
ASSOCIATION FOR RESEARCH ON NONPROFIT
ORGANIZATIONS AND VOLUNTARY ACTION

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2019 AND 2018

GREENWALT^{CPAs}

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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, 2019 and 2018, 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, 2019 and 2018, 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.

April 17, 2020

Greenwalt CPAs, Inc.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash	\$ 241,604	\$ 413,447
Cash held by others (Note 10)	31,917	21,119
<i>Total cash</i>	273,521	434,566
Investments	1,027,725	847,593
Accounts receivable	39,921	10,907
Grants receivable	460,000	995,500
Prepaid expenses	7,478	8,055
Equipment and software, net	3,814	4,112
<i>Total assets</i>	<u>\$ 1,812,459</u>	<u>\$ 2,300,733</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 153,694	\$ 207,452
Accrued payroll and benefits	58,002	47,028
Deferred revenue	21,439	5,430
Funds held on behalf of others (Note 5)	49,975	-
<i>Total liabilities</i>	<u>283,110</u>	<u>259,910</u>

COMMITMENTS (NOTE 11)

NET ASSETS

Without donor restrictions		
Undesignated	572,979	531,978
Board designated (Note 6)	286,148	289,838
<i>Total net assets without donor restrictions</i>	859,127	821,816
With donor restrictions	670,222	1,219,007
<i>Total net assets</i>	<u>1,529,349</u>	<u>2,040,823</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,812,459</u>	<u>\$ 2,300,733</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	2019 TOTAL	2018 TOTAL
REVENUE AND SUPPORT				
Grants	\$ 61,392	\$ 65,500	\$ 126,892	\$ 893,000
Membership dues	144,020	-	144,020	161,395
Conference revenue and sponsorships	207,838	184,392	392,230	315,160
Publications and royalties	184,681	20,000	204,681	176,966
Contributions	11,565	-	11,565	1,140
In-kind contributions (Note 1)	-	263,700	263,700	263,700
Investment income (loss), net (Note 4)	180,424	-	180,424	(64,060)
Other	2,850	-	2,850	3,749
Net assets released from restrictions	1,082,377	(1,082,377)	-	-
<i>Total revenue and support</i>	<u>1,875,147</u>	<u>(548,785)</u>	<u>1,326,362</u>	<u>1,751,050</u>
EXPENSES				
Program				
Events	668,892	-	668,892	585,236
Publications	327,081	-	327,081	331,474
Membership services	183,182	-	183,182	162,658
Other programs	423,903	-	423,903	474,089
<i>Total program expenses</i>	<u>1,603,058</u>	<u>-</u>	<u>1,603,058</u>	<u>1,553,457</u>
Management and general	192,954	-	192,954	173,576
Fundraising	41,824	-	41,824	60,004
<i>Total expenses</i>	<u>1,837,836</u>	<u>-</u>	<u>1,837,836</u>	<u>1,787,037</u>
INCREASE (DECREASE) IN NET ASSETS	37,311	(548,785)	(511,474)	(35,987)
NET ASSETS, BEGINNING OF YEAR	<u>821,816</u>	<u>1,219,007</u>	<u>2,040,823</u>	<u>2,076,810</u>
NET ASSETS, END OF YEAR	<u>\$ 859,127</u>	<u>\$ 670,222</u>	<u>\$ 1,529,349</u>	<u>\$ 2,040,823</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
REVENUE AND SUPPORT			
Grants	\$ 5,000	\$ 888,000	\$ 893,000
Membership dues	161,395	-	161,395
Conference revenue and sponsorships	206,360	108,800	315,160
Publications and royalties	151,966	25,000	176,966
Contributions	1,140	-	1,140
In-kind contributions (Note 1)	-	263,700	263,700
Investment loss, net (Note 4)	(64,060)	-	(64,060)
Other	3,749	-	3,749
Net assets released from restrictions	1,074,139	(1,074,139)	-
	<u>1,539,689</u>	<u>211,361</u>	<u>1,751,050</u>
<i>Total revenue and support</i>			
EXPENSES			
Program			
Events	585,236	-	585,236
Publications	331,474	-	331,474
Membership services	162,658	-	162,658
Other programs	474,089	-	474,089
	<u>1,553,457</u>	<u>-</u>	<u>1,553,457</u>
<i>Total program expenses</i>			
Management and general	173,576	-	173,576
Fundraising	60,004	-	60,004
	<u>1,787,037</u>	<u>-</u>	<u>1,787,037</u>
<i>Total expenses</i>			
INCREASE (DECREASE) IN NET ASSETS	(247,348)	211,361	(35,987)
NET ASSETS, BEGINNING OF YEAR	<u>1,069,164</u>	<u>1,007,646</u>	<u>2,076,810</u>
NET ASSETS, END OF YEAR	<u>\$ 821,816</u>	<u>\$ 1,219,007</u>	<u>\$ 2,040,823</u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services							2019	2018
	Events	Publications	Membership Services	Other Programs	Total Program Services	Management and General	Fundraising	Total	Total
Staff salaries	\$ 104,367	\$ 15,563	\$ 97,264	\$ 31,486	\$ 248,680	\$ 29,247	\$ 21,581	\$ 299,508	\$ 245,744
Staff benefits	17,653	2,522	17,653	1,872	39,700	7,565	5,044	52,309	75,641
AROCSA executive director	-	-	-	-	-	-	-	-	52,500
Temporary and contract labor/stipends	5,000	264,500	-	-	269,500	-	-	269,500	309,500
<i>Total payroll costs</i>	127,020	282,585	114,917	33,358	557,880	36,812	26,625	621,317	683,385
Printing	10,535	15	99	950	11,599	1,360	23	12,982	21,225
Postage	6,434	174	1,185	282	8,075	1,198	279	9,552	4,447
Supplies	24,938	20,731	1,072	10,581	57,322	1,366	72	58,760	44,520
Conference	322,903	22	14,900	199,722	537,547	24,029	437	562,013	615,665
Travel and meetings	51,468	15,008	1,017	77,367	144,860	38,727	159	183,746	191,325
Scholarships and awards	69,484	-	2,750	1,000	73,234	-	-	73,234	24,426
Rent	3,653	942	2,713	-	7,308	3,214	1,553	12,075	11,505
Telephone/fax/copier	1,987	317	2,079	30	4,413	1,870	493	6,776	8,956
Insurance	2,337	655	2,227	-	5,219	2,247	1,502	8,968	9,565
Administration	795	205	590	-	1,590	26,558	333	28,481	28,334
Technology	9,530	1,833	7,832	113	19,308	6,820	2,653	28,781	19,380
Accounting and other	30,170	4,451	30,838	-	65,459	18,668	7,465	91,592	98,686
Professional development	936	140	949	-	2,025	5,231	223	7,479	14,049
Depreciation and amortization	-	-	-	-	-	2,331	-	2,331	2,724
Collaboration	6,702	3	14	-	6,719	-	7	6,726	1,299
Bad debt	-	-	-	100,500	100,500	15,000	-	115,500	-
Other	-	-	-	-	-	7,523	-	7,523	7,546
<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>	<u>\$ 1,787,037</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, 2018

	Program Services							Total
	Events	Publications	Membership Services	Other Programs	Total Program Services	Management and General	Fundraising	
Staff salaries	\$ 73,256	\$ 13,541	\$ 76,074	\$ -	\$ 162,871	\$ 58,505	\$ 24,368	\$ 245,744
Staff benefits	24,671	5,135	21,065		50,871	15,853	8,917	75,641
AROCSA executive director	-	-	-	52,500	52,500	-	-	52,500
Temporary and contract labor/stipends	-	264,500	-	45,000	309,500	-	-	309,500
<i>Total payroll costs</i>	<u>97,927</u>	<u>283,176</u>	<u>97,139</u>	<u>97,500</u>	<u>575,742</u>	<u>74,358</u>	<u>33,285</u>	<u>683,385</u>
Printing	14,132	5	2,960	304	17,401	531	3,293	21,225
Postage	2,274	106	399	24	2,803	669	975	4,447
Supplies	18,199	21,007	1,300	1,867	42,373	1,650	497	44,520
Conference	348,003	127	7,803	237,342	593,275	22,225	165	615,665
Travel and meetings	35,611	15,001	4,432	119,069	174,113	15,978	1,234	191,325
Scholarships and awards	15,547	-	2,879	6,000	24,426	-	-	24,426
Rent	3,573	910	2,683	-	7,166	2,860	1,479	11,505
Telephone/fax/copier	2,802	625	2,345	-	5,772	2,173	1,011	8,956
Insurance	2,208	739	2,296	-	5,243	2,348	1,974	9,565
Administration	5,015	920	3,690	-	9,625	17,228	1,481	28,334
Technology	6,018	1,432	4,959	14	12,423	4,635	2,322	19,380
Accounting and other	31,271	6,877	26,431	-	64,579	22,975	11,132	98,686
Professional development	534	117	2,101	9,872	12,624	970	455	14,049
Depreciation and amortization	-	-	-	-	-	2,724	-	2,724
Collaboration	310	80	230	2,054	2,674	(1,505)	130	1,299
Other	1,812	352	1,011	43	3,218	3,757	571	7,546
<i>Total functional expenses</i>	<u>\$ 585,236</u>	<u>\$ 331,474</u>	<u>\$ 162,658</u>	<u>\$ 474,089</u>	<u>\$ 1,553,457</u>	<u>\$ 173,576</u>	<u>\$ 60,004</u>	<u>\$ 1,787,037</u>

See accompanying notes to financial statements.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

STATEMENTS OF CASH FLOWS

FOR YEARS ENDED DECEMBER 31, 2019 AND 2018

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DECREASE IN CASH

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	\$ 1,404,733	\$ 775,188
Cash paid to employees and suppliers	(1,564,037)	(1,325,150)
Interest and dividends received, net of fees	19,830	18,824
	<u> </u>	<u> </u>
<i>Net cash used in operating activities</i>	<u>(139,474)</u>	<u>(531,138)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,033)	(3,030)
Purchases of investments	(19,538)	(18,387)
	<u> </u>	<u> </u>
<i>Net cash used in investing activities</i>	<u>(21,571)</u>	<u>(21,417)</u>
 DECREASE IN CASH	 (161,045)	 (552,555)
 CASH, BEGINNING OF YEAR	 <u>434,566</u>	 <u>987,121</u>
 CASH, END OF YEAR	 <u><u>\$ 273,521</u></u>	 <u><u>\$ 434,566</u></u>

**RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH
 USED IN OPERATING ACTIVITIES**

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS	<u>\$ (511,474)</u>	<u>\$ (35,987)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization expense	2,331	2,724
Unrealized and realized (gain) loss on investments	(160,594)	82,884
<i>(Increase) decrease in operating assets</i>		
Accounts receivable	(29,014)	29,445
Grants receivable	535,500	(793,000)
Prepaid expenses	577	27,366
<i>Increase (decrease) in operating liabilities</i>		
Accounts payable	(53,758)	164,181
Accrued payroll and benefits	10,974	3,916
Deferred revenue	16,009	(12,667)
Funds held on behalf of others	49,975	-
<i>Total adjustments</i>	<u>372,000</u>	<u>(495,151)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (139,474)</u></u>	<u><u>\$ (531,138)</u></u>

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, ARNOVA had no cash equivalents. ARNOVA held cash in excess of FDIC limits at December 31, 2018 of approximately \$167,500.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018 with a cost basis of \$938,046 and \$897,687, 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, 2019 and 2018 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, 2019:

	<u>2019</u>	<u>2018</u>
Amounts due in one year	\$ 420,000	\$ 908,000
Amounts due in one to five years	40,000	75,000
Amounts due in more than five years	-	12,500
	<u>\$ 460,000</u>	<u>\$ 995,500</u>

EQUIPMENT AND SOFTWARE

ARNOVA capitalizes all significant acquisitions of equipment and software at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a useful life when acquired of more than one year 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, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

EQUIPMENT AND SOFTWARE, CONTINUED

Equipment and software consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 3,079	\$ 3,079
Computer equipment	15,412	19,999
Software	500	500
Less: accumulated depreciation and amortization	<u>(15,177)</u>	<u>(19,466)</u>
	<u>\$ 3,814</u>	<u>\$ 4,112</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 statement 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 6.

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 7. Perpetually-restricted amounts are discussed in Note 8. 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, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

With Donor Restrictions, Continued

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

	<u>2019</u>	<u>2018</u>
Time and purpose restrictions (Note 7)	\$ 651,047	\$ 1,199,832
Perpetual restrictions (Note 8)	<u>19,175</u>	<u>19,175</u>
Total net assets with donor restrictions	<u>\$ 670,222</u>	<u>\$ 1,219,007</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 for satisfaction of performance obligations for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Over time	\$ 144,020	\$ 161,395
Point in time	<u>599,761</u>	<u>495,875</u>
Total revenue	<u>\$ 743,781</u>	<u>\$ 657,270</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 each of the years ended December 31, 2019 and 2018, the value of contributed services amount of \$263,700 is included in in-kind contributions and program expenses.

ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 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.

For the year ended December 31, 2018, contributed services not reflected in the financial statements are summarized below:

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

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.

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

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through April 17, 2020, which is the date the financial statements were available to be issued.

NEW ACCOUNTING PRONOUNCEMENT

ARNOVA has adopted FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as of January 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ARNOVA applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of January 1, 2019.

ARNOVA has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) as of and for the year ended December 31, 2019. The ASU and all subsequently issued clarifying ASU's replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides companies with a single revenue recognition model for recognizing revenue with customers; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ARNOVA has adopted ASU 2014-09 on the modified retrospective basis. The provisions of Topic 606 were adopted for the year ended December 31, 2019 and had no impact on net assets as of January 1, 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, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity proposes, 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.

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2. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash	\$ 273,521	\$ 434,566
Investments	1,027,725	847,593
Accounts and grants receivable	<u>499,921</u>	<u>1,006,407</u>
Total financial assets	1,801,167	2,288,566
Less amounts not available to be used within one year:		
Cash held by and on behalf of others	(81,892)	(21,119)
Board designated net assets	(286,148)	(289,838)
Net assets with donor restrictions	<u>(670,222)</u>	<u>(1,219,007)</u>
Financial assets not available to be used with one year	<u>(1,038,262)</u>	<u>(1,529,964)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 762,905</u>	<u>\$ 758,602</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.

Fair values measured on a recurring basis at December 31:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>[Level 1]</u>	Significant Other Observable Inputs <u>[Level 2]</u>	Significant Unobservable Inputs <u>[Level 3]</u>
2019 Mutual funds	<u>\$ 1,027,725</u>	<u>\$ 1,027,725</u>	<u>\$ -</u>	<u>\$ -</u>
2018 Mutual funds	<u>\$ 847,593</u>	<u>\$ 847,593</u>	<u>\$ -</u>	<u>\$ -</u>

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3. FAIR VALUE MEASUREMENTS, CONTINUED

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 (loss) for each period ended December 31 as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 19,940	\$ 18,934
Unrealized and realized gain (loss)	160,594	(82,884)
Investment fees	(110)	(110)
	<u>\$ 180,424</u>	<u>\$ (64,060)</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 \$50,000 in contributions and expended \$25 in expenditures on behalf of the Forum in 2019. At December 31, 2019, the balance of funds held on behalf of the Forum was \$49,975.

6. 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>2019</u>	<u>2018</u>
Cash flow volatility	\$ 200,000	\$ 200,000
Grant advance	25,000	25,000
Scholarships	42,992	42,992
Section funds	18,156	21,846
	<u>\$ 286,148</u>	<u>\$ 289,838</u>

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7. 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, 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>

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

8. NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL ENDOWMENT

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

INTERPRETATION OF RELEVANT LAW

Management has interpreted the Uniform Prudent Management Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result the interpretation, ARNOVA classifies as net assets with donor restrictions of a perpetual nature (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulation to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund.

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

- (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, 2019 and 2018.

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.

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

RETURN OBJECTIVES AND RISK PARAMETERS, CONTINUED

ARNOVA expects its perpetual endowment investments, over time, to provide an average rate of return of at least 1% annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

ARNOVA's primary investment objective is to provide preservation of capital. ARNOVA relies on a total return strategy in which investment returns are achieved primarily through current yield (interest and dividends). ARNOVA's policy is to invest in mutual funds, exchange traded funds, and certificates of deposit to achieve its long-term return objectives within prudent risk constraints.

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, 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>

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

9. CONCENTRATIONS

For the year ended December 31, 2019, ARNOVA had no significant concentrations. For the year ended December 31, 2018, ARNOVA had one significant grant that totaled approximately 46% of total revenue and support.

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, 2019 and 2018 was \$7,571 and \$9,415, 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, 2019 and 2018, was \$351,817 and \$321,385, 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, 2019 and 2018, respectively, the balances in that account were \$31,917 and \$21,119, 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. 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, 2019 and 2018, under terms of the operating leases referenced above was \$12,075 and \$11,505, respectively.

Future minimum annual rental payments under the office lease for the year ending December 31, 2020 is \$7,980.