

AMERICAN ASSOCIATION OF VARIABLE STAR OSERVERS

FINANCIAL STATEMENTS

Years Ended September 30, 2007 and 2006

Tiedemann & Associates, PC
Certified Public Accountants

Tiedemann & Associates, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Council of the
American Association of Variable Star Observers

We have audited the accompanying statements of financial position of the American Association of Variable Star Observers (a non-profit organization) as of September 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Association of Variable Star Observers as of September 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tiedemann & Associates PC

Wellesley Hills, Massachusetts
February 15, 2008

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
STATEMENTS OF FINANCIAL POSITION
September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 316,671	\$ 549,198
Investments, at market value	17,139,865	16,255,567
Accrued interest receivable	35,236	38,129
Other receivables	24,846	0
Prepaid expenses	3,399	5,485
Inventory	10,596	10,596
Fixed assets, net	<u>1,194,714</u>	<u>386,939</u>
 TOTAL ASSETS	 <u><u>18,725,327</u></u>	 <u><u>17,245,914</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and accounts payable	<u>24,569</u>	<u>21,855</u>
 Total Liabilities	 24,569	 21,855
Net Assets:		
Unrestricted	15,148,049	13,683,604
Temporarily restricted	68,649	82,700
Permanently restricted	<u>3,484,060</u>	<u>3,457,755</u>
 Total Net Assets	 <u><u>18,700,758</u></u>	 <u><u>17,224,059</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 18,725,327</u></u>	 <u><u>\$ 17,245,914</u></u>

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS

STATEMENTS OF ACTIVITIES

Years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Change in Unrestricted Net Assets:		
Revenues:		
Investment Return		
Investment income	\$ 675,747	\$ 753,498
Net realized gains on sale of building	106,596	0
Net realized gains on sales of investments	305,206	4,098,667
Change in unrealized gains on investments	1,201,413	(3,136,542)
Less: Investment expenses	(37,237)	(26,724)
Less: Investment return allocated to temporarily restricted net assets	(7,117)	0
Net Investment Return	<u>2,244,608</u>	<u>1,688,899</u>
Dues received	52,033	42,443
Contributions received	34,789	140,209
Sales of publications	11,269	3,051
Sales of Hands On Astrophysics materials	343	1,044
Grants received	24,774	76,919
Meeting fees	11,032	7,425
Other income	610	0
Net assets released from temporary restrictions	<u>93,491</u>	<u>30,118</u>
Total unrestricted revenues	<u>2,472,949</u>	<u>1,990,108</u>
Expenses		
Data collection and dissemination	321,281	319,886
Publications	171,153	198,695
Membership meetings	49,564	62,478
Archives project	31,204	27,772
Fundraising	7,794	15,193
Management and general	<u>427,508</u>	<u>437,209</u>
Total Expenses	<u>1,008,504</u>	<u>1,061,233</u>
Increase in Unrestricted Net Assets	<u>1,464,445</u>	<u>928,875</u>
Changes in Temporarily Restricted Net Assets		
Temporarily restricted contributions and grants received	72,323	42,643
Net assets released from temporary restrictions	(93,491)	(30,118)
Dividends and interest income	<u>7,117</u>	<u>1,044</u>
Increase in Temporarily Restricted Net Assets	<u>(14,051)</u>	<u>13,569</u>
Changes in Permanently Restricted Net Assets:		
Realized gain marketable securities	(3,033)	(4,019)
Unrealized gain marketable securities	28,867	(56,763)
Contributions received	<u>471</u>	<u>1,021</u>
Increase in Permanently Restricted Net Assets	<u>26,305</u>	<u>(59,761)</u>
Total Increase in Net Assets	1,476,699	882,683
Net Assets, beginning of year	<u>17,224,059</u>	<u>16,341,376</u>
Net Assets, end of year	<u>\$ 18,700,758</u>	<u>\$ 17,224,059</u>

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
STATEMENTS OF CASH FLOWS
Years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 1,476,699	\$ 882,683
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	43,493	33,815
Decrease/(Increase) in prepaid expenses	2,086	(3,043)
Marketable securities received as contributions	0	0
Unrealized and realized net (gains) losses on investments	(1,639,049)	(901,343)
Decrease/(Increase) in inventory	0	578
Decrease/(Increase) in other receivables	(24,846)	0
Increase/(Decrease) in accrued expenses and accounts payable	<u>2,714</u>	<u>16,340</u>
Net cash provided (used) by operating activities	(138,903)	29,030
Cash Flows from Investing Activities:		
Purchase of building (47 Bay State Rd.)	(1,156,952)	0
Purchase of equipment	(21,899)	(33,338)
Purchase of marketable securities	(2,058,197)	(11,999,514)
Proceeds from sale of building (25 Birch St.)	434,178	0
Proceeds from sale of marketable securities	2,706,353	12,315,915
Decrease/(Increase) in accrued interest receivable	<u>2,893</u>	<u>14,641</u>
Net cash provided (used) by investing activities	(93,624)	297,704
Cash Flows from Financing Activities	<u>0</u>	<u>0</u>
Net increase (decrease) in Cash and cash equivalents	(232,527)	326,734
Cash and cash equivalents, beginning of year	<u>549,198</u>	<u>222,464</u>
Cash and cash equivalents, end of Year	<u><u>\$ 316,671</u></u>	<u><u>\$ 549,198</u></u>

See accompanying notes to financial statements.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

The Association was organized under the laws of the Commonwealth of Massachusetts to promote the study of variable star astronomy. Headquartered in Cambridge, Massachusetts, the Association serves members worldwide in a variety of projects and remains the largest data bank on variable stars in the world. The Association is a public charity exempt from income tax under Internal Revenue Code Section 501(c)(3).

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

All of the Association's expenses, including expenses relating to assets previously included among the temporarily restricted net assets or permanently restricted net assets class of accounts, are decreases in unrestricted net assets.

Financial Statement Presentation:

The Association has adopted Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. A description of each class of net assets is as follows:

Permanently Restricted Net Assets – Consists of contributions received that include donor imposed permanent restrictions on their use. Income earned on the Endowment Fund is available for general use of the Association. Income from the Mayall Assistantship Fund is available for use as a temporarily Restricted Net Asset.

Temporarily Restricted Net Assets – The Association records grants received as temporarily restricted based on stipulations of the grantor. When the restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Association temporarily accumulates income from the Margaret W. Mayall Assistantship Fund for the hiring of research assistants at the Association's headquarters. Contributions and income from the Janet A. Mattei Research Fellowship Program are also considered Temporarily Restricted.

Unrestricted Net Assets - All other assets available for the general use of the Association are considered unrestricted.

Cash and Cash Equivalents:

The Association considers money market accounts as cash equivalents.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Investments:

The Association has adopted SFAS No. 124 "Accounting for Certain Investments Held By Not-for-profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Fixed Assets:

Fixed assets are recorded at cost and donated value. The Association depreciates fixed assets using the straight line method over useful lives between five and forty years.

Inventory:

Inventory of course material assembled and marketed as Hands On Astrophysics is valued at the lower of cost or market. The Association maintains a small inventory of prior publications and small gift items available for sale. Inventory of prior publications and small gifts available for sale on hand at September 30, 2007 and 2006 is not material and is not presented on the Statement of Financial Position.

Estimates:

Accounting estimates are an integral part of the financial statements prepared in conformity with generally accepted accounting principles. Accordingly, actual results could differ from those estimates.

Income Taxes:

The Association, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

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 2 – TEMPORARILY RESTRICTED NET ASSETS

Janet A. Mattei Research Fellowship Program

The Association maintains a fund in memory of Janet A. Mattei, former director of the association for over thirty years. This program will be used to fund a visiting scientist, researcher, or student to visit and perform research at the Association's headquarters. The Association intends to use only the income from the fund to operate the program. Because, the contributions are not considered to be permanently restricted, contributions and the income earned are considered to be temporarily restricted until used in the program. After recording contributions of \$4,116 during the year, the fund balance at September 30, 2007 is \$44,331.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Margaret W. Mayall Assistantship Fund

Income from the Margaret W. Mayall Assistantship Fund is available for the hiring of research assistants at Association Headquarters. Accumulated income available for the restricted purpose was \$7,418 and \$3,870, at September 30, 2007 and 2006, respectively.

Temporarily Restricted Grant Funds

As of September 30, 2007, an additional \$16,900 had been received from grants that had not been expended for their awarded purposes.

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

Endowment invested in perpetuity, earnings from which are available for general activities of the Association	\$ 3,441,466
---	--------------

Margaret W. Mayall Assistantship Fund, the income from which is available for the hiring of research assistants in the data collection and dissemination functions of the Association	<u>42,594</u>
--	---------------

Total Permanently Restricted Net Assets	<u><u>\$3,484,060</u></u>
---	---------------------------

The Margaret W. Mayall Assistantship Fund balance, including its temporarily restricted accumulated income is invested with the Ford Fund.

As of September 30, 2007 and 2006, the balance of the principal investment was \$47,340 and \$26,643 less than the permanently restricted Endowment Fund, respectively, due to withdrawals exceeding available distributable income.

NOTE 4 – FIXED ASSETS

	2007	2006
Building	\$ 1,161,952	\$ 708,300
Equipment	162,925	141,026
Software	10,881	10,881
	1,335,758	860,207
Less: accumulated depreciation	(141,044)	(473,268)
Total	\$ 1,194,714	\$ 386,939

Depreciation expense amounted to \$43,493 and \$33,815 for the years ended September 30, 2007 and 2006, respectively.

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

NOTE 5 - INVENTORY – HANDS ON ASTROPHYSICS

During the year ended September 30, 1998, the Association completed work on a grant from the National Science Foundation to create and develop classroom materials for high school studies using their own research and integrate various mathematics, physics, astronomy and computer skills. The project started in July 1992, and over the term of the grant the Association received total funding of \$303,940. For the purpose of selling and making gifts of the results of the project, the Association acquired 1,000 packages of the course materials, each of which includes a comprehensive manual with charts, videotape, computer diskette, slides and photographs. At September 30, 2007 and September 30, 2006, 110 packages were available for sale.

NOTE 6 – 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, 2007 and 2006, the Association contributed \$ 21,049 and \$25,249 respectively, as matching contributions.

NOTE 7 – CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at various large financial institutions in the form of bank accounts and money market deposits. At certain times during the year ended September 30, 2007, amounts were in excess of federally insured amounts. The excess funds were held temporarily awaiting reinvestment.

NOTE 8 - INVESTMENTS

Investments are carried at market value, and realized and unrealized gains and losses are reflected in the statement of activities. Most long-term investments are held in two investment accounts. The Association's permanent endowment is included as a permanently restricted net asset. The Clinton B. Ford Fund is an unrestricted asset. The Association uses only the income earned on the Ford Fund for operations; but the donor's bequest permits the use of any amount of the fund for the furtherance of the Association's purpose.

Investments consisted of the following at September 30, 2007:

	Endowment Fund	Clinton B. Ford Fund	Total
Components of investments:			
Equity funds	\$ -	\$ 13,213,176	\$ 13,213,176
U.S. government obligations	1,965,815	99,891	2,065,706
Corporate bonds	507,322	-	507,322
Bond funds	700,270	653,391	1,353,661
	<u>3,173,407</u>	<u>13,966,458</u>	<u>17,139,865</u>
Investments at September 30, 2007	\$ 3,173,407	\$ 13,966,458	\$ 17,139,865

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Long-term investment activity for the year ended September 30, 2007 is reflected in the table below:

	Endowment Fund	Clinton B. Ford Fund	Total
Investments at September 30, 2006	<u>\$ 3,146,303</u>	<u>\$ 13,109,265</u>	<u>\$ 16,255,568</u>
Transfers from cash equivalents	<u>21,966</u>	<u>659,917</u>	<u>681,883</u>
Investment returns:			
Dividends and interest	177,950	500,243	678,193
Investment fees	(7,420)	(29,817)	(37,237)
Realized and unrealized gains(losses)	<u>25,834</u>	<u>1,506,620</u>	<u>1,532,454</u>
Total investment return	<u>196,364</u>	<u>1,977,046</u>	<u>2,173,410</u>
Amounts appropriated for current operations	<u>(191,226)</u>	<u>(1,779,770)</u>	<u>(1,970,996)</u>
Investments at September 30, 2007	3,173,407	13,966,458	17,139,865
Cash equivalents held	<u>220,719</u>	<u>81,732</u>	<u>302,452</u>
Total principal assets held	<u>\$ 3,394,126</u>	<u>\$ 14,048,191</u>	<u>\$ 17,442,317</u>

Investments consisted of the following at September 30, 2006:

	Endowment Fund	Clinton B. Ford Fund	Total
Components of investments:			
Equity funds	\$ -	\$ 12,413,248	\$ 12,413,248
U.S. government obligations	2,271,476	97,969	2,369,445
Corporate bonds	814,425	-	814,425
Bond funds	<u>60,402</u>	<u>598,048</u>	<u>658,450</u>
Investments at September 30, 2006	<u>\$ 3,146,303</u>	<u>\$ 13,109,265</u>	<u>\$ 16,255,568</u>

AMERICAN ASSOCIATION OF VARIABLE STAR OBSERVERS
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 and 2006

Long-term investment activity for the year ended September 30, 2006 is reflected in the table below:

	Endowment Fund	Clinton B. Ford Fund	Total
Investments at September 30, 2005	\$ 3,444,791	\$ 12,396,435	\$ 15,841,226
Transfers to cash equivalents	(262,733)	(353,389)	(616,122)
Investment returns:			
Dividends and interest	199,930	554,567	754,497
Investment fees	(5,585)	(21,139)	(26,724)
Realized and unrealized gains(losses)	(60,782)	962,125	901,343
Total investment return	133,563	1,495,553	1,629,116
Amounts appropriated for current operations	(169,318)	(429,334)	(598,652)
Investments at September 30, 2006	3,146,303	13,109,265	16,255,568
Cash equivalents held	242,686	306,512	549,198
Total principal assets held	<u>\$ 3,388,989</u>	<u>\$ 13,415,777</u>	<u>\$ 16,804,766</u>

NOTE 9 – BEQUEST FROM DAVID ROSEBRUGH

On March 2, 2006, the Association received \$100,000 as an unrestricted bequest from the Estate of David Rosebrugh.

NOTE 10 – HEADQUARTERS RELOCATION

In December 2006, the Association purchased a new office building on 47-53 Bay State Road, Cambridge, MA for \$1,100,000, payment for which was made from the Clinton B. Ford Fund. On March 29, 2007, the Association sold the previous office building at 25 Birch Street, Cambridge for \$469,000. Proceeds from the sale were deposited to the Clinton B. Ford Fund.