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ASSOCIATION FOR RESEARCH ON NONPROFIT  
ORGANIZATIONS AND VOLUNTARY ACTION

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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 21, 2018

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2017 AND 2016

**ASSETS**

	<u>2017</u>	<u>2016</u>
Cash	\$ 938,363	\$ 276,513
Cash held by others (Note 8)	48,758	46,085
<i>Total cash</i>	987,121	322,598
Investments	912,090	785,131
Accounts receivable	40,352	62,178
Grants receivable	202,500	210,000
Prepaid expenses	35,421	6,161
Equipment and software, net	3,806	6,498
<i>Total assets</i>	<u>\$ 2,181,290</u>	<u>\$ 1,392,566</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 43,271	\$ 10,963
Accrued payroll and benefits	43,112	38,898
Deferred revenue	18,097	70,134
<i>Total liabilities</i>	<u>104,480</u>	<u>119,995</u>

**COMMITMENTS (NOTE 9)**

**NET ASSETS**

Unrestricted		
Undesignated	728,720	508,913
Board designated (Note 4)	340,444	339,818
<i>Total unrestricted net assets</i>	1,069,164	848,731
Temporarily restricted (Note 5)	988,471	404,665
Permanently restricted (Note 6)	19,175	19,175
<i>Total net assets</i>	<u>2,076,810</u>	<u>1,272,571</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,181,290</u>	<u>\$ 1,392,566</u>

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMENANTLY RESTRICTED</u>	<u>2017 TOTAL</u>	<u>2016 TOTAL</u>
<b>REVENUE AND SUPPORT</b>					
Grants	\$ -	\$ 810,000	\$ -	\$ 810,000	\$ 413,000
Membership dues	145,865	-	-	145,865	119,291
Conference revenue and sponsorships	277,573	136,584	-	414,157	337,299
Publications and royalties	236,571	10,000	-	246,571	252,912
Contributions	5,420	-	-	5,420	8,545
In-kind contributions (Note 1)	-	296,690	-	296,690	225,875
Investment income (Note 3)	127,377	-	-	127,377	49,926
Other	15,425	-	-	15,425	3,023
Gain on foreign exchange rate	-	-	-	-	10,651
Net assets released from restrictions	669,468	(669,468)	-	-	-
<i>Total revenue and support</i>	<u>1,477,699</u>	<u>583,806</u>	<u>-</u>	<u>2,061,505</u>	<u>1,420,522</u>
<b>EXPENSES</b>					
Program:					
Events	541,421	-	-	541,421	595,818
Publications	332,854	-	-	332,854	318,096
Membership services	117,339	-	-	117,339	109,959
Other programs	66,156	-	-	66,156	63,280
<i>Total program expenses</i>	<u>1,057,770</u>	<u>-</u>	<u>-</u>	<u>1,057,770</u>	<u>1,087,153</u>
Management and general	137,521	-	-	137,521	170,429
Fundraising	61,975	-	-	61,975	57,669
<i>Total expenses</i>	<u>1,257,266</u>	<u>-</u>	<u>-</u>	<u>1,257,266</u>	<u>1,315,251</u>
<b>INCREASE IN NET ASSETS</b>	220,433	583,806	-	804,239	105,271
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>848,731</u>	<u>404,665</u>	<u>19,175</u>	<u>1,272,571</u>	<u>1,167,300</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,069,164</u>	<u>\$ 988,471</u>	<u>\$ 19,175</u>	<u>\$ 2,076,810</u>	<u>\$ 1,272,571</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMENANTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE AND SUPPORT</b>				
Grants	\$ 5,000	\$ 408,000	\$ -	\$ 413,000
Membership dues	119,291	-	-	119,291
Conference revenue and sponsorships	226,599	110,700	-	337,299
Publications and royalties	232,912	20,000	-	252,912
Contributions	7,545	1,000	-	8,545
In-kind contributions	-	225,875	-	225,875
Investment income (Note 3)	49,926	-	-	49,926
Other	3,023	-	-	3,023
Gain on foreign exchange rate	10,651	-	-	10,651
Net assets released from restrictions	714,088	(714,088)	-	-
	<u>1,369,035</u>	<u>51,487</u>	<u>-</u>	<u>1,420,522</u>
<i>Total revenue and support</i>				
<b>EXPENSES</b>				
Program:				
Events	595,818	-	-	595,818
Publications	318,096	-	-	318,096
Membership services	109,959	-	-	109,959
Other programs	63,280	-	-	63,280
	<u>1,087,153</u>	<u>-</u>	<u>-</u>	<u>1,087,153</u>
<i>Total program expenses</i>				
Management and general	170,429	-	-	170,429
Fundraising	57,669	-	-	57,669
	<u>1,315,251</u>	<u>-</u>	<u>-</u>	<u>1,315,251</u>
<i>Total expenses</i>				
<b>INCREASE IN NET ASSETS</b>	53,784	51,487	-	105,271
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>794,947</u>	<u>353,178</u>	<u>19,175</u>	<u>1,167,300</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 848,731</u>	<u>\$ 404,665</u>	<u>\$ 19,175</u>	<u>\$ 1,272,571</u>

## ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## STATEMENTS OF CASH FLOWS

FOR YEARS ENDED DECEMBER 31, 2017 AND 2016

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NET CHANGE IN CASH

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members and others	\$ 1,614,727	\$ 893,532
Cash paid to employees and suppliers	(949,872)	(1,102,361)
Interest and dividends received	29,464	34,771
	<u>694,319</u>	<u>(174,058)</u>
<i>Net cash provided by (used in) operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(750)	(2,956)
Purchase of investments	(29,155)	(34,573)
Sales of investments	109	-
	<u>(29,796)</u>	<u>(37,529)</u>
<i>Net cash used in investing activities</i>		
<b>INCREASE (DECREASE) IN CASH</b>	664,523	(211,587)
<b>CASH, BEGINNING OF YEAR</b>	<u>322,598</u>	<u>534,185</u>
<b>CASH, END OF YEAR</b>	<u>\$ 987,121</u>	<u>\$ 322,598</u>

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

	<u>2017</u>	<u>2016</u>
CHANGE IN NET ASSETS	\$ 804,239	\$ 105,271
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation and amortization expense	3,442	3,250
Unrealized gain on investments	(97,913)	(15,155)
<i>(Increase) decrease in operating assets:</i>		
Grants receivable	7,500	(210,000)
Accounts receivable	21,826	(48,880)
Prepaid expenses	(29,260)	(1,428)
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable	32,308	(14,697)
Accrued payroll and benefits	4,214	(110)
Deferred revenue	(52,037)	7,691
<i>Total adjustments</i>	<u>(109,920)</u>	<u>(279,329)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 694,319</u>	<u>\$ (174,058)</u>

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### 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 and sponsorship revenue, 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, 2017 AND 2016

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### 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, 2017 and 2016, ARNOVA had no cash equivalents. ARNOVA held cash in excess of Federal Deposit Insurance Corporation (FDIC) limits at December 31, 2017 of \$685,902.

#### 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, 2017 and 2016. See Notes 2 and 3.

#### 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, 2017 and 2016 and no allowance for bad debts has been recorded.

#### EQUIPMENT AND SOFTWARE

ARNOVA capitalizes all significant purchases 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 is computed using the straight line method over the estimated useful lives of the assets ranging between 3 and 5 years.

#### GRANTS RECEIVABLE

Grants receivable are unconditional promises to give due in future periods. Grants receivables consisted of the following at December 31, 2017:

Amounts due in one year	\$	95,000
Amounts due in one to five years		57,500
Amounts due in more than five years		50,000
	\$	<u>202,500</u>

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### EQUIPMENT AND SOFTWARE, CONTINUED

Equipment and software consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 3,079	\$ 3,079
Computer equipment	16,969	16,219
Software	500	500
Less: accumulated depreciation	<u>(16,742)</u>	<u>(13,300)</u>
	<u>\$ 3,806</u>	<u>\$ 6,498</u>

#### DEFERRED REVENUE

Effective January 1, 2017, 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 for the Preparation of Financial Statements of Not-For-Profit Organizations, ARNOVA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### Unrestricted

Unrestricted net assets are resources available to support operations. The only limitations on the use of unrestricted net assets are the broad limits resulting from 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.

Unrestricted net assets include undesignated and designated amounts, the uses of which are at the discretion of management and the Board of Directors. See Note 4.

##### Temporarily Restricted

Temporarily restricted net assets primarily include sponsorship revenues and contributions restricted by donors or grantors for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. See Note 5.

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### Permanently Restricted

Permanently restricted net assets consist of a portion of the investments held by ARNOVA in which there are donor imposed restrictions limiting use of the assets or its economic benefit that neither expire with the passage of time nor can be removed by satisfying a specific purpose. Earnings or losses on permanently restricted investments are considered temporarily restricted net assets. See Note 6.

#### 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 in the year to which they relate. Any unrecognized membership dues are deferred at year end.

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 the years ended December 31, 2017 and 2016, the value of contributed services amount of \$263,700 and \$225,875, respectively, 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, 2017 AND 2016

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### 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, 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.

For the year ended December 31, 2016, contributed services not reflected in the financial statements are summarized below:

- 241 respondents indicated they had volunteered for ARNOVA during the period of January 1, 2016 through December 31, 2016. Hours reported by respondents totaled 5,450. Volunteer hours for NVSQ activities were analyzed separately resulting in an addition of 3,231 hours, for a grand total of 8,681 hours. This is the equivalent of 4.2 full-time equivalent positions.
- The volunteers in this study contributed \$13,262 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated \$361,890 in hours volunteered, for a total of \$375,152.

#### 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 21, 2018, 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, 2017 AND 2016

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### 2. 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>
2017 Mutual funds	<u>\$ 912,090</u>	<u>\$ 912,090</u>	<u>\$ -</u>	<u>\$ -</u>
2016 Mutual funds	<u>\$ 785,131</u>	<u>\$ 785,131</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.

### 3. INVESTMENT ACTIVITY

The following schedule summarizes the investment return for each period are as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 29,464	\$ 34,771
Unrealized gain	<u>97,913</u>	<u>15,155</u>
	<u>\$ 127,377</u>	<u>\$ 49,926</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION  
 NOTES TO FINANCIAL STATEMENTS  
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4. **BOARD DESIGNATED NET ASSETS**

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

	<u>2017</u>	<u>2016</u>
General operating	\$ 50,000	\$ 50,000
Cash flow volatility	200,000	200,000
Grant advance	25,000	25,000
Scholarships	42,992	42,992
Section funds	<u>22,452</u>	<u>21,826</u>
	<u>\$ 340,444</u>	<u>\$ 339,818</u>

5. **TEMPORARILY RESTRICTED NET ASSETS**

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. Temporarily restricted net asset activity for each year are as follows:

<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>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

5. TEMPORARILY RESTRICTED NET ASSETS, CONTINUED

<u>December 31, 2016</u>	<u>Beginning Balance</u>	<u>New Restrictions</u>	<u>Released from Restrictions</u>	<u>Ending Balance</u>
Future periods (general operations)	\$ 125,753	\$ 88,000	\$ 108,000	\$ 105,753
Diversity and inclusion project	36,786	-	36,786	-
Building leadership effectively project	7,412	-	7,412	-
Building partnership in West Africa	171,381	300,000	183,615	287,766
Building partnership in East Africa	-	20,000	20,000	-
Publications	2,000	245,875	245,875	2,000
Scholarships	9,846	1,000	1,700	9,146
Conference	-	110,700	110,700	-
	<u>\$ 353,178</u>	<u>\$ 765,575</u>	<u>\$ 714,088</u>	<u>\$ 404,665</u>

6. 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 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:

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### 6. ENDOWMENT, CONTINUED

- (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 December 31, 2017 and 2016.

#### 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 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 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 mutual funds, exchange traded funds or 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, 2017 AND 2016

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6. ENDOWMENT, CONTINUED

SPENDING POLICY

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

<u>December 31, 2017</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 1,274	\$ 19,175	\$ 20,449
Interest earned	-	-	-
Endowment net assets, end of period	<u>\$ 1,274</u>	<u>\$ 19,175</u>	<u>\$ 20,449</u>

<u>December 31, 2016</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 1,274	\$ 19,175	\$ 20,449
Interest earned	-	-	-
Endowment net assets, end of period	<u>\$ 1,274</u>	<u>\$ 19,175</u>	<u>\$ 20,449</u>

7. CONCENTRATIONS

For the year ended December 31, 2017, ARNOVA had two significant grants that totaled approximately 30% of total revenue and support. For the year ended December 31, 2016, ARNOVA had two significant grants that were 27% of total revenue and support.

8. AGREEMENT WITH INDIANA UNIVERSITY

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

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, 2017 and 2016 was \$7,277 and \$6,786, respectively. These expenses are included in management and general expenses.

# ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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### 8. AGREEMENT WITH INDIANA UNIVERSITY, CONTINUED

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, 2017 and 2016, was \$274,265 and \$261,078, 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, 2017 and 2016, respectively, the balances in that account were \$48,758 and \$46,085, respectively, and are reported as cash held by others on the statements of financial position.

### 9. 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, 2017 and 2016, under terms of the operating leases referenced above was \$11,641 and \$12,098, respectively.

Future minimum annual rental payments under the office lease for the years ending December 31, are as follows:

2018	\$	10,236
2019		<u>5,118</u>
	\$	<u>15,354</u>

### 10. RECLASSIFICATIONS

Certain balances in the 2016 financial statements have been retroactively reclassified for comparative purposes to conform to the presentation in the 2017 financial statements. These reclassifications had no impact on net assets as of December 31, 2016.



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of Association for Research on Nonprofit Organizations and Voluntary Action ("ARNOVA"), as of and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated March 21, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information shown in Exhibits I and II 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 audit 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.

*Greenwalt CPAs, Inc.*

March 21, 2018

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2017  
 WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit I

	Program Services							2017 Total	2016 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	\$ 193,389
Staff benefits	23,222	5,993	17,229	-	46,444	18,854	9,738	75,036	67,689
Temporary and contract labor/stipends	578	264,520	58	2,243	267,399	2,061	33	269,493	236,500
<i>Total payroll costs</i>	91,658	283,491	69,519	2,243	446,911	60,761	36,213	543,885	497,578
Printing	19,843	20	64	455	20,382	1,455	79	21,916	32,767
Postage	3,101	164	962	130	4,357	600	267	5,224	6,570
Supplies	21,501	21,066	1,102	1,482	45,151	2,335	662	48,148	36,052
Conference	232,581	-	9,812	17,290	259,683	7,377	280	267,340	365,563
Travel and meetings	31,199	15,000	529	41,073	87,801	8,167	3,469	99,437	139,565
Scholarships and awards	57,126	1,000	450	2,000	60,576	-	-	60,576	40,202
Website	603	156	447	-	1,206	486	253	1,945	999
Rent	3,587	926	2,662	-	7,175	2,962	1,504	11,641	12,098
Telephone/fax/copier	1,698	423	1,265	55	3,441	1,765	798	6,004	5,652
Insurance	1,839	733	2,151	-	4,723	2,250	2,197	9,170	7,181
Administration	5,562	1,431	4,097	53	11,143	11,788	2,325	25,256	21,456
Technology	9,525	1,180	3,394	330	14,429	3,739	1,919	20,087	12,508
Legal	-	-	-	-	-	-	-	-	2,000
Accounting and other	27,314	7,049	20,265	-	54,628	22,027	11,454	88,109	115,844
Professional development	1,087	209	602	-	1,898	3,295	340	5,533	1,883
Depreciation and amortization	-	-	-	-	-	3,442	-	3,442	3,250
Collaboration	25	6	18	-	49	402	215	666	7,028
Other	33,172	-	-	1,045	34,217	4,670	-	38,887	7,055
<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>	<u>\$ 1,315,251</u>

See accompanying independent auditors' report on supplementary information.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

Exhibit II

	Program Services							Total
	Events	Publications	Membership Services	Other Programs	Total Program Services	Management and General	Fundraising	
Staff salaries	\$ 62,693	\$ 12,683	\$ 49,564	\$ -	\$ 124,940	\$ 43,276	\$ 25,173	\$ 193,389
Staff benefits	20,984	5,415	15,569	-	41,968	16,921	8,800	67,689
Temporary and contract labor/stipends	-	233,500	-	-	233,500	3,000	-	236,500
<i>Total payroll costs</i>	83,677	251,598	65,133	-	400,408	63,197	33,973	497,578
Printing	7,370	22,635	1,780	-	31,785	(945)	1,927	32,767
Postage	2,849	169	1,403	-	4,421	716	1,433	6,570
Supplies	14,586	18,994	948	67	34,595	945	512	36,052
Conference	337,365	-	4,912	-	342,277	23,286	-	365,563
Travel and meetings	61,234	13,750	117	44,877	119,978	19,587	-	139,565
Scholarships and awards	38,952	-	750	-	39,702	500	-	40,202
Website	231	59	172	254	716	186	97	999
Rent	3,750	968	2,784	-	7,502	3,023	1,573	12,098
Telephone/fax/copier	1,901	433	1,294	-	3,628	1,296	728	5,652
Insurance	1,590	411	1,283	-	3,284	3,230	667	7,181
Administration	4,438	1,145	3,293	-	8,876	10,718	1,862	21,456
Technology	3,732	1,002	2,880	-	7,614	3,267	1,627	12,508
Legal	2,000	-	-	-	2,000	-	-	2,000
Accounting and other	30,288	6,932	20,154	15,000	72,374	30,200	13,270	115,844
Professional development	-	-	-	-	-	1,883	-	1,883
Depreciation and amortization	-	-	-	-	-	3,250	-	3,250
Collaboration	-	-	800	3,082	3,882	3,146	-	7,028
Other	1,855	-	2,256	-	4,111	2,944	-	7,055
<i>Total functional expenses</i>	<u>\$ 595,818</u>	<u>\$ 318,096</u>	<u>\$ 109,959</u>	<u>\$ 63,280</u>	<u>\$ 1,087,153</u>	<u>\$ 170,429</u>	<u>\$ 57,669</u>	<u>\$ 1,315,251</u>

See independent auditors' report on supplementary information.