
ASSOCIATION FOR RESEARCH ON NONPROFIT
ORGANIZATIONS AND VOLUNTARY ACTION

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

April 9, 2021

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash	\$ 753,669	\$ 241,604
Cash held by others (Note 10)	<u>58,665</u>	<u>31,917</u>
<i>Total cash</i>	812,334	273,521
Investments	1,009,297	1,027,725
Accounts receivable	7,440	39,921
Grants receivable	40,000	460,000
Prepaid expenses	33,601	7,478
Equipment and software, net	<u>1,882</u>	<u>3,814</u>
<i>Total assets</i>	<u>\$ 1,904,554</u>	<u>\$ 1,812,459</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 5,698	\$ 153,694
Accrued payroll and benefits	85,075	58,002
Deferred revenue	61,874	21,439
Funds held on behalf of others (Note 5)	44,975	49,975
Refundable advance of PPP Funds (Note 6)	<u>37,742</u>	<u>-</u>
<i>Total liabilities</i>	<u>235,364</u>	<u>283,110</u>

COMMITMENTS AND CONTINGENCY (NOTES 11 AND 12)

NET ASSETS

Without donor restrictions		
Undesignated	632,544	572,979
Board designated (Note 7)	<u>290,861</u>	<u>286,148</u>
<i>Total net assets without donor restrictions</i>	923,405	859,127
With donor restrictions	<u>745,785</u>	<u>670,222</u>
<i>Total net assets</i>	<u>1,669,190</u>	<u>1,529,349</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,904,554</u>	<u>\$ 1,812,459</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>2020 TOTAL</u>	<u>2019 TOTAL</u>
REVENUE AND SUPPORT				
Grants	\$ 6,000	\$ 244,000	\$ 250,000	\$ 126,892
Membership dues	110,446	-	110,446	144,020
Conference revenue and sponsorships	95,720	66,450	162,170	392,230
Publications and royalties	189,887	20,000	209,887	204,681
Contributions	6,873	-	6,873	11,565
In-kind contributions (Note 1)	-	266,050	266,050	263,700
Investment income, net (Note 4)	131,722	-	131,722	180,424
Other	31,100	-	31,100	2,850
Net assets released from restrictions	520,937	(520,937)	-	-
<i>Total revenue and support</i>	<u>1,092,685</u>	<u>75,563</u>	<u>1,168,248</u>	<u>1,326,362</u>
EXPENSES				
Program				
Events	294,224	-	294,224	668,892
Publications	336,869	-	336,869	327,081
Membership services	101,377	-	101,377	183,182
Other programs	76,146	-	76,146	423,903
<i>Total program expenses</i>	808,616	-	808,616	1,603,058
Management and general	191,769	-	191,769	192,954
Fundraising	28,022	-	28,022	41,824
<i>Total expenses</i>	<u>1,028,407</u>	<u>-</u>	<u>1,028,407</u>	<u>1,837,836</u>
INCREASE (DECREASE) IN NET ASSETS	64,278	75,563	139,841	(511,474)
NET ASSETS, BEGINNING OF YEAR	<u>859,127</u>	<u>670,222</u>	<u>1,529,349</u>	<u>2,040,823</u>
NET ASSETS, END OF YEAR	<u>\$ 923,405</u>	<u>\$ 745,785</u>	<u>\$ 1,669,190</u>	<u>\$ 1,529,349</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUE AND SUPPORT			
Grants	\$ 61,392	\$ 65,500	\$ 126,892
Membership dues	144,020	-	144,020
Conference revenue and sponsorships	207,838	184,392	392,230
Publications and royalties	184,681	20,000	204,681
Contributions	11,565	-	11,565
In-kind contributions (Note 1)	-	263,700	263,700
Investment income, net (Note 4)	180,424	-	180,424
Other	2,850	-	2,850
Net assets released from restrictions	1,082,377	(1,082,377)	-
	<u>1,875,147</u>	<u>(548,785)</u>	<u>1,326,362</u>
<i>Total revenue and support</i>			
EXPENSES			
Program			
Events	668,892	-	668,892
Publications	327,081	-	327,081
Membership services	183,182	-	183,182
Other programs	423,903	-	423,903
	<u>1,603,058</u>	<u>-</u>	<u>1,603,058</u>
<i>Total program expenses</i>			
Management and general	192,954	-	192,954
Fundraising	41,824	-	41,824
	<u>1,837,836</u>	<u>-</u>	<u>1,837,836</u>
<i>Total expenses</i>			
INCREASE (DECREASE) IN NET ASSETS	37,311	(548,785)	(511,474)
NET ASSETS, BEGINNING OF YEAR	<u>821,816</u>	<u>1,219,007</u>	<u>2,040,823</u>
NET ASSETS, END OF YEAR	<u>\$ 859,127</u>	<u>\$ 670,222</u>	<u>\$ 1,529,349</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES					TOTAL PROGRAM SERVICES	MANGEMENT AND FUNDRAISING		2020 TOTAL	2019 TOTAL
	EVENTS	PUBLICATIONS	MEMBERSHIP SERVICES	OTHER PROGRAMS	GENERAL		FUNDRAISING			
Staff salaries and payroll taxes	\$ 54,834	\$ 12,168	\$ 50,562	\$ 1,644	\$ 119,208	\$ 38,456	\$ 15,460	\$ 173,124	\$ 189,744	
Staff benefits	21,155	3,022	21,155	-	45,332	9,066	6,045	60,443	52,309	
AROCSA executive director	-	-	-	56,500	56,500	-	-	56,500	-	
Temporary and contract labor/stipends	78,548	267,573	17,602	16,607	380,330	11,961	2,976	395,267	378,464	
<i>Total payroll costs</i>	154,537	282,763	89,319	74,751	601,370	59,483	24,481	685,334	620,517	
Printing	29	4	30	52	115	813	7	935	12,982	
Postage	617	10	69	-	696	290	16	1,002	9,552	
NVSQ direct expenses	-	52,000	-	-	52,000	-	-	52,000	36,500	
Supplies	6,678	-	225	-	6,903	236	-	7,139	37,250	
Conference	108,307	-	2,978	-	111,285	8,130	-	119,415	562,013	
Travel and meetings	1,273	-	-	-	1,273	5,883	-	7,156	168,746	
Scholarships and awards	11,333	-	1,026	-	12,359	-	-	12,359	73,234	
Rent	4,241	1,095	3,147	-	8,483	4,307	1,780	14,570	12,885	
Telephone/fax/copier	118	46	247	-	411	5,863	63	6,337	6,776	
Insurance	2,253	197	558	-	3,008	4,039	456	7,503	8,968	
Administration	723	187	536	-	1,446	18,483	303	20,232	28,481	
Technology	2,985	567	2,742	1,343	7,637	18,392	916	26,945	28,781	
Accounting and other	-	-	-	-	-	58,888	-	58,888	91,592	
Professional development	-	-	-	-	-	323	-	323	7,479	
Depreciation and amortization	-	-	-	-	-	1,932	-	1,932	2,331	
Advertising	-	-	-	-	-	342	-	342	-	
Collaboration	-	-	-	-	-	-	-	-	6,726	
Bad debt	1,120	-	500	-	1,620	2,617	-	4,237	115,500	
Other	10	-	-	-	10	1,748	-	1,758	7,523	
<i>Total functional expenses</i>	<u>\$ 294,224</u>	<u>\$ 336,869</u>	<u>\$ 101,377</u>	<u>\$ 76,146</u>	<u>\$ 808,616</u>	<u>\$ 191,769</u>	<u>\$ 28,022</u>	<u>\$ 1,028,407</u>	<u>\$ 1,837,836</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, 2019

	PROGRAM SERVICES				TOTAL PROGRAM SERVICES	MANGAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	EVENTS	PUBLICATIONS	MEMBERSHIP SERVICES	OTHER PROGRAMS				
Staff salaries and payroll taxes	\$ 69,139	\$ 13,272	\$ 72,898	\$ -	\$ 155,309	\$ 16,930	\$ 17,505	\$ 189,744
Staff benefits	17,653	2,522	17,653	1,872	39,700	7,565	5,044	52,309
Temporary and contract labor/stipends	40,228	265,991	24,366	31,486	362,071	12,317	4,076	378,464
<i>Total payroll costs</i>	127,020	281,785	114,917	33,358	557,080	36,812	26,625	620,517
Printing	10,535	15	99	950	11,599	1,360	23	12,982
Postage	6,434	174	1,185	282	8,075	1,198	279	9,552
NVSQ direct expenses	-	36,500	-	-	36,500	-	-	36,500
Supplies	24,797	10	926	10,581	36,314	898	38	37,250
Conference	322,903	22	14,900	199,722	537,547	24,029	437	562,013
Travel and meetings	51,468	8	1,017	77,367	129,860	38,727	159	168,746
Scholarships and awards	69,484	-	2,750	1,000	73,234	-	-	73,234
Rent	3,794	963	2,859	-	7,616	3,682	1,587	12,885
Telephone/fax/copier	1,987	317	2,079	30	4,413	1,870	493	6,776
Insurance	2,337	655	2,227	-	5,219	2,247	1,502	8,968
Administration	795	205	590	-	1,590	26,558	333	28,481
Technology	9,530	1,833	7,832	113	19,308	6,820	2,653	28,781
Accounting and other	30,170	4,451	30,838	-	65,459	18,668	7,465	91,592
Professional development	936	140	949	-	2,025	5,231	223	7,479
Depreciation and amortization	-	-	-	-	-	2,331	-	2,331
Collaboration	6,702	3	14	-	6,719	-	7	6,726
Bad debt	-	-	-	100,500	100,500	15,000	-	115,500
Other	-	-	-	-	-	7,523	-	7,523
<i>Total functional expenses</i>	<u>\$ 668,892</u>	<u>\$ 327,081</u>	<u>\$ 183,182</u>	<u>\$ 423,903</u>	<u>\$ 1,603,058</u>	<u>\$ 192,954</u>	<u>\$ 41,824</u>	<u>\$ 1,837,836</u>

See accompanying notes to financial statements.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

STATEMENTS OF CASH FLOWS

FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

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INCREASE (DECREASE) IN CASH

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	\$ 1,301,134	\$ 1,404,733
Cash paid to employees and suppliers	(912,471)	(1,564,037)
Interest and dividends received, net of fees	14,279	19,830
	<u>402,942</u>	<u>(139,474)</u>
<i>Net cash provided by (used in) operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	-	(2,033)
Purchases of investments	(14,129)	(19,538)
Sales of investments	150,000	-
	<u>135,871</u>	<u>(21,571)</u>
<i>Net cash provided by (used in) investing activities</i>		
INCREASE (DECREASE) IN CASH	538,813	(161,045)
CASH, BEGINNING OF YEAR	<u>273,521</u>	<u>434,566</u>
CASH, END OF YEAR	<u>\$ 812,334</u>	<u>\$ 273,521</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

STATEMENTS OF CASH FLOWS, CONTINUED

FOR YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
CHANGE IN NET ASSETS	\$ 139,841	\$ (511,474)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation and amortization expense	1,932	2,331
Unrealized and realized gain on investments	(117,443)	(160,594)
<i>(Increase) decrease in operating assets</i>		
Accounts receivable	32,481	(29,014)
Grants receivable	420,000	535,500
Prepaid expenses	(26,123)	577
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable	(147,996)	(53,758)
Accrued payroll and benefits	27,073	10,974
Deferred revenue	40,435	16,009
Funds held on behalf of others	(5,000)	49,975
Refundable advance of PPP Funds	37,742	-
<i>Total adjustments</i>	<u>263,101</u>	<u>372,000</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 402,942</u>	<u>\$ (139,474)</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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.

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, 2020 and 2019, ARNOVA had no cash equivalents. ARNOVA held cash in excess of Federal Deposit Insurance Corporation (FDIC) limits at December 31, 2020 by approximately \$488,000.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2020 and 2019 with a cost basis of \$809,804 and \$938,046, respectively. See Notes 3 and 4 for fair market value and income activity.

ACCOUNTS RECEIVABLE

Accounts receivable primarily represent sponsorships promised 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, 2020 and 2019 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:

	<u>2020</u>	<u>2019</u>
Amounts due in one year	\$ 20,000	\$ 420,000
Amounts due in one to five years	<u>20,000</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 460,000</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 and a value 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, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

EQUIPMENT AND SOFTWARE, CONTINUED

Equipment and software consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 3,079	\$ 3,079
Computer equipment	15,412	15,412
Software	500	500
Less: accumulated depreciation and amortization	<u>(17,109)</u>	<u>(15,177)</u>
	<u>\$ 1,882</u>	<u>\$ 3,814</u>

DEFERRED REVENUE

ARNOVA's membership period and billing cycle are based on 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 statements of financial position. Such deferred revenue will be recognized the following calendar year.

NET ASSETS

ARNOVA is required to report information regarding its financial position and activities according to two classes of net assets:

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 7.

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 8. Perpetually restricted amounts are discussed in Note 9. 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, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

With Donor Restrictions, Continued

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

	<u>2020</u>	<u>2019</u>
Time and purpose restrictions (Note 8)	\$ 726,610	\$ 651,047
Perpetual restrictions (Note 9)	<u>19,175</u>	<u>19,175</u>
Total net assets with donor restrictions	<u>\$ 745,785</u>	<u>\$ 670,222</u>

RECOGNITION OF SUPPORT AND REVENUE

The membership dues cycle is a calendar year in conjunction with the fiscal year end. 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.

The following table disaggregates ARNOVA's earned revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Over time	\$ 110,446	\$ 144,020
Point in time	<u>403,157</u>	<u>599,761</u>
Total revenue	<u>\$ 513,603</u>	<u>\$ 743,781</u>

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.

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 the years ended December 31, 2020 and 2019, the value of contributed services amount of \$266,050 and \$263,700, respectively, is included in in-kind contributions and program expenses.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED SERVICES, CONTINUED

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.

Annually, ARNOVA conducts a survey to determine the amount of volunteer time. For the year ended December 31, 2020, contributed services not reflected in the financial statements are summarized below:

- 167 respondents indicated they had volunteered for ARNOVA during the period of January 1, 2020 through December 31, 2020. Hours reported by respondents totaled 4,861. Volunteer hours for NVSQ activities were analyzed separately resulting in an addition of 6,157 hours, for a grand total of 11,018 hours. This is the equivalent of 5 full-time positions.
- The volunteers in this study contributed \$4,844 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$518,283 in hours volunteered, for a total of \$523,131.

For the year ended December 31, 2019, contributed services not reflected in the financial statements are summarized below:

- 229 respondents indicated they had volunteered for ARNOVA during the period of January 1, 2019 through December 31, 2019. Hours reported by respondents totaled 5,756. Volunteer hours for NVSQ activities were analyzed separately resulting in an addition of 5,281 hours, for a grand total of 11,037 hours. This is the equivalent of 5 full-time positions.
- The volunteers in this study contributed \$4,739 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$476,688 in hours volunteered, for a total of \$481,427.

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 April 9, 2021, which is the date the financial statements were available to be issued.

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash	\$ 812,334	\$ 273,521
Investments	1,009,297	1,027,725
Accounts and grants receivable	<u>47,440</u>	<u>499,921</u>
Total financial assets	1,869,071	1,801,167
Less amounts not available to be used within one year		
Cash held by and on behalf of others	(103,640)	(81,892)
Board designated net assets	(290,861)	(286,148)
Net assets with donor restrictions	<u>(745,785)</u>	<u>(670,222)</u>
Financial assets not available to be used with one year	<u>(1,140,286)</u>	<u>(1,038,262)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 728,785</u>	<u>\$ 762,905</u>

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.

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3. FAIR VALUE MEASUREMENTS, CONTINUED

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>
2020 Mutual funds	\$ 1,009,297	\$ 1,009,297	\$ -	\$ -
2019 Mutual funds	\$ 1,027,725	\$ 1,027,725	\$ -	\$ -

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>2020</u>	<u>2019</u>
Interest and dividend income	\$ 14,389	\$ 19,940
Unrealized and realized gain	117,443	160,594
Investment fees	(110)	(110)
	<u>\$ 131,722</u>	<u>\$ 180,424</u>

5. FUNDS HELD ON BEHALF OF OTHERS

During 2019, ARNOVA became the fiscal agent for the Nonprofit Policy Forum (the Forum). ARNOVA receives and deposits contributions and disburses legitimate expenses of the Forum in compliance with any reasonable and legal requirements. ARNOVA received \$10,000 and \$50,000 in contributions and expended \$15,000 and \$25 in expenditures on behalf of the Forum in 2020 and 2019, respectively. At December 31, 2020 and 2019, the balance of funds held on behalf of the Forum was \$44,975 and \$49,975, respectively.

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6. REFUNDABLE ADVANCE OF PPP FUNDS

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In April 2020, ARNOVA obtained \$37,742 from a financial institution under the PPP. The interest rate is 1%, the loan term is two years which begins after the lender makes a determination on forgiveness or 10 months after the 24-week expenditure period and will be paid at the end of the two-year term; however, to the extent the funds are used for qualifying expenses under the program, ARNOVA may apply for loan forgiveness for which ARNOVA expects to receive 100% forgiveness. Since the loan is expected to be forgiven, ARNOVA has elected to account for the loan as a conditional grant in accordance with FASB ASC 958-605. As such the loan is presented as a refundable advance in the statements of financial position. When ARNOVA meets the conditions of forgiveness, the loan will be recognized as grant income.

7. 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>2020</u>	<u>2019</u>
Cash flow volatility	\$ 200,000	\$ 200,000
Grant advance	25,000	25,000
Scholarships	42,992	42,992
Section funds	<u>22,869</u>	<u>18,156</u>
	<u>\$ 290,861</u>	<u>\$ 286,148</u>

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8. 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, 2020</u>	<u>Beginning Balance</u>	<u>New Restrictions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Future periods (general operations)	\$ 111,253	\$ 240,000	\$ 101,000	\$ 250,253
Building partnership in West Africa	522,216	4,000	62,749	463,467
Publications	-	286,050	286,050	-
Scholarships	9,146	900	1,270	8,776
Conference	8,432	65,550	69,868	4,114
	<u>\$ 651,047</u>	<u>\$ 596,500</u>	<u>\$ 520,937</u>	<u>\$ 726,610</u>

<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>New Restrictions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Future periods (general operations)	\$ 158,317	\$ 65,500	\$ 112,564	\$ 111,253
Collaborative research on civil society in the Arab world	115,000	-	115,000	-
Building partnership in West Africa	916,869	-	394,653	522,216
Publications	500	283,700	284,200	-
Scholarships	9,146	-	-	9,146
Conference	-	184,392	175,960	8,432
	<u>\$ 1,199,832</u>	<u>\$ 533,592</u>	<u>\$ 1,082,377</u>	<u>\$ 651,047</u>

9. 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.

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

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:

- (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, 2020 and 2019.

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.

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

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.

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, 2020</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, 2019</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>

10. 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, 2020 and 2019 was \$6,054 and \$7,571, 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, 2020 and 2019, was \$231,923 and \$238,281, respectively. These amounts are allocated among program, management and general, and fundraising expenses.

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10. AGREEMENT WITH INDIANA UNIVERSITY, CONTINUED

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, 2020 and 2019, respectively, the balances in that account were \$58,665 and \$31,917, respectively, and are reported as cash held by others on the statements of financial position.

11. OPERATING LEASE

ARNOVA leased its office space under the terms of an operating lease that called for monthly payments of \$853 through July 2019. In August 2019, ARNOVA extended the lease through July 2020 for monthly payments of \$1,140. Upon expiration of the lease, the office space became a month-to-month lease. ARNOVA also leases storage space under the terms of an operating lease that calls for monthly payments of \$68. 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, 2020 and 2019, under terms of the operating leases referenced above was \$14,570 and \$12,885, respectively.

12. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared a worldwide pandemic due to the outbreak of a novel strain of coronavirus, called COVID-19. The extent of the impact of COVID-19 on ARNOVA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members and investments, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact ARNOVA's financial condition or results of operations is uncertain.

13. RECLASSIFICATIONS

Certain accounts in the 2019 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2020 financial statements. These reclassifications had no impact on net assets as of December 31, 2019.