

**AMERICAN ASSOCIATION OF  
VARIABLE STAR OBSERVERS**

**Financial Statements**

**September 30, 2023 and 2022**

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

September 30, 2023 and 2022

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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 (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, cash flows and functional expenses 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, 2023 and 2022, 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 Observers’ ability to continue as a going concern for one year after the date that the 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 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*

Boston, Massachusetts  
August 12, 2024

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Statements of Financial Position September 30,

	2023	2022
<b>Assets:</b>		
Cash	\$ 474,905	\$ 3,639,049
Prepaid expenses	14,064	34,479
Investments	15,282,474	11,169,987
Operating lease right-of-use assets, net	275,995	343,004
Property and equipment, net	27,590	34,473
Security deposit	13,000	13,000
<b>Total assets</b>	<u>\$ 16,088,028</u>	<u>\$ 15,233,992</u>
 <b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 58,052	\$ 68,957
Deferred revenue - membership dues and meetings	80,326	51,345
Operating lease liabilities	281,645	344,611
<b>Total liabilities</b>	<u>420,023</u>	<u>464,913</u>
 <b>Net assets:</b>		
Without donor restrictions	12,085,730	11,214,147
With donor restrictions	3,582,275	3,554,932
<b>Total net assets</b>	<u>15,668,005</u>	<u>14,769,079</u>
 <b>Total liabilities and net assets</b>	 <u>\$ 16,088,028</u>	 <u>\$ 15,233,992</u>

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

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

	2023	2022
<b>Changes in net assets without donor restrictions:</b>		
<b>Revenues, support and other gains:</b>		
Contributions and grants	\$ 170,546	\$ 215,544
In-kind contributions	9,438	8,250
Membership dues and fees	84,549	89,247
Sales of publications and related materials	4,081	8,467
Meetings, courses and other fees	42,048	42,203
Dividends and interest, net	352,328	147,863
Unrealized appreciation (depreciation) on investments	1,380,063	(2,775,617)
Realized (losses) gains on sale of investments	(12,990)	107,455
Gain on sale of property	-	1,985,323
	2,030,063	(171,265)
Net assets released from restrictions	256	3,655
<b>Total revenues, support and other gains (losses)</b>	<b>2,030,319</b>	<b>(167,610)</b>
<b>Expenses:</b>		
Program services	674,364	719,619
General and administrative	425,334	262,810
Fundraising	59,038	52,219
<b>Total expenses</b>	<b>1,158,736</b>	<b>1,034,648</b>
<b>Increase (decrease) in net assets without donor restrictions</b>	<b>871,583</b>	<b>(1,202,258)</b>
<b>Changes in net assets with donor restrictions:</b>		
Contributions and grants	-	25,000
Dividends and interest, net	5,655	3,186
Unrealized appreciation (depreciation) on investments	22,152	(59,822)
Realized (losses) gains on sale of investments	(208)	2,316
Net assets released from restrictions	(256)	(3,655)
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>27,343</b>	<b>(32,975)</b>
<b>Increase (decrease) in net assets</b>	<b>898,926</b>	<b>(1,235,233)</b>
<b>Net assets - beginning of year</b>	<b>14,769,079</b>	<b>16,004,312</b>
<b>Net assets - end of year</b>	<b>\$ 15,668,005</b>	<b>\$ 14,769,079</b>

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Statements of Cash Flows

For the Years Ended September 30,

2023

2022

**Cash flows from operating activities:**

Change in net assets	\$ 898,926	\$ (1,235,233)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization of operating lease right-of-use assets	67,009	23,174
Depreciation expense	11,175	48,490
Gain on sale of property	-	(1,985,323)
Realized gains on sale of investments	13,198	(109,771)
Unrealized (appreciation) depreciation on investments	(1,402,215)	2,835,439
Change in operating assets and liabilities:		
Prepaid expenses	20,415	(24,961)
Security deposit	-	(13,000)
Contribution receivable	-	200,040
Accounts payable and accrued expenses	(10,905)	(728)
Deferred revenue - membership dues and meetings	28,981	8,144
Operating lease liabilities	(62,966)	(21,567)

**Net cash used in operating activities**

(436,382)      (275,296)

**Cash flows from investing activities:**

Purchase of investments	(4,151,946)	(1,093,106)
Purchase of equipment	(4,292)	(27,196)
Proceeds from sales of investments	737,101	942,097
Proceeds from sale of building	-	3,057,306
Funds transferred from investment accounts	691,375	624,000

**Net cash (used in) provided by investing activities**

(2,727,762)      3,503,101

**Net (decrease) increase in cash**

(3,164,144)      3,227,805

**Cash, beginning of year**

3,639,049      411,244

**Cash, end of year**

\$ 474,905      \$ 3,639,049

**Supplemental financial information**

**on cash flow transactions:**

Right-of-use assets obtained in exchange for  
for operating lease liabilities

\$ -      \$ 366,178

**AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS**  
**Statements of Functional Expenses**

**For the Years Ended September 30,**

	<b>2023</b>			
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Expenses:</b>				
Payroll and related expenses	\$ 300,939	\$ 262,822	\$ 34,690	\$ 598,451
Contract services	116,161	2,152	612	118,925
Meetings and travel	84,742	20,188	5,175	110,105
Employee benefit related expenses	42,080	53,606	5,304	100,990
Lease expense	41,716	36,241	4,866	82,823
Technology and internet	23,388	10,963	2,193	36,544
Accounting and professional services	22,696	10,639	2,128	35,463
Dues, subscriptions and licenses	6,202	5,388	723	12,313
Telephone and utilities	6,134	5,330	715	12,179
Depreciation	5,629	4,890	656	11,175
Advertising and marketing	6,542	3,838	515	10,895
Insurance	5,355	2,510	502	8,367
Banking fees	3,085	2,680	359	6,124
Office expense	2,946	2,696	344	5,986
Telescope supplies	4,088	-	-	4,088
Repair and maintenance	2,304	1,080	216	3,600
Postage and printing	357	311	40	708
<b>Total expenses</b>	<b>\$ 674,364</b>	<b>\$ 425,334</b>	<b>\$ 59,038</b>	<b>\$ 1,158,736</b>

	<b>2022</b>			
	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Expenses:</b>				
Payroll and related expenses	\$ 251,517	\$ 117,898	\$ 23,580	\$ 392,995
Contract services	145,504	-	4,269	149,773
Employee benefit related expenses	66,974	43,394	6,279	116,647
Meetings and travel	75,884	22,667	-	98,551
Depreciation	31,034	14,547	2,909	48,490
Accounting and professional services	28,857	13,527	2,705	45,089
Technology and internet	22,825	10,699	2,140	35,664
Office expense	21,041	9,863	1,973	32,877
Lease expense	17,669	8,282	1,656	27,607
Telephone and utilities	12,689	5,948	1,190	19,827
Advertising and marketing	9,697	4,545	909	15,151
Dues, subscriptions and licenses	7,839	3,674	735	12,248
Insurance	7,636	3,579	716	11,931
Telescope supplies	8,425	-	-	8,425
Repair and maintenance	4,872	2,284	457	7,613
Banking fees	4,114	477	2,416	7,007
Postage and printing	3,042	1,426	285	4,753
<b>Total expenses</b>	<b>\$ 719,619</b>	<b>\$ 262,810</b>	<b>\$ 52,219</b>	<b>\$ 1,034,648</b>

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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### 1. Organization Purpose

The American Association of Variable Star Observers (the “Association”) is an international nonprofit 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.

The Association is exempt from Federal income taxes as an organization 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.

### 2. Summary of Significant Accounting Policies

#### *Financial Statement Presentation*

The Association prepares its financial statements under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America established by the Financial Accounting Standards Board (“FASB”). In order to ensure the observance of limitations and restrictions placed on the use of resources available, the Association determines the classification of its net assets and its revenues and support, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. The net assets of the Association are classified as follows:

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the Board of Directors.

**Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Association as expended for their designated purposes or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Income on these invested endowment funds are utilized in accordance with the donors’ stipulations.

#### *Recently Adopted Accounting Pronouncements*

On October 1, 2021, the Association adopted FASB’s Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). The objective of ASU 2016-02, along with several related ASU’s issued subsequently, is to increase the transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use (“ROU”) assets and lease liabilities on the statement of financial position for all leases with original lease terms greater than twelve months. The standard requires disclosures to meet the objective of enabling users of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

Under Topic 842, the Association elected to measure and recognize leases that existed at, or were entered into after October 1, 2021 using the modified retrospective approach. No cumulative effect adjustment was made to the Association’s net assets at October 1, 2021 since the Association had no existing leases as of October 1, 2021.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Recently Adopted Accounting Pronouncements (continued)*

On October 1, 2021, the Association adopted FASB's ASU 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which improves transparency in the reporting of contributed nonfinancial assets. ASU 2020-07 requires a nonprofit organization to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires a nonprofit organization to disclose contributed nonfinancial assets recognized within the statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets, qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, and the valuation techniques and inputs used to arrive at a fair value measure.

ASU 2020-07 was adopted on a retrospective basis and did not result in a significant change in the judgment or timing associated with the recognition of revenue for the Association. As such, the adoption of ASU 2020-07 did not result in a cumulative adjustment as of October 1, 2021, and it did not have a material impact on the Association's financial statements.

#### *Leases*

At inception, the Association determines whether an arrangement is or contains a lease. ROU assets represent the Association's right to use leased assets over the term of the lease. Lease liabilities represent the Association's contractual obligation to make lease payments over the lease term. Operating leases are included in operating lease right-to-use assets and operating lease liabilities on the statements of financial position. The Association has no financing leases. For operating leases, ROU assets and lease liabilities are recognized at the commencement date of each of the respective leases and are measured at the present value of the lease payments over the lease term. The Association uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Association uses an estimated incremental borrowing rate of the Association based on 2% plus the U.S. Treasury risk-free rate that is comparable to the lease term at the commencement date of the lease to determine the present value of the lease payments. ROU assets for operating leases are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised without applying hindsight. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Association if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Association may have lease arrangements with lease and non-lease components, which generally are accounted for separately. For the lease of office space, to the extent the arrangement included both lease and non-lease components, the Association has elected to account for the components as a single lease component. There may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are comprised of certain utilities in proportion to the space leased by the Association, are recognized as a component of telephone and utilities expenses in the statements of functional expenses in which the obligation for those payments were incurred. The Association has also elected not to recognize a ROU asset and related lease liability for leases with an initial term of twelve months or less.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Fair Value Measurements*

The Association values its financial assets and liabilities at fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Observable inputs other than Level 1 inputs such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with market data.

Level 3 – Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

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. In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The Association's investments consist of marketable securities held in brokerage accounts which are reported at fair value. The following is a description of the valuation methodologies used for investments measured at fair value at September 30, 2023 and 2022:

Common Stock and Exchange Traded Funds: Valued at the closing price reported on the active market on which the securities are traded.

Mutual Funds: These securities in active markets are reported at their published net asset value of shares held by the Association at year end.

#### *Revenues and Support*

Contributions and grants received are recognized as revenue in the period in which the donor commitment is made, if unconditional. Contributions and grants are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Association receives various types of in-kind support in the form of contributed services and other assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills as provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Additionally, the Association may receive contributed time by volunteers which does not meet the criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Revenues and Support (continued)*

The Association offers memberships of various categories that typically last for a term of one year. The Association divides fees from these memberships between contributions and exchange transactions and recognizes revenue for the contribution upon sale, and for the exchange portion of the transaction ratably over the term of the membership. Exchanged benefits received by the Association's members include access to telescope/observing networks and tools, mentor programs, discounted courses, workshops and publications. The amount reflects the retail value of the exchanged benefits. Payments received from members covering the future months beyond the financial statement dates are reported as a component of deferred revenue on the statements of financial position.

Other earned income consists of sales of publications, meetings and courses which are recognized as revenue at a point in time, on the date of sale or as the events occur. The transaction price is the total amount of consideration to which the Association expects to be entitled in exchange for services and benefits the participants are expected to receive for the publications, meetings and courses. Payments received from participants in advance of the meeting/course date are reported as a component of deferred revenue on the statements of financial position.

Changes in fair market value of investments and gains/losses on sales of investments are reported as unrealized investment appreciation/depreciation and realized investment gains/losses, respectively. Gains/losses on sale of investment securities are based on average cost. Interest on investments is recorded when earned, and dividend is recorded when it is declared and/or notice has been given to shareholders. Investment income is reported net of investment expenses. These amounts are reported in the accompanying statements of activities and changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

#### *Cash*

Cash primarily consists of deposits held in checking and savings accounts with a bank.

#### *Property and Equipment*

Property and equipment, are stated at acquisition cost, net of accumulated depreciation, and are 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. Upon sale or disposition of a property or equipment, the related asset and its accumulated depreciation is written off which may result in a gain or loss reported on the statements of activities and changes in net assets.

#### *Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment, and operating ROU assets are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Association assesses factors such as significant under performance of its operations in relation to expectations, significant negative industry or economic trends, and utilization of services, or carrying costs in deciding whether to perform an impairment review. Based on these qualitative factors, the Association believed an impairment review was not necessary during the years ended September 30, 2023 and 2022.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 2. Summary of Significant Accounting Policies (continued)

#### *Contribution Receivable*

Contribution receivable represents amounts management expects to collect on outstanding balances from donors and/or grantors. Contribution receivable expected to be collected within one year is reported at its net realizable value. Contribution receivable that are expected to be collected in greater than one year are reported at the net present value of estimated future cash flows. There was no contribution receivable at September 30, 2023 and 2022.

#### *Compensated Absences*

The Association accrues employee 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 the following year. These hours may be used for vacation, holiday and/or sick leave. Accrued compensated absences were \$29,696 and \$17,195 as of September 30, 2023 and 2022, respectively, and are reported as a component of accounts payable and accrued expenses on the statements of financial position.

#### *Functional Expense and Allocation*

The costs of providing program services and other supporting activities have been summarized on a functional basis in the statements of the functional expenses. Expenses that can be identified with a specific program and support service are reported directly according to their natural expenditure classification. Certain expenses that are attributable to both program services and supporting functions require allocation on a reasonable basis that is consistently applied. Payroll, employee benefits and related expenses, lease expense, depreciation, accounting and professional services, advertising and marketing, technology, postage and printing, internet, dues, subscriptions and licenses, telephone and utilities, repair and maintenance, insurance and office expenses are allocated among program and support services based on the estimated time and effort spent by the Association's personnel. Meeting and travel expense is allocated among program and support services based on the estimated time by personnel spent on meeting and travel needs.

#### *Accounting Estimates and Subsequent Events*

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 and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Association's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on August 12, 2024, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 3. Liquidity and Availability

The Association's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position dates at September 30, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 474,905	\$ 3,639,049
Investments	<u>15,282,474</u>	<u>11,169,987</u>
Total financial assets	15,757,379	14,809,036
Less: Investments in endowment with donor imposed restrictions	<u>(3,582,275)</u>	<u>(3,554,932)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,175,104</u>	<u>\$ 11,254,104</u>

The Association has a policy, at the discretion of the Board of Directors which is subject to change, to withdraw annually up to 4.50% of the fair value of its cash and investments in endowment at year-end for general operating expenses. As a result, amounts approved by the Board for the following year would be available for operating expenses, which is included in the financial assets available to meet general expenditures within one year at September 30, 2023 and 2022 in the above table. The Association released \$691,375 and \$624,000 from investments, as approved by the Board of Directors in accordance with its spending policy, for general expenditure during the years ended September 30, 2023 and 2022, respectively.

As part of the Association's liquidity plan, excess cash is invested in investments in brokerage accounts, which include cash and cash equivalents, common stocks and mutual funds that can be made readily available for liquidation, upon approval by the Board of Directors.

### 4. Property and Equipment

Property and equipment consisted of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equipment	<u>144,425</u>	<u>140,133</u>
Accumulated Depreciation	<u>(116,835)</u>	<u>(105,660)</u>
	<u>\$ 27,590</u>	<u>\$ 34,473</u>

Depreciation expense was \$11,175 and \$48,490 for the years ended September 30, 2023 and 2022, respectively. During the year ended September 30, 2022, the Association sold land, building and building improvements and disposed of certain equipment with total net book value of \$1,071,983.

The Association sold its land, building and improvements in Cambridge on September 30, 2022 for \$3,175,000 less fees which resulted in a gain of \$1,985,323 reported on the statement of activities and changes in net assets for the year ended September 30, 2022.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

### 5. Investments

Investments are all held in brokerage accounts and are not fully insured. Investments are subject to risk of market fluctuations. The tables below present the Association's investments by level within the valuation framework as of September 30, 2023 and 2022:

September 30, 2023:

	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents in brokerage	\$ 578,182	\$ 578,182	\$ -	\$ -
Common stock equities -				
Basic materials	27,876	27,876	-	-
Consumer cyclical	279,024	279,024	-	-
Consumer defensive	56,538	56,538	-	-
Communication services	142,855	142,855	-	-
Energy	231,792	231,792	-	-
Financial services	271,700	271,700	-	-
Healthcare	274,175	274,175	-	-
Industrials	174,912	174,912	-	-
Other	5,585	5,585	-	-
Real estate	17,971	17,971	-	-
Technology	435,383	435,383	-	-
Utilities	25,533	25,533	-	-
Exchanged traded and mutual funds -				
Equities	8,630,885	8,630,885	-	-
Fixed income	3,052,673	3,052,673	-	-
Options trading	1,077,390	1,077,390	-	-
Total	<u>\$ 15,282,474</u>	<u>\$ 15,282,474</u>	<u>\$ -</u>	<u>\$ -</u>

September 30, 2022:

	Fair Value	Level 1	Level 2	Level 3
Cash in brokerage	\$ 106,520	\$ 106,520	\$ -	\$ -
Common stock equities -				
Basic materials	12,275	12,275	-	-
Consumer cyclical	187,729	187,729	-	-
Consumer defensive	7,973	7,973	-	-
Communication services	141,584	141,584	-	-
Energy	158,917	158,917	-	-
Financial services	140,455	140,455	-	-
Healthcare	144,018	144,018	-	-
Industrials	82,682	82,682	-	-
Other	25,084	25,084	-	-
Real estate	13,522	13,522	-	-
Technology	291,749	291,749	-	-
Utilities	3,211	3,211	-	-
Exchanged traded and mutual funds -				
Equities	6,583,051	6,583,051	-	-
Fixed income	2,370,534	2,370,534	-	-
Options trading	900,683	900,683	-	-
Total	<u>\$ 11,169,987</u>	<u>\$ 11,169,987</u>	<u>\$ -</u>	<u>\$ -</u>

### 6. Employee Retirement Plan

The Association maintains a plan under Section 401(k) of the Internal Revenue Code for all eligible and participating employees who have completed at least three consecutive months of service. The Association matches employee deferrals up to 5% of qualifying compensation. For the years ended September 30, 2023 and 2022, the Association contributed \$29,435 and \$22,942, respectively, as matching contributions.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 7. Concentration of Credit Risk

The Association maintains checking and savings accounts at a Massachusetts bank. These accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. During the years ended September 30, 2023 and 2022, balances held at the bank exceeded the insured amount. The Association also holds deposits under a bank deposit program in a few brokerage accounts. Under the program, uninvested cash in these brokerage accounts is deposited into interest-bearing deposit accounts at multiple banks and may receive combined FDIC insurance coverage subject to program banks’ available capacity. Accounts in brokerage are insured by the Securities Investor Protection Corporation which covers securities up to \$500,000 and cash balances up to \$250,000. The Association has not experienced any losses in such accounts during the years ended September 30, 2023 and 2022. Cash reported on the statements of cash flows as of September 30, 2023 and 2022 is as follows:

	2023	2022
Cash in a Massachusetts bank	\$ 474,905	\$ 582,144
Cash in transit from sale of building and designated by the Board for endowment	-	3,056,905
	<u>\$ 474,905</u>	<u>\$ 3,639,049</u>

### 8. Endowment and Net Assets

As required by accounting principles generally accepted in the United States of America, 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 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 endowment in perpetuity 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.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investment
- (6) Other resources of the organization
- (7) The investment policies of the organization

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 8. Endowment and Net Assets (continued)

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 securities) 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 an amount based on the expenditures of a historical base year, adjusted for inflation, but limited to approximately 4.5% of the endowment's fair value. 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.

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. 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 provide 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. Deficiencies of this nature would be reported in net assets without donor restrictions. There were no such deficiencies as of September 30, 2023 and 2022.

Endowment net asset composition by type of fund at September 30, 2023 was:

	2023		
	With Donor Restrictions	Without Donor Restrictions	Total
Board designated fund	\$ -	\$ 11,700,199	\$ 11,700,199
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donors	3,369,117	-	3,369,117
Other donor-restricted gifts and accumulated net investment gains/losses	213,158	-	213,158
	<u>\$ 3,582,275</u>	<u>\$ 11,700,199</u>	<u>\$ 15,282,474</u>

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

### 8. Endowments and Net Assets (continued)

Endowment net asset composition by type of fund at September 30, 2022 was:

	<b>2022</b>		
	With Donor Restrictions	Without Donor Restrictions	Total
Board designated fund	\$ -	10,671,960	\$ 10,671,960
Donor-restricted endowment funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donors	3,369,117		3,369,117
Other donor-restricted gifts and accumulated net investment gains/losses	185,815	-	185,815
	<u>\$ 3,554,932</u>	<u>\$ 10,671,960</u>	<u>\$ 14,226,892</u>

Activity in the Association's endowment funds for the year ended June 30, 2023 was:

	<b>2023</b>		
	With Donor Restrictions	Without Donor Restrictions	Total
Balance at beginning of year	\$ 3,554,932	\$ 10,671,960	\$ 14,226,892
Net investment income and gains	27,599	1,719,359	1,746,958
Amounts appropriated for operations per spending policy	-	(691,375)	(691,375)
Expenditures released from donor restrictions	(256)	-	(256)
Other transactions	-	255	255
Balance at end of year	<u>\$ 3,582,275</u>	<u>\$ 11,700,199</u>	<u>\$ 15,282,474</u>

Activity in the Association's endowment funds for the year ended June 30, 2022 was:

	<b>2022</b>		
	With Donor Restrictions	Without Donor Restrictions	Total
Balance at beginning of year	\$ 3,587,907	\$ 10,780,739	\$ 14,368,646
Contributions	25,000	-	25,000
Proceeds from sale of building designated by the Board for endowment	-	3,057,306	3,057,306
Net investment losses	(54,320)	(2,520,299)	(2,574,619)
Amounts appropriated for operations per spending policy	-	(624,000)	(624,000)
Expenditures released from donor restrictions	(3,655)	-	(3,655)
Other transactions	-	(21,786)	(21,786)
Balance at end of year	<u>\$ 3,554,932</u>	<u>\$ 10,671,960</u>	<u>\$ 14,226,892</u>

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 8. Net Assets and Endowments (continued)

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 kept in perpetuity. Income and capital gains and losses (realized and unrealized) are considered net assets without donor restrictions usable toward the operation of the Association.

Janet A. Mattei Fellowship - 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 - The Margaret W. Mayall Assistantship 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 this fund is considered net assets with donor restrictions kept in perpetuity; the portion of investment income attributable to the Mayall Assistantship fund is restricted to support payments for salaries of "Mayall assistants".

Net assets with donor restrictions consisted of the following as of September 30, 2023 and 2022:

	2023	2022
Endowment funds	\$ 3,310,956	\$ 3,310,956
Janet A. Mattei Fellowship	149,242	134,069
Margaret W. Mayall Assistantship	113,455	101,917
AAVSONet funds	8,622	7,990
	<u>\$ 3,582,275</u>	<u>\$ 3,554,932</u>

During the years ended September 30, 2023 and 2022, the Association released \$256 and \$3,655, respectively, from net assets with donor restriction for the purpose of funding the establishment, refurbishment and maintenance of telescopes, cameras, mounts, enclosures, computers, software, and hardware required to operate the robotic telescope network.

### 9. Lease Commitment

The Association leases office space in Cambridge, Massachusetts under an operating lease that commenced on June 1, 2022 and will expire by May 31, 2027. The lease agreement requires payments of minimum monthly rent plus certain other operating costs (a non-lease component) which includes certain utilities. The agreement required a security deposit payment of \$13,000 that is reported as a security deposit on the statements of financial position at September 30, 2023 and 2022. During the year ended September 30, 2023, lease cost of \$82,823 for the office space, which includes \$67,009 of amortization of ROU assets and \$15,814 of accretion of the lease liabilities, is included in the lease expense on the statement of functional expenses for the year ended September 30, 2023. During the year ended September 30, 2022, lease cost of \$27,607 for the office space, which includes \$23,174 of amortization of ROU assets and \$4,433 of accretion of the lease liabilities, is included in the lease expense on the statement of functional expenses for the year ended September 30, 2022. Variable non-lease operating costs of \$7,607 and \$2,517 are also included in the telephone and utilities expense on the statements of functional expenses for the year ended September 30, 2023 and 2022, respectively.

# AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

## Notes to Financial Statements

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### 9. Lease Commitment (continued)

Cash paid for amounts included in the measurement of the lease liability for the years ended September 30, 2023 and 2022 was and \$78,780 and \$26,000, respectively.

As of September 30, 2023, undiscounted operating lease liability maturities are as follows:

For years ending September 30,

2024	\$	81,143
2025		83,578
2026		86,085
2027		58,526
		<u>309,332</u>
Less: Discount to present value		<u>(27,687)</u>
	\$	<u>281,645</u>

The remaining lease term of the Association's operating office lease was 3.67 and 4.67 years at September 30, 2023 and 2022, respectively. The discount rate of the Association's operating office lease is 5.00%, which is the estimated incremental borrowing rate of the Association based on 2% plus the U.S. Treasury risk-free rate that is comparable to the lease term at the commencement date of the lease.

### 10. In-kind Contributions

The in-kind contributions of \$9,438 and \$8,250, respectively, for the years ended September 30, 2023 and 2022 represented accounting and bookkeeping services provided to the Association by the Treasurer of the Board and are reported at the fair value of these services based on the number of service hours and the market rate which otherwise would be charged by professionals. These in-kind contributions were provided to the Association without any donor restrictions, and are reported as a component of accounting and professional services on the statements of functional expenses.

### 11. Recent Accounting Pronouncement on Financial Instruments

In June 2016, FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* (Topic 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost. Financial assets measured at amortized cost, including the Association's accounts receivable, if any, will be presented at the net amount expected to be collected by using an allowance for credit losses. This standard will be effective for annual reporting periods beginning after December 15, 2022 for non-public entities. The Association is currently in the process of evaluating the impact of adoption on its financial statements.