



**CLARK SCHAEFER HACKETT**  
BUSINESS ADVISORS

**Association For Research on Nonprofit  
Organizations and Voluntary Action**

Financial Statements

December 31, 2022 and 2021

with Independent Auditors' Report

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of the Association For Research on Nonprofit Organizations and Voluntary Action (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association For Research on Nonprofit Organizations and Voluntary Action as of December 31, 2022 and 2021, and the results of 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association For Research on Nonprofit Organizations and Voluntary Action and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association For Research on Nonprofit Organizations and Voluntary Action's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association For Research on Nonprofit Organizations and Voluntary Action's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association For Research on Nonprofit Organizations and Voluntary Action's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
October 2, 2023

Association For Research on Nonprofit Organizations and Voluntary Action  
 Statements of Financial Position  
 December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash	\$ 15,734	314,324
Cash held for others	79,308	59,975
Investments	580,901	1,168,941
Accounts receivable	43,037	34,488
Grants receivable	40,533	33,500
Prepaid expenses	<u>11,172</u>	<u>17,803</u>
	770,685	1,629,031
Equipment and software, net	<u>732</u>	<u>1,579</u>
Total Assets	\$ <u><u>771,417</u></u>	<u><u>1,630,610</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 73,724	226,930
Accrued payroll and benefits	2,636	46,021
Deferred revenue	1,385	45,708
Funds held on behalf of others	<u>79,308</u>	<u>59,975</u>
	<u>157,053</u>	<u>378,634</u>
Net assets:		
Without donor restriction		
Undesignated	231,930	780,788
Board designated	<u>304,580</u>	<u>294,967</u>
	536,510	1,075,755
With donor restriction	<u>77,854</u>	<u>176,221</u>
	<u>614,364</u>	<u>1,251,976</u>
Total Liabilities and Net Assets	\$ <u><u>771,417</u></u>	<u><u>1,630,610</u></u>

See accompanying notes to the financial statements.

Association For Research on Nonprofit Organizations and Voluntary Action  
Statement of Activities  
Year Ended December 31, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Revenues and support:			
Grants	\$ 15,000	-	15,000
Membership dues	124,995	-	124,995
Conference revenue and sponsorships	374,563	-	374,563
Publications and royalties	182,860	-	182,860
Contributions	5,519	12,500	18,019
In-kind contributions	133,025	-	133,025
Investment income, net	(175,031)	-	(175,031)
Other	<u>1,634</u>	<u>-</u>	<u>1,634</u>
	662,565	12,500	675,065
Net assets released from restriction	<u>110,867</u>	<u>(110,867)</u>	<u>-</u>
	<u>773,432</u>	<u>(98,367)</u>	<u>675,065</u>
Expenses:			
Program services:			
Events	696,475	-	696,475
Publications	173,594	-	173,594
Membership services	<u>183,256</u>	<u>-</u>	<u>183,256</u>
	<u>1,053,325</u>	<u>-</u>	<u>1,053,325</u>
Management and general	230,964	-	230,964
Fundraising	<u>28,388</u>	<u>-</u>	<u>28,388</u>
	<u>259,352</u>	<u>-</u>	<u>259,352</u>
	<u>1,312,677</u>	<u>-</u>	<u>1,312,677</u>
Change in net assets	(539,245)	(98,367)	(637,612)
Net assets - beginning of year	<u>1,075,755</u>	<u>176,221</u>	<u>1,251,976</u>
Net assets - end of year	\$ <u><u>536,510</u></u>	<u><u>77,854</u></u>	<u><u>614,364</u></u>

See accompanying notes to the financial statements.

Association For Research on Nonprofit Organizations and Voluntary Action  
Statement of Activities  
Year Ended December 31, 2021

	Without Donor <u>Restriction</u>	With Donor Restriction	<u>Total</u>
Revenues and support:			
Grants	\$ 8,500	-	8,500
Membership dues	130,216	-	130,216
Conference revenue and sponsorships	301,437	-	301,437
Publications and royalties	188,883	-	188,883
Contributions	12,259	2,005	14,264
In-kind contributions	266,050	-	266,050
Investment income, net	159,726	-	159,726
Other	<u>94,108</u>	<u>-</u>	<u>94,108</u>
	1,161,179	2,005	1,163,184
Net assets released from restriction	<u>571,569</u>	<u>(571,569)</u>	<u>-</u>
	<u>1,732,748</u>	<u>(569,564)</u>	<u>1,163,184</u>
Expenses:			
Program services:			
Events	560,017	-	560,017
Publications	340,079	-	340,079
Membership services	116,225	-	116,225
Other	<u>385,800</u>	<u>-</u>	<u>385,800</u>
	<u>1,402,121</u>	<u>-</u>	<u>1,402,121</u>
Management and general	195,816	-	195,816
Fundraising	<u>30,040</u>	<u>-</u>	<u>30,040</u>
	<u>225,856</u>	<u>-</u>	<u>225,856</u>
	<u>1,627,977</u>	<u>-</u>	<u>1,627,977</u>
Change in net assets	104,771	(569,564)	(464,793)
Net assets - beginning of year	<u>970,984</u>	<u>745,785</u>	<u>1,716,769</u>
Net assets - end of year	\$ <u>1,075,755</u>	<u>176,221</u>	<u>1,251,976</u>

See accompanying notes to the financial statements.

Association For Research on Nonprofit Organizations and Voluntary Action  
Statement of Functional Expenses  
Year Ended December 31, 2022

	Program Services						
	Events	Publications	Membership Services	Total	Management and General	Fundraising	Total Expense
Payroll costs	\$ 94,138	23,890	86,960	204,988	38,504	26,855	270,347
Contract labor	84,937	132,926	61,462	279,325	24,924	-	304,249
NVSQ direct expenses	4,785	15,067	-	19,852	-	-	19,852
Conferences	447,653	600	10,163	458,416	210	-	458,626
Travel and meetings	21,735	-	-	21,735	14,771	-	36,506
Scholarships and awards	35,167	-	-	35,167	2,000	-	37,167
Rent	1,767	456	1,311	3,534	8,840	741	13,115
Administration	929	216	13,612	14,757	5,525	350	20,632
Technology	1,010	150	9,006	10,166	19,131	240	29,537
Accounting	-	-	-	-	76,007	-	76,007
Other	4,354	289	742	5,385	40,205	202	45,792
Depreciation	-	-	-	-	847	-	847
	<u>\$ 696,475</u>	<u>173,594</u>	<u>183,256</u>	<u>1,053,325</u>	<u>230,964</u>	<u>28,388</u>	<u>1,312,677</u>

See accompanying notes to the financial statements.



Association For Research on Nonprofit Organizations and Voluntary Action  
Statement of Functional Expenses  
Year Ended December 31, 2021

	Program Services					Management and General	Fundraising	Total Expense
	Events	Publications	Membership Services	AROCSA- Africa Program	Total			
Payroll costs	\$ 76,019	15,323	70,464	-	161,806	44,331	21,720	227,857
Contract labor	88,465	267,160	32,298	17,800	405,723	12,902	2,219	420,844
NVSQ direct expenses	-	56,133	-	-	56,133	-	-	56,133
Conferences	304,313	-	-	154,242	458,555	250	3,528	462,333
Travel and meetings	17,839	-	2,320	3,180	23,339	5,361	-	28,700
Scholarships and awards	61,715	-	4,785	210,385	276,885	-	-	276,885
Rent	4,241	1,095	3,147	-	8,483	3,420	1,779	13,682
Administration	767	194	1,741	43	2,745	32,480	516	35,741
Technology	3,493	174	1,264	150	5,081	30,813	278	36,172
Accounting	-	-	-	-	-	48,494	-	48,494
Other	3,165	-	206	-	3,371	15,702	-	19,073
Depreciation	-	-	-	-	-	2,063	-	2,063
	<u>\$ 560,017</u>	<u>340,079</u>	<u>116,225</u>	<u>385,800</u>	<u>1,402,121</u>	<u>195,816</u>	<u>30,040</u>	<u>1,627,977</u>

See accompanying notes to the financial statements.

Association For Research on Nonprofit Organizations and Voluntary Action  
 Statements of Cash Flows  
 Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (637,612)	(464,793)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	847	2,063
Unrealized and realized (gain) loss on investments	190,340	(146,885)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(8,549)	20,531
Grants receivable	(7,033)	6,500
Prepaid expenses	6,631	15,798
Accounts payable	(153,206)	170,732
Accrued payroll and benefits	(43,385)	(26,296)
Deferred revenue	(44,323)	(16,166)
Funds held on behalf of others	19,333	15,000
Net cash flows from operating activities	(676,957)	(423,516)
Cash flows from investing activities:		
Purchase of investments	(34,445)	(81,070)
Proceeds from sale of investments	432,145	68,311
Purchase of property and equipment	-	(1,760)
Net cash flows from investing activities	397,700	(14,519)
Change in cash and cash equivalents	(279,257)	(438,035)
Cash and cash equivalents - beginning of year	374,299	812,334
Cash and cash equivalents - end of year	\$ <u>95,042</u>	\$ <u>374,299</u>
Reconciliation to Statement of Financial Position		
Cash	\$ 15,734	314,324
Cash held for others	79,308	59,975
	\$ <u>95,042</u>	<u>374,299</u>

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of the Association for Research on Nonprofit Organizations and Voluntary Action are set forth to facilitate the understanding of data presented in the financial statements:

### **Nature of operations**

The Association for Research on Nonprofit Organizations and Voluntary Action (“ARNOVA”) is a not-for-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, membership dues, conference revenue and sponsorships, and revenue from publications and royalties.

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**

The accompanying financial statements of ARNOVA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

### **Adoption of new accounting standard**

During 2022, ARNOVA adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Updates (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*. The standard requires contributed non-financial assets to be presented as a separate line item in the statements of activities, apart from contributions of cash and other financial assets, and enhanced disclosures including the ARNOVA’s policy for valuation and monetization of contributed non-financial assets and any donor-restrictions attached to the assets. This standard has been applied retrospectively with no impact to the change in net assets.

During 2022, ARNOVA adopted FASB ASU 2016-02, *Leases (Topic 842)*. ARNOVA has elected the effective date method for implementing this ASU where a cumulative adjustment related to the implementation of Accounting Standards Codification (“ASC”) 842 is recorded as of January 1, 2022, the date of implementation, with no adjustment to any prior year information presented in the financial statements. ARNOVA also elected multiple practical expedients. The adoption had no material impact on the ARNOVA’s financial statements.

### **Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Basis of presentation**

The financial statements of ARNOVA have been prepared in accordance with U.S. GAAP, which requires ARNOVA to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ARNOVA. These net assets may be used at the discretion of ARNOVA’s management and governing board.
- Net assets with donor restriction: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of ARNOVA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

### **Cash and cash equivalents**

For purposes of the statements of cash flows, ARNOVA considers all highly liquid investments and certificates of deposit with an original maturity of three months or less to be cash equivalents. ARNOVA maintains cash in deposit accounts, which at times, may exceed federally insured limits. ARNOVA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At December 31, 2022 and 2021, ARNOVA had no cash equivalents.

### **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 statements of activities in the period in which such changes occur. Interest and dividend income is recorded when earned. Realized and unrealized gains and losses, interest and dividend income are recorded net of fees as investment income, net, on the statements of activities.

### **Accounts receivable**

Accounts receivable primarily represent sponsorships promised to ARNOVA 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, 2022 and 2021 and no allowance for bad debts has been recorded. As of January 1, 2021, the accounts receivable balance was \$7,440.

**Grants receivable**

Grants receivable are unconditional promises to give due in future periods. Management has not recorded an allowance or discount on future receivables as they believe all accounts are collectible and a discount on future receivables is immaterial. Grants receivables consisted of the following at December 31:

	2022	2021
Amounts due in one year	\$ 40,533	20,000
Amounts due in one to five years	-	13,500
	\$ 40,533	33,500

**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.

Equipment and software consists of the following at December 31:

	2022	2021
Computer equipment	\$ 17,172	17,172
Furniture and equipment	3,079	3,079
Software	500	500
	20,751	20,751
Less: accumulated depreciation	(20,019)	(19,172)
	\$ 732	1,579

**Donated assets, property and software, and services**

Donated marketable securities, property and software, and other noncash donations are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, ARNOVA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ARNOVA reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ARNOVA.

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, 2022 and 2021, the value of contributed services of \$133,025 and \$266,050, respectively, are included in in-kind contributions and program expenses in the statements of activities. ARNOVA estimated the value of these services based on rates for offered by providers of similar services.

No amounts have been reflected in the statements for donor volunteer time where there is no objective basis available to measure the value of such services. As a result, these services do not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time in ARNOVA's activities. ARNOVA received more than approximately 12,000 and 13,000 volunteer hours during December 31, 2022 and 2021, respectively.

**Funds held on behalf of others**

Donations received and held on behalf of a separate not-for-profit entity are recorded as funds held on behalf of others on the statements of financial position.

**Revenue recognition**

ARNOVA's primary revenue and support is obtained from membership dues, grants/contributions, conference revenue and sponsorships, and publications and royalties. Incidental items that are immaterial in the context of the contract are recognized as expense. ARNOVA does not have any significant financing components as payment is received at or shortly after the point of sale.

Membership dues are earned by ARNOVA based on the satisfaction of performance obligations over time. Revenue from performance obligations satisfied over time is recognized using the output method. Under this method, ARNOVA measures completion of the total performance obligation as time elapses because the members are granted access to ARNOVA on an ongoing basis.

Conference, sponsorship, publication, and royalty fees are based on the satisfaction of performance obligations at a point in time. Performance obligations related to conference are the delivery of the event. Upon completion of the event, ARNOVA records revenue. Fees received in advance are deferred to the applicable period in which the event takes place.

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

	<u>2022</u>	<u>2021</u>
Over time	\$ 124,995	130,216
Point in time	<u>557,423</u>	<u>490,320</u>
	<u>\$ 682,418</u>	<u>620,536</u>

Deferred revenue, which is considered a contract liability, of \$1,385 and \$45,708 at December 31, 2022 and 2021, respectively, consists of deferred membership dues. During the year ended December 31, 2022 and 2021, \$45,708 and \$61,874, respectively, of revenue was recognized and included on the statements of activities that was included in deferred revenue as of January 1, 2022 and 2021. As of January 1, 2021, the deferred revenue balance was \$61,874.

Grants, conference sponsorships, and contributions including unconditional promises to give 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.

### **Expense allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. 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.

### **Income taxes**

ARNOVA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), except for income derived from unrelated business activities, as defined in the Code. In addition, ARNOVA qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Organization that is not a private foundation under Section 509(a)(1). ARNOVA is subject to unrelated business income tax. ARNOVA's policy with regards to interest and penalties is to recognize interest through interest expenses and penalties through other expenses. ARNOVA believes their estimates are appropriate based on the current facts and circumstances and that no unrelated business income tax accrual is necessary as of December 31, 2022 and 2021.

### **Advertising expenses**

Advertising costs are expensed in the period in which they are incurred.

### **Reclassification**

Certain items from 2021 have been reclassified to conform to current year presentation.

### **Subsequent events**

ARNOVA evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 2, 2023, the date on which the financial statements were available to be issued.

## **2. FAIR VALUE MEASUREMENTS:**

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants

at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities ARNOVA has the ability to access.
- Level 2 inputs (other than quoted prices included within Level 1) are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following tables present ARNOVA's fair value hierarchy for those assets measured at fair value on a recurring basis:

December 31, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, at fair value:				
Mutual funds:	\$ <u>580,901</u>	<u>-</u>	<u>-</u>	<u>580,901</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments, at fair value:				
Mutual funds:	\$ <u>1,168,941</u>	<u>-</u>	<u>-</u>	<u>1,168,941</u>

**3. BOARD DESIGNATED NET ASSETS:**

The following schedule summarizes the board designated net assets as of December 31:

	<u>2022</u>	<u>2021</u>
Cash flow volatility	\$ 200,000	200,000
Grant advance	25,000	25,000
Scholarships	42,992	42,992
Section funds	<u>36,588</u>	<u>26,975</u>
	<u>\$ 304,580</u>	<u>294,967</u>



**4. NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restriction consists of the following at December 31:

	2022	2021
Subject to time restrictions	\$ 42,500	149,253
Subject to purpose restriction	3,679	7,793
	46,179	157,046
 Endowment held in perpetuity	 31,675	 19,175
 Total net assets with donor restrictions	 \$ 77,854	 176,221

**5. ENDOWMENT FUNDS:**

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 of 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

Return objectives and risk parameters

ARNOVA has adopted investment and spending policies for investments functioning as perpetual endowment that attempts to provide a predictable stream of funding to the program supported by its perpetual endowment while seeking to maintain the fair value of the perpetual endowment assets. Under this policy, as approved by the Board of Directors, the endowed investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowed investments and which allows spending consistent with the terms of the donor's restriction of the perpetual endowment.

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

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>2022</u>	<u>Purpose Restricted</u>	<u>Perpetually</u>	<u>Total</u>
Perpetual endowment net assets, beginning of year	\$ 1,274	19,175	20,449
Contributions	-	12,500	12,500
Interest earned	-	-	-
Perpetual endowment net assets, end of year	\$ <u>1,274</u>	<u>31,675</u>	<u>32,949</u>

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2021	Purpose Restricted	Perpetually Restricted	Total
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>

**6. AGREEMENT WITH INDIANA UNIVERSITY:**

ARNOVA had 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 paid a 2.65% administrative fee to IU based on the total expenses processed on behalf of ARNOVA. This agreement was terminated in January 2022. The total amount paid to IU during the year ended December 31, 2021 was \$5,740. These expenses are included in management and general expenses on the statements of functional expenses.

Personnel working for ARNOVA were legally employees of IU and, as such, they were 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 year ended December 31, 2021 was \$222,115. These amounts are allocated among program, management and general, and fundraising expenses.

To facilitate the processing of transactions with IU, ARNOVA was required to maintain a cash account with the University. ARNOVA has no access to the cash in the account. At December 31, 2021, the balance in that account was \$56,296 and is included in cash on the statements of financial position.

**7. CONCENTRATIONS:**

One organization accounted for approximately 60% and 76% of accounts receivable in 2022 and 2021, respectively. Two organizations accounted for approximately 47% and 39% of total revenue in 2022 and 2021, respectively.

**8. 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. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the approval of the Board of Directors.

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The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 95,042	374,299
Investments	580,901	1,168,941
Accounts and grants receivable	<u>83,570</u>	<u>67,988</u>
	759,513	1,611,228
Less amounts not available to be used within one year:		
Funds held on behalf of others	79,308	59,975
Board designated net assets	304,580	294,967
Net assets with donor restrictions	<u>77,854</u>	<u>176,221</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>297,771</u></u>	<u><u>1,080,065</u></u>