

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

**FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2011 AND 2010**

*CPAs / ADVISORS*



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

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JUNE 30, 2011 AND 2010

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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, 2011 and 2010, 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 audits 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, 2011 and 2010, 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 financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Blue & Co., LLC*

November 8, 2011

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

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

<b>ASSETS</b>		
	2011	2010
Cash	\$ 192,427	\$ 338,175
Cash held by others	14,062	36,215
Investments	757,673	808,987
Grants receivable	337,000	23,000
Accounts receivable	70,226	52,511
Prepaid expenses	11,508	11,348
Inventory	5,665	5,798
Property and equipment, net	15,828	8,479
	\$ 1,404,389	\$ 1,284,513

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 33,433	\$ 8,398
Accrued payroll and benefits	17,556	17,824
Deferred member dues	35,692	41,264
Total liabilities	86,681	67,486
<b>Net assets</b>		
Unrestricted		
Undesignated	564,971	619,706
Board designated	317,992	317,992
	882,963	937,698
Temporarily restricted	415,570	260,154
Permanently restricted	19,175	19,175
Total net assets	1,317,708	1,217,027
	\$ 1,404,389	\$ 1,284,513

*See accompanying notes to financial statements.*

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

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

(With Comparative Total for the Year Ended June 30, 2010)

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenue</b>					
Grants	\$ -0-	\$ 455,000	\$ -0-	\$ 455,000	\$ 194,500
Membership dues	83,793	-0-	-0-	83,793	95,357
Conference revenue and sponsorships	158,449	8,500	-0-	166,949	123,587
Publications	116,461	16,000	-0-	132,461	112,777
Contributions	14,025	2,600	-0-	16,625	11,436
In-kind contributions	-0-	150,250	-0-	150,250	60,517
Interest income on cash	558	-0-	-0-	558	385
Other	1,592	-0-	-0-	1,592	1,127
Net assets released from restrictions	477,054	(477,054)	-0-	-0-	-0-
<b>Total support and revenue</b>	<b>851,932</b>	<b>155,296</b>	<b>-0-</b>	<b>1,007,228</b>	<b>599,686</b>
<b>Expenses</b>					
Program					
Conference	246,568	-0-	-0-	246,568	201,793
Publications	189,711	-0-	-0-	189,711	101,177
Membership services	151,433	-0-	-0-	151,433	101,150
Scholarships and awards	40,687	-0-	-0-	40,687	31,982
Other programs	128,125	-0-	-0-	128,125	42,801
<b>Total program expenses</b>	<b>756,524</b>	<b>-0-</b>	<b>-0-</b>	<b>756,524</b>	<b>478,903</b>
Management and general	153,642	-0-	-0-	153,642	136,412
Fundraising	7,307	-0-	-0-	7,307	8,424
<b>Total expenses</b>	<b>917,473</b>	<b>-0-</b>	<b>-0-</b>	<b>917,473</b>	<b>623,739</b>
Change in net assets from operations	(65,541)	155,296	-0-	89,755	(24,053)
<b>Other income (loss)</b>					
Investment return, net	10,806	120	-0-	10,926	29,541
Loss on disposition of property and equipment	-0-	-0-	-0-	-0-	(809)
<b>Total other income</b>	<b>10,806</b>	<b>120</b>	<b>-0-</b>	<b>10,926</b>	<b>28,732</b>
Change in net assets	(54,735)	155,416	-0-	100,681	4,679
<b>Net assets, beginning 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>
<b>Net assets, end of period</b>	<b>\$ 882,963</b>	<b>\$ 415,570</b>	<b>\$ 19,175</b>	<b>\$ 1,317,708</b>	<b>\$ 1,217,027</b>

See accompanying notes to financial statements.

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
Grants	\$ -0-	\$ 194,500	\$ -0-	\$ 194,500
Membership dues	95,357	-0-	-0-	95,357
Conference revenue and sponsorships	102,337	21,250	-0-	123,587
Publications	96,777	16,000	-0-	112,777
Contributions	10,936	500	-0-	11,436
In-kind contributions	-0-	60,517	-0-	60,517
Interest income on cash	385	-0-	-0-	385
Other	1,127	-0-	-0-	1,127
Net assets released from restrictions	<u>367,993</u>	<u>(367,993)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenue	674,912	(75,226)	-0-	599,686
<b>Expenses</b>				
Program				
Conference	201,793	-0-	-0-	201,793
Publications	101,177	-0-	-0-	101,177
Membership services	101,150	-0-	-0-	101,150
Scholarships and awards	31,982	-0-	-0-	31,982
Other programs	<u>42,801</u>	<u>-0-</u>	<u>-0-</u>	<u>42,801</u>
Total program expenses	478,903	-0-	-0-	478,903
Management and general	136,412	-0-	-0-	136,412
Fundraising	<u>8,424</u>	<u>-0-</u>	<u>-0-</u>	<u>8,424</u>
Total expenses	<u>623,739</u>	<u>-0-</u>	<u>-0-</u>	<u>623,739</u>
Change in net assets from operations	51,173	(75,226)	-0-	(24,053)
<b>Other income (loss)</b>				
Investment return, net	29,013	528	-0-	29,541
Loss on disposition of property and equipment	<u>(809)</u>	<u>-0-</u>	<u>-0-</u>	<u>(809)</u>
Total other income	<u>28,204</u>	<u>528</u>	<u>-0-</u>	<u>28,732</u>
Change in net assets	79,377	(74,698)	-0-	4,679
<b>Net assets, beginning of period</b>	<u>858,321</u>	<u>334,852</u>	<u>19,175</u>	<u>1,212,348</u>
<b>Net assets, end of period</b>	<u>\$ 937,698</u>	<u>\$ 260,154</u>	<u>\$ 19,175</u>	<u>\$ 1,217,027</u>

*See accompanying notes to financial statements.*

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<b>Operating activities</b>		
Cash received from publications, conference, and membership dues	\$ 252,793	\$ 203,264
Cash received from contributions and grants	157,625	257,936
Interest and dividends received	23,076	16,417
Royalties received	114,532	98,494
Miscellaneous receipts	788	682
Cash paid to employees and suppliers	(740,230)	(557,650)
Change in cash held by others	22,153	(16,262)
Net cash flows from operating activities	(169,263)	2,881
<b>Investing activities</b>		
Capital expenditures	(15,649)	(1,096)
Proceeds from maturity of investments	250,865	663,367
Purchase of investments	(211,701)	(415,336)
Net cash flows from investing activities	23,515	246,935
Net change in cash	(145,748)	249,816
<b>Cash, beginning of period</b>	338,175	88,359
<b>Cash, end of period</b>	\$ 192,427	\$ 338,175
<b>Reconciliation of change in net assets to net cash flows from operating activities</b>		
Change in net assets	\$ 100,681	\$ 4,679
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	8,300	13,179
Loss on disposal of property and equipment	-0-	809
Unrealized gain on investments	(479)	(1,354)
Change in accrued interest included in investments	12,629	(25,334)
Changes in assets and liabilities		
Cash held by others	22,153	(16,262)
Grants receivable	(314,000)	52,000
Other receivables	(17,715)	(12,051)
Prepaid expenses	(160)	12,079
Inventories	133	211
Accounts payable	25,035	(7,079)
Accrued payroll and benefits	(268)	361
Deferred member dues	(5,572)	(18,357)
Net cash flows from operating activities	\$ (169,263)	\$ 2,881
<b>Supplemental disclosure of cash flow information</b>		
Accrued interest included in investments	\$ 34,097	\$ 46,726

*See accompanying notes to financial statements.*

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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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

ARNOVA's resources are classified and reported in the accompanying financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Permanently restricted net assets – The part of the net assets resulting from contributions and other inflows of assets whose use by ARNOVA is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of ARNOVA.

Temporarily restricted net assets – The part of net assets resulting from contributions and other inflows of assets whose use by ARNOVA is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of ARNOVA pursuant to those stipulations.

Unrestricted net assets – The part of net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include:

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.

ARNOVA uses fund accounting to record and report its activities.



# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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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, and the 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; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Investments and Investment Return

ARNOVA records its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are recorded in the period the change occurs. All investment return is recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

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# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### 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, 2011 and 2010, management believes that grants receivable are fully collectible.

### Accounts Receivable

Accounts receivable primarily represent royalties earned but not collected and are carried at their estimated collectible amounts. The allowance for uncollectible amounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer. Uncollectible accounts receivable are charged to the respective allowance. An expense or loss is recorded at the time the allowance is adjusted.

### 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 related assets with an original cost greater than \$100. All other repairs, maintenance and minor replacements below the capitalization policy are expensed.

Property and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 3,754	\$ 3,247
Computer equipment	37,717	36,906
Software	<u>107,216</u>	<u>92,885</u>
	148,687	133,038
Accumulated depreciation	<u>(132,859)</u>	<u>(124,559)</u>
	<u>\$ 15,828</u>	<u>\$ 8,479</u>

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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### Support and Revenue Recognition

**Grants, Conference sponsorships, and Contributions** include unconditional promises to give and are recognized in the period the amount is received or the promise is made. Amounts that are not restricted by the donor are reported as an increase in unrestricted net assets. All other donor-restricted support or unrestricted support where payment is expected in a future period is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

**Membership dues** are recognized over the period to which they relate. Any unrecognized membership dues are deferred at year end.

**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 7).

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, 2011 contributed services not reflected in the financial statements are summarized below:

- 144 respondents indicated they had volunteered for ARNOVA during the fiscal year. Hours were reported by 141 of them, totaling 5,365 hours. Volunteer hours for NVSQ activities were analyzed separately, resulting in an addition of 3,291 hours, for a grand total of 8,656. This is the equivalent of 4.76 full-time employees.
- The volunteers in this study contributed \$15,807 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$286,600 in hours volunteered, for a total of \$302,407.

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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Calculated in this way, the volunteer contributions represent 66 percent of the total activity hours (paid and unpaid), and 34 percent of all incoming resources.

For the year ended June 30, 2010 contributed services not reflected in the financial statements are 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 5 full-time employees.
- 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. 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 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 function but provide for the overall support and direction of ARNOVA.

Although the method used was appropriate, other methods could produce different results.

### 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 and is classified as an organization that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section 509(a)(2).

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the organization, and has concluded that as of June 30, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, ARNOVA is generally exempt from income taxes. However, the organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. ARNOVA believes it has timely filed its Form 990 for the year ended June 30, 2010.

### 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 8, 2011.

### 3. INVESTMENTS

Investments consist of the following at June 30:

	<u>2011</u>
Money market funds	
Morgan Keegan pioneer cash fund	\$ 123,841
Other	12,424
Equity	665
Fixed income mutual fund	26,366
Certificates of deposit	
PNC Bank - .747%; matures 8/12/2011	161,958
Regions Bank - .75%; matures 6/15/2012	111,113
Huntington Bank - 4.88%; matures 9/11/2011	113,664
Key Bank - 1.5%; matures 9/18/2011	106,559
Old National Bank - 1.99%; matures 5/10/2012	101,083
	<u>\$ 757,673</u>

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

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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	<u>2010</u>
Money market funds	\$ 36,213
Certificate of deposit	746,221
Fixed income mutual fund	25,962
Equity	<u>591</u>
	<u>\$ 808,987</u>

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, 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 and liabilities (level 1 measurements) and the lowest priority to unobservable value inputs (level 3 measurements).

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

- Level 1 – Unadjusted quoted prices for identical assets in active markets.
- Level 2 – Quoted prices for similar assets or liabilities in active markets (other than those included in Level 1) which are observable for the asset or liability, either directly or indirectly.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2011 and 2010.

- 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.



# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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- Fixed income (bond) mutual funds are valued at the net asset value of shares held by the fund at year end.
- Equity securities are 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, 2011 and 2010 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>2011</u>	<u>2010</u>
Interest and dividend income	\$ 10,447	\$ 28,187
Unrealized gains	<u>479</u>	<u>1,354</u>
	<u>\$ 10,926</u>	<u>\$ 29,541</u>

ARNOVA's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS  
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**4. GRANTS RECEIVABLE**

Grants receivable consist of the following at June 30:

	2011	2010
The Lilly Foundation	\$ 240,000	\$ -0-
Charles Stewart Mott Foundation	20,000	20,000
Gates Foundation	75,000	-0-
RGK Center for Philanthropy and Community Service	2,000	3,000
	\$ 337,000	\$ 23,000
Receivable in less than one year	\$ 167,000	\$ 2,000
Receivable in one to five years	170,000	21,000
	\$ 337,000	\$ 23,000

**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:

	2011			
June 30, 2010	New Designations	Released from Designations	June 30, 2011	
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  
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NOTES TO FINANCIAL STATEMENTS  
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	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

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:

	2011			
	June 30, 2010	Restricted	Released	June 30, 2011
Future periods	\$ 146,232	\$ 390,000	\$ 163,228	\$ 373,004
Publications	-0-	166,250	166,250	-0-
Technology	-0-	5,000	2,879	2,121
Scholarships	15,422	2,720	2,000	16,142
Conference	98,500	68,500	142,697	24,303
	\$ 260,154	\$ 632,470	\$ 477,054	\$ 415,570

	2010			
	June 30, 2009	Restricted	Released	June 30, 2010
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
	\$ 334,852	\$ 293,295	\$ 367,993	\$ 260,154

Permanently Restricted

Net assets of \$19,175 as of June 30, 2011 and 2010 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, 2011 AND 2010

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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, 2011 and 2010.

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
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JUNE 30, 2011 AND 2010

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:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -0-	\$ -0-	\$ 19,175	\$ 19,175
Interest earned	-0-	120	-0-	120
Distributions	-0-	(120)	-0-	(120)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19,175</u>	<u>\$ 19,175</u>

**ASSOCIATION FOR RESEARCH ON NONPROFIT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

	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>

**7. CONTRIBUTED SERVICES**

Editorial services related to the publication of the Nonprofit & Voluntary Sector Quarterly are provided by volunteers who contribute their time to ARNOVA. The organization has valued and recorded these services which meet the criteria for recognition and are necessary for it to carry out its programs. For the year ended June 30, 2011 and 2010, the value of contributed services amount \$150,250 and \$60,517, respectively, and are included in contributions and program expenses.

**8. 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, 2011, two foundation grants accounted for 23% and 15% of ARNOVA's total support and revenues. For the year ended June 30, 2010, a single foundation's grant accounted for 26% of ARNOVA's total support and revenues.

**9. 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:

During the year ended June 30, 2010, IU provided personnel who perform editorial services for the publication Nonprofit & Voluntary Sector Quarterly. The value of these contributed services totaled \$60,517 (Note 7) and is included in contributions and program expense.

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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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, 2011 and 2010 was \$5,696 and \$4,002, respectively, and is 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 during the years ended June 30, 2011 and 2010 was \$196,211 and \$191,331, respectively. These amounts are allocated among program, management and general and fundraising expenses.

Office space utilized by ARNOVA through June 15, 2011 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 \$1,500 and \$8,597 for the years ended June 30, 2011 and 2010, respectively.

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, 2011 and 2010, respectively, the balance in that account was \$14,062 and \$36,215 and is reported as cash held by others.

### 10. OPERATING LEASE

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, 2011, under this lease, are \$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, 2011 and 2010 was \$13,593 and \$11,986, respectively.

**SUPPLEMENTARY INFORMATION**

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2011 AND 2010

Expenses	Program Services				Supporting Services		2011 Total Expenses	2010 Total Expenses		
	Conference	Publications	Membership Services	Scholarships and Awards	Other Programs	Total			Management and General	Fundraising
Personnel expense	\$ 43,563	\$ 5,230	\$ 100,226	\$ -	\$ 14,500	\$ 163,519	\$ 39,667	\$ 3,312	\$ 206,498	\$ 200,108
Staff salaries	12,946	1,421	25,316	-	-	39,683	15,630	1,438	56,751	52,137
Staff benefits	23,731	159,900	11,146	-	41,979	236,756	1,780	300	238,836	120,271
Temporary & contract labor/stipends	-	-	-	-	-	-	487	-	487	1,127
Other personnel expense	80,240	166,551	136,688	-	56,479	439,958	57,564	5,050	502,572	373,643
Printing	12,649	633	807	-	645	14,734	116	1,125	15,975	13,089
Postage	2,743	173	9	-	94	3,019	709	628	4,356	2,515
Supplies	3,100	9,350	357	-	496	13,303	2,826	-	16,129	10,939
Conference	141,843	-	-	-	-	141,843	-	-	141,843	86,055
Travel and meetings	-	12,500	28	-	70,411	82,939	22,990	-	105,929	18,821
Scholarships and awards	-	-	-	40,687	-	40,687	-	-	40,687	31,982
Sections	-	-	3,807	-	-	3,807	-	-	3,807	3,287
Diversity initiative	-	-	3	-	-	3	-	-	3	1,256
Website	-	-	1,142	-	-	1,142	-	-	1,142	1,169
Rent	3,546	344	5,831	-	-	9,721	3,527	344	13,592	11,986
Telephone/fax/copier	1,894	160	2,761	-	-	4,815	1,871	160	6,846	6,530
Insurance	553	-	-	-	-	553	3,625	-	4,178	5,883
Administration, credit card and bank fees	-	-	-	-	-	-	15,195	-	15,195	11,206
Computers	-	-	-	-	-	-	2,518	-	2,518	1,298
Legal	-	-	-	-	-	-	7	-	7	582
Accounting	-	-	-	-	-	-	27,898	-	27,898	24,614
Depreciation	-	-	-	-	-	-	8,301	-	8,301	13,179
Collaboration	-	-	-	-	-	-	4,212	-	4,212	3,703
Election	-	-	-	-	-	-	2,283	-	2,283	2,002
<b>Total Expense</b>	<b>\$ 246,568</b>	<b>\$ 189,711</b>	<b>\$ 151,433</b>	<b>\$ 40,687</b>	<b>\$ 128,125</b>	<b>\$ 756,524</b>	<b>\$ 153,642</b>	<b>\$ 7,307</b>	<b>\$ 917,473</b>	<b>\$ 623,739</b>

See report of independent auditors on page 1.

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2010

Expense	Program Expenses						Supporting Services		2010 Total Expenses
	Conference	Publications	Membership Services	Scholarships and Awards	Other Programs	Total	Management and General	Fundraising	
Personnel expense									
Staff salaries	\$ 46,212	\$ 7,440	\$ 73,151	\$ -0-	\$ 30,971	\$ 157,774	\$ 38,433	\$ 3,901	\$ 200,108
Staff benefits	13,399	2,859	13,930	-0-	8,750	38,938	11,635	1,564	52,137
Temporary & contract labor/stipends	33,804	83,249	3,056	-0-	162	120,271	-0-	-0-	120,271
Other personnel expense	-0-	-0-	-0-	-0-	-0-	-0-	1,127	-0-	1,127
	<u>93,415</u>	<u>93,548</u>	<u>90,137</u>	<u>-0-</u>	<u>39,883</u>	<u>316,983</u>	<u>51,195</u>	<u>5,465</u>	<u>373,643</u>
Printing	12,259	511	319	-0-	-0-	13,089	-0-	-0-	13,089
Postage	1,065	102	124	-0-	-0-	1,291	590	634	2,515
Supplies	3,914	4,051	-0-	-0-	-0-	7,965	2,821	153	10,939
Conference	86,055	-0-	-0-	-0-	-0-	86,055	-0-	-0-	86,055
Travel and meetings	151	2,509	-0-	-0-	-0-	2,660	14,445	1,716	18,821
Scholarships and awards	-0-	-0-	-0-	31,982	-0-	31,982	-0-	-0-	31,982
Sections	-0-	-0-	3,287	-0-	-0-	3,287	-0-	-0-	3,287
Diversity initiative	-0-	-0-	1,256	-0-	-0-	1,256	-0-	-0-	1,256
Website	-0-	-0-	1,169	-0-	-0-	1,169	-0-	-0-	1,169
Rent	3,127	304	3,094	-0-	2,047	8,572	3,110	304	11,986
Telephone/fax/copier	1,807	152	1,764	-0-	871	4,594	1,784	152	6,530
Insurance	-0-	-0-	-0-	-0-	-0-	-0-	5,883	-0-	5,883
Administration, credit card and bank fees	-0-	-0-	-0-	-0-	-0-	-0-	11,206	-0-	11,206
Computers	-0-	-0-	-0-	-0-	-0-	-0-	1,298	-0-	1,298
Legal	-0-	-0-	-0-	-0-	-0-	-0-	582	-0-	582
Accounting	-0-	-0-	-0-	-0-	-0-	-0-	24,614	-0-	24,614
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	13,179	-0-	13,179
Collaboration	-0-	-0-	-0-	-0-	-0-	-0-	3,703	-0-	3,703
Election	-0-	-0-	-0-	-0-	-0-	-0-	2,002	-0-	2,002
<b>Total Expense</b>	<b>\$ 201,793</b>	<b>\$ 101,177</b>	<b>\$ 101,150</b>	<b>\$ 31,982</b>	<b>\$ 42,801</b>	<b>\$ 478,903</b>	<b>\$ 136,412</b>	<b>\$ 8,424</b>	<b>\$ 623,739</b>