48,564)	(43,724)
Furniture and equipment, net	<u>\$ 8,043</u>	<u>\$ 12,883</u>

6. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
UA Lighting and policy database	\$ 50,000	\$ -
Website and CRM	40,000	-
Educational outreach	10,000	10,000
	<u>100,000</u>	<u>10,000</u>
Endowments:		
Perpetual in nature	25,000	25,000
Total net assets with donor restrictions	<u>\$ 125,000</u>	<u>\$ 35,000</u>

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2020:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
UA Lighting and policy database	\$ 50,000	\$ -
Website and CRM	40,000	-
Educational outreach	15,000	(15,000)
	<u>105,000</u>	<u>(15,000)</u>
Endowments:		
Perpetual in nature	-	-
	<u>\$ 105,000</u>	<u>\$ (15,000)</u>

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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, 2019:

	<u>Contributions</u>	<u>Releases</u>
Subject to expenditure for specified purpose:		
Salary support	\$ -	\$ (49,415)
Advocacy	-	(2,902)
	-	(52,317)
Endowments:		
Perpetual in nature	5,000	-
	<u>\$ 5,000</u>	<u>\$ (52,317)</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 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 2020 and 2019 earnings on unrestricted investments and on donor-restricted endowments, which are not subject to donor stipulation, for expenditure.

8. Operating Leases

During July 2020, the Association renewed its office space lease under a non-cancelable operating lease that will expire during July 2021. Total rent expense for the years ended December 31, 2020 and 2019 was \$25,429 and \$30,877, respectively. Future minimum lease payments due under the lease is 10,780.

9. Subsequent Events

As of June 22, 2021, 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.