ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

FINANCIAL STATEMENTS
Together with Independent Auditors’ Report
June 30, 2013 and 2012

GREENWALT CPAs
We Deliver Peace of Mind
INDEPENDENT AUDITORS’ REPORT

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

We have audited the accompanying financial statements of the Association for Research on Nonprofit Organizations and Voluntary Action (“ARNOVA”), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of ARNOVA as of June 30, 2012, were audited by other auditors whose report dated April 30, 2013, expressed an unmodified opinion on those statements. This information, presented in summarized comparative format, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Methodology

As described in Note 10 to the financial statements, ARNOVA changed the methodology for which royalty income was recorded to be more consistent with the terms of the royalty agreement. Our opinion is not modified with respect to that matter.

February 10, 2014
ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 635,120</td>
<td>$ 718,893</td>
</tr>
<tr>
<td>Cash held by others (Note 8)</td>
<td>43,585</td>
<td>63,443</td>
</tr>
<tr>
<td>Total cash</td>
<td>678,705</td>
<td>782,336</td>
</tr>
<tr>
<td>Investments</td>
<td>307,346</td>
<td>306,349</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>-</td>
<td>12,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>18,103</td>
<td>71,627</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>25,801</td>
<td>19,430</td>
</tr>
<tr>
<td>Inventory</td>
<td>5,472</td>
<td>5,538</td>
</tr>
<tr>
<td>Equipment and software, net</td>
<td>14,624</td>
<td>24,798</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 1,050,051</td>
<td>$ 1,222,078</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

LIABILITIES

<table>
<thead>
<tr>
<th>Accounts payable</th>
<th>$ 11,582</th>
<th>$ 16,614</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued payroll and benefits</td>
<td>11,404</td>
<td>16,544</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>36,978</td>
<td>30,472</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>59,964</td>
<td>63,630</td>
</tr>
</tbody>
</table>

COMMITMENTS (NOTE 9)

NET ASSETS

Unrestricted

| Undesignated | 477,073 | 493,913 |
| Board designated (Note 4) | 317,992 | 317,992 |
| Total unrestricted net assets | 795,065 | 811,905 |

Temporary restricted (Note 5)

| 175,847 | 327,368 |
| Permanently restricted (Note 6) | 19,175 | 19,175 |
| Total net assets | 990,087 | 1,158,448 |

Total liabilities and net assets

| $ 1,050,051 | $ 1,222,078 |

See accompanying notes to financial statements.
## ASSOCIATION FOR RESEARCH ON NONPROFIT ORGANIZATIONS AND VOLUNTARY ACTION

### STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>UNRESTRICTED</th>
<th>TEMPORARILY RESTRICTED</th>
<th>PERMANENTLY RESTRICTED</th>
<th>TOTAL 2013</th>
<th>TOTAL 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE AND SUPPORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$99,000</td>
</tr>
<tr>
<td>Membership dues</td>
<td>$84,509</td>
<td></td>
<td></td>
<td>$84,509</td>
<td>76,640</td>
</tr>
<tr>
<td>Conference revenue and sponsorships</td>
<td>$192,860</td>
<td>$42,500</td>
<td></td>
<td>$235,360</td>
<td>191,435</td>
</tr>
<tr>
<td>Publications and royalties</td>
<td>$53,671</td>
<td>$16,000</td>
<td></td>
<td>$69,671</td>
<td>126,215</td>
</tr>
<tr>
<td>Contributions</td>
<td>$6,825</td>
<td>-</td>
<td>$7,325</td>
<td>$14,145</td>
<td>10,038</td>
</tr>
<tr>
<td>In-kind contributions (Note 1)</td>
<td></td>
<td>$150,250</td>
<td></td>
<td>$150,250</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$1,630</td>
<td>$23</td>
<td></td>
<td>$1,653</td>
<td>8,469</td>
</tr>
<tr>
<td>Insurance proceeds, employee dishonesty loss</td>
<td>$62,548</td>
<td></td>
<td></td>
<td>$62,548</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$1,688</td>
<td></td>
<td>$1,688</td>
<td></td>
<td>913</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>$360,794</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenue and support</strong></td>
<td>$764,525</td>
<td>($151,521)</td>
<td></td>
<td>$613,004</td>
<td>662,960</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conference</td>
<td>$229,306</td>
<td></td>
<td>-</td>
<td>$229,306</td>
<td>229,929</td>
</tr>
<tr>
<td>Publications</td>
<td>$184,149</td>
<td></td>
<td>-</td>
<td>$184,149</td>
<td>188,734</td>
</tr>
<tr>
<td>Membership services</td>
<td>$44,364</td>
<td></td>
<td>-</td>
<td>$44,364</td>
<td>93,989</td>
</tr>
<tr>
<td>Scholarships and awards</td>
<td>$27,421</td>
<td></td>
<td>-</td>
<td>$27,421</td>
<td>39,235</td>
</tr>
<tr>
<td>Other programs</td>
<td>$53,064</td>
<td></td>
<td>-</td>
<td>$53,064</td>
<td>40,380</td>
</tr>
<tr>
<td><strong>Total program expenses</strong></td>
<td>$538,304</td>
<td></td>
<td>-</td>
<td>$538,304</td>
<td>592,267</td>
</tr>
<tr>
<td>Management and general</td>
<td>$238,569</td>
<td></td>
<td>-</td>
<td>$238,569</td>
<td>164,064</td>
</tr>
<tr>
<td>Fundraising</td>
<td>$4,492</td>
<td></td>
<td>-</td>
<td>$4,492</td>
<td>11,820</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$781,365</td>
<td></td>
<td>-</td>
<td>$781,365</td>
<td>768,151</td>
</tr>
<tr>
<td>Change in net assets before employee dishonesty loss</td>
<td>$(16,840)</td>
<td>$(151,521)</td>
<td>-</td>
<td>$(168,361)</td>
<td>(105,191)</td>
</tr>
<tr>
<td>Employee dishonesty loss</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>(54,069)</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>$(16,840)</td>
<td>$(151,521)</td>
<td>-</td>
<td>$(168,361)</td>
<td>(159,260)</td>
</tr>
<tr>
<td><strong>NET ASSETS, BEGINNING OF YEAR</strong></td>
<td>$811,905</td>
<td>$327,368</td>
<td>$19,175</td>
<td>$1,158,448</td>
<td>$1,317,708</td>
</tr>
<tr>
<td><strong>NET ASSETS, END OF YEAR</strong></td>
<td>$795,065</td>
<td>$175,847</td>
<td>$19,175</td>
<td>$990,087</td>
<td>$1,158,448</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### CHANGE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from members and others</td>
<td>$532,992</td>
<td>$768,824</td>
</tr>
<tr>
<td>Cash paid to employees and suppliers</td>
<td>(635,509)</td>
<td>(632,922)</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>1,792</td>
<td>8,196</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents provided by (used in) operating activities</strong></td>
<td>(100,725)</td>
<td>144,098</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(1,770)</td>
<td>(19,848)</td>
</tr>
<tr>
<td>Proceeds from maturity of investments</td>
<td>-</td>
<td>387,048</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(1,136)</td>
<td>(418,104)</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents provided by (used in) investing activities</strong></td>
<td>(2,906)</td>
<td>(50,904)</td>
</tr>
<tr>
<td><strong>NET CHANGE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>(103,631)</td>
<td>93,194</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</strong></td>
<td>782,336</td>
<td>689,142</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, END OF YEAR</strong></td>
<td>$678,705</td>
<td>$782,336</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Change in net assets</strong></td>
<td>$ (168,361)</td>
<td>$ (159,260)</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to net and cash equivalents provided by (used in) operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>11,944</td>
<td>9,701</td>
</tr>
<tr>
<td>Portion of loss related to equipment and software due to employee dishonesty loss</td>
<td>-</td>
<td>1,177</td>
</tr>
<tr>
<td>Unrealized (gain) loss on investment</td>
<td>139</td>
<td>(273)</td>
</tr>
<tr>
<td><strong>(Increase) decrease in operating assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>12,000</td>
<td>325,000</td>
</tr>
<tr>
<td>Accounts receivables</td>
<td>53,524</td>
<td>(1,401)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(6,371)</td>
<td>(7,922)</td>
</tr>
<tr>
<td>Inventory</td>
<td>66</td>
<td>127</td>
</tr>
<tr>
<td><strong>Increase (decrease) in operating liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(5,032)</td>
<td>(16,819)</td>
</tr>
<tr>
<td>Accrued payroll and benefits</td>
<td>(5,140)</td>
<td>(1,012)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>6,506</td>
<td>(5,220)</td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td>67,636</td>
<td>303,358</td>
</tr>
<tr>
<td><strong>Net cash and cash equivalents provided by (used in) operating activities</strong></td>
<td>$ (100,725)</td>
<td>$ 144,098</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
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 related to these activities.

**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.
- **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; 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**

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.
1. **Summary of Significant Accounting Policies, Continued**

**Financial Statement Presentation**

In accordance with Not-for-Profit Revenue Recognition Accounting Standards, donations and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

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. In addition, ARNOVA is required to present a statement of cash flows. ARNOVA has unrestricted, temporarily restricted, and permanently restricted net assets as of June 30, 2013 and 2012, respectively.

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with ARNOVA’s financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**Cash and Cash Equivalents**

ARNOVA considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents for ARNOVA consist primarily of money market accounts. At June 30, 2013 and 2012, ARNOVA had cash equivalents of $273,508 and $329,376, respectively.

**Investments**

Investments are carried at fair value for financial reporting purposes and certificates of deposit are recorded at cost. 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 consist of the following at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$279,533</td>
<td>$278,763</td>
</tr>
<tr>
<td>Equity</td>
<td>$859</td>
<td>$676</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$26,954</td>
<td>$26,910</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$307,346</strong></td>
<td><strong>$306,349</strong></td>
</tr>
</tbody>
</table>

**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.
1. **Summary of Significant Accounting Policies, Continued**

**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 no allowance is necessary at June 30, 2013 and 2012.

**Inventory**

Inventory, consisting of publications, are stated at the lower of cost or market. Cost is determined using the first in, first out (FIFO) method.

**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.

Equipment and software consist of the following at June 30:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$3,754</td>
<td>$3,754</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>5,690</td>
<td>5,690</td>
</tr>
<tr>
<td>Website</td>
<td>29,150</td>
<td>27,635</td>
</tr>
<tr>
<td></td>
<td>38,594</td>
<td>37,079</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(23,970)</td>
<td>(12,281)</td>
</tr>
<tr>
<td></td>
<td>$14,624</td>
<td>$24,798</td>
</tr>
</tbody>
</table>

**Deferred Revenue**

Membership dues are recognized as income over the applicable membership period, which is on a member anniversary basis. Therefore, membership dues collected in advance have been included in deferred revenue in the accompanying statement of financial position. Such deferred revenue will be recognized over the twelve – month period subsequent to joining or renewing the membership.
1. **Summary of Significant Accounting Policies, Continued**

**Net Assets**

ARNOVA maintains the following classifications of 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 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.

  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 the annual conference, scholarships, a leadership project, and ARNOVA’s Nonprofit & Voluntary Sector Quarterly publication (NVSQ). 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.

- **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 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.
1. **Summary of Significant Accounting Policies, Continued**

**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 purchase.

Professional editorial services related to the publication of the NVSQ 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 each year ended June 30, 2013 and 2012, the value of contributed services amount is $150,250, and is included in 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.

For the year ended June 30, 2013, contributed services not reflected in the financial statements are summarized below:

- 129 respondents indicated they had volunteered for ARNOVA during the fiscal year. Hours were reported by 122 of them, totaling 5,405. Volunteer hours for NVSQ activities were analyzed separately, resulting in an addition of 5,261 hours, for a grand total of 10,666 hours. This is the equivalent of 5.86 full-time equivalent positions.

- The volunteers in this study contributed $11,410 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated $415,318 in hours volunteered, for a total of $426,728.

Calculated in this way, the volunteer contributions represent 70 percent of the total activity hours (paid and unpaid), and 41 percent of all incoming resources.

For the year ended June 30, 2012 contributed services not reflected in the financial statements are summarized below:

- 123 respondents indicated they had volunteered for ARNOVA during the fiscal year. Hours were reported by 117 of them, totaling 5,376. Volunteer hours for NVSQ activities were analyzed separately, resulting in an addition of 6,156 hours, for a grand total of 11,532. This is the equivalent of 6.34 full-time equivalent positions.

- The volunteers in this study contributed $11,682 in non-reimbursed out-of-pocket expenses and the equivalent of an estimated $401,429 in hours volunteered, for a total of $413,311.

Calculated in this way, the volunteer contributions represent 72 percent of the total activity hours (paid and unpaid), and 42 percent of all incoming resources.
1. Summary of Significant Accounting Policies, Continued

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.

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

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.

Accounting Standards for Income Taxes provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements. ARNOVA individually evaluates its activities to determine that they are in compliance with its exempt purpose. Management does not believe it has engaged in any activities that would create uncertain tax positions. All tax periods prior to 2009 are no longer subject to examination.

Subsequent Events

Subsequent events have been evaluated by management through February 10, 2014, which is the date the financial statements were available to be issued.

Subsequent to year end, ARNOVA received significant grants totaling $170,000, some of which had restrictions.
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 June 30:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Quoted Prices in Active Markets for Identical Assets [Level 1]</th>
<th>Significant Other Observable Inputs [Level 2]</th>
<th>Significant Unobservable Inputs [Level 3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>$859</td>
<td>$859</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>26,954</td>
<td>26,954</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments at fair value</td>
<td>$27,813</td>
<td>$27,813</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Quoted Prices in Active Markets for Identical Assets [Level 1]</th>
<th>Significant Other Observable Inputs [Level 2]</th>
<th>Significant Unobservable Inputs [Level 3]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>$676</td>
<td>$676</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>26,910</td>
<td>26,910</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments at fair value</td>
<td>$27,586</td>
<td>$27,586</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. These valuation methods have not changed from the prior year. Investments as reported in the statements of financial position include certificates of deposit which are reported at cost. See Note 1.
3. **Investments**

The following schedule summarizes the investment return for each of the years ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$1,792</td>
<td>$8,196</td>
</tr>
<tr>
<td>Unrealized gain (loss)</td>
<td>(139)</td>
<td>273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,653</td>
<td>$8,469</td>
</tr>
</tbody>
</table>

4. **Board Designated Net Assets**

The following schedule summarizes the board-imposed purposes related to board designated net assets for each of the years ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>General operating</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Cash flow volatility</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Grant advance</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Scholarships</td>
<td>42,992</td>
<td>42,992</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$317,992</td>
<td>$317,992</td>
</tr>
</tbody>
</table>

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 for the following years ended June 30:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>New Restrictions</th>
<th>Released from Restrictions</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future periods</td>
<td>$197,327</td>
<td>$20,000</td>
<td>$136,327</td>
<td>$81,000</td>
</tr>
<tr>
<td>[general operations]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building leadership</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>effectively project</td>
<td>98,000</td>
<td>-</td>
<td>40,499</td>
<td>57,501</td>
</tr>
<tr>
<td>Publications</td>
<td>-</td>
<td>166,250</td>
<td>166,250</td>
<td>-</td>
</tr>
<tr>
<td>Scholarships</td>
<td>16,323</td>
<td>523</td>
<td>2,000</td>
<td>14,846</td>
</tr>
<tr>
<td>Conference</td>
<td>15,718</td>
<td>22,500</td>
<td>15,718</td>
<td>22,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$327,368</td>
<td>$209,273</td>
<td>$360,794</td>
<td>$175,847</td>
</tr>
</tbody>
</table>
5. **Temporarily Restricted Net Assets, Continued**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>New Restrictions</th>
<th>2012</th>
<th>Released from Restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future periods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[general operations]</td>
<td>$373,004</td>
<td>$1,000</td>
<td>$176,677</td>
<td>$197,327</td>
</tr>
<tr>
<td>Building leadership effectively project</td>
<td></td>
<td>98,000</td>
<td></td>
<td>98,000</td>
</tr>
<tr>
<td>Publications</td>
<td></td>
<td>165,250</td>
<td>165,250</td>
<td></td>
</tr>
<tr>
<td>Technology</td>
<td>2,121</td>
<td></td>
<td>2,121</td>
<td></td>
</tr>
<tr>
<td>Scholarships</td>
<td>16,142</td>
<td>1,181</td>
<td>1,000</td>
<td>16,323</td>
</tr>
<tr>
<td>Conference</td>
<td>24,303</td>
<td>36,500</td>
<td>45,085</td>
<td>15,718</td>
</tr>
<tr>
<td></td>
<td>$415,570</td>
<td>$301,931</td>
<td>$390,133</td>
<td>$327,368</td>
</tr>
</tbody>
</table>

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:

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
6. **Endowment, Continued**

(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, 2013 and 2012.

**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 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:
### 6. Endowment, Continued

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Temporarily Restricted</td>
<td>Permanently Restricted</td>
</tr>
<tr>
<td>Endowment net assets,</td>
<td>$ 1,251</td>
<td>$ 19,175</td>
</tr>
<tr>
<td>beginning of year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned</td>
<td>23</td>
<td>-</td>
</tr>
<tr>
<td>Endowment net assets,</td>
<td>$ 1,274</td>
<td>$ 19,175</td>
</tr>
<tr>
<td>end of year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 7. Concentrations

For the year ended June 30, 2013, ARNOVA had no significant grants exceeding 10% of total support and revenue. For the year ended June 30, 2012, the organization had one grant that accounted for 15% of ARNOVA’s total support and revenues.

### 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 June 30, 2013 and 2012 was $3,042 and $5,937, 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, 2013 and 2012 was $128,592 and $229,755, respectively. These amounts are allocated among program, management and general and fundraising expenses.
8. **Agreement with Indiana University, Continued**

To facilitate the processing of transactions with IU, ARNOVA is required to maintain a cash account with the University. ARNOVA has no access to the cash in the account. At June 30, 2013 and 2012, respectively, the balance in that account was $43,585 and $63,443 and is reported as cash held by others.

9. **Operating Lease**

ARNOVA leases its office space under the terms of an operating lease that calls for monthly payments of $853 through June 14, 2014. Future minimum lease payments under this lease are $10,236 through June 2014. Rent expense for the years ended June 30, 2013 and 2012 under terms of the above referenced office space lease was $12,044 and $10,116, respectively.

10. **Change in Accounting Methodology**

During fiscal year 2013, ARNOVA changed the methodology for which royalty income was recorded to be on a cash basis. It is not practical for ARNOVA to record the revenue on an accrual basis as the information required to do so is not available until March of the following year. The impact of the change resulted in ARNOVA recording about half of the revenue in 2013 that it normally would. Going forward, royalty revenue will be more comparable to prior years.

11. **Reclassification**

As of June 30, 2013, certain balances in the fiscal year 2012 financial statements have been reclassified for comparative purposes to conform to the presentation in the fiscal year 2013 financial statements. These reclassifications had no impact on net assets.
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 year ended June 30, 2013 and our report thereon dated February 10, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown in Exhibit I is presented for purposes of additional analysis and is not 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.

February 10, 2014
## Program Services

<table>
<thead>
<tr>
<th>Conference</th>
<th>Publications</th>
<th>Membership Services</th>
<th>Scholarships and Awards</th>
<th>Other Programs</th>
<th>Total Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff salaries</td>
<td>$17,323</td>
<td>$1,893</td>
<td>$31,742</td>
<td>$12,358</td>
<td>$63,316</td>
<td>$27,149</td>
<td>$2,887</td>
<td>$93,352</td>
<td>$170,127</td>
</tr>
<tr>
<td>Staff benefits</td>
<td>$8,040</td>
<td>$1,024</td>
<td>$10,549</td>
<td>$5,856</td>
<td>$25,469</td>
<td>$8,212</td>
<td>$1,559</td>
<td>$35,240</td>
<td>$59,628</td>
</tr>
<tr>
<td>Temporary and contract labor/stipends</td>
<td>$6,219</td>
<td>$159,061</td>
<td>$-</td>
<td>$-</td>
<td>$165,280</td>
<td>$62,566</td>
<td>$-</td>
<td>$227,846</td>
<td>$182,052</td>
</tr>
<tr>
<td>Other personnel expense</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$931</td>
<td>$-</td>
<td>$931</td>
<td>$94</td>
</tr>
<tr>
<td><strong>Total payroll costs</strong></td>
<td>$31,582</td>
<td>$161,978</td>
<td>$42,291</td>
<td>$18,214</td>
<td>$254,065</td>
<td>$98,858</td>
<td>$4,446</td>
<td>$357,369</td>
<td>$411,901</td>
</tr>
</tbody>
</table>

| Printing | $9,542 | - | $225 | - | $9,767 | $1,503 | - | $11,270 | $10,719 |
| Postage | $119 | - | $118 | - | $237 | $433 | - | $670 | (95) |
| Supplies | $1,028 | $9,671 | $916 | - | $11,615 | $949 | 46 | $12,610 | $10,230 |
| Conference | $170,056 | - | $12,500 | $46 | $12,546 | $7,064 | - | $19,610 | $35,492 |
| Travel and meetings | $16,979 | $27,421 | $21,040 | $21,040 | $44,400 | - | - | $44,400 | $39,235 |
| Scholarships and awards | $- | $814 | $- | $- | $814 | $- | $- | $814 | $3,877 |
| Sections | $- | $- | $21,040 | $21,040 | $- | $- | $- | $21,040 | $8,768 |
| Diversity initiative | $- | $- | $13,764 | $13,764 | $- | $- | $- | $13,764 | $12,498 |
| Website | $- | $- | $13,764 | $- | $- | $- | $7,626 | $7,626 | $7,126 |
| Rent | $- | $- | $12,044 | $- | $- | $- | $- | $12,044 | $10,372 |
| Telephone/fax/copier | $- | $- | $7,626 | $- | $- | $- | $- | $7,626 | $7,126 |
| Insurance | $- | $- | $4,012 | $- | $- | $- | $- | $4,012 | $4,977 |
| Administration, credit card and bank fees | $- | $- | $29,185 | $- | $- | $- | $75 | $75 | $1,230 |
| Computers | $- | $- | $13,783 | $- | $- | $- | $- | $13,783 | $4,649 |
| Legal | $- | $- | $40,252 | $- | $- | $- | $- | $40,252 | $30,072 |
| Accounting | $- | $- | $11,944 | $- | $- | $- | $- | $11,944 | $9,701 |
| Depreciation | $- | $- | $9,062 | $- | $- | $- | $- | $9,062 | $3,326 |
| Collaboration | $- | $- | $1,779 | $- | $- | $- | $- | $1,779 | $1,945 |
| Election | $- | $- | $- | $- | $- | $- | $- | $- | $5,851 |
| Other expense | $- | $- | $- | $- | $- | $- | $- | $- | $- |
| **Total functional expenses** | $229,306 | $184,149 | $44,364 | $27,421 | $53,064 | $538,304 | $238,569 | $4,492 | $781,365 | $768,151 |

See accompanying independent auditors' report on supplementary information.