

**AMERICAN ASSOCIATION OF
VARIABLE STAR OBSERVERS**

Financial Statements

September 30, 2021 and 2020

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

September 30, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of American Association of Variable Star Observers, which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of American Association of Variable Star Observers as of September 30, 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 (GAAS). 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 American Association of Variable Star Observers 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Association of Variable Star Observer's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 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.

In performing an audit in accordance with GAAS, 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 American Association of Variable Star Observers 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 American Association of Variable Star Observers 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.

Edelstein & Company LLP

Burlington, Massachusetts
August 02, 2022

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Statements of Financial Position

September 30,

2021

2020

Assets

Current assets:

Cash and cash equivalents	\$ 558,090	\$ 548,290
Prepaid expenses	9,518	23,606
Contribution receivable	200,040	-
Investments	14,221,800	11,962,011
Total current assets	<u>14,989,448</u>	<u>12,533,907</u>

Property and equipment, net of accumulated depreciation	<u>1,127,750</u>	<u>1,174,455</u>
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Total assets	<u>\$ 16,117,198</u>	<u>\$ 13,708,362</u>
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Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$ 69,685	\$ 56,362
Prepaid membership dues and meetings	43,201	54,356
Security deposit and last month's rent	-	9,161
Total current liabilities	<u>112,886</u>	<u>119,879</u>

Net assets:

Without donor restrictions	12,416,405	10,043,213
With donor restrictions	3,587,907	3,545,270
Total net assets	<u>16,004,312</u>	<u>13,588,483</u>

Total liabilities and net assets	<u>\$ 16,117,198</u>	<u>\$ 13,708,362</u>
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AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Statements of Activities and Changes in Net Assets For the Years Ended September 30,

	2021	2020
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Contributions and grants	\$ 431,806	\$ 82,451
Membership dues and fees	118,819	88,374
Sales of publications and related materials	5,568	5,648
Meeting fees	21,510	34,005
Annex rent	50,384	36,643
Investment income	243,757	370,133
Unrealized gain (loss) on investments	2,320,030	(169,198)
Gain (loss) on sale of investments	133,058	(428,045)
	3,324,932	20,011
Net assets released from purpose restrictions	17,699	15,513
Total revenues, gains and other support	3,342,631	35,524
Expenses:		
Program services-research, data collection, publication and meetings	654,593	708,747
General and administrative	270,158	249,450
Fundraising	44,684	39,420
Total expenses	969,435	997,617
Increase (decrease) in net assets without donor restrictions	2,373,196	(962,093)
Changes in net assets with donor restrictions:		
Contributions and grants	12,540	24,023
Investment income	4,320	6,876
Unrealized gain (loss) on investments	41,114	(3,143)
Gain (loss) on sale of investments	2,358	(7,951)
Assets released from program restrictions	(17,699)	(15,513)
Increase in net assets with donor restrictions	42,633	4,292
Increase (decrease) in net assets	2,415,829	(957,801)
Net assets - beginning of year	13,588,483	14,546,284
Net assets - end of year	\$ 16,004,312	\$ 13,588,483

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Statements of Cash Flows

For the Years Ended September 30,

2021

2020

Cash flows from operating activities:

Change in net assets	\$ 2,415,829	\$ (957,801)
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation expense	46,705	50,527
Loss from disposal of fixed assets	-	144
(Gain) loss on sale of investments	(135,416)	435,996
Unrealized (gain) loss on investments	(2,361,144)	172,341
(Increase) decrease in assets:		
Prepaid expenses	14,088	(14,182)
Contribution receivable	(200,040)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	13,326	21,504
Prepaid membership dues and meetings	(11,155)	12,515
Security deposit and last month's rent	(9,161)	9,161
Cash used in operating activities	(226,968)	(269,795)

Cash flows from investing activities:

Purchase of investments	(1,895,498)	(15,523,313)
Sales of marketable securities	1,508,266	15,136,602
Transfer from investment accounts	624,000	720,000
Purchase of fixed assets	-	(2,168)
Cash provided by investing activities	236,768	331,121

Net increase in cash and cash equivalents

9,800

61,326

Cash and cash equivalents - beginning of year

548,290

486,964

Cash and cash equivalents - end of year

\$ 558,090

\$ 548,290

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
Statement of Functional Expenses

For the Year Ended September 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Accounting and professional services	\$ 16,048	\$ 9,361	\$ 1,337	\$ 26,746
Banking fees	4,267	1,100	2,615	7,982
Computer and internet	20,040	11,690	1,670	33,400
Contract services	186,362	-	5,543	191,905
Depreciation	28,023	16,347	2,335	46,705
Dues, subscriptions and licenses	7,122	4,155	594	11,871
Employee benefit related expenses	54,018	42,511	4,502	101,030
Insurance	7,819	4,561	652	13,031
Meetings and travel	7,948	2,374	-	10,323
Office	3,688	2,151	307	6,146
Payroll and related expenses	284,926	166,207	23,744	474,877
Postage and printing	916	534	76	1,526
Repair and maintenance	7,786	4,542	649	12,977
Telephone and utilities	7,930	4,626	661	13,217
Telescope supplies	17,699	-	-	17,699
Total expenses	<u>\$ 654,593</u>	<u>\$ 270,158</u>	<u>\$ 44,684</u>	<u>\$ 969,435</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
Statement of Functional Expenses

For the Year Ended September 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Accounting and professional services	\$ 17,715	\$ 8,176	\$ 1,363	\$ 27,254
Banking fees	3,809	846	2,334	6,989
Computer and internet	14,709	6,789	1,131	22,629
Contract services	159,963	-	-	159,963
Depreciation	32,843	15,158	2,526	50,527
Dues, subscriptions and licenses	8,174	3,772	629	12,575
Employee benefit related expenses	63,655	41,379	4,897	109,931
Insurance	8,713	4,021	670	13,404
Meetings and travel	47,152	14,084	-	61,236
Office	6,050	2,792	465	9,307
Payroll and related expenses	307,178	141,774	23,629	472,581
Postage and printing	4,474	1,983	330	6,787
Repair and maintenance	10,804	4,986	831	16,621
Telephone and utilities	7,995	3,690	615	12,300
Telescope supplies	15,513	-	-	15,513
Total expenses	<u>\$ 708,747</u>	<u>\$ 249,450</u>	<u>\$ 39,420</u>	<u>\$ 997,617</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Organization and Purpose

The American Association of Variable Star Observers (the Association) is an international non-profit organization established 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.

Nonprofit Status

The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association within the IRC requirements.

Financial Statement Presentation

The Association prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC). The financial statements of the Association are prepared on the accrual basis of accounting.

New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard proscribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount and timing of revenue and cash flows. This standard will be effective for fiscal years beginning after December 15, 2019. The adoption of this new guidance will not have a material impact on the Organization's financial statements.

On February 25, 2016, the FASB issued ASU Update 2016-02, *Leases* (Topic 842), which requires lessees to recognize an asset and liability associated with the right to use a given asset and obligations to make payments pursuant to the terms of the lease. This standard will be effective for fiscal years beginning after December 15, 2021.

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

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Association records revenue from contributions when received or unconditionally committed. Grants and contributions with donor-imposed time or purpose restrictions are recorded as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities without donor restrictions as net assets released from donor restrictions. All other revenue is recognized when earned.

Expense Allocation

Expenses related directly to program or supporting functions are distributed to that program or supporting function. Certain categories of expenses that are attributable to both program and supporting functions require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits and payroll taxes, occupancy, and depreciation, which are allocated based on estimates of time and level of effort spent by the Association's program and supporting functions.

Investments

Investments primarily include exchange-traded funds which are reported at fair value.

The Association records interest and dividends on its investments when earned. Gains or losses on investments are recognized as realized upon sale or based on market value changes during the period. These amounts are reported in the accompanying statements of activities without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

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.

Compensated Absences

The Association accrues paid time off based on the actual hours worked by employees throughout the year. Employees may carry a balance of up to 140 accrued hours to a subsequent year. These hours may be used for vacation, holiday and/or sick leave.

Accrued compensated absences were \$26,884 and \$20,908 as of September 30, 2021 and 2020, respectively.

Property and Equipment

Real estate, equipment and furniture and fixtures, stated at cost, are being depreciated over their estimated useful lives using the straight-line method. Major additions and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Long-lived assets held and used by the Association are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Income Taxes

The Association accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Association has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2021 and 2020. The Association's information returns are subject to examination by the Federal and state jurisdictions.

Donated Services

During the year many individuals volunteered their time and performed a variety of tasks that assist the Association in its research. Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and must otherwise be purchased by the Association. The value assigned to donated services is based on management's estimate of the fair value of services provided. Volunteers provided services throughout the fiscal year that are not recognized as contributions in the accompanying financial statements as the recognition criteria were not met.

Fair Value Measurements

The Association follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Association would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants. The Association uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Association. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable and which require significant judgement or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Association's financial instruments, none of which are held for trading purposes, include cash and investments. 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 \$14,368,646 and \$12,248,049, as of September 30, 2021 and 2020, respectively, are all publicly traded and are valued at public market quotations. Included in these amounts are temporary cash investment accounts of \$146,847 and \$286,038 as of September 30, 2021 and 2020, respectively, as mentioned in Note 4.

Subsequent Events

Subsequent events have been evaluated through August 2, 2022, which is the date the financial statements were available to be issued. The Association has entered into a contract to sell its headquarters for \$3,175,000. The purchaser has made a nonrefundable deposit of \$98,750 and expects to close on August 30, 2022. This property is recorded on the books for \$1,110,247. The sale will result in a gain of approximately \$2,000,000.

In March 2022, the Association signed a five year lease on new headquarters for \$6,500 per month plus utilities and other costs.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

2. Investments

The table below presents the Association's investments by level within the valuation framework (see Note 1) as of September 30:

September 30, 2021

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Corporate equities	\$ 1,685,249	\$ 1,685,249	\$ -
Alternative investments	1,011,209	-	1,011,209
Mutual funds	11,525,342	11,525,342	-
Total	<u>\$ 14,221,800</u>	<u>\$ 13,210,591</u>	<u>\$ 1,011,209</u>

September 30, 2020

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Corporate equities	\$ 1,584,574	\$ 1,584,574	\$ -
Corporate bonds	98	98	
Alternative investments	921,489	-	921,489
Mutual funds	9,455,850	9,455,850	-
Total	<u>\$ 11,962,011</u>	<u>\$ 11,040,522</u>	<u>\$ 921,489</u>

Investments are not insured and are subject to market fluctuations. Investments are presented as current assets in the accompanying statements of financial position based on management's intent.

Net investment return consists of the following:

September 30, 2021

	<u>With</u> <u>Restrictions</u>	<u>Without</u> <u>Restrictions</u>	<u>Total</u>
Investment income	\$ 5,146	\$ 290,398	\$ 295,544
Investment fees	(827)	(46,652)	(47,478)
Unrealized gain (loss) on investments	41,114	2,320,029	2,361,144
Gain (loss) on sale of investments	2,358	133,058	135,416
	<u>\$ 47,792</u>	<u>\$ 2,696,834</u>	<u>\$ 2,744,626</u>

September 30, 2020

	<u>With</u> <u>Restrictions</u>	<u>Without</u> <u>Restrictions</u>	<u>Total</u>
Investment income	\$ 7,810	\$ 420,413	\$ 428,223
Investment fees	(934)	(50,280)	(51,214)
Unrealized gain (loss) on investments	(3,143)	(169,198)	(172,341)
Gain (loss) on sale of investments	(7,951)	(428,045)	(435,996)
	<u>\$ (4,218)</u>	<u>\$ (227,110)</u>	<u>\$ (231,328)</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

3. Employee Retirement Plan

The Association maintains a tax sheltered annuity plan under Section 401(k) 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, 2021 and 2020, the Association contributed \$25,563 and \$28,396, respectively, as matching contributions.

4. 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. Those are insured by the Securities Investor Protection Corporation (SIPC) which covers securities up to \$500,000 and cash balances up to \$250,000. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant risk with respect to cash. The balances of these accounts as of September 30, 2021 and 2020 are as follows:

	2021	2020
Cash in Banks	\$ 411,243	\$ 262,252
Temporary Cash Investment Accounts	146,847	286,038
	<u>\$ 558,090</u>	<u>\$ 548,290</u>

5. Property and Equipment

	2021	2020
Land	\$ 275,000	\$ 275,000
Building and Building Improvements	1,378,855	1,378,855
Equipment	174,071	183,273
	<u>1,827,926</u>	<u>1,837,128</u>
Accumulated Depreciation	(700,176)	(662,673)
	<u>\$ 1,127,750</u>	<u>\$ 1,174,455</u>

Depreciation expense was \$46,705 and \$50,527 for the years ended September 30, 2021 and 2020, respectively.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

6. Net Assets and Endowments

Net assets consist of the following:

Net assets without donor restrictions include net resources which bear no external restrictions and are currently available for operations.

Net assets with donor restrictions include individual contributions and grants which are designated by donors for specific purposes or time periods. These individual contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes or the time period lapses.

The Association's endowment consists of donor funds with restrictions and without restrictions. 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 net assets with restrictions (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 net assets with restrictions. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with restrictions is classified as net assets without restrictions 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.

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 is expended (in accordance with donor stipulations). The Association budgets approximately 4.5% of the endowment's fair value based on the expenditures of a historical base year, adjusted for inflation. During 2021, 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.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

6. Net Assets and Endowments

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 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 asset values that are available daily and which meet certain quality criteria.

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 net assets without donor restrictions. There were no deficiencies as of September 30, 2021 resulting from unfavorable market fluctuations that occurred after continuing appropriations for programs or operations.

Net assets were comprised of the following at September 30, 2021:

	With Restrictions	Without Restrictions	Total
Endowment Fund	\$ 3,310,956	\$ -	\$ 3,310,956
Ford Fund and Other Unrestricted	-	12,416,405	12,416,405
Janet Mattei Fellowship	136,657	-	136,657
Margaret Mayall Assistantship	126,300	-	126,300
Other Restricted Funds	13,994	-	13,994
	<u>\$ 3,587,907</u>	<u>\$ 12,416,405</u>	<u>\$ 16,004,312</u>

Net assets were comprised of the following at September 30, 2020:

	With Restrictions	Without Restrictions	Total
Endowment Fund	\$ 3,310,956	\$ -	\$ 3,310,956
Ford Fund and Other Unrestricted	-	10,043,213	10,043,213
Janet Mattei Fellowship	111,381	-	111,381
Margaret Mayall Assistantship	104,660	-	104,660
Other Restricted Funds	18,273	-	18,273
	<u>\$ 3,545,270</u>	<u>\$ 10,043,213</u>	<u>\$ 13,588,483</u>

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

Endowment Funds - The corpus of these funds are net assets with donor restrictions. Income and capital gains and losses (realized and unrealized) are considered net assets without donor restrictions usable toward the operation of the organization.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

Notes to Financial Statements

6. Net Assets and Endowments (continued)

Janet A. Mattei Fellowship Fund - The Janet A. Mattei Fellowship fund is comprised of net assets with donor restrictions 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 net assets with donor restrictions for the purpose of funding the research of a visiting fellow at the Association's headquarters for a limited time.

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 considered net assets with donor restrictions; the portion of investment income attributable to the Mayall Assistantship fund is also restricted to support payments for salaries of "Mayall assistants".

7. Liquidity and Availability

The Association's financial assets available within one year from the statement of financial position date for general operating expenses are as follows as of September 30, 2021:

Cash and cash equivalents	\$ 558,090
Investments	<u>14,221,800</u>
Total current financial assets	14,779,890
Donor imposed restrictions	<u>(3,587,907)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,191,983</u>

It is the Association's policy to withdraw annually from the investment funds approximately 4.5% of the fair value for general operating expenses. That would translate to approximately \$662,000 available during the next fiscal year for operating expenses. The additional funds necessary are primarily covered by contributions and membership fees.

8. Uncertainty Regarding the Impact of COVID-19

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the global situation and its effects on the Association's industry, financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Association is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity, and the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.