

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

FINANCIAL STATEMENTS

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September 30, 2015 and 2014

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
American Association of Variable Star Observers  
Cambridge, Massachusetts

**R.J. GOLD & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

We have audited the accompanying financial statements of American Association of Variable Star Observers (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Association of Variable Star Observers as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

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

### *Prior Period Financial Statements*

The financial statements and schedule of functional expenses of the American Association of Variable Star Observers as of September 30, 2014, were audited by other auditors whose report dated December 19, 2014, expressed an unmodified opinion on those statements.

*R. J. Gold & Company, P.C.*  
Burlington, Massachusetts  
December 15, 2015

BURLINGTON OFFICE PARK  
ONE WALL STREET • BURLINGTON, MA 01803  
781.272.2283 • 781.272.2293 FAX • WWW.RJGOLDCPA.COM

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS  
 STATEMENTS OF FINANCIAL POSITION  
 SEPTEMBER 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 242,010	\$ 514,205
Grants receivable	65,560	28,695
Prepaid expenses	7,628	7,470
Investments	<u>12,083,674</u>	<u>13,059,818</u>
<b>TOTAL CURRENT ASSETS</b>	<u>12,398,872</u>	<u>13,610,188</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>1,397,377</u>	<u>1,432,854</u>
<b>TOTAL ASSETS</b>	<u>\$ 13,796,249</u>	<u>\$ 15,043,042</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 21,792	\$ 8,026
Prepaid membership dues and meetings	<u>27,257</u>	<u>27,743</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>49,049</u>	<u>35,769</u>
<b>NET ASSETS</b>		
Unrestricted	10,204,456	11,434,775
Temporarily restricted	189,400	223,804
Permanently restricted	<u>3,353,344</u>	<u>3,348,694</u>
<b>TOTAL NET ASSETS</b>	<u>13,747,200</u>	<u>15,007,273</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 13,796,249</u>	<u>\$ 15,043,042</u>

The Accompanying Notes are an Integral Part of These Financial Statements

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT		
Contributions and grants	\$ 57,769	\$ 60,404
Investment interest and dividends	280,094	892,525
Membership dues and fees	73,472	70,932
Sales of publications and related materials	13,637	6,666
Meeting fees	22,244	17,950
Unrealized losses on available-for-sale securities	(1,151,492)	(1,274,644)
Gain on sale of investments	407,638	1,338,532
	<u>(296,638)</u>	<u>1,112,365</u>
Net assets released from restrictions	495,041	540,144
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	<u>198,403</u>	<u>1,652,509</u>
EXPENSES		
Program services-research, data collection, publication and meetings	816,084	863,461
General and administrative	510,850	441,884
Fundraising	101,789	97,451
TOTAL EXPENSES	<u>1,428,723</u>	<u>1,402,796</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(1,230,320)</u>	<u>249,713</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	450,395	568,775
Investment interest and dividends	4,172	3,694
Gain on sale of investments	6,071	24,297
Assets released from program restrictions	(495,041)	(540,144)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(34,403)</u>	<u>56,622</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions and grants	4,650	6,450
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	<u>4,650</u>	<u>6,450</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(1,260,073)</u>	<u>312,785</u>
NET ASSETS - BEGINNING OF YEAR	<u>15,007,273</u>	<u>14,694,488</u>
NET ASSETS - END OF YEAR	<u>\$ 13,747,200</u>	<u>\$ 15,007,273</u>

The Accompanying Notes are an Integral Part of These Financial Statements

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS  
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (108,581)	\$ 1,587,429
Adjustments to reconcile change in net assets to cash provided by (used for) operating activities:		
Depreciation expense	65,088	70,793
Gain on sale of investments	(413,709)	(1,362,829)
(Increase) decrease in assets:		
Grants receivable	(36,865)	31,768
Accrued interest receivable	-	90,802
Prepaid expenses	(158)	(26)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	13,767	(2,602)
Prepaid membership dues and meetings	(486)	629
<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>(480,944)</b>	<b>415,964</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of marketable securities	(2,544,378)	(8,774,669)
Sales of marketable securities	2,782,739	8,718,826
Purchase of fixed assets	(29,612)	(12,808)
<b>CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>208,749</b>	<b>(68,651)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(272,195)</b>	<b>347,313</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>514,205</b>	<b>166,892</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 242,010</b>	<b>\$ 514,205</b>
<b>SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>		
Unrealized gains (losses) on available-for-sale securities	\$ (1,151,492)	\$ (1,274,644)

The Accompanying Notes are an Integral Part of These Financial Statements

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

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September 30, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows:

Organization and Purpose

The American Association of Variable Star Observers is an international non-profit organization organized in 1911 under the laws of the Commonwealth of Massachusetts, whose mission is to observe and analyze variable stars, collect and archive observations for worldwide access, forge strong collaborations between amateur and professional astronomers, and promote scientific research and education using variable star data.

Basis of Accounting

The financial statements of the American Association of Variable Star Observers have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The American Association of Variable Star Observers complies with Professional Standards for Financial Statements of Not-For-Profit Organizations issued by the Financial Accounting Standards Board "FASB" for presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from temporary restrictions.

Investments

The Association follows Professional Standards, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under these professional standards, investments in marketable securities with readily determinable fair market values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Association reports all investment gains and losses and income as increases or decreases in unrestricted net assets, unless a donor or law restricts their use.

Investment Pooling

Endowments, certain unrestricted net assets, grants, gifts and other contributions restricted by donors as to use are pooled together for investment purposes and accounted for on a pro rata basis. The income generated from the investments is classified as unrestricted or temporarily restricted according to the donors' instructions.

Cash and Cash Equivalents

The Association considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Real estate, equipment and furniture and fixtures, stated at cost, are being depreciated over estimated useful lives of 3 to 33 years using the straight line and cost recovery methods. Property and equipment of the American Association of Variable Star Observers is evaluated for possible impairment in accordance with Professional Standards, Accounting for the Impairment or Disposal of Long Lived Assets. These Professional Standards require, whenever events or circumstances indicate that the assets' undiscounted expected future cash flows are not sufficient to recover their carrying amounts. If the carrying amount exceeds the expected future cash flows, the Association measures the amount of impairment by comparing the asset to its fair value.

Income Taxes

The Association is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for federal, state or county income taxes have been provided in the accompanying consolidated financial statements. The Association's tax returns are subject to examination by taxing authorities for the years ended September 30, 2012, 2013 and 2014.

Contributed Services

During the year many individuals volunteered their time and performed a variety of tasks that assist the Association in its research. The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

NOTE B - INVESTMENTS

As of September 30, 2015, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	\$ 181,934	\$ 181,934
Corporate equities	4,124,875	3,796,408
Corporate bonds	60,420	64,012
Alternative investments	981,564	972,196
Mutual funds	<u>8,083,311</u>	<u>7,251,058</u>
Total	<u>\$13,432,104</u>	<u>\$12,265,608</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE B - INVESTMENTS (continued)

As of September 30, 2014, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>
Cash and cash equivalents	\$ 448,756	\$ 448,756
Corporate equities	4,185,485	4,283,537
Corporate bonds	78,947	80,790
Government securities	402,522	400,542
Mutual funds	<u>8,409,247</u>	<u>8,294,948</u>
Total	<u>\$13,524,957</u>	<u>\$13,508,573</u>

The following schedule summarizes the investment return and its classification in the statement of activities:

September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividend and Interest Income	\$ 280,094	\$ 4,172	\$ -	\$ 284,266
Realized Gain on Investments	407,638	6,071	-	413,709
Unrealized Losses on Investments	(1,151,492)	-	-	(1,151,492)
	<u>(\$ 463,760)</u>	<u>\$ 10,243</u>	<u>\$ -</u>	<u>(\$ 453,517)</u>

September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividend and Interest Income	\$ 892,525	\$ 3,694	\$ -	\$ 896,219
Realized Gain on Investments	1,338,532	24,297	-	1,362,829
Unrealized Losses on Investments	(1,274,644)	-	-	(1,274,644)
	<u>\$ 956,413</u>	<u>\$ 27,991</u>	<u>\$ -</u>	<u>\$ 984,404</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Janet Mattei Fellowship	\$ 116,141	\$ 108,858
Margaret Mayall Assistantship	44,623	40,908
RM Ayers Fund Grant for Second Generation Synoptic Survey	10,860	10,860
St. John University Observatory Telescope Time	7,500	10,000
RM Ayers Fund Grant for APASS	5,000	15,000
Miscellaneous	4,354	6,162
Support of AAVSONet	922	-
Board Designated Funds for Staff Incentives	-	32,016
	<u>\$ 189,400</u>	<u>\$ 223,804</u>

NOTE D - NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor and grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors and grantors during:

	<u>2015</u>	<u>2014</u>
Chandra Teaching Education and Research	\$ 203,536	\$ 179,711
NSF APASS	109,085	-
2 Eyes 3D Teaching Education and Research	69,259	191,825
APASS Ayers	40,000	-
Board Designated Funds for Staff Incentives	32,016	18,000
Observatory and Telescope Systems	14,645	12,069
Nova Research and Outreach	12,001	12,001
Membership Support	6,895	3,011
Other Education and Research	6,242	5,238
Mattei Fellow and Mayall Assistant	791	2,401
Property, Equipment and Maintenance	570	640
Citizen Sky Program; Research, Seminars, Teaching	-	107,287
Software and Internet Development	-	7,961
	<u>\$ 495,040</u>	<u>\$ 540,144</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE E - EMPLOYEE RETIREMENT PLAN

The Association maintains a tax sheltered annuity plan under Section 403(b) of the Internal Revenue Code for the benefit of all electing employees. The Association matches employee deferrals up to 5% of compensation. For the years ended September 30, 2015 and 2014, the Association contributed \$25,902 and \$24,304, respectively, as matching contributions.

NOTE F - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at a financial institution located in Massachusetts. This account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Association also holds accounts temporarily as part of the long term investment portfolio not insured by the FDIC. The balances of these accounts as of September 30, 2015 are as follows:

Cash in Banks	\$ 60,075
Temporary Cash Investment Accounts	<u>181,935</u>
	<u>\$ 242,010</u>

NOTE G - FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS

The Association's financial instruments, none of which are held for trading purposes, include cash and investments. The Association estimates that the fair market value of all financial instruments at September 30, 2015 and 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair market value amounts have been determined by the Association using available market information and appropriate valuation methodologies. The Association's investments of \$12,265,608 and \$13,508,573, as of September 30, 2015 and 2014, respectively, are all publicly traded and are valued at public market quotations.

The American Association of Variable Star Observers complies with Professional Standards, Fair Value Measurements. This Professional Standard requires that the Association measure its financial instruments at fair market value. Fair market value standards require an entity to maximize the use of observable inputs and minimize the use of unobservable inputs to determine value. Fair value standards also require the Association to classify its financial instruments into a three level hierarchy, based on the priority of inputs to valuation technique, as follows:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. The types of instruments included in Level 1 include listed equity and debt securities publicly traded on a stock exchange.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE G - FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives including corporate bonds and loans and public company equity securities with legal restrictions.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include investments in privately held portfolio companies, promissory notes to privately held companies and interests in other investment partnerships.

In some instances, the inputs that are used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NOTE H -FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services.

NOTE I - PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following at September 30, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Land & Buildings	\$ 1,626,792	\$ 1,623,571
Equipment and Software	<u>431,818</u>	<u>409,576</u>
	2,058,610	2,033,147
Accumulated Depreciation	<u>( 661,233)</u>	<u>( 600,293)</u>
	<u>\$ 1,397,377</u>	<u>\$ 1,432,854</u>

Depreciation expense was \$65,088 and \$70,793 for the years ended September 30, 2015 and 2014, respectively.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## NOTES TO FINANCIAL STATEMENTS

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September 30, 2015 and 2014

### NOTE J - NET ASSETS AND ENDOWMENTS

The Association's endowment consists of both unrestricted and donor restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Association's management has interpreted the Commonwealth of Massachusetts' enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). The term historic dollar value is defined as (i) the aggregate fair value in dollars of the contribution at the time it became an endowment, (ii) the fair value of subsequent contributions to the endowment, and (iii) accumulations to the endowment made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of the permanent endowment and subsequent gifts contributed to it, and (b) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is either classified as temporarily restricted net assets or unrestricted net assets in accordance with the terms of the donor's wishes.

Management considers expenditures from a donor-restricted fund to be limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended). Management gives consideration as to whether expenditures are prudent when considering the long and short term needs of the Association in carrying out its purposes, its present and anticipated financial requirements, its expected total return on its investments, price level trends and general economic conditions.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE J - NET ASSETS AND ENDOWMENTS (continued)

The Association has a policy of appropriating for expenditure (the spending policy) each year from the income generated by its endowments. With the exception of board-designated, only current investment income (and not unrealized appreciation) earned on donor-restricted endowment funds are expended (in accordance with donor stipulations). The Association budgets approximately 5% of the endowment's fair value based on the expenditures of a historical base year, adjusted for inflation. During 2015, 100% of the income earned was authorized to be spent in accordance with donor stipulations. This policy is consistent with the Association's objectives to maintain the purchasing power of the assets through long-term returns that will provide future growth of the endowment and a source of current income to support its programs and operations.

Changes in net asset balances for the year ended September 30, 2015 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance October 1, 2014	\$11,434,775	\$ 223,804	\$ 3,348,694	\$15,007,273
Investment Return				
Dividend and interest income	280,094	4,172	-	284,266
Net appreciation (realized/unrealized)	( 743,855)	6,071	-	( 737,784)
Total Investment Return	( 463,761)	10,243	-	( 453,518)
Contributions	57,769	450,395	4,650	512,814
Program Revenue	109,353	-	-	109,353
Appropriations of Net Assets for				
Expenditure	( 933,680)	( 495,042)	-	( 1,428,722)
Balance September 30, 2015	<u>\$10,204,456</u>	<u>\$ 189,400</u>	<u>\$ 3,353,344</u>	<u>\$13,747,200</u>

Donor-restricted endowment funds that are used to support programs, research and operations are invested in income generating funds and securities to the extent that the historic dollar value is sustained for capital preservation; some capital appreciation may be generated. Funds that may be restricted for a specific use by the donor or by the law, or that are board-designated, are held in investments that afford opportunities for appreciation. In general, the endowments are invested for growth in funds that all have net assets values that are available daily and which meet certain quality criteria.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTE J - NET ASSETS AND ENDOWMENTS (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Massachusetts Uniform Prudent Management of Institutional Funds Act requires to be retained as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. There were no deficiencies as of September 30, 2015 resulting from unfavorable market fluctuations that occurred after continuing appropriations for programs or operations.

Net assets were comprised of the following at September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Fund	\$ -	\$ -	\$ 3,306,731	\$ 3,306,731
Ford Fund and Other Unrestricted	10,204,456	-	-	10,204,456
Janet Mattei Fellowship	-	116,141	-	116,141
Margaret Mayall Assistantship	-	44,623	46,613	91,236
Other Temporarily Restricted Funds	-	28,636	-	28,636
	<u>\$10,204,456</u>	<u>\$ 189,400</u>	<u>\$ 3,353,344</u>	<u>\$13,747,200</u>

The Association characterizes certain net asset balances into the following funds and/or categories:

Endowment Funds - The corpus of these funds are permanently restricted, income and capital gains and losses (realized and unrealized) are considered unrestricted income usable toward the operation of the organization.

Janet A. Mattei Fellowship Fund - The Janet A. Mattei Fellowship fund is comprised of both board-designated and donor-restricted contributions made in memoriam of Janet A. Mattei, former director of the Association. The corpus, contributions and income derived from the portion of investments allocated to the Mattei Fellowship are considered temporarily restricted for the purpose of funding the research of a visiting fellow at the Association's headquarters for a limited time.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

NOTES TO FINANCIAL STATEMENTS

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September 30, 2015 and 2014

NOTE J - NET ASSETS AND ENDOWMENTS (continued)

Margaret W. Mayall Assistantship Fund - The Mayall Fund was established in 1974 in honor of the Association's former director, Margaret W. Mayall. The purpose of the Fund is to pay for or defray expenses incurred by the hiring of research assistants. The corpus of the Fund is permanently restricted; the portion of investment income attributable to the Mayall Assistantship fund is temporarily restricted to support payments for salaries of "Mayall assistants".

NOTE K - EVALUATION OF SUBSEQUENT EVENTS

The management of the American Association of Variable Star Observers has evaluated subsequent events occurring after the balance sheet date of September 30, 2015 through December 15, 2015 which is the date the financial statements were available to be issued.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS  
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2015

(With Comparative Totals for September 30, 2014)

EXPENSES	Program Services	General and Administrative	Fundraising	Total	
				2015	2014
Accounting and professional services	\$ 9,063	\$ 18,822	\$ 1,457	\$ 29,342	\$ 28,189
Banking and investment fees	3,003	50,589	3,002	56,594	39,119
Computer and internet	7,544	5,225	600	13,369	9,972
Contract services	65,527	-	-	65,527	139,749
Depreciation	58,579	5,207	1,302	65,088	70,793
Dues, subscriptions and licenses	1,514	2,828	11	4,353	3,689
Employee benefit related expenses	63,662	53,086	10,231	126,979	125,424
Insurance	10,101	2,647	676	13,424	13,143
Meetings	42,529	53,190	6,835	102,554	67,865
Office	9,831	11,565	675	22,071	25,889
Payroll and related expenses	467,697	292,311	75,165	835,173	833,780
Postage and printing	4,171	3,980	619	8,770	7,776
Repair and maintenance	14,999	1,333	333	16,665	6,258
Telephone and utilities	14,026	3,456	883	18,365	15,664
Telescope rental fees and supplies	43,838	6,611	-	50,449	15,486
<b>TOTAL EXPENSES</b>	<b>\$ 816,084</b>	<b>\$ 510,850</b>	<b>\$ 101,789</b>	<b>\$ 1,428,723</b>	<b>\$ 1,402,796</b>

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