

# Lowell Observatory

Years Ended December 31, 2023  
and 2022

# Lowell Observatory

Years Ended December 31, 2023 and 2022

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## Independent Auditors' Report

Board of Directors and Management  
Lowell Observatory  
Flagstaff, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying combined financial statements of Lowell Observatory (the Organization), which comprise the combined statements of financial position as of December 31, 2023 and 2022, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lowell Observatory as of December 31, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Lowell Observatory 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 Combined Financial Statements***

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lowell Observatory's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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### ***Auditors' Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Lowell Observatory's 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lowell Observatory's 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.

### ***Report on Combining Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 30 through 31 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations, of the individual entities, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated , on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*BeachFleischman PLLC*

Phoenix, Arizona  
April 22, 2024

# Lowell Observatory

## Combined Statements of Financial Position

December 31, 2023 and 2022

### Assets

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 696,350	\$ 755,205
Restricted cash and cash equivalents	288,742	98,038
Investments	2,115,433	3,428,553
Grants receivable	261,811	902,786
Promises to give, current portion	7,378,402	2,148,215
Estates and bequests receivable	450,000	1,700,000
Refundable payroll taxes	-	1,966,888
Other current assets	620,066	912,928
Total current assets	<u>11,810,804</u>	<u>11,912,613</u>
Property and equipment, net	67,256,449	56,886,106
Operating lease assets, net	86,137	-
Promises to give, net of current portion	10,364,160	9,006,075
Collection item	518,303	518,303
Assets limited to use:		
Investments with donor restrictions	27,821,486	28,914,699
Total noncurrent assets	<u>106,046,535</u>	<u>95,325,183</u>
Total assets	<u>\$ 117,857,339</u>	<u>\$ 107,237,796</u>

### Liabilities and Net Assets

Current liabilities:		
Note payable, bank	\$ 4,188,368	\$ 1,506,846
Current portion of long term debt	50,982	49,687
Current portion of operating lease obligations	21,301	-
Accounts payable	1,457,163	696,764
Accrued expenses and other current liabilities	99,993	119,007
Current portion of deferred access fee revenue	1,878,357	1,447,576
Total current liabilities	7,696,164	3,819,880
Long-term debt	1,902,532	1,950,313
Operating lease obligations, net of current portion	64,836	-
Deferred research grant revenue	27,303	29,996
Deferred access fee revenue, net of current portion	4,410,801	5,556,134
Total liabilities	<u>14,101,636</u>	<u>11,356,323</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Net invested in property and equipment	63,068,081	55,379,260
Undesignated	(28,771,004)	(22,291,233)
Board designated	2,101,823	1,925,544
Total net assets	36,398,900	35,013,571
With donor restrictions	67,356,803	60,867,902
Total net assets	<u>103,755,703</u>	<u>95,881,473</u>
Total liabilities and net assets	<u>\$ 117,857,339</u>	<u>\$ 107,237,796</u>

See notes to combined financial statements.

## Lowell Observatory

### Combined Statement of Activities

Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues, support and gains:			
Contracts with governmental and other agencies	\$ 3,011,728	\$ -	\$ 3,011,728
Telescope access fees	2,057,312	-	2,057,312
Contributions	1,365,601	17,773,014	19,138,615
Public program revenue	2,621,839	-	2,621,839
Investment income, net	422,461	3,838,355	4,260,816
Other income	84,739	-	84,739
Net assets released from restrictions	<u>14,750,924</u>	<u>(14,750,924)</u>	<u>-</u>
	<u>24,314,604</u>	<u>6,860,445</u>	<u>31,175,049</u>
Expenses:			
Program services:			
Research	5,790,981	-	5,790,981
Technology	4,977,266	-	4,977,266
Public programs	<u>3,934,866</u>	<u>-</u>	<u>3,934,866</u>
	<u>14,703,113</u>	<u>-</u>	<u>14,703,113</u>
Support services:			
Management and general	2,472,155	-	2,472,155
Fundraising	<u>1,696,853</u>	<u>-</u>	<u>1,696,853</u>
	<u>4,169,008</u>	<u>-</u>	<u>4,169,008</u>
	<u>18,872,121</u>	<u>-</u>	<u>18,872,121</u>
Loss on disposal of assets	<u>4,428,698</u>	<u>-</u>	<u>4,428,698</u>
Change in net assets before transfers	1,013,785	6,860,445	7,874,230
Transfers of net assets	<u>371,544</u>	<u>(371,544)</u>	<u>-</u>
Change in net assets	1,385,329	6,488,901	7,874,230
Net assets, beginning	<u>35,013,571</u>	<u>60,867,902</u>	<u>95,881,473</u>
Net assets, ending	<u>\$ 36,398,900</u>	<u>\$ 67,356,803</u>	<u>\$ 103,755,703</u>

See notes to combined financial statements.

## Lowell Observatory

### Combined Statement of Activities

Year Ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
<b>Revenues, support and gains:</b>			
Contracts with governmental and other agencies	\$ 4,827,838	\$ -	\$ 4,827,838
Telescope access fees	1,650,395	-	1,650,395
Contributions	6,475,822	4,615,787	11,091,609
Public program revenue	2,108,173	-	2,108,173
Investment loss, net	(242,777)	(4,506,665)	(4,749,442)
Other income	582,734	-	582,734
Gain on sale of assets	2,000	-	2,000
Net assets released from restrictions	<u>4,087,959</u>	<u>(4,087,959)</u>	<u>-</u>
	<u>19,492,144</u>	<u>(3,978,837)</u>	<u>15,513,307</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Research	6,506,568	-	6,506,568
Technology	5,012,872	-	5,012,872
Public programs	<u>4,009,462</u>	<u>-</u>	<u>4,009,462</u>
	<u>15,528,902</u>	<u>-</u>	<u>15,528,902</u>
<b>Support services:</b>			
Management and general	2,053,991	-	2,053,991
Fundraising	<u>1,588,086</u>	<u>-</u>	<u>1,588,086</u>
	<u>3,642,077</u>	<u>-</u>	<u>3,642,077</u>
	<u>19,170,979</u>	<u>-</u>	<u>19,170,979</u>
Change in net assets before transfers	321,165	(3,978,837)	(3,657,672)
Transfers of net assets	<u>256,993</u>	<u>(256,993)</u>	<u>-</u>
Change in net assets	578,158	(4,235,830)	(3,657,672)
Net assets, beginning	<u>34,435,413</u>	<u>65,103,732</u>	<u>99,539,145</u>
Net assets, ending	<u>\$ 35,013,571</u>	<u>\$ 60,867,902</u>	<u>\$ 95,881,473</u>

See notes to combined financial statements.



## Lowell Observatory

### Combined Statement of Functional Expenses

Year Ended December 31, 2023

	Program services				Supporting services			Total expenses
	Research	Technology	Public programs	Total program services	Management and general	Fundraising	Total supporting services	
Salaries	\$ 2,815,170	\$ 1,897,046	\$ 2,219,163	\$ 6,931,379	\$ 1,159,030	\$ 1,046,163	\$ 2,205,193	\$ 9,136,572
Payroll taxes and benefits	541,171	467,192	522,492	1,530,855	255,295	218,956	474,251	2,005,106
	<u>3,356,341</u>	<u>2,364,238</u>	<u>2,741,655</u>	<u>8,462,234</u>	<u>1,414,325</u>	<u>1,265,119</u>	<u>2,679,444</u>	<u>11,141,678</u>
Depreciation	399,449	1,337,879	309,971	2,047,299	44,092	16,442	60,534	2,107,833
Equipment	214,847	18,471	10,414	243,732	6,512	4,936	11,448	255,180
Insurance	29,934	752,650	22,772	805,356	9,721	3,174	12,895	818,251
Interest	-	-	-	-	252,930	-	252,930	252,930
Other	103,344	18,429	326,085	447,858	62,991	249,274	312,265	760,123
Professional services	1,149,225	28,341	74,897	1,252,463	388,702	11,581	400,283	1,652,746
Repairs and maintenance	141,131	265,671	167,270	574,072	69,943	60,999	130,942	705,014
Supplies and postage	110,777	35,650	149,694	296,121	35,214	27,255	62,469	358,590
Training and development	29,608	9,081	12,777	51,466	121,824	6,224	128,048	179,514
Travel and meals	162,697	4,758	43,305	210,760	37,031	41,733	78,764	289,524
Utilities	93,628	142,098	76,026	311,752	28,870	10,116	38,986	350,738
	<u>\$ 5,790,981</u>	<u>\$ 4,977,266</u>	<u>\$ 3,934,866</u>	<u>\$ 14,703,113</u>	<u>\$ 2,472,155</u>	<u>\$ 1,696,853</u>	<u>\$ 4,169,008</u>	<u>\$ 18,872,121</u>

See notes to combined financial statements.

## Lowell Observatory

### Combined Statement of Functional Expenses

Year Ended December 31, 2022

	Program services				Supporting services			Total expenses
	Research	Technology	Public programs	Total program services	Management and general	Fundraising	Total supporting services	
Salaries	\$ 3,187,710	\$ 1,741,578	\$ 2,426,506	\$ 7,355,794	\$ 1,071,251	\$ 990,764	\$ 2,062,015	\$ 9,417,809
Payroll taxes and benefits	643,134	460,381	547,528	1,651,043	202,880	205,214	408,094	2,059,137
	<u>3,830,844</u>	<u>2,201,959</u>	<u>2,974,034</u>	<u>9,006,837</u>	<u>1,274,131</u>	<u>1,195,978</u>	<u>2,470,109</u>	<u>11,476,946</u>
Depreciation	403,799	1,349,138	295,487	2,048,424	43,490	16,194	59,684	2,108,108
Equipment	63,674	49,359	20,505	133,538	15,618	4,456	20,074	153,612
Insurance	31,409	859,911	23,210	914,530	13,712	4,076	17,788	932,318
Interest	-	78,591	-	78,591	60,868	-	60,868	139,459
Other	95,377	29,632	250,385	375,394	23,701	143,116	166,817	542,211
Professional services	1,338,646	30,782	53,167	1,422,595	314,154	33,857	348,011	1,770,606
Repairs and maintenance	291,429	209,001	164,129	664,559	56,194	72,149	128,343	792,902
Supplies and postage	176,032	23,443	96,481	295,956	26,340	32,415	58,755	354,711
Training and development	10,414	32,189	15,036	57,639	162,937	12,555	175,492	233,131
Travel and meals	159,411	14,946	49,995	224,352	35,759	63,678	99,437	323,789
Utilities	105,533	133,921	67,033	306,487	27,087	9,612	36,699	343,186
	<u>\$ 6,506,568</u>	<u>\$ 5,012,872</u>	<u>\$ 4,009,462</u>	<u>\$ 15,528,902</u>	<u>\$ 2,053,991</u>	<u>\$ 1,588,086</u>	<u>\$ 3,642,077</u>	<u>\$ 19,170,979</u>

See notes to combined financial statements.

## Lowell Observatory

### Combined Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 7,874,230	\$ (3,657,672)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,107,833	2,108,108
Net realized and unrealized gains (losses) on investments	(3,585,162)	5,245,368
Loss (gain) on sale of assets	4,428,698	(2,000)
Contributions for long-term purposes	(8,073,536)	(1,974,684)
Changes in operating assets and liabilities:		
Grants receivable	640,975	(527,073)
Promises to give	(6,588,272)	2,139,510
Estates and bequests receivable	1,250,000	2,200,000
Refundable payroll taxes	1,966,888	188,919
Other current assets	292,862	258,404
Accounts payable	760,399	9,313
Accrued expenses and other current liabilities	(19,014)	25,218
Deferred research grant revenue	(2,693)	(18,424)
Deferred access fee revenue	(714,552)	402,954
Net adjustments	(7,535,574)	10,055,613
Net cash provided by operating activities	338,656	6,397,941
Cash flows from investing activities:		
Purchases of property and equipment	(16,937,140)	(9,190,666)
Proceeds from sale of assets	30,266	2,000
Purchases of collection item	-	(118,303)
Purchases of investments	(9,149,417)	(16,547,426)
Proceeds from sale/maturity of investments	15,140,912	10,215,493
Proceeds from sale of certificates of deposit	-	6,760,301
Net cash used in investing activities	(10,915,379)	(8,878,601)
Cash flows from financing activities:		
Payments on note payable, bank	(8,538,478)	(4,019,125)
Proceeds from note payable, bank	11,220,000	-
Borrowings (repayments) from long-term debt	(46,486)	1,500,000
Contributions restricted for long-term purposes	8,073,536	1,974,684
Net cash provided by (used in) financing activities	10,708,572	(544,441)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	131,849	(3,025,101)
Cash, cash equivalents, and restricted cash and cash equivalents, beginning	853,243	3,878,344
Cash, cash equivalents, and restricted cash and cash equivalents, ending	\$ 985,092	\$ 853,243

See notes to combined financial statements.

# Lowell Observatory

## Notes to Combined Financial Statements

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies:

Organization:

Lowell Observatory (the Observatory), located in Flagstaff, Arizona, is a nonprofit organization whose purpose is conducting astronomical research and sponsoring educational programs related to astronomy. The Observatory's mission is to pursue the study of astronomy, especially the study of our solar system and its evolution; to conduct pure research in astronomical phenomena; and to maintain quality public education and outreach programs to bring the results of astronomical research to the general public. The Observatory is overseen by a Sole Trustee, who is the responsible party for all operations of the Observatory. The Observatory's programs are supported primarily by government grants, public contributions, and investment returns. Therefore, the Organization's viability is dependent upon the strength and support provided to the nonprofit industry, and the Organization's ability to collect on its contracts and promises to give.

The Trust U/W of Percival Lowell (the Trust) is a perpetual trust established for the benefit of the Observatory and is overseen by the Sole Trustee of the Observatory. Percival Lowell's will, which established the Trust, was executed on February 21, 1913, with its final codicil dated December 15, 1915. Percival Lowell died November 12, 1916. The Trust has been amended since that date.

The Lowell Observatory Foundation (the Foundation) was established on September 9, 2014 as a non-profit organization governed by an independent board of trustees and dedicated solely to supporting the Observatory's mission.

Principles of consolidation and combination:

The Trust is consolidated into the Observatory. The combined financial statements include the accounts of the Observatory and the Foundation (collectively the Organization). Due from related party and due to related party are obligations between the Observatory and the Foundation that will be satisfied in future years. All significant interorganizational accounts and transactions have been eliminated.

Estimates:

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, support, gains and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions, including those related to inputs used to recognize revenue over time. Actual results could differ materially from such estimates and assumptions.

# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Net assets:

Net assets, support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition:

Contracts with governmental and other agencies:

The Observatory has various contracts with governmental and other agencies. For contracts that have an exchange element, revenue is recognized over time as goods or services are transferred and expenditures for services under the provisions of the contract are incurred. Advances received from governmental funding sources in excess of costs incurred under the related exchange contracts are deferred and recognized as revenue when the related expenses are incurred using a cost-based input method. Deferred revenue from research contracts with an exchange element is a contract liability and is classified as deferred research grant revenue on the combined statements of financial position. At January 1, 2022, the balance of deferred research grant revenue was \$48,420. Revenue related to non-exchange contracts with governmental and other agencies is recognized as a contribution.

Telescope access fees:

Telescope access fees are charged to partnering universities for time on the Organization's telescopes in exchange transactions. Advances received from the partnering universities are recorded as deferred revenue. Revenue is recognized at a point in time in the period earned based on actual nights used. Deferred revenue from telescope access fees is a contract liability and is classified as deferred access fee revenue on the combined statements of financial position. At January 1, 2022, the balance of deferred access fee revenue was \$6,600,756.

Contributions:

Contributions are considered non-exchange transactions and are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Revenue recognition (continued):

Public program revenue:

Public program revenue consists of exchange transactions recognized at a point in time when the related services are provided.

Donated goods and services:

Support arising from donated goods and services is recognized in the combined financial statements at its fair value. Donated services are recognized when the services received meet one of the following criteria:

- (a) create or enhance nonfinancial assets
- (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the combined financial statements because the above criteria are not met.

Transaction price:

For exchange transactions, the transaction price is the amount of consideration the Organization expects to be entitled to in exchange for transferring goods and services to the customer. When a contract has a single performance obligation, the entire transaction price is attributed to that performance obligation. When a contract has more than one performance obligation, the transaction price is allocated to each performance obligation based on estimated relative standalone selling prices of the goods or services at the inception of the contract, which typically is determined using cost plus an appropriate margin.

Performance obligations:

Contracts that constitute exchange transactions are considered to contain a single performance obligation if the promise to transfer individual goods or services is not separately identifiable from other promises in the contracts primarily because the Organization provides a significant service of integrating a complex set of tasks and components into a single project or capability. A series of goods or services are a single performance obligation if the goods or services are substantially the same and each distinct good or service in the series will be satisfied over time and the same method would be used to measure progress towards satisfaction. Contracts that cover multiple performance phases of the product lifecycle (development, production, maintenance and support) are typically considered to have multiple performance obligations even when they are part of a single contract.

# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Revenue recognition (continued):

Performance obligations (continued):

For contracts with multiple performance obligations, the Organization allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. The Organization invoices its customers over time as the performance obligations are satisfied. Payment is typically due within 30 days of invoice.

Contract combination and modification:

To determine proper revenue recognition for exchange transactions, the Organization evaluates whether two or more contracts should be combined and accounted for as a single contract and whether a combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment, and the decision to combine contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

The Organization accounts for contract modifications as a separate contract when the modification results in the promise to deliver additional goods or services that are distinct and the increase in price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

Cost and expense recognition:

Contract costs include direct labor, materials, and indirect costs related to contract performance, such as indirect labor, communications, technology and depreciation costs. Costs charged to certain contracts from government agencies include indirect costs and are subject to audit by the United States Department of the Interior, Interior Business Center, as directed by the Office of National Aeronautics and Space Administration.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents. All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Restricted cash and cash equivalents consist of amounts received with donor-imposed restrictions. All donor-imposed restrictions on restricted cash and cash equivalents are temporary in nature.

# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Cash and cash equivalents (continued):

The following table provides a reconciliation of cash and cash equivalents, and restricted cash and cash equivalents reported on the combined statements of financial position to the combined statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 696,350	\$ 755,205
Restricted cash and cash equivalents	<u>288,742</u>	<u>98,038</u>
	<u>\$ 985,092</u>	<u>\$ 853,243</u>

The restrictions on cash and cash equivalents restricted by donors will lapse when the funds are spent on the related restricted purposes.

Investments:

Investments are carried at fair value. Donated investments are recorded at fair value at the date of gift. Investment gains and losses are included in the changes in net assets in the accompanying combined statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or legal requirements net of related investment fees. Realized gains or losses on disposition of investments are recorded on a trade date basis using the specific identification method. Dividends and interest income are accrued when earned. Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary.

Fair value measurements:

Fair value is defined as the price to sell an asset or transfer a liability between market participants in an orderly exchange in the principal or most advantageous market for that asset or liability. The fair value for qualifying alternative investments is determined based on the investment's net asset value as a practical expedient. Considerable judgment is required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented in the combined financial statements are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value.

Grants receivable:

The Organization records grants receivable for its unconditional rights to consideration arising from performance under contracts with customers that are primarily Federal Government agencies. The carrying value of such receivables represents their estimated net realizable value. At January 1, 2022, the balance of grants receivable was \$375,713.



# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Grants receivable (continued):

Grants receivable consist primarily of uncollateralized obligations from Federal Government agencies related to amounts earned but uncollected from the Organization's contracts with those agencies. Payments of grants receivable are applied to the specific invoices identified on the remittance advice, or if unspecified, to the earliest unpaid invoices.

Promises to give:

Unconditional promises to give are recognized as support at their estimated net realizable value in the period received. Promises to give that are collectible over future periods are discounted to their net present value. The provision for uncollectible promises to give is based on management's estimate of current economic factors, applied as a percentage of gross contribution revenues. Promises to give are periodically reviewed for collectibility and written off when determined uncollectible. At December 31, 2023 and 2022, promises to give are considered fully collectible, therefore, no allowance for uncollectible pledges has been provided.

Property and equipment:

Property and equipment are stated at cost except for donated equipment, which is recorded at its fair market value at the date of gift. Property and equipment with a value of greater than or equal to \$5,000 and a useful life of more than one year is capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Buildings and improvements	5 - 40 years
Equipment and computers	3 - 30 years
Furniture and fixtures	5 - 10 years
Vehicles	5 - 10 years

Leases:

The Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization determines if an arrangement is a lease at inception and when the terms of an existing contract are changed.

Lease assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, management uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Leases (continued):

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Impairment of long-lived assets:

The Organization reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of the long-lived assets is less than the carrying amount, the asset is considered impaired. Impairment losses would be measured as the amount by which the carrying amount exceeds the fair value of the asset. There was no impairment of long-lived assets recognized for 2023 and 2022.

Collection items:

The Organization has ownership of a vintage car, which was donated to the Observatory by the Sole Trustee in 2002. The vehicle is capitalized based on its appraised value at the date of the unrestricted contribution. During 2022, the Organization purchased a vintage telescope for its collection. The telescope is recorded at cost.

Endowments:

The Organization's endowments consist of funds established under either donor restriction or as designated by the Trustees for a variety of purposes. As required by GAAP, net assets associated with endowment funds (including funds designated by the Trustees to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

The Trustees of the Foundation have interpreted Arizona's Management of Charitable Funds Act (AMCFA), Arizona's enacted legislation of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by AMCFA and UPMIFA.

Program expense allocations:

The Organization's expenses are classified into functional expenses, which include program services and supporting services.

# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Program expense allocations (continued):

Program services are comprised of the following functional categories: research, technology, and public programs. Research encompasses all expenses to conduct research in all areas of astronomy, including studies of the sun, solar system, stars, exoplanets, galaxies and cosmology. This includes outlays related to contracts with governmental and other agencies. Technology includes the cost of servicing, maintaining and developing the telescopes, and the facilities and instruments used for research operations. It also integrates expenses related to telescope access fees. Public programs category is comprised of expenses to operate the education and outreach program provided to the general public, which includes tours, solar viewing, presentations, telescope viewing and camps.

Supporting services are comprised of the following functional categories: management and general and fundraising. Management and general provides the administrative support for the Organization. Fundraising incorporates costs associated with donor development, communications, compliance and generating donations for the Organization.

The combined financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include depreciation, the Director's office, communications department, and information technology department. Depreciation is allocated based on a square footage basis, the Director's office is allocated based on a time and cost study of where efforts are made, certain costs of the communications department are allocated based on the benefit received, and the information technology department is allocated based on a cost study of specific technology utilized and the benefit received.

Advertising:

Advertising costs are expensed as incurred. Total advertising expense was \$301,465 and \$122,331 for 2023 and 2022.

Income taxes:

The Observatory, the Foundation, and the Trust are exempt from income taxes under both Internal Revenue Code (IRC) section 501(c)(3) and Arizona income tax laws. The Observatory is classified as other than a private foundation under IRC section 509(a)(1). The Foundation and the Trust are each classified as other than a private foundation under IRC section 509(a)(3) as a supporting organization of the Observatory. Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income.

From time to time, the Organization may be subject to penalties and interest assessed by various taxing authorities, which are classified as general and administrative expenses if they occur.

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

1. Description of organization and summary of significant accounting policies (continued):

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to December 31, 2023 through , the date that the combined financial statements were available to be issued.

Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has also committed a line of credit in the amount of \$11 million, which it could draw upon. At December 31, 2023 the Organization could draw down an additional \$6.8 million.

The following reflects the Organization's financial assets as of the combined statement of financial position date, reduced by the amounts not available for general use within one year of the combined statement of financial position date because of contractual or donor-imposed restrictions.

	2023	2022
Cash and cash equivalents	\$ 696,350	\$ 755,205
Restricted cash and cash equivalents	288,742	98,038
Investments	29,936,919	32,343,252
Grants receivable	261,811	902,786
Estates and bequests receivable	450,000	1,700,000
Promises to give	17,742,562	11,154,290
Refundable payroll taxes	-	<u>1,966,888</u>
Total financial assets	<u>49,376,384</u>	<u>48,920,459</u>
Promises to give scheduled to be collected in more than one year	(10,364,160)	(9,006,075)
Contractual or donor-imposed restrictions:		
Endowment funds	(11,634,262)	(7,414,756)
Other donor restrictions	(7,770,974)	(12,212,896)
Funds restricted by lender as collateral	(4,188,368)	(1,506,846)
Restricted cash and cash equivalents	(288,742)	(98,038)
Board designations:		
Endowment funds	<u>(2,101,821)</u>	<u>(1,925,544)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,028,057</u>	<u>\$ 16,756,304</u>

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

3. Investments:

	2023	2022
Money market funds	\$ 938,147	\$ 5,923,309
Fixed income securities	5,387,143	5,515,489
Equity securities	21,857,711	18,335,320
Alternative investments	1,753,918	2,569,134
	29,936,919	32,343,252
Less investments with donor restrictions	27,821,486	28,914,699
	\$ 2,115,433	\$ 3,428,553

Investment income (loss) for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Interest and dividends	\$ 791,427	\$ 622,097
Net realized and unrealized gain (loss) on investments	3,585,162	(5,245,368)
Investment fees	(115,773)	(126,171)
	\$ 4,260,816	\$ (4,749,442)

4. Fair value measurements:

At December 31, 2023, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Practical expedient
Money market funds	\$ 938,147	\$ 938,147	\$ -
Fixed income securities	5,387,143	5,387,143	-
Equity securities:			
US large cap	13,948,336	13,948,336	-
US mid cap	2,099,262	2,099,262	-
US small cap	2,111,702	2,111,702	-
Developed international	1,848,017	1,848,017	-
Other	1,850,394	1,850,394	-
Alternative investments	1,753,918	-	1,753,918
	\$ 29,936,919	\$ 28,183,001	\$ 1,753,918

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

4. Fair value measurements (continued):

At December 31, 2022, the fair value of assets measured on a recurring basis is as follows:

	Fair value	Level 1	Practical expedient
Money market funds	\$ 5,923,309	\$ 5,923,309	\$ -
Fixed income securities	5,515,489	5,515,489	-
Equity securities:			
US large cap	11,943,182	11,943,182	-
US mid cap	1,794,333	1,794,333	-
US small cap	1,516,482	1,516,482	-
Developed international	1,878,604	1,878,604	-
Other	1,202,719	1,202,719	-
Alternative investments	2,569,134	-	2,569,134
	\$ 32,343,252	\$ 29,774,118	\$ 2,569,134

The assets in the preceding tables were measured primarily using the market approach. Following is a description of the valuation methodologies used for assets measured at fair value. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Transfers between levels are recorded at the beginning of the reporting period in which they occur. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Practical Expedient - Investments for which fair value is measured at net asset value per share (or its equivalent). Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

The fair value of the Organization's investments are valued at the closing price reported on the active market on which the individual securities are traded except for the alternative investments. The Organization's alternative investments are valued based on their net asset value using the practical expedient. The alternative investments consist primarily of offshore investment funds that provide investment exposure to global equity, bond, currency and commodity markets and fixed-income securities, without quoted prices. The funds may invest in instruments that provide economic exposure to developed and emerging market issuers. These investments have restrictions on redemptions consisting of lock up periods of up to 65 days. No unfunded commitments exist related to these investments.

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

5. Promises to give:

Promises to give consist of pledges from foundations and individual donors. At December 31, 2023 and 2022, promises to give are as follows:

	2023	2022
Pledges receivable in less than one year	\$ 7,378,402	\$ 2,148,215
Pledges receivable in one to five years	7,350,520	6,158,806
Pledges receivable in more than five years	4,384,719	3,677,080
Less unamortized discount to present value	(1,371,079)	(829,811)
	17,742,562	11,154,290
Less current portion	7,378,402	2,148,215
Noncurrent portion	\$ 10,364,160	\$ 9,006,075

Long-term promises to give are discounted to their present value using U.S. treasury rates ranging from 1.89% to 3.99% at December 31, 2023 and 2022.

At December 31, 2023, 89% of promises to give are from four donors. At December 31, 2022, 85% of promises to give are from two donors.

6. Property and equipment:

	2023	2022
Land	\$ 445,917	\$ 445,917
Buildings and improvements	27,362,268	27,565,221
Equipment and computers	38,046,473	40,829,302
Furniture and fixtures	255,097	282,508
Vehicles	407,288	321,079
Construction in progress	30,476,575	15,995,726
	96,993,618	85,439,753
Less accumulated depreciation	29,737,169	28,553,647
	\$ 67,256,449	\$ 56,886,106

In 1960, the Organization entered into a series of contracts with the United States Naval Observatory (USNO) to construct and operate the Navy Precision Optical Interferometer (NPOI) to conduct astronomical research. NPOI was constructed on the Lowell Observatory Anderson Mesa Facility, which is an 180 acre area located southeast of the city of Flagstaff, Arizona on the Coconino National Forest. The Observatory has a special use permit to conduct astronomical research at this location.

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

6. Property and equipment (continued):

Since 1960, the Organization has received significant Federal funding from both USNO and Naval Research Laboratory related to this project. During 2023, the Observatory elected to terminate its relationship with NPOI and turned over assets related to NPOI that were acquired with recent Federal funding with a remaining net book value of approximately \$4,449,000. This is reflected in the loss on disposal of assets in the combined statement of activities.

7. Leases:

The Organization has operating leases for office equipment with initial noncancelable terms in excess of one year that expire through October 2027.

	2023	2022
The components of lease cost are as follows:		
Operating lease cost, included in operating expenses	\$ 24,420	\$ -
Cash flow information related to leases is as follows:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows - operating leases	\$ 24,420	\$ -
Lease assets obtained in exchange for lease liabilities:		
Operating leases	106,570	-
Other information related to leases is as follows:		
Lease term (in years) and discount rate:		
Weighted-average remaining lease term, operating leases	3.8	-
Weighted-average discount rate, operating leases	4.2 %	- %

The maturities of lease liabilities as of December 31, 2023 were as follows:

Year ending <u>December 31,</u>	Operating
2024	\$ 24,420
2025	24,420
2026	24,420
2027	19,790
Total lease payments	93,050
Less interest	6,913
Present value of lease liabilities	\$ 86,137



## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

7. Leases (continued):

The present value of lease liabilities are reported in the statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Current portion of operating leases obligations	\$ 21,301	\$ -
Operating lease obligations, net of current portion	<u>64,836</u>	<u>-</u>
	<u>\$ 86,137</u>	<u>\$ -</u>

8. Note payable, bank:

The Organization has an \$11,000,000 revolving line of credit note (the Note) with BNY. The Note calls for monthly interest only payments at the 30 day SOFAR rate (5.38% at December 31, 2023) plus 1.2%, with a minimum rate of 1.2%. There is no maturity date under the Note; however, BNY may call the note at any time, as such the note has been classified as a current liability. The Note is collateralized by investment assets of the Organization. The Organization had an outstanding balance of \$4,188,368 and \$1,506,846 related to the line of credit at December 31, 2023 and 2022.

The Organization is required to be in compliance with certain non-financial covenants.

9. Long-term debt:

	<u>2023</u>	<u>2022</u>
Note payable, Small Business Administration, interest at 2.75%, payable in aggregate monthly installments of \$8,672 beginning November 2022 through May 2050, collateralized by all assets of the Organization. Installment payments were first applied to accrued interest until January 2023. Starting with February 2023, the installment payments were apply to principal and interest.	\$ 1,953,514	\$ 2,000,000
Less current portion	<u>50,982</u>	<u>49,687</u>
	<u>\$ 1,902,532</u>	<u>\$ 1,950,313</u>

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

9. Long-term debt (continued):

Future maturities of long-term debt are as follows:

Year ending <u>December 31,</u>		
2024	\$	50,982
2025		52,402
2026		53,861
2027		55,361
2028		56,903
Thereafter		<u>1,684,005</u>
	<u>\$</u>	<u>1,953,514</u>

10. Deferred access fee revenue:

The Organization has entered into a series of agreements to provide several educational institutions access to its telescopes. Under the terms of the agreements, the institutions are required to provide prescribed levels of financial support in exchange for nights of telescope use. Deferred access fee revenue represents amounts received from the institutions for nights not yet provided. At December 31, 2023 and 2022, deferred access fee revenue totaled \$6,289,158 and \$7,003,710.

11. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes or periods.

	2023	2022
Subject to expenditure for specified purpose:		
Improvements and maintenance	\$ 16,283,080	\$ 18,550,864
Marketing	115,657	811
Exhibits, education and outreach, and other public programs	392,928	445,599
Research	1,343,469	2,221,698
Funds held in Trust U/W of Percival Lowell to be used for Observatory purposes	<u>37,587,407</u>	<u>32,234,174</u>
	<u>\$ 55,722,541</u>	<u>\$ 53,453,146</u>

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

11. Net assets with donor restrictions (continued):

	2023	2022
Endowments:		
Earnings are subject to appropriation and expenditure for specified purposes:		
Endowment fund	\$ 72,849	\$ 50,517
ADC endowment fund	3,051,826	36,213
Exploration fund, subject to reversionary agreement	76,622	69,750
Exploration fund, not subject to reversionary agreement	1,873,154	1,703,864
Giovale endowed fund for astronomical research	551,335	506,191
GODO endowment fund	529,733	471,487
Historic preservation fund, subject to reversionary agreement	10,275	9,447
Historic preservation fund, not subject to reversionary agreement	59,531	54,270
Inspiration fund, subject to reversionary agreement	2,504	2,205
Inspiration fund, not subject to reversionary agreement	6,557	5,676
Instrumentation fund, subject to reversionary agreement	734,784	674,586
Instrumentation fund, not subject to reversionary agreement	1,781	1,633
Marcus cometary research fund	365,835	335,801
Mars Hill fund, not subject to reversionary agreement	92,412	81,372
Millennium fund, subject to reversionary agreement	2,179,923	2,001,416
Native American astronomy outreach fund, not subject to reversionary agreement	450,744	412,947
Percival Lowell post doc fellowship	57,470	29,283
Robert M. Ayers Education Fund, subject to reversionary agreement	411,093	377,462
Robert M. Ayers Education Fund, not subject to reversionary agreement	854	-
Waddell fund, not subject to reversionary agreement	106,852	98,103
William G. Tifft endowment fund	732,382	350,000
William H.D. Goddard postdoctoral endowment fund	104,696	-
Young scholar fund	161,050	142,533
Total endowments	11,634,262	7,414,756
	\$ 67,356,803	\$ 60,867,902

12. Endowments:

The Organization's endowment consists of the Millennium Fund and seventeen other perpetually restricted funds. Investment earnings related to the endowed assets are restricted for prescribed operating purposes.

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

#### 12. Endowments (continued):

Reversionary agreement governing the Millennium Fund:

In 2000, the Lowell Millennium Fund (the Fund) was created to be a fund for the benefit of the Observatory. The Fund received both gifts without restrictions and gifts with perpetual restrictions from outside parties. The Observatory, through the Executive Committee of the Lowell Observatory Advisory Board, determined that it would consider all of the Fund as an endowment fund and began to administer it in that manner. When the Foundation was created, the Executive Committee contributed the Fund to the Foundation, but retained the right to compel its return in the future at the discretion of the Executive Committee.

Reversionary agreements relative to certain other Foundation endowment funds:

Since the creation of the Foundation, the Observatory has been the recipient of other gifts that were received without donor restrictions, which it then, subsequently, donated to the Foundation with restrictions consistent with the requirements and stipulations of certain of the Foundation's endowment funds. By agreement between the Observatory and the Foundation, the Observatory can, at any time, compel the return of these funds to the Observatory by written request.

In both cases, because the assets held by the Foundation are restricted by the terms of their contribution to the Foundation as only having the income available to benefit the Observatory, they are all recorded as perpetually restricted. At December 31, 2023 and 2022, these funds comprised 29% and 42% of the Foundation's perpetually restricted net assets.

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	\$ 1,925,544	\$ 7,414,756	\$ 9,340,300
Investment income, net fees	257,925	982,262	1,240,187
Contributions	825	3,528,523	3,529,348
Distributions	(82,473)	(291,933)	(374,406)
Transfers of net assets	-	654	654
	<u>\$ 2,101,821</u>	<u>\$ 11,634,262</u>	<u>\$ 13,736,083</u>

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

#### 12. Endowments (continued):

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	\$ 2,320,532	\$ 8,187,575	\$ 10,508,107
Investment loss, net fees	(313,890)	(1,111,734)	(1,425,624)
Contributions	-	550,929	550,929
Distributions	(81,098)	(265,833)	(346,931)
Transfers of net assets	-	53,819	53,819
Endowment net assets, ending	<u>\$ 1,925,544</u>	<u>\$ 7,414,756</u>	<u>\$ 9,340,300</u>

#### Funds with deficiencies:

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2023 and 2022, there were no deficiencies of this nature.

#### Return objectives and risk parameters:

The Organization has adopted investment policies including those for endowment assets that attempt to preserve the capital, preserve the purchasing power, and achieve long-term growth of capital of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under these policies all assets including endowment assets are invested in a manner that is intended to produce results that exceed various external benchmarks while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

#### Spending policy and how the investment objectives relate to spending policy:

The Trust and Foundation have spending policies in place whereby amounts are appropriated based on determination of certain criteria to include the preservation of the endowment corpus, consideration of economic conditions, effects of inflation and deflation and the expected return from income and appreciation of investments.

The spending policy over the Trust endowments utilizes a total return approach.

The spending policy over the Foundation endowments also utilizes a total return approach, but provides for appropriations (currently a 4% rate annually) which may be made regardless of whether an Endowment Fund has sufficient current period and/or accumulated net investment returns but after taking into consideration the criteria specified above.

# Lowell Observatory

## Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

### 13. Retirement plans:

The Organization has a contributory 403(B) retirement plan historically held at Teachers' Insurance and Annuity Association. The last contributions sent to TIAA were in December 2016. Beginning in December 2016 new contributions were sent to Mutual of America. Beginning in 2017 the plan documents were changed and eligible employees may voluntarily participate in the plan. As of July 2020, the Observatory contributes 1%-5% of gross earnings, up to the Internal Revenue Service maximum allowable, when the employee contributes 1%-5% of gross earnings. Previously the Observatory matching contribution was a set 5%, when the employee contributes 5% or more. The Organization made contributions of \$447,472 and \$422,388 to the plan during the years ended December 31, 2023 and 2022.

### 14. Contingencies:

For the years ended December 31, 2023 and 2022, substantially all of the Organization's grant revenue and receivables are comprised of revenue derived from Federal agencies. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

From time to time, the Organization uses certain funds obtained from Federal agencies to acquire property and equipment. The Organization can be required to transfer the title of these assets or remit any proceeds upon their sale to the Federal government. Management does not anticipate being required to transfer any assets at December 31, 2023.

Beginning in 1960, the Observatory obtained a series of special use permits from the U.S. Forest Service to construct facilities and perform astronomical research on land located southeast of the city of Flagstaff, Arizona in the Coconino National Forest. The permits expire and are subsequently reissued by the U.S. Forest Service every twenty years. Management believes that the permits will be reissued in perpetuity. In the event that the permits are not reissued, the Observatory may be required to remediate the land to its original condition. Because the timing of this obligation is indeterminate, no asset retirement obligation has been recorded. If the U.S. Forest Services does not continue to issue these permits, the costs associated with this obligation could significantly impact the combined financial statements.

#### Employee retention credit:

The Organization has filed amended quarterly payroll tax reports to claim \$2,155,807 in federal employee retention credits for the years ended December 31, 2021 and 2020, which were filed in March 2022. The Internal Revenue Service (IRS) has up to five years from the filing date of the amended return to audit the claim. Management believes they have filed valid claims for the credit and has not been notified of any audit by the IRS. The timing and outcome of any possible audit is not known.

## Lowell Observatory

### Notes to Combined Financial Statements (continued)

Years Ended December 31, 2023 and 2022

14. Contingencies (continued):

Paycheck Protection Program (PPP) loan:

The Organization obtained loans totaling \$2,170,840 under the PPP that were forgiven in November 2020 and October 2021. The SBA may undertake a review of a loan of any size during the ten-year period following forgiveness; however, loans in excess of \$2M are subject to a mandatory audit. The audit will include the loan forgiveness application, as well as whether the Organization met the eligibility requirements of the program and received the proper loan amount. The timing and outcome of any SBA review is not known.

15. Statement of cash flows:

Supplemental disclosure of cash flow information:

Cash paid for interest was \$260,949 and \$106,952 for the years ended December 31, 2023 and 2022.

16. Subsequent events:

In March 2024, the Organization obtained a \$14,000,000 construction loan to build its Astronomy Discovery Center, which will open in late 2024. This loan will be paid by pledge payments received in 2025 through 2031.

# Lowell Observatory

## Combining Statement of Financial Position

December 31, 2023

	Assets			Combined total
	Lowell Observatory and Trust	Lowell Observatory Foundation	Eliminating	
Current assets:				
Cash and cash equivalents	\$ 643,459	\$ 52,891	\$ -	\$ 696,350
Restricted cash and cash equivalents	187,222	101,520	-	288,742
Investments	13,610	2,101,823	-	2,115,433
Grants receivable	261,811	-	-	261,811
Promises to give, current portion	5,378,402	2,000,000	-	7,378,402
Estate and bequests receivable	100,000	350,000	-	450,000
Other current assets	620,066	-	-	620,066
Total current assets	<u>7,204,570</u>	<u>4,606,234</u>	<u>-</u>	<u>11,810,804</u>
Property and equipment, net	67,256,449	-	-	67,256,449
Operating lease assets, net	86,137	-	-	86,137
Due from related party	-	963,925	(963,925)	-
Promises to give, net of current portion	10,364,160	-	-	10,364,160
Collection item	518,303	-	-	518,303
Assets limited to use:				
Investments with donor restrictions	<u>19,410,875</u>	<u>8,410,611</u>	<u>-</u>	<u>27,821,486</u>
Total noncurrent assets	<u>97,635,924</u>	<u>9,374,536</u>	<u>(963,925)</u>	<u>106,046,535</u>
Total assets	<u>\$ 104,840,494</u>	<u>\$ 13,980,770</u>	<u>\$ (963,925)</u>	<u>\$ 117,857,339</u>

### Liabilities and Net Assets

Current liabilities:				
Note payable, bank	\$ 4,188,368	\$ -	\$ -	\$ 4,188,368
Current portion of long-term debt	50,982	-	-	50,982
Current portion of operating lease obligations	21,301	-	-	21,301
Accounts payable	1,457,163	-	-	1,457,163
Accrued expenses and other current liabilities	99,993	-	-	99,993
Current portion of deferred access fee revenue	1,878,357	-	-	1,878,357
Due to related party	963,925	-	(963,925)	-
Total current liabilities	<u>8,660,089</u>	<u>-</u>	<u>(963,925)</u>	<u>7,696,164</u>
Long-term debt	1,902,532	-	-	1,902,532
Operating lease obligations, net of current portion	64,836	-	-	64,836
Deferred research grant revenue	27,303	-	-	27,303
Deferred access fee revenue, net of current portion	4,410,801	-	-	4,410,801
Total liabilities	<u>15,065,561</u>	<u>-</u>	<u>(963,925)</u>	<u>14,101,636</u>
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Net invested in property and equipment	63,068,081	-	-	63,068,081
Undesignated	(33,044,297)	4,273,293	-	(28,771,004)
Board designated	-	2,101,823	-	2,101,823
Total	<u>30,023,784</u>	<u>6,375,116</u>	<u>-</u>	<u>36,398,900</u>
With donor restrictions	<u>59,751,149</u>	<u>7,605,654</u>	<u>-</u>	<u>67,356,803</u>
Total net assets	<u>89,774,933</u>	<u>13,980,770</u>	<u>-</u>	<u>103,755,703</u>
Total liabilities and net assets	<u>\$ 104,840,494</u>	<u>\$ 13,980,770</u>	<u>\$ (963,925)</u>	<u>\$ 117,857,339</u>



## Lowell Observatory

### Combining Statement of Activities

Year Ended December 31, 2023

	Lowell Observatory and Trust	Lowell Observatory Foundation	Eliminating	Combined total
Revenues, support and gains:				
Contracts with governmental and other agencies	\$ 3,011,728	\$ -	\$ -	\$ 3,011,728
Telescope access fees	2,057,312	-	-	2,057,312
Contributions	15,608,739	3,529,876	-	19,138,615
Public program revenue	2,621,839	-	-	2,621,839
Investment income, net	2,996,855	1,263,961	-	4,260,816
Other income	84,739	-	-	84,739
	<u>26,381,212</u>	<u>4,793,837</u>	<u>-</u>	<u>31,175,049</u>
Expenses:				
Program services:				
Research	5,790,981	-	-	5,790,981
Technology	4,977,266	-	-	4,977,266
Public programs	3,934,866	-	-	3,934,866
	<u>14,703,113</u>	<u>-</u>	<u>-</u>	<u>14,703,113</u>
Support services:				
Management and general	2,467,247	4,908	-	2,472,155
Fundraising	1,685,894	10,959	-	1,696,853
	<u>4,153,141</u>	<u>15,867</u>	<u>-</u>	<u>4,169,008</u>
	<u>18,856,254</u>	<u>15,867</u>	<u>-</u>	<u>18,872,121</u>
Loss on disposal of assets	4,428,698	-	-	4,428,698
Change in net assets before transfers	3,096,260	4,777,970	-	7,874,230
Transfers of net assets	371,544	(371,544)	-	-
Change in net assets	<u>\$ 3,467,804</u>	<u>\$ 4,406,426</u>	<u>\$ -</u>	<u>\$ 7,874,230</u>

# Lowell Observatory

## Single Audit Reports

Year Ended December 31, 2023

# Lowell Observatory

## Single Audit Reports

Year Ended December 31, 2023

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**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Sole Trustee and Management  
Lowell Observatory  
Flagstaff, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Lowell Observatory (the Organization), which comprise the combined statement of financial position as of December 31, 2023, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated April 22, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's combined financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BeadFleischman PLLC*

Phoenix, Arizona  
April 22, 2024

**Independent Auditors' Report on Compliance for Each Major Program,  
on Internal Control over Compliance, and on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

Sole Trustee and Management  
Lowell Observatory  
Flagstaff, Arizona

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Lowell Observatory's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the combined financial statements of the Organization as of and for the year ended December 31, 2023, and have issued our report thereon dated April 22, 2024, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

*BeachFleischman PLLC*

Phoenix, Arizona  
April 22, 2024



# Lowell Observatory

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Grant number	Pass-through entity identifying number	Federal assistance listing number (ALN)	Passed through to subrecipients	Federal expenditures
Research and Development - Cluster					
<u>National Aeronautics and Space Administration</u>					
Science:					
Direct awards:					
NASA Headquarters	81105	80NSSC19K0556	43.001	\$ 181,466	\$ 189,235
NASA Headquarters	81130	80NSSC19K0289	43.001	-	10,771
NASA Headquarters	81211	80NSSC21K1828	43.001	28,906	176,652
NASA Headquarters	81225	80NSSC21K0886	43.001	-	23,433
NASA Headquarters	81325	80NSSC20K1001	43.001	-	72,864
NASA Headquarters	81326	80NSSC23K0040	43.001	-	69,844
NASA Headquarters	81405	NNX17AF13G	43.001	-	5,703
NASA Headquarters	81420	80NSSC18K0729	43.001	11,776	39,825
NASA Headquarters	81491	80NSSC21K0168	43.001	106,655	152,893
NASA Headquarters	81503	80NSSC21K1328	43.001	36,239	249,841
NASA Headquarters	81506	80NSSC19K0420	43.001	-	161,225
NASA Headquarters	81531	80NSSC22K0659	43.001	-	<u>16,853</u>
Total direct NASA				<u>365,042</u>	<u>1,169,139</u>
Pass-through awards:					
NASA JPL/CalTech	82451	FFP 1689877	43.001	-	13,452
NASA JPL/CalTech	82810	RSA 1659108	43.001	-	9,756
NASA JPL/CalTech	82811	RSA 1665163	43.001	-	13,650
NASA JPL/CalTech	82812	RSA 1690492	43.001	-	10,312
Space Telescope Science Institute	73827	HST-GO-15648.003-A	43.001	-	11,827
Space Telescope Science Institute	73828	HST-GO-16056.006-A	43.001	-	20,667
Space Telescope Science Institute	73829	HST-GO-16720.004-A	43.001	-	9,641
Space Telescope Science Institute	73868	HST-GO-17212.001-A	43.001	-	5,358
Johns Hopkins Applied Physics Lab	78506	#173217	43.001	-	124,512
Southwest Research Institute	78415	#K99090JRG	43.001	-	120,478
Southwest Research Institute	78420	#K99058JRG	43.001	-	47,895
Southwest Research Institute	78426	M99055DS	43.001	-	651
Southwest Research Institute	78431	#278981Q	43.001	-	61,003
Planetary Science Institute	78446	#1641	43.001	-	6,902
William Marsh Rice University	78450	#X03017904	43.001	-	38,466
San Francisco State University	78480	#S21-0002	43.001	-	16,345
US Naval Academy	78520	ZTAXZ BQ 18	43.001	-	<u>15,857</u>
Total pass-through NASA				<u>-</u>	<u>526,772</u>
Total NASA				<u>\$ 365,042</u>	<u>\$ 1,695,911</u>

## Lowell Observatory

### Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2023

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Grant number	Pass-through entity identifying number	Federal assistance listing number (ALN)	Passed through to subrecipients	Federal expenditures
Research and Development - Cluster (continued)					
<u>National Science Foundation</u>					
Mathematical and Physical Sciences:					
Direct awards:					
National Science Foundation	83005	AST-1907492	47.049	\$ 68,822	\$ 84,344
National Science Foundation	83012	AST-2025202	47.049	-	61,142
National Science Foundation	83020	AST-1944827	47.049	-	64,526
National Science Foundation	83051	AST-2109207	47.049	-	96,462
National Science Foundation	83070	AST-2009343	47.049	-	40,627
National Science Foundation	83075	AST-2009501	47.049	-	27,948
National Science Foundation	83110	AST-2307594	47.049	-	33,477
National Science Foundation	83130	AST-2109179	47.049	-	146,844
National Science Foundation	83135	AST-2206703	47.049	-	21,084
Total direct National Science Foundation				<u>68,822</u>	<u>576,454</u>
Pass-through awards:					
New Mexico Institute of Mining and Technology	83202	PO023587	47.049	-	24,491
Total pass-through National Science Foundation				<u>-</u>	<u>24,491</u>
Total National Science Foundation				<u>68,822</u>	<u>600,945</u>
<u>Department of Defense</u>					
Basic and Applied Scientific Research:					
Direct awards:					
Naval Research Laboratory	75115, 75120, 75125	N00173-16-2-C904	12.300	-	714,872
Total Department of Defense				<u>-</u>	<u>714,872</u>
Total Research and Development - Cluster				<u>433,864</u>	<u>3,011,728</u>
<u>Small Business Administration</u>					
Disaster Assistance Loan:					
Direct awards:					
Economic Injury Disaster Loans			59.008	-	612,957
Total Small Business Administration				<u>-</u>	<u>612,957</u>
Total expenditures of federal awards				<u>\$ 433,864</u>	<u>\$ 3,624,685</u>

See accompanying notes to schedule of expenditures of federal awards

# Lowell Observatory

## Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Lowell Observatory (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Lowell Observatory, it is not intended to and does not present the combined financial position, changes in net assets or cash flows of the Organization.

2. Summary of significant accounting policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Federal assistance listing numbers (ALN):

The program titles and ALN numbers or federal identification numbers were obtained from the federal or pass-through grantor or the update to the *Catalog of Federal Domestic Assistance*.

4. Disaster assistance loans:

Balances outstanding on disaster assistance loans (ALN 59.008) at the end of the audit period were \$1,953,514.

# Lowell Observatory

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

### Summary of Auditors' Results

#### Financial Statements

The auditors' report expressed an unmodified opinion on whether the combined financial statements of Lowell Observatory were prepared in accordance with accounting principles generally accepted in the United States of America.

Internal control over financial reporting:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No
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#### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

The auditors' report on compliance for the major federal awards program of Lowell Observatory expressed an unmodified opinion on its major programs.

There were no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

Identification of major federal programs:

Research and Development Cluster:	
Science	ALN 43.001
Mathematical and Physical Sciences	ALN 47.049
Basic and Applied Scientific Research	ALN 12.300

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee?	<u>  X  </u> Yes	<u>      </u> No
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## Lowell Observatory

### Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2023

#### Findings - Financial Statement Audit

None

## Lowell Observatory

### Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2023

#### Findings and Questioned Costs - Major Federal Award Programs Audit

None

# Lowell Observatory

## Summary Schedule of Prior Year Findings

Year Ended December 31, 2023

None