

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2010 AND 2009**

*CPAs / ADVISORS*



**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

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JUNE 30, 2010 AND 2009

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Association for Research on Nonprofit  
Organizations and Voluntary Action  
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Association for Research on Nonprofit Organizations and Voluntary Action ("ARNOVA") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ARNOVA'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 ARNOVA as of June 30, 2010 and 2009, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic June 30, 2010 and 2009 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Blue & Co., LLC*

November 2, 2010

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2010 AND 2009

<b>ASSETS</b>		
	2010	2009
Cash and cash equivalents	\$ 338,175	\$ 88,359
Cash held by others	36,215	19,953
Investments	808,987	1,030,330
Grants receivable	23,000	75,000
Accounts receivable	52,511	40,460
Prepaid expenses	11,348	23,427
Inventory	5,798	6,009
Property and equipment, net	8,479	21,371
	\$ 1,284,513	\$ 1,304,909
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 8,398	\$ 15,477
Accrued payroll and benefits	17,824	17,463
Deferred member dues	41,264	59,621
Total liabilities	67,486	92,561
<b>Net assets</b>		
<b>Unrestricted</b>		
Undesignated	619,706	540,329
Board designated	317,992	317,992
	937,698	858,321
Temporarily restricted	260,154	334,852
Permanently restricted	19,175	19,175
Total net assets	1,217,027	1,212,348
	\$ 1,284,513	\$ 1,304,909

*See accompanying notes to financial statements.*

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

(With Comparative Total for the Year Ended June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenue</b>					
Grants	\$ -0-	\$ 194,500	\$ -0-	\$ 194,500	\$ 150,000
Membership dues	95,357	-0-	-0-	95,357	106,443
Conference revenue and sponsorships	102,337	21,250	-0-	123,587	159,065
Publications	96,777	16,000	-0-	112,777	98,268
Contributions	10,936	61,017	-0-	71,953	69,963
Interest income on cash and cash equivalents	385	-0-	-0-	385	1,969
Other	1,127	-0-	-0-	1,127	5,101
Net assets released from restrictions	367,993	(367,993)	-0-	-0-	-0-
<b>Total support and revenue</b>	<b>674,912</b>	<b>(75,226)</b>	<b>-0-</b>	<b>599,686</b>	<b>590,809</b>
<b>Expenses</b>					
Program					
Conference	201,793	-0-	-0-	201,793	234,161
Publications	101,177	-0-	-0-	101,177	109,950
Membership services	101,150	-0-	-0-	101,150	86,749
Scholarships and awards	31,982	-0-	-0-	31,982	31,125
Other programs	42,801	-0-	-0-	42,801	36,520
<b>Total program expenses</b>	<b>478,903</b>	<b>-0-</b>	<b>-0-</b>	<b>478,903</b>	<b>498,505</b>
Management and general	136,412	-0-	-0-	136,412	162,443
Fundraising	8,424	-0-	-0-	8,424	7,431
<b>Total expenses</b>	<b>623,739</b>	<b>-0-</b>	<b>-0-</b>	<b>623,739</b>	<b>668,379</b>
 Change in net assets from operations	 51,173	 (75,226)	 -0-	 (24,053)	 (77,570)
<b>Other income (loss)</b>					
Investment return, net	29,013	528	-0-	29,541	28,816
Loss on disposition of property and equipment	(809)	-0-	-0-	(809)	-0-
<b>Total other income</b>	<b>28,204</b>	<b>528</b>	<b>-0-</b>	<b>28,732</b>	<b>28,816</b>
 Change in net assets	 79,377	 (74,698)	 -0-	 4,679	 (48,754)
<b>Net assets, beginning of period</b>	<b>858,321</b>	<b>334,852</b>	<b>19,175</b>	<b>1,212,348</b>	<b>1,261,102</b>
<b>Net assets, end of period</b>	<b>\$ 937,698</b>	<b>\$ 260,154</b>	<b>\$ 19,175</b>	<b>\$ 1,217,027</b>	<b>\$ 1,212,348</b>

*See accompanying notes to financial statements.*

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue</b>				
Grants	\$ -0-	\$ 150,000	\$ -0-	\$ 150,000
Membership dues	106,443	-0-	-0-	106,443
Conference revenue and sponsorships	131,170	27,895	-0-	159,065
Publications	83,268	15,000	-0-	98,268
Contributions	10,414	59,549	-0-	69,963
Interest income on cash and cash equivalents	1,969	-0-	-0-	1,969
Other	5,101	-0-	-0-	5,101
Net assets released from restrictions	<u>273,375</u>	<u>(273,375)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenue	611,740	(20,931)	-0-	590,809
<b>Expenses</b>				
Program				
Conference	234,161	-0-	-0-	234,161
Publications	109,950	-0-	-0-	109,950
Membership services	86,749	-0-	-0-	86,749
Scholarships and awards	31,125	-0-	-0-	31,125
Other programs	<u>36,520</u>	<u>-0-</u>	<u>-0-</u>	<u>36,520</u>
Total program expenses	498,505	-0-	-0-	498,505
Management and general	162,443	-0-	-0-	162,443
Fundraising	<u>7,431</u>	<u>-0-</u>	<u>-0-</u>	<u>7,431</u>
Total expenses	<u>668,379</u>	<u>-0-</u>	<u>-0-</u>	<u>668,379</u>
Change in net assets from operations	(56,639)	(20,931)	-0-	(77,570)
Investment return, net	<u>28,290</u>	<u>526</u>	<u>-0-</u>	<u>28,816</u>
Change in net assets	(28,349)	(20,405)	-0-	(48,754)
Net assets, beginning of period	<u>886,670</u>	<u>355,257</u>	<u>19,175</u>	<u>1,261,102</u>
Net assets, end of period	<u>\$ 858,321</u>	<u>\$ 334,852</u>	<u>\$ 19,175</u>	<u>\$ 1,212,348</u>

*See accompanying notes to financial statements.*

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<b>Operating activities</b>		
Cash received from publications, conference, and membership dues	\$ 203,264	\$ 274,464
Cash received from contributions and grants	257,936	348,899
Interest and dividends received	16,417	16,193
Royalties received	98,494	95,203
Miscellaneous receipts	682	2,304
Cash paid to employees and suppliers	(557,650)	(614,409)
Change in cash held by others	(16,262)	(8,318)
Net cash flows from operating activities	2,881	114,336
<b>Investing activities</b>		
Capital expenditures	(1,096)	(4,020)
Proceeds from sale of investments	663,367	1,114,720
Purchase of investments	(415,336)	(1,272,529)
Net cash flows from investing activities	246,935	(161,829)
Net change in cash and cash equivalents	249,816	(47,493)
<b>Cash and cash equivalents, beginning of period</b>	88,359	135,852
<b>Cash and cash equivalents, end of period</b>	\$ 338,175	\$ 88,359
<b>Reconciliation of change in net assets to net cash flows from operating activities</b>		
Change in net assets	\$ 4,679	\$ (48,754)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	13,179	14,971
Loss on disposal of property and equipment	809	-0-
Unrealized gain on investments	(1,354)	(234)
Change in accrued interest included in investments	(25,334)	(13,697)
Changes in assets and liabilities		
Cash held by others	(16,262)	(8,318)
Grants receivable	52,000	186,960
Other receivables	(12,051)	(6,618)
Prepaid expenses	12,079	(7,344)
Inventories	211	(6,009)
Accounts payable	(7,079)	(7,445)
Accrued payroll and benefits	361	4,668
Deferred member dues	(18,357)	6,156
Net cash flows from operating activities	\$ 2,881	\$ 114,336
<b>Supplemental disclosure of cash flow information</b>		
Accrued interest included in investments	\$ 46,726	\$ 21,392

*See accompanying notes to financial statements.*

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

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## 1. NATURE OF ACTIVITIES

The Association for Research on Nonprofit Organizations and Voluntary Action ("ARNOVA") is a non-profit corporation incorporated in the District of Columbia which was established to foster the creation, application, and dissemination of research about voluntary action, nonprofit organizations and philanthropy.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

Net assets, support, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the residual net assets of ARNOVA are classified and reported as follows:

#### Unrestricted net assets

Undesignated	Net assets that are not subject to donor-imposed stipulations.
Board designated	Net assets not subject to donor-imposed stipulations that have been set aside by the Board of Directors of ARNOVA for future purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by action of ARNOVA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of ARNOVA.

ARNOVA uses fund accounting to record and report its activities. Included in the unrestricted net asset classification are the activities of the Operating and the Reserve funds. All other funds are included in the temporarily restricted or permanently restricted net asset classifications.



# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements.

**Conference** – salaries, benefits and direct costs related to the ARNOVA annual conference.

**Publications** – salaries, benefits and direct costs related to the publication of the ARNOVA News, Nonprofit & Voluntary Sector Quarterly, annual report, and website.

**Membership services** – salaries, benefits and direct costs related to providing benefits to members.

**Scholarships and awards** – scholarships to attend the conference and book, dissertation and lifetime achievement awards.

**Other** – salaries, benefits and direct costs related to providing other miscellaneous programs.

**Management and General** – Includes the functions necessary to provide coordination and articulation of ARNOVA's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of ARNOVA.

**Fundraising** – Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Cash Equivalents

For the purposes of the Statement of Cash Flows, ARNOVA considers cash equivalents to include all investments with original maturities of ninety days or less, but excludes cash held by others and cash equivalents held by various fund managers included in investments.

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# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Investments and Investment Return

ARNOVA carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Statement of Activities in the period in which such changes occur. Investment return is recognized as unrestricted unless specified under donor-imposed restrictions.

### Grants Receivable

Grants receivable consist of amounts that have been unconditionally promised to ARNOVA and are supported by a written grant agreement. Management estimates an allowance for uncollectible grants receivable based on current economic conditions, historical trends, and past experience with their grantors. At June 30, 2010 and 2009, management believes that grants receivable are fully collectible.

### Accounts Receivable

Accounts receivable represent amounts earned but not collected and consists mainly of royalties. Amounts are recorded at net realizable value.

### Inventories

Inventories, consisting of publications, are stated at the lower of cost or market. Cost is determined using the first in, first out (FIFO) method.

### Property and Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives (3-7 years) of the related assets. Repairs, maintenance and minor replacements are expensed.

Property and equipment consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ -0-	\$ 2,345
Furniture and equipment	3,247	4,413
Computer equipment	36,906	36,906
Software	92,885	91,988
	<u>133,038</u>	<u>135,652</u>
Accumulated depreciation	<u>(124,559)</u>	<u>(114,281)</u>
	<u>\$ 8,479</u>	<u>\$ 21,371</u>

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# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### Support and Revenue Recognition

**Grants, Conference Sponsorships, and Contributions** include unconditional promises to give and, if restricted by the donor, are recognized as temporarily restricted support in the period the grant, sponsorship, or contribution is received or the promise is made. Contributions that are not restricted by the donor are reported as an increase in unrestricted net assets.

**Membership dues** are recognized in the year to which they relate.

**Conference revenue** is recognized at the completion of the event.

All other support and revenue is reported when earned.

### Contributed Services

Contributed services are recognized as contributions in the financial statements if those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased (Note 8).

Many individuals volunteer their time to perform a variety of tasks that are essential to fulfilling the missions of ARNOVA; however, these services do not meet the criteria for recognition as contributed services. As such, the financial statements do not reflect the substantial value of services contributed by volunteers for the year ended June 30, 2010 as summarized below:

- 133 respondents indicated they had volunteered for ARNOVA during the fiscal year. Hours were reported by 131 of them, totaling 5,747 hours. Volunteer hours for NVSQ activities were analyzed separately, resulting in an addition of 3,215 hours, for a grand total of 8,962. This is the equivalent of about 5 full-time equivalents.
- The volunteers in this study contributed \$12,113 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$290,638 in hours volunteered, for a total of \$302,751. In-kind resources reported donated by other sources totaled an additional \$100,397.

Calculated in this way, the volunteer contributions represent 67 percent of the total activity hours (paid and unpaid), and 33 percent of all incoming resources.

### Functional Allocation of Expenses

The costs of providing the programs and services of ARNOVA have been summarized on a functional basis in the Statement of Activities. Directly identifiable expenses are charged to programs or supporting services. Salaries and benefits related to more than one function are charged to programs and

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# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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supporting services on the basis of periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ARNOVA.

### Income Taxes

ARNOVA is organized as a not-for-profit corporation and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### Subsequent Events

ARNOVA has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued which is November 2, 2010.

## 3. INVESTMENTS

Investments consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Money market funds	\$ 36,213	\$ 123,313
Certificates of deposit	746,221	881,030
Fixed income mutual fund	25,962	25,419
Equity	591	568
	<u>\$ 808,987</u>	<u>\$ 1,030,330</u>

The Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification provides a comprehensive framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

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

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

- Money Market Funds are valued at the closing price reported on the active market on which the funds are held.
- Certificate of Deposits are valued at cost which approximates fair value.
- Fixed Income Mutual Funds are valued at the net asset value of shares held by the fund at year end.
- The Equity is valued at the closing price reported on the active markets on which the security is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ARNOVA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

All of ARNOVA's investments at June 30, 2010 and 2009 are considered to be Level 1 investments within the fair value hierarchy.

The following schedule summarizes the investment return for each of the years ended June 30:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 28,187	\$ 28,582
Unrealized gains	1,354	234
	<u>\$ 29,541</u>	<u>\$ 28,816</u>

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**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

**4. GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30:

	2010	2009
The Ford Foundation	\$ -0-	\$ 75,000
Charles Stewart Mott Foundation	20,000	-0-
RGK Center for Philanthropy and Community Service	3,000	-0-
	\$ 23,000	\$ 75,000
Receivable in less than one year	\$ 2,000	\$ 75,000
Receivable in one to five years	21,000	-0-
	\$ 23,000	\$ 75,000

**5. NET ASSETS**

Board Designated

Board designated net asset activity is depicted below along with the balance of net assets which have been set aside for the following board-imposed purposes:

	2010			
June 30, 2009	New Designations	Released from Designations	June 30, 2010	
General operating	\$ 50,000	\$ -0-	\$ -0-	\$ 50,000
Cash flow volatility	200,000	-0-	-0-	200,000
Grant advance	25,000	-0-	-0-	25,000
Scholarships	42,992	-0-	-0-	42,992
	\$ 317,992	\$ -0-	\$ -0-	\$ 317,992

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

	2009			June 30, 2009
	June 30, 2008	New Designations	Released from Designations	
General operating	\$ 50,000	\$ -0-	\$ -0-	\$ 50,000
Cash flow volatility	200,000	-0-	-0-	200,000
Grant advance	25,000	-0-	-0-	25,000
Scholarships	42,992	-0-	-0-	42,992
	<u>\$ 317,992</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 317,992</u>

Temporarily Restricted

Temporarily restricted net asset activity is depicted below along with the balance of temporarily restricted net assets that are available to be expended for the following donor-imposed purposes or periods. Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donors as follows:

	2010			June 30, 2010
	June 30, 2009	Restricted	Released	
Future periods	\$ 318,458	\$ 88,000	\$ 260,226	\$ 146,232
Publications	-0-	76,517	76,517	-0-
Scholarships	16,394	1,028	2,000	15,422
Conference	-0-	127,750	29,250	98,500
	<u>\$ 334,852</u>	<u>\$ 293,295</u>	<u>\$ 367,993</u>	<u>\$ 260,154</u>

	2009			June 30, 2009
	June 30, 2008	Restricted	Released	
Future periods	\$ 339,914	\$ 150,000	\$ 171,456	\$ 318,458
Publications	-0-	73,024	73,024	-0-
Scholarships	15,343	2,051	1,000	16,394
Conference	-0-	27,895	27,895	-0-
	<u>\$ 355,257</u>	<u>\$ 252,970</u>	<u>\$ 273,375</u>	<u>\$ 334,852</u>

Permanently Restricted

Net assets of \$19,175 as of June 30, 2010 and 2009 are to be held in perpetuity. Income from investments representing permanently restricted net assets is expendable to provide scholarships and pay administrative expenses.

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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### 6. ENDOWMENT

ARNOVA's endowment consists solely of one donor restricted fund that was established to support a scholarship. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

Management has interpreted the Uniform Prudent Management 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 absent explicit donor stipulations to the contrary. As a result the interpretation, ARNOVA classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by ARNOVA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ARNOVA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

#### Funds with Deficiencies

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires ARNOVA to retain as a fund of perpetual duration. There are no deficiencies of this nature at June 30, 2010 and 2009.



**ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

Return Objectives and Risk Parameters

ARNOVA has adopted investment and spending policies for investments functioning as endowment that attempts to provide a predictable stream of funding to the program supported by its endowment while seeking to maintain the fair value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowed investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowed investments and which allows spending consistent with the terms of the donor's restricted endowment. ARNOVA expects its endowment investments, over time, to provide an average rate of return of at least 2.6% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

ARNOVA's primary investment objective is to provide liquidity and preservation of capital. ARNOVA relies on a total return strategy in which investment returns are achieved primarily through current yield (interest and dividends). ARNOVA's policy is to invest in fully insured accounts, certificates of deposit, or U.S. government treasury instruments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

ARNOVA has a policy for its donor-restricted endowment fund of appropriating for distribution each year all earnings from the endowment investments up to \$1,000.

The composition and change in endowment net assets is as follows for the year ended June 30:

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -0-	\$ -0-	\$ 19,175	\$ 19,175
Interest earned	-0-	528	-0-	528
Distributions	-0-	(528)	-0-	(528)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,175</u>	<u>\$ 19,175</u>

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	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -0-	\$ -0-	\$ 19,175	\$ 19,175
Interest earned	-0-	526	-0-	526
Distributions	-0-	(526)	-0-	(526)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,175</u>	<u>\$ 19,175</u>

**7. CONCENTRATIONS**

ARNOVA maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. ARNOVA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

For the year ended June 30, 2010, one foundation's grant accounted for 26% of ARNOVA's total support and revenues. For the year ended June 30, 2009, another foundation's grant accounted for 25% of ARNOVA's total support and revenues.

**8. AGREEMENT WITH INDIANA UNIVERSITY**

ARNOVA is provided with contributed services, payroll processing and other administrative services under terms of an agreement with Indiana University ("IU") as follows:

IU provides personnel who perform editorial services for the publication Nonprofit & Voluntary Sector Quarterly. The value of these contributed services was \$60,517 and \$58,024 and is included in contributions and program expense in the Statement of Activities for the years ended June 30, 2010 and 2009, respectively.

For the processing of transactions related to payroll and other administrative services, ARNOVA pays a 2.65% administrative fee to IU based on the total expenses processed on behalf of ARNOVA. The total amount paid to IU during the years ended June 30, 2010 and 2009 was \$4,002 and \$5,529, respectively, and is included in management and general expense in the Statement of Activities.

Personnel working for ARNOVA are legally employees of IU and as such, they are entitled to all benefits provided to IU employees (in their same classification) as well as being subject to all policies and procedures pertaining to IU employees.

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## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

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The total amount reimbursed to IU for salaries and benefits during the years ended June 30, 2010 and 2009 was \$191,331 and \$199,123, respectively. These amounts are allocated among program, management and general and fundraising expenses in the Statement of Activities.

To facilitate the processing of transactions with IU, ARNOVA is required to maintain a cash account with the University. ARNOVA has no access to the cash in the account. At June 30, 2010 and 2009, respectively, the balance in that account was \$36,215 and \$19,953 and is reported as cash held by others on the Statement of Financial Position.

Finally, the office space utilized by ARNOVA through June 14, 2010 was leased by IU from a third party. ARNOVA paid the monthly rental charge for this space directly to the third party lessor. Total rent expense paid by ARNOVA was \$8,597 and \$15,468 for the years ended June 30, 2010 and 2009, respectively.

### 9. OPERATING LEASE

Beginning June 14, 2010, ARNOVA leases its office space under the terms of an operating lease that calls for monthly payments of \$853 through June 14, 2012. Future minimum lease payments as of June 30, 2010, under this lease, are \$10,236 for 2011 and \$10,236 for 2012.

Prior to June 14, 2010, ARNOVA leased office space in a building leased by IU from a third party (Note 8). ARNOVA also rents storage space under month-to-month arrangements.

Total rent expense for the years ended June 30, 2010 and 2009 was \$11,986 and \$15,468, respectively.

**SUPPLEMENTARY INFORMATION**



# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2009

Expense	Program Expenses					Supporting Services		2009 Total Expenses
	Conference	Publications	Membership Services	Scholarships and Awards	Other Programs	Total	Management and General	
Personnel expense								
Staff salaries	\$ 46,328	\$ 8,799	\$ 49,979	\$ -	\$ 22,944	\$ 128,050	\$ 45,940	\$ 4,040
Staff benefits	14,118	3,013	14,680	-	9,222	41,033	12,856	1,648
Temporary & contract labor/stipends	22,080	81,140	8,297	-	-	111,517	91	-
	82,526	92,952	72,956	-	32,166	280,600	58,887	5,688
Printing	12,109	4,392	57	-	1,608	18,166	2,563	130
Postage	3,480	1,047	137	-	257	4,921	687	551
Supplies	4,745	5,982	-	-	-	10,727	2,897	-
Conference	125,222	-	-	-	-	125,222	-	-
Travel and meetings	-	2,808	-	-	-	2,808	23,655	521
Scholarships and awards	-	-	-	31,125	-	31,125	-	-
Sections	-	-	3,676	-	-	3,676	-	-
Diversity initiative	-	-	2,963	-	-	2,963	-	-
Website	-	-	497	-	-	497	-	-
Rent	3,964	1,458	4,125	-	1,591	11,138	3,924	407
Telephone/fax/copier	2,115	1,311	2,338	-	898	6,662	2,967	134
Insurance	-	-	-	-	-	-	6,093	-
Administration, credit card and bank fees	-	-	-	-	-	-	14,674	-
Computers	-	-	-	-	-	-	1,028	-
Legal	-	-	-	-	-	-	7	-
Accounting	-	-	-	-	-	-	23,329	-
Depreciation	-	-	-	-	-	-	14,971	-
Collaboration	-	-	-	-	-	-	4,113	-
Election	-	-	-	-	-	-	2,648	-
<b>Total Expense</b>	<b>\$ 234,161</b>	<b>\$ 109,950</b>	<b>\$ 86,749</b>	<b>\$ 31,125</b>	<b>\$ 36,520</b>	<b>\$ 498,505</b>	<b>\$ 162,443</b>	<b>\$ 7,431</b>