
ASSOCIATION FOR RESEARCH ON NONPROFIT
ORGANIZATIONS AND VOLUNTARY ACTION

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2018 AND 2017

GREENWALT^{CPAs}

We Deliver Peace of Mind



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Association for Research on Nonprofit Organizations and Voluntary Action:

We have audited the accompanying financial statements of the Association for Research on Nonprofit Organizations and Voluntary Action ("ARNOVA"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARNOVA as of December 31, 2018 and 2017, 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.

Greenwalt CPAs, Inc.

March 29, 2019

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$ 413,447	\$ 937,373
Cash held by others (Note 9)	<u>21,119</u>	<u>49,748</u>
<i>Total cash</i>	434,566	987,121
Investments	847,593	912,090
Accounts receivable	10,907	40,352
Grants receivable	995,500	202,500
Prepaid expenses	8,055	35,421
Equipment and software, net	<u>4,112</u>	<u>3,806</u>
<i>Total assets</i>	<u>\$ 2,300,733</u>	<u>\$ 2,181,290</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 206,867	\$ 43,271
Accrued payroll and benefits	47,028	43,112
Deferred revenue	5,430	18,097
Funds held on behalf of others	<u>585</u>	<u>-</u>
<i>Total liabilities</i>	<u>259,910</u>	<u>104,480</u>

COMMITMENTS (NOTE 10)

NET ASSETS

Without donor restrictions		
Undesignated	531,978	728,720
Board designated (Note 5)	<u>289,838</u>	<u>340,444</u>
<i>Total net assets without donor restrictions</i>	821,816	1,069,164
With donor restrictions	<u>1,219,007</u>	<u>1,007,646</u>
<i>Total net assets</i>	<u>2,040,823</u>	<u>2,076,810</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,300,733</u>	<u>\$ 2,181,290</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2018 TOTAL	2017 TOTAL
REVENUE AND SUPPORT				
Grants	\$ 5,000	\$ 888,000	\$ 893,000	\$ 810,000
Membership dues	161,395	-	161,395	145,865
Conference revenue and sponsorships	206,360	108,800	315,160	414,157
Publications and royalties	151,966	25,000	176,966	246,571
Contributions	1,140	-	1,140	5,420
In-kind contributions (Note 1)	-	263,700	263,700	296,690
Investment income (loss), net (Note 4)	(64,060)	-	(64,060)	127,377
Other	3,749	-	3,749	15,425
Net assets released from restrictions	1,074,139	(1,074,139)	-	-
<i>Total revenue and support</i>	<u>1,539,689</u>	<u>211,361</u>	<u>1,751,050</u>	<u>2,061,505</u>
EXPENSES				
Program:				
Events	585,236	-	585,236	541,421
Publications	331,474	-	331,474	332,854
Membership services	162,658	-	162,658	117,339
Other programs	474,089	-	474,089	66,156
<i>Total program expenses</i>	<u>1,553,457</u>	<u>-</u>	<u>1,553,457</u>	<u>1,057,770</u>
Management and general	173,576	-	173,576	137,521
Fundraising	60,004	-	60,004	61,975
<i>Total expenses</i>	<u>1,787,037</u>	<u>-</u>	<u>1,787,037</u>	<u>1,257,266</u>
INCREASE (DECREASE) IN NET ASSETS	(247,348)	211,361	(35,987)	804,239
NET ASSETS, BEGINNING OF YEAR	<u>1,069,164</u>	<u>1,007,646</u>	<u>2,076,810</u>	<u>1,272,571</u>
NET ASSETS, END OF YEAR	<u>\$ 821,816</u>	<u>\$ 1,219,007</u>	<u>\$ 2,040,823</u>	<u>\$ 2,076,810</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2017

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUE AND SUPPORT			
Grants	\$ -	\$ 810,000	\$ 810,000
Membership dues	145,865	-	145,865
Conference revenue and sponsorships	277,573	136,584	414,157
Publications and royalties	236,571	10,000	246,571
Contributions	5,420	-	5,420
In-kind contributions	-	296,690	296,690
Investment income, net (Note 3)	127,377	-	127,377
Other	15,425	-	15,425
Net assets released from restrictions	669,468	(669,468)	-
	<u>1,477,699</u>	<u>583,806</u>	<u>2,061,505</u>
<i>Total revenue and support</i>			
EXPENSES			
Program:			
Events	541,421	-	541,421
Publications	332,854	-	332,854
Membership services	117,339	-	117,339
Other programs	66,156	-	66,156
	<u>1,057,770</u>	<u>-</u>	<u>1,057,770</u>
<i>Total program expenses</i>			
Management and general	137,521	-	137,521
Fundraising	61,975	-	61,975
	<u>1,257,266</u>	<u>-</u>	<u>1,257,266</u>
<i>Total expenses</i>			
INCREASE IN NET ASSETS	220,433	583,806	804,239
NET ASSETS, BEGINNING OF YEAR	<u>848,731</u>	<u>423,840</u>	<u>1,272,571</u>
NET ASSETS, END OF YEAR	<u>\$ 1,069,164</u>	<u>\$ 1,007,646</u>	<u>\$ 2,076,810</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2018
 WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services							2018 Total	2017 Total
	Events	Publications	Membership Services	Other Programs	Total Program Services	Management and General	Fundraising		
Staff salaries	\$ 73,256	\$ 13,541	\$ 76,074	\$ -	\$ 162,871	\$ 58,505	\$ 24,368	\$ 245,744	\$ 199,356
Staff benefits	24,671	5,135	21,065	-	50,871	15,853	8,917	75,641	75,036
AROCSA executive director	-	-	-	52,500	52,500	-	-	52,500	-
Temporary and contract labor/stipends	-	264,500	-	45,000	309,500	-	-	309,500	264,500
<i>Total payroll costs</i>	<u>97,927</u>	<u>283,176</u>	<u>97,139</u>	<u>97,500</u>	<u>575,742</u>	<u>74,358</u>	<u>33,285</u>	<u>683,385</u>	<u>538,892</u>
Printing	14,132	5	2,960	304	17,401	531	3,293	21,225	21,916
Postage	2,274	106	399	24	2,803	669	975	4,447	5,224
Supplies	18,199	21,007	1,300	1,867	42,373	1,650	497	44,520	48,148
Conference	348,003	127	7,803	237,342	593,275	22,225	165	615,665	267,340
Travel and meetings	35,611	15,001	4,432	119,069	174,113	15,978	1,234	191,325	99,437
Scholarships and awards	15,547	-	2,879	6,000	24,426	-	-	24,426	60,576
Website	223	58	166	14	461	179	94	734	1,945
Rent	3,573	910	2,683	-	7,166	2,860	1,479	11,505	11,641
Telephone/fax/copier	2,802	625	2,345	-	5,772	2,173	1,011	8,956	6,004
Insurance	2,208	739	2,296	-	5,243	2,348	1,974	9,565	9,170
Administration	5,015	920	3,690	-	9,625	17,228	1,481	28,334	30,249
Technology equipment and maintenance	5,795	1,374	4,793	-	11,962	4,456	2,228	18,646	20,087
Accounting and other	31,271	6,877	26,431	-	64,579	22,975	11,132	98,686	88,109
Professional development	534	117	2,101	9,872	12,624	970	455	14,049	5,533
Depreciation and amortization	-	-	-	-	-	2,724	-	2,724	3,442
Collaboration	310	80	230	2,054	2,674	(1,505)	130	1,299	666
Other	1,812	352	1,011	43	3,218	3,757	571	7,546	38,887
<i>Total functional expenses</i>	<u>\$ 585,236</u>	<u>\$ 331,474</u>	<u>\$ 162,658</u>	<u>\$ 474,089</u>	<u>\$ 1,553,457</u>	<u>\$ 173,576</u>	<u>\$ 60,004</u>	<u>\$ 1,787,037</u>	<u>\$ 1,257,266</u>

See accompanying notes to financial statements.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services							Total
	Events	Publications	Membership Services	Other Programs	Total Program Services	Management and General	Fundraising	
Staff salaries	\$ 67,858	\$ 12,978	\$ 52,232	\$ -	\$ 133,068	\$ 39,846	\$ 26,442	\$ 199,356
Staff benefits	23,222	5,993	17,229	-	46,444	18,854	9,738	75,036
Temporary and contract labor/stipends	578	261,588	58	2,243	264,467	-	33	264,500
<i>Total payroll costs</i>	91,658	280,559	69,519	2,243	443,979	58,700	36,213	538,892
Printing	19,843	20	64	455	20,382	1,455	79	21,916
Postage	3,101	164	962	130	4,357	600	267	5,224
Supplies	21,501	21,066	1,102	1,482	45,151	2,335	662	48,148
Conference	232,581	-	9,812	17,290	259,683	7,377	280	267,340
Travel and meetings	31,199	15,000	529	41,073	87,801	8,167	3,469	99,437
Scholarships and awards	57,126	1,000	450	2,000	60,576	-	-	60,576
Website	603	156	447	-	1,206	486	253	1,945
Rent	3,587	926	2,662	-	7,175	2,962	1,504	11,641
Telephone/fax/copier	1,698	423	1,265	55	3,441	1,765	798	6,004
Insurance	1,839	733	2,151	-	4,723	2,250	2,197	9,170
Administration	5,562	4,363	4,097	53	14,075	13,849	2,325	30,249
Technology equipment and maintenance	9,525	1,180	3,394	330	14,429	3,739	1,919	20,087
Accounting and other	27,314	7,049	20,265	-	54,628	22,027	11,454	88,109
Professional development	1,087	209	602	-	1,898	3,295	340	5,533
Depreciation and amortization	-	-	-	-	-	3,442	-	3,442
Collaboration	25	6	18	-	49	402	215	666
Other	33,172	-	-	1,045	34,217	4,670	-	38,887
<i>Total functional expenses</i>	<u>\$ 541,421</u>	<u>\$ 332,854</u>	<u>\$ 117,339</u>	<u>\$ 66,156</u>	<u>\$ 1,057,770</u>	<u>\$ 137,521</u>	<u>\$ 61,975</u>	<u>\$ 1,257,266</u>

See accompanying notes to financial statements.

NET CHANGE IN CASH

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	\$ 775,078	\$ 1,614,727
Cash paid to employees and suppliers	(1,325,150)	(949,872)
Interest and dividends received	18,934	29,464
	<u>18,934</u>	<u>29,464</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(531,138)</u>	<u>694,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,030)	(750)
Purchases of investments	(18,387)	(29,155)
Sales of investments	-	109
	<u>-</u>	<u>109</u>
<i>Net cash used in investing activities</i>	<u>(21,417)</u>	<u>(29,796)</u>
INCREASE (DECREASE) IN CASH	(552,555)	664,523
CASH, BEGINNING OF YEAR	<u>987,121</u>	<u>322,598</u>
CASH, END OF YEAR	<u>\$ 434,566</u>	<u>\$ 987,121</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
 PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS	<u>\$ (35,987)</u>	<u>\$ 804,239</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation and amortization expense	2,724	3,442
Unrealized and realized (gain) loss on investments	82,884	(97,913)
<i>(Increase) decrease in operating assets:</i>		
Accounts receivable	29,445	21,826
Grants receivable	(793,000)	7,500
Prepaid expenses	27,366	(29,260)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	163,596	32,308
Accrued payroll and benefits	3,916	4,214
Deferred revenue	(12,667)	(52,037)
Funds held on behalf of others	585	-
<i>Total adjustments</i>	<u>(495,151)</u>	<u>(109,920)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (531,138)</u>	<u>\$ 694,319</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

The Association for Research on Nonprofit Organizations and Voluntary Action ("ARNOVA") is a non-profit corporation incorporated in 1971 in the District of Columbia which was established to foster the creation, application, and dissemination of research about voluntary action, nonprofit organizations and philanthropy both nationally and internationally. ARNOVA's primary activities include an annual conference, publications, electronic discussions, and special interest groups. ARNOVA's major sources of revenue are grants, conference revenue and sponsorships, and revenue from publications and royalties.

DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

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

Events

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

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

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

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

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; maintain 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.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on the accrual basis of accounting. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CASH AND CASH EQUIVALENTS

ARNOVA considers all liquid investments with an original maturity of three months or less to be cash equivalents. At December 31, 2018 and 2017, ARNOVA had no cash equivalents. ARNOVA held cash in excess of Federal Deposit Insurance Corporation (FDIC) limits at December 31, 2018 and 2017 of approximately \$167,500 and \$702,000, respectively.

INVESTMENTS

Investments are carried at fair value for financial reporting purposes. Realized gains or losses upon the sale of investments are based on the cost of specifically identified securities. Changes in unrealized appreciation or depreciation of investments are reflected in the statement of activities in the period in which such changes occur. Interest and dividend income is recorded when earned. Investments consisted of mutual funds at December 31, 2018 and 2017 with a cost basis of \$897,687 and \$837,325, respectively. See Notes 3 and 4 for fair market value and income activity.

ACCOUNTS RECEIVABLE

Accounts receivable primarily represent sponsorships promised and membership dues invoiced but not collected and are carried at their estimated collectible amounts.

Management estimates an allowance for uncollectible accounts receivable based on current economic conditions, historical trends, and current and past experience. Balances that remain uncollected more than one year after their due dates are written off unless indicated that payment is merely postponed. Management has determined that all accounts receivable are collectible at December 31, 2018 and 2017 and no allowance for bad debts has been recorded.

GRANTS RECEIVABLE

Grants receivable are unconditional promises to give due in future periods. Grants receivables consisted of the following at December 31, 2018:

	<u>2018</u>	<u>2017</u>
Amounts due in one year	\$ 908,000	\$ 95,000
Amounts due in one to five years	75,000	57,500
Amounts due in more than five years	<u>12,500</u>	<u>50,000</u>
	<u>\$ 995,500</u>	<u>\$ 202,500</u>

EQUIPMENT AND SOFTWARE

ARNOVA capitalizes all significant acquisitions of equipment and software at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a useful life when acquired of more than one year with original cost greater than \$1,000. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight line method over the estimated useful lives of the assets ranging between 3 and 5 years.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

EQUIPMENT AND SOFTWARE, CONTINUED

Equipment and software consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 3,079	\$ 3,079
Computer equipment	19,999	16,969
Software	500	500
Less: accumulated depreciation and amortization	<u>(19,466)</u>	<u>(16,742)</u>
	<u>\$ 4,112</u>	<u>\$ 3,806</u>

DEFERRED REVENUE

Effective January 1, 2018, ARNOVA changed its membership period and billing from an anniversary year to a calendar year. Therefore, membership dues collected in advance of the calendar year to which the dues relate have been included in deferred revenue in the accompanying statement of financial position. Such deferred revenue will be recognized the following calendar year. Previously membership revenue was recognized over the twelve-month period subsequent to joining or renewing the membership.

NET ASSETS

Under Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ARNOVA is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limitations on the use of net assets without donor restrictions are the broad limits resulting for the nature of ARNOVA, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets without donor restrictions include undesignated and designated amounts, the uses of which are at the discretion of management and the Board of Directors. See Note 5.

With Donor Restrictions

Net assets with donor restrictions include contributions and grants with restrictions specified by the donors or grantors. Net assets with restrictions include time-, purpose-, and perpetually-restricted amounts. Time- and purpose-restricted amounts are discussed in Note 6. Perpetually-restricted amounts are discussed in Note 7. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

With Donor Restrictions, Continued

Net assets with donor restrictions consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Time and purpose restrictions (Note 6)	\$ 1,199,832	\$ 988,471
Perpetual restrictions (Note 7)	<u>19,175</u>	<u>19,175</u>
Total net assets with donor restrictions	<u>\$ 1,219,007</u>	<u>\$ 1,007,646</u>

SUPPORT AND REVENUE RECOGNITION

Grants, conference sponsorships, and contributions include unconditional promises to give and are recognized in the period the promise is made. Amounts that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All other donor-restricted support or support where payment is expected in a future period is reported as an increase in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

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

Conference revenue is recognized at the completion of the event. Royalty revenue is recognized when cash is received. All other 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.

Professional editorial services related to the publication of ARNOVA's Nonprofit & Voluntary Sector Quarterly publication (the NVSQ) are provided by volunteers who contribute their time to ARNOVA. ARNOVA has valued and recorded these services which meet the criteria for recognition and are necessary for it to carry out its programs. For each of the years ended December 31, 2018 and 2017, the value of contributed services amount of \$263,700 is included in in-kind contributions and program expenses.

Expenses related to an international conference held by ARNOVA during 2017 were covered by an international university. ARNOVA has recorded these contributions which meet the criteria for recognition and are necessary for it to carry out its conference as in-kind. For the year ended December 31, 2017, the value of contributed services amount of \$32,990 is included in in-kind contributions and program expenses.

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.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED SERVICES, CONTINUED

Annually, ARNOVA conducts a survey to determine the amount of volunteer time. For the year ended December 31, 2018, contributed services not reflected in the financial statements are summarized below:

- 180 respondents indicated they had volunteered for ARNOVA during the period of January 1, 2018 through December 31, 2018. Hours reported by respondents totaled 5,334. Volunteer hours for NVSQ activities were analyzed separately resulting in an addition of 5,745 hours, for a grand total of 11,079 hours. This is the equivalent of 5 full-time equivalent positions.
- The volunteers in this study contributed \$5,580 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$460,886 in hours volunteered, for a total of \$466,466.

For the year ended December 31, 2017, contributed services not reflected in the financial statements are summarized below:

- 173 respondents indicated they had volunteered for ARNOVA during the period of January 1, 2017 through December 31, 2017. Hours reported by respondents totaled 4,663. Volunteer hours for NVSQ activities were analyzed separately resulting in an addition of 5,669 hours, for a grand total of 10,332 hours. This is the equivalent of 5 full-time equivalent positions.
- The volunteers in this study contributed \$4,261 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$447,272 in hours volunteered, for a total of \$451,533.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific programs or supporting services identified. Salaries and benefits that are related to more than one function are charged to programs and 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 functions but provide for the overall support and direction of ARNOVA.

TAX STATUS

ARNOVA is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision is made for federal or state income taxes or income tax effects. ARNOVA is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through March 29, 2019, which is the date the financial statements were available to be issued.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NEW ACCOUNTING PRONOUNCEMENT

ARNOVA has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted and permanently restricted to two, net assets with and without donor restrictions. The update requires all not-for-profit entities to present the statement of functional expenses as a part of the basic financial statements or in the footnotes. In addition, the update requires a new disclosure regarding the availability of resources and liquidity. ARNOVA has adjusted the presentation of these statements accordingly. The update has been applied retrospectively to all periods presented, but had no impact on total net assets as of December 31, 2017.

2. AVAILABLE RESOURCES AND LIQUIDITY

ARNOVA strives to maintain sufficient operating cash to cover annual expenditures. Due to the irregular nature of cash flow as a result of operations, cash reserves can vary significantly throughout the year. Financial assets in excess of annual requirements are invested in mutual funds and other liquid assets.

The following table reflects ARNOVA's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the approval of the Board of Directors and membership.

Amounts not available to meet general expenditures within one year also include cash held by others, net assets with donor restrictions and accounts receivable not expected to be collected with the next year.

	<u>2018</u>
Financial assets at year-end:	
Cash	\$ 434,566
Investments	847,593
Accounts and grants receivable	<u>1,006,407</u>
Total financial assets	2,288,566
Less amounts not available to be used within one year:	
Cash held by others	(21,119)
Accounts receivable to collected in more than one year	(87,500)
Board designated net assets	(289,838)
Net assets with donor restrictions	<u>(1,219,007)</u>
Financial assets not available to be used with one year	<u>(1,617,464)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 671,102</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

3. FAIR VALUE MEASUREMENTS

The Accounting Standards for Fair Value Measurements defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. These standards also establish a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Fair values measured on a recurring basis at December 31:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
2018 Mutual funds	<u>\$ 847,593</u>	<u>\$ 847,593</u>	<u>\$ -</u>	<u>\$ -</u>
2017 Mutual funds	<u>\$ 912,090</u>	<u>\$ 912,090</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The method for determining fair value has not changed from the prior year.

4. INVESTMENT ACTIVITY

The following schedule summarizes the investment return for each period ended December 31 as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 18,934	\$ 29,464
Unrealized and realized gain (loss)	(82,884)	97,913
Investment fees	(110)	-
	<u>\$ (64,060)</u>	<u>\$ 127,377</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

5. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The following schedule summarizes the board-imposed purposes related to board designated net assets as of December 31:

	<u>2018</u>	<u>2017</u>
General operating	\$ -	\$ 50,000
Cash flow volatility	200,000	200,000
Grant advance	25,000	25,000
Scholarships	42,992	42,992
Section funds	<u>21,846</u>	<u>22,452</u>
	<u>\$ 289,838</u>	<u>\$ 340,444</u>

6. NET ASSETS WITH DONOR RESTRICTIONS - TIME AND PURPOSE

Net asset activity is depicted below along with the balance of net assets with donor restrictions 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. Net asset activity for each year are as follows:

<u>December 31, 2018</u>	<u>Beginning Balance</u>	<u>New Restrictions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Future periods (general operations)	\$ 265,479	\$ -	\$ 107,162	\$ 158,317
Collaborative research on civil society in the Arab world	125,000	-	10,000	115,000
Building partnership in West Africa	586,846	873,000	542,977	916,869
Publications	2,000	288,700	290,200	500
Scholarships	9,146	-	-	9,146
Conference	-	123,800	123,800	-
	<u>\$ 988,471</u>	<u>\$ 1,285,500</u>	<u>\$ 1,074,139</u>	<u>\$ 1,199,832</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

6. NET ASSETS WITH DONOR RESTRICTIONS - TIME AND PURPOSE

<u>December 31, 2017</u>	<u>Beginning Balance</u>	<u>New Restrictions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Future periods (general operations)	\$ 105,753	\$ 290,000	\$ 130,274	\$ 265,479
Collaborative research on civil society in the Arab world	-	125,000	-	125,000
Building partnership in West Africa	287,766	395,000	95,920	586,846
Publications	2,000	306,690	306,690	2,000
Scholarships	9,146	-	-	9,146
Conference	-	136,584	136,584	-
	<u>\$ 404,665</u>	<u>\$ 1,253,274</u>	<u>\$ 669,468</u>	<u>\$ 988,471</u>

7. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL ENDOWMENT

ARNOVA's endowment consists solely of one donor restricted fund that was established to support scholarships. 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 net assets with donor restrictions of a perpetual nature (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulation to the perpetual 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 perpetual endowment fund that is not classified in perpetually-restricted net assets is classified as time- and purpose-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 perpetual endowment funds:

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

7. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL ENDOWMENT, CONTINUED

- (1) The duration and preservation of the fund
- (2) The purpose of ARNOVA and the perpetual 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 perpetual 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 December 31, 2018 and 2017.

RETURN OBJECTIVES AND RISK PARAMETERS

ARNOVA has adopted investment and spending policies for investments functioning as perpetual endowment that attempts to provide a predictable stream of funding to the program supported by its perpetual endowment while seeking to maintain the fair value of the perpetual 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 restriction of the perpetual endowment.

ARNOVA expects its perpetual endowment investments, over time, to provide an average rate of return of at least 1% 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 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 mutual funds, exchange traded funds, and certificates of deposit to achieve its long-term return objectives within prudent risk constraints.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018 AND 2017

7. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL ENDOWMENT, CONTINUED

SPENDING POLICY

ARNOVA has a policy for its perpetual endowment fund of appropriating for distribution each fiscal period all earnings from the perpetual endowment investments up to \$1,000. The composition and change in perpetual endowment net assets for each year are as follows:

<u>December 31, 2018</u>	<u>Purpose - Restricted</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Perpetual endowment net assets, beginning of period	\$ 1,274	\$ 19,175	\$ 20,449
Interest earned	-	-	-
Perpetual endowment net assets, end of period	<u>\$ 1,274</u>	<u>\$ 19,175</u>	<u>\$ 20,449</u>

<u>December 31, 2017</u>	<u>Purpose- Restricted</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Perpetual endowment net assets, beginning of period	\$ 1,274	\$ 19,175	\$ 20,449
Interest earned	-	-	-
Perpetual endowment net assets, end of period	<u>\$ 1,274</u>	<u>\$ 19,175</u>	<u>\$ 20,449</u>

8. CONCENTRATIONS

For the year ended December 31, 2018, ARNOVA had one significant grant that totaled approximately 46% of total revenue and support. For the year ended December 31, 2017, ARNOVA had two significant grants that were 30% of total revenue and support.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

9. AGREEMENT WITH INDIANA UNIVERSITY

ARNOVA has an agreement with Indiana University ("IU") for personnel, payroll processing and other administrative services as follows:

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 December 31, 2018 and 2017 was \$9,415 and \$7,277, respectively. These expenses are included in management and general expenses.

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. The total amount reimbursed to IU for salaries and benefits for the years ended December 31, 2018 and 2017, was \$321,385 and \$274,392, respectively. These amounts are allocated among program, management and general, and fundraising expenses.

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 December 31, 2018 and 2017, respectively, the balances in that account were \$21,119 and \$49,748, respectively, and are reported as cash held by others on the statements of financial position.

10. OPERATING LEASE

ARNOVA leases its office space and storage space under the terms of operating leases that call for monthly payments of \$853 and \$68, respectively. Rental payments for office space are due through June 2019. As of the date of this report, the storage space lease was a month-to-month agreement. Total rental expense for the years ended December 31, 2018 and 2017, under terms of the operating leases referenced above was \$11,505 and \$11,641, respectively.

Future minimum annual rental payments under the office lease for the year ending December 31, 2019 is \$5,118.

11. RECLASSIFICATIONS

Certain balances in the 2017 financial statements have been retroactively reclassified for comparative purposes to conform to the presentation in the 2018 financial statements. These reclassifications had no impact on net assets as of December 31, 2017.