

INTERNATIONAL DARK-SKY  
ASSOCIATION, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the accompanying consolidated financial statements of International Dark-Sky Association, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Dark-Sky Association, Inc. and Subsidiaries as of December 31, 2021 and 2020, 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 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 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 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 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 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 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.

*Luoma Crowe & Ruokol PLLC*

June 16, 2022

## INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 959,397	\$ 798,488
Grants and contributions receivable	31,000	-
Prepaid expenses	12,474	-
Total current assets	<u>1,002,871</u>	<u>798,488</u>
Furniture and equipment, net	<u>9,697</u>	<u>8,043</u>
Total assets	<u>\$ 1,012,568</u>	<u>\$ 806,531</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 21,331	\$ 2,621
Accrued payroll and related expenses	96,034	49,814
Deferred revenue	10,000	-
Total liabilities	<u>127,365</u>	<u>52,435</u>
Net assets:		
Without donor restrictions		
Undesignated	179,069	412,352
Designated by the Board	490,000	169,651
Total net assets without donor restrictions	<u>669,069</u>	<u>582,003</u>
With donor restrictions:		
Purpose restrictions	184,134	147,093
Perpetual in nature	32,000	25,000
Total net assets with donor restrictions	<u>216,134</u>	<u>172,093</u>
Total net assets	<u>885,203</u>	<u>754,096</u>
Total liabilities and net assets	<u>\$ 1,012,568</u>	<u>\$ 806,531</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, 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	1,312,156	44,041	1,356,197
Expenses:			
Program services	912,941	-	912,941
General and administrative	119,169	-	119,169
Fund-raising	192,980	-	192,980
Total expenses	1,225,090	-	1,225,090
Change in net assets	87,066	44,041	131,107
Net assets, beginning of year, reclassified	582,003	172,093	754,096
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.

## INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 838,138	\$ 123,617	\$ 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	15,000	(15,000)	-
Total revenues and support	1,036,438	108,617	1,145,055
Expenses:			
Program services	649,654	-	649,654
General and administrative	87,110	-	87,110
Fund-raising	144,641	-	144,641
Total expenses	881,405	-	881,405
Change in net assets	155,033	108,617	263,650
Net assets, beginning of year, reclassified	426,970	63,476	490,446
Net assets, end of year, reclassified	<u>\$ 582,003</u>	<u>\$ 172,093</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 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	79,525	62,712	20,331	162,568
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
Chapter expenses	56,821	-	-	56,821
Occupancy	18,154	1,576	3,724	23,454
Postage and shipping	12,213	1,382	2,325	15,920
Bank fees	3,491	-	9,941	13,432
Insurance	9,741	773	1,998	12,512
Miscellaneous	3,712	4,182	3,185	11,079
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	\$ 912,941	\$ 119,169	\$ 192,980	\$ 1,225,090

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 STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 131,107	\$ 263,650
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,020	4,840
Loss on disposal of property and equipment	2,755	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(31,000)	-
Prepaid expenses	(12,474)	4,878
Accounts payable and accrued expenses	14,830	(4,372)
Accrued payroll and related expenses	50,100	6,097
Deferred revenue	10,000	-
Total adjustments	<u>37,231</u>	<u>11,443</u>
Net cash provided by operating activities	168,338	275,093
Cash flows from investing activities		
Purchases of property and equipment	<u>(7,429)</u>	-
Net cash used in investing activities	(7,429)	-
Cash flows from financing activities	-	-
Change in cash	160,909	275,093
Cash, beginning of year	<u>798,488</u>	<u>523,395</u>
Cash, end of year	<u>\$ 959,397</u>	<u>\$ 798,488</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, 2021 and 2020

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, 2021 and 2020, the Board of Directors has designated net assets in the amount of \$490,000 and \$169,651, respectively, 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.

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, 2021.

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

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, 2021 and 2020. 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, 2021 and 2020, the Organization had \$614,396 and \$460,365, 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 years ended December 31, 2021 and 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.

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, 2021, 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.

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash	\$ 959,397	\$ 798,488
Grants and contributions receivable	31,000	-
Total financial assets available within one year	<u>990,397</u>	<u>798,488</u>
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restrictions by donors with purpose restrictions	184,134	147,093
Restrictions by donors with time restrictions	<u>32,000</u>	<u>25,000</u>
Total amounts unavailable for general expenditures within one year	216,134	172,093
Amounts unavailable to management without board approval:		
Designated by the Board	<u>490,000</u>	<u>169,651</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 284,263</u>	<u>\$ 456,744</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 applied for, and received, full forgiveness of the total loan amount, including accrued interest, during the year ended December 31, 2021 by providing evidence that the loan proceeds were used to fund eligible costs during the covered period and that additional criteria for forgiveness had been met.

The Organization accounted 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 had expended 100% of the proceeds for eligible expenses during the date the proceeds were disbursed through December 31, 2020. As a result, the Organization recognized grant revenue in the amount of \$106,690 for the year ended December 31, 2020.

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

5. Furniture and Equipment

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

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 17,910	\$ 56,607
Less accumulated depreciation	(8,213)	(48,564)
Furniture and equipment, net	<u>\$ 9,697</u>	<u>\$ 8,043</u>

6. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
UA Lighting and policy database	\$ 40,000	\$ 50,000
Website and CRM	81,000	40,000
Chapters	48,134	47,093
Lighting demonstration and sky quality monitors	15,000	10,000
	<u>184,134</u>	<u>147,093</u>
Endowments:		
Perpetual in nature	32,000	25,000
Total net assets with donor restrictions	<u>\$ 216,134</u>	<u>\$ 172,093</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</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>

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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, 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	-
Chapters	18,617	-
Educational outreach	15,000	(15,000)
	<u>123,617</u>	<u>(15,000)</u>
Endowments:		
Perpetual in nature	-	-
	<u>\$ 123,617</u>	<u>\$ (15,000)</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 2021 and 2020 earnings on unrestricted investments and on donor-restricted endowments, which are not subject to donor stipulation, for expenditure.

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

See independent auditor's report.

INTERNATIONAL DARK-SKY ASSOCIATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

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7. Endowments, Continued

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, 2021 and 2020, 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 the years ended December 31, 2021 and 2020, the Organization received \$7,000 and \$-0- in donor-restricted endowment contributions.

8. 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. Net assets with donor restrictions have been increased, and net assets without donor restrictions have been decreased by \$28,476 as of December 31, 2019. These reclassifications were made to reflect the nature of chapter activities as of and for the years ended December 31, 2020 and 2019. There was no impact to the change in net assets, as originally reported, as a result of these reclassifications.

9. Operating Leases

During July 2021, the Association renewed its office space lease under a non-cancelable operating lease that will expire during July 2022. Total rent expense for the years ended December 31, 2021 and 2020 was \$16,184 and \$25,429, respectively. Future minimum lease payments due under the lease is \$11,114.

10. Subsequent Events

As of June 16, 2022, 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.