ARM IN ARM, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

ARM IN ARM, INC.

YEARS ENDED JUNE 30, 2019 AND 2018

I N D E X

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Arm in Arm, Inc.
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of ARM IN ARM, INC. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors consider 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 previously present fairly, in all material respects, the financial position of Arm in Arm, Inc. as of June 30, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of Arm in Arm, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Arm in Arm, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arm in Arm, Inc.'s internal control over financial reporting and compliance.

Klatzkin & Company, LLP

KLATZKIN & COMPANY LLP

Hamilton, New Jersey
December 19, 2019

ARM IN ARM, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30, 2019	June 30, 2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 79,001	$ 94,388
Cash Held in Trust	68,697	-
Promises to Give	32,751	56,984
Grants Receivable	74,913	63,218
Prepaid Expenses	8,695	8,403
Food Inventory	4,941	4,941
Total Current Assets	268,998	227,934
Property and Equipment at Cost, Less Accumulated Depreciation of $271,785 and $246,607	97,423	116,479
Other Assets		
Investments	1,349,002	1,234,226
Beneficial Interest in Assets Held by a Foundation	283,464	283,714
Security Deposits	9,651	9,651
Total Other Assets	1,642,117	1,527,591
TOTAL ASSETS	$ 2,008,538	$ 1,872,004
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 5,897	$ 5,339
Representative Payee Payable	68,697	-
Accrued Expenses	43,448	30,443
Total Current Liabilities	118,042	35,782
Net Assets		
Without Donor Restrictions	1,483,017	1,414,102
With Donor Restrictions	407,479	422,120
Total Net Assets	1,890,496	1,836,222
TOTAL LIABILITIES AND NET ASSETS	$ 2,008,538	$ 1,872,004

The accompanying notes are an integral part of these financial statements.

ARM IN ARM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Donations	$ 766,879	$ 232,750	$ 999,629
In-Kind Food Donations	634,573	-	634,573
Special Events - Contributions and Revenue of $190,356			
Special Events - Cost of Direct Benefits to Donors of $28,425			
Net Revenues from Special Events	161,931	-	161,931
Grants	695,906	-	695,906
Net Investment Return	48,546	30,198	78,744
Net Assets Released From Restrictions	277,589	(277,589)	-
Total Support and Revenues	2,585,424	(14,641)	2,570,783
Expenses			
Program Services	2,111,320	-	2,111,320
Management and General	154,346	-	154,346
Fundraising and Development	250,843	-	250,843
Total Expenses	2,516,509	-	2,516,509
Change in Net Assets	68,915	(14,641)	54,274
Net Assets, Beginning of Year	1,414,102	422,120	1,836,222
Net Assets, End of Year	$ 1,483,017	$ 407,479	$ 1,890,496

The accompanying notes are an integral part of these financial statements.

ARM IN ARM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Donations	$ 852,008	$ 266,175	$ 1,118,183
In-Kind Food Donations	454,615	-	454,615
Special Events - Contributions and Revenue of $141,879			
Special Events - Cost of Direct Benefits to Donors of $27,226			
Net Revenues from Special Events	114,653	-	114,653
Grants	520,736	-	520,736
Net Investment Return	7,944	22,945	30,889
Net Assets Released From Restrictions	229,165	(229,165)	-
Total Support and Revenues	2,179,121	59,955	2,239,076
Expenses			
Program Services	1,863,760	-	1,863,760
Management and General	158,793	-	158,793
Fundraising and Development	187,313	-	187,313
Total Expenses	2,209,866	-	2,209,866
Change in Net Assets	(30,745)	59,955	29,210
Net Assets, Beginning of Year	1,444,847	362,165	1,807,012
Net Assets, End of Year	$ 1,414,102	$ 422,120	$ 1,836,222

The accompanying notes are an integral part of these financial statements.

ARM IN ARM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising and Development	Total
Personnel:				
Payroll	$ 590,939	$ 79,857	$ 127,770	$ 798,566
Payroll Taxes	43,411	5,866	9,387	58,664
Payroll Service Fee	4,640	627	1,003	6,270
Employee Benefits	80,226	10,841	17,346	108,413
Total Personnel Expenses	719,216	97,191	155,506	971,913
Direct Assistance:				
Food	741,114	-	-	741,114
Rent	176,454	-	-	176,454
Mortgage	3,869	-	-	3,869
Security Deposits	69,807	-	-	69,807
Housing Stability and Case Management	52,568	-	-	52,568
Utilities	39,874	-	-	39,874
Other	26,036	-	-	26,036
Total Direct Assistance	1,109,722	-	-	1,109,722
Other Operating Costs:				
Insurance	19,174	2,645	220	22,039
Fundraising Expenses	-	-	50,014	50,014
Conference and Training	1,175	-	-	1,175
Professional Fees	35,576	4,907	70,978	111,461
Audit	-	19,005	-	19,005
Maintenance and Supplies	36,910	5,091	424	42,425
Store Supplies and Display	3,123	-	-	3,123
Office	16,759	2,312	192	19,263
Rent	103,460	14,270	1,190	118,920
Staff and Volunteer Support	1,492	-	-	1,492
Telephone	19,643	2,709	226	22,578
Transportation	2,550	352	29	2,931
Utilities	20,615	2,843	237	23,695
Depreciation	21,905	3,021	252	25,178
Total Operating Costs	282,382	57,155	123,762	463,299
Total Expenses	2,111,320	154,346	279,268	2,544,934
Less Expenses Included with Revenues on the Statement of Activities:				
Cost of Direct Benefits to Donors	-	-	(28,425)	(28,425)
Total Expenses Included in the Expense Section on the Statement of Activities	$ 2,111,320	$ 154,346	$ 250,843	$ 2,516,509

The accompanying notes are an integral part of these financial statements.

ARM IN ARM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising and Development	Total
Personnel:				
Payroll	$ 527,186	$ 73,220	$ 131,797	$ 732,203
Payroll Taxes	37,564	5,217	9,391	52,172
Payroll Service Fee	3,491	485	873	4,849
Employee Benefits	100,246	13,923	25,062	139,231
Total Personnel Expenses	668,487	92,845	167,123	928,455
Direct Assistance:				
Food	553,971	-	-	553,971
Rent	137,474	-	-	137,474
Mortgage	2,261	-	-	2,261
Security Deposits	61,055	-	-	61,055
Housing Stability and Case Management	65,391	-	-	65,391
Utilities	51,023	-	-	51,023
Other	20,360	-	-	20,360
Total Direct Assistance	891,535	-	-	891,535
Other Operating Costs:				
Insurance	45,949	6,338	528	52,815
Fundraising Expenses	-	-	43,953	43,953
Program Expense	284	3	39	326
Conference and Training	3,612	-	-	3,612
Professional Fees	29,125	4,017	335	33,477
Audit	-	24,850	-	24,850
Maintenance and Supplies	40,515	5,588	466	46,569
Office	13,056	1,801	150	15,007
Rent	102,709	14,167	1,180	118,056
Staff and Volunteer Support	1,901	-	-	1,901
Telephone	19,097	2,634	220	21,951
Transportation	7,303	1,007	84	8,394
Utilities	19,210	2,650	220	22,080
Depreciation	20,977	2,893	241	24,111
Total Operating Costs	303,738	65,948	47,416	417,102
Total Expenses	1,863,760	158,793	214,539	2,237,092
Less Expenses Included with Revenues on the Statement of Activities:				
Cost of Direct Benefits to Donors	-	-	(27,226)	(27,226)
Total Expenses Included in the Expense Section on the Statement of Activities	$ 1,863,760	$ 158,793	$ 187,313	$ 2,209,866

The accompanying notes are an integral part of these financial statements.

ARM IN ARM, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2019	Years Ended June 30, 2018
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities:		
Cash Received from Grantors and Donors	$ 1,708,073	$ 1,602,348
Cash Received from Special Events	190,356	141,879
Cash Paid To Vendors and Employees	(1,843,487)	(1,744,804)
Cash Paid for Special Events	(28,425)	(27,226)
Interest and Dividends Received	18	42
Constructive Cash Received - Dividends Reinvested	34,962	26,565
Interest Paid	-	-
Income Taxes Paid	-	-
Net Cash Provided by (Used in) Operating Activities	61,497	(1,196)
Cash Flows from Investing Activities:		
Proceeds from Sales of Investments	89,200	323,999
Purchases of Investments	(159,962)	(336,840)
Purchases of Equipment	(6,122)	(24,260)
Net Cash Provided by (Used in) Investing Activities	(76,884)	(37,101)
Increase (Decrease) in Cash and Cash Equivalents	(15,387)	(38,297)
Cash and Cash Equivalents at Beginning of Year	94,388	132,685
Cash and Cash Equivalents at End of Year	$ 79,001	$ 94,388

The accompanying notes are an integral part of these financial statements.

ARM IN ARM, INC.

STATEMENTS OF CASH FLOWS

		Years Ended June 30,	
		2019	2018
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities			
Change in Net Assets	$	54,274	$ 29,210
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:			
Depreciation		25,178	24,111
Realized (Gain) Loss on Investments		(2,362)	(10,080)
Unrealized (Gain) Loss on Investments		(41,402)	5,756
(Increase) Decrease in Operating Assets:			
Promises to Give		24,233	(31,884)
Grants Receivable		(11,695)	(4,687)
Prepaid Expenses		(292)	981
Increase (Decrease) in Operating Liabilities:			
Accounts Payable		558	(2,633)
Accrued Expenses		13,005	(11,970)
Net Cash Provided by (Used in) Operating Activities	$	61,497	$ (1,196)

The accompanying notes are an integral part of these financial statements.

Note 1. Summary of Significant Accounting Policies

Organization, Nature of Activities, and Geographic Concentrations:

Arm in Arm, Inc. (formerly The Crisis Ministry of Mercer County, Inc.) is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The mission of Arm in Arm, Inc. is to partner with the community to achieve stability for neighbors in need. The program focuses on hunger prevention, homelessness prevention, and workforce development for low-income individuals and families in Mercer County, New Jersey. Core programs include the operation of three food pantries, financial assistance for rent, mortgage and utilities, as well as job training and job search assistance. The Organization is supported primarily through donor contributions and grants.

The Crisis Ministry was founded in 1980 by the lay and clergy leaders of Princeton's Nassau Presbyterian Church and Trinity Church as an active response to the recession of the time. In 1992, the Crisis Ministry and its sister program, the Trenton After School Program, were organized under the 501(c)(3) nonprofit corporation Princeton Outreach Projects, Inc. (POPI), in order to streamline administrative operations. Later, Trenton Children's Chorus and Housing Initiatives of Princeton also joined POPI. All of the fellow programs have since spun-off, and in the spring of 2012, the Crisis Ministry assumed the 501(c)(3) designation as a free-standing nonprofit organization. In the fall of 2016, the Organization changed its name to Arm in Arm, Inc. The new name reflects the collaborative spirit of the Organization in supporting their neighbors in need. Support by a diverse community network of individual volunteers, schools and colleges, congregations, businesses, foundations, civic groups, public entities, and fellow nonprofit agencies empowers the Organization to support low-income individuals and families across Mercer County in their efforts to achieve food security and housing and employment stability.

Basis of Presentation:

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Trustees.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Basis of Presentation (Cont'd):

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions:

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents:

For the purposes of the Statements of Cash Flows, cash includes certificates of deposit, money markets, and highly liquid debt instruments purchased with an original maturity of three months or less. Money market funds held in brokerage accounts are included in investments instead of cash and cash equivalents.

Cash Held in Trust:

The Organization holds cash in trust as a representative payee for the Social Security Administration. These funds are not available for general operating expenses.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable values. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollectible promises are expected to be insignificant. No allowance for doubtful accounts has been recorded. All promises to give are expected to be collected in less than one year.

Grants Receivable:

Grants receivable are from government agencies and are expected to be collected in full.

Investments:

Investments are in mutual funds, investing in intermediate-term, investment-grade corporate bonds, stocks, and money market funds. Investments are carried at fair value using quoted market prices in active markets. Realized gains and losses are determined using the average cost method. Mutual funds and money market accounts are not insured by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of the investment at $1 per share, it is possible for the value to fall below $1 per share.

Property, Equipment and Depreciation:

Property and equipment are stated at cost. Significant additions in excess of $500 are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in the Statements of Activities.

Inventories:

Inventories, which consist primarily of food items donated by community partners, are valued at the average cost per pound of food. The Organization uses industry data as provided by Feeding America to determine the cost per pound.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Concentrations of Credit Risk:

The Organization's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

Contributed Services and Goods:

The Organization receives the free use of office space from Nassau Presbyterian Church. No amounts have been reflected in these financial statements for use of these facilities as it is impractical to reasonably estimate the value. The Organization also receives a substantial amount of donated goods through community partners. The revenue and corresponding expense have been recorded for the donated goods, which are valued based on industry standards.

Food donations received from individuals, businesses and government agencies are vital to the Organization's mission, enabling it to provide food to those in need. During the years ended June 30, 2019 and 2018, food donations with a value of $634,573 and $454,615, respectively, were received. This amount is included as in-kind food donations in the Statements of Activities. Food donations from private sources were valued at $1.68 and $1.73 per pound for the years ended June 30, 2019 and 2018, respectively, in accordance with Feeding America's product valuation study. Food received from government agencies is valued at wholesale cost as provided by the respective agencies. The majority of the donated food received was distributed to individuals and families in need. Food with an estimated value of $4,941 and $4,941 remained in inventory at June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Personnel expenses, including payroll, payroll taxes, and employee benefits, are allocated based on the estimated amount of time each employee spends on each activity. Occupancy expenses, including rent, insurance, telephone, utilities, maintenance, and depreciation, are allocated based on the square footage of each location and the use of each building. Professional fees, office, postage, and transportation are also allocated using the occupancy percentages. All other expenses not noted are charged directly to the specific purpose for which the expense is incurred.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is subject to routine audits by taxing jurisdictions. There are currently no such audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and miscellaneous operating costs, respectively.

Compensated Absences:

Employees of the Organization are entitled to paid vacations, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

Adoption of New Accounting Pronouncement:

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Recent Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply the new guidance to determine whether revenue should be recognized over time or at a point in time. The standard will be effective for annual reporting periods beginning after December 15, 2018.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09 regarding its implications on the grants and contracts of not-for-profit organizations. ASU 2018-08 provides guidance to determine if a grant or contract is a contribution or exchange transaction. The standard also provides guidance to help in determining if a contribution is conditional. ASU 2018-08 is effective for fiscal years that start after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of ASU 2014-09 and ASU 2018-08 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Statements of Financial Position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statements of Activities. The new standard is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through December 19, 2019, the date on which the financial statements were available to be issued.

Note 2. Available Resources and Liquidity

The following represents the Organization's financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 79,001	$ 94,388
Promises to give	32,751	56,984
Grants receivable	74,913	63,218
Investments	1,349,002	1,234,226
Beneficial interest in assets held by a foundation	283,464	283,714
Total financial assets	1,819,131	1,732,530
Less amounts not available to be used within one year:		
Investments held for long-term purposes	(1,349,002)	(1,234,226)
Beneficial interest in assets held by a foundation	(283,464)	(283,714)
Financial assets available to meet cash needs for general expenditures within one year	$ 186,665	$ 214,590

The Organization receives significant contributions and grants restricted by donors and grantors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Organization also has an operating reserve policy which ensures stability and ongoing operations of the Organization. The target minimum reserve is equal to six months of annual budgeted operating expenses. This goal is achieved through the Organization's budgeting process and expenditure policies. The Organization maintains investments with the goal of long-term growth so that income from the investments will provide another source of operating funds. Accordingly, these investments are not available for general expenditures within the next year; however, the board could make them available, if necessary. The Organization maintains assets held by a foundation restricted for the purpose of the Princeton food pantry. These funds are not available for general operating expenditures.

Note 3. Investments

Investments as of June 30, 2019 are summarized as follows:

	Cost	Fair value	Unrealized gain (loss)
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	$ 432,389	$ 430,446	$ (1,943)
Vanguard Admiral Treasury Money Market Fund	637,476	637,476	-
Vanguard Wellesley Income Fund	119,283	128,913	9,630
Vanguard Federal Money Market Fund	152,167	152,167	-
Total	$1,341,315	$1,349,002	$ 7,687

Investments as of June 30, 2018 are summarized as follows:

	Cost	Fair value	Unrealized gain (loss)
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	$ 418,658	$ 392,685	$ (25,973)
Vanguard Admiral Treasury Money Market Fund	623,711	623,711	-
Vanguard Wellesley Income Fund	110,721	116,949	6,228
Vanguard Federal Money Market Fund	100,881	100,881	-
Total	$1,253,971	$1,234,226	$ (19,745)

The fair value of investments is based on quoted market prices available on an active market.

Note 3. Investments (Cont'd)

Net investment return for the years ended June 30, 2019 and 2018 was comprised of the following:

	2019	2018
Dividends and interest	$ 37,186	$ 28,697
Unrealized gain (loss)	41,402	(5,756)
Realized gain (loss)	2,362	10,080
Administrative and investment fees	(2,206)	(2,132)
Total net investment return	$ 78,744	$ 30,889

Note 4. Property and Equipment

The following is a summary of property and equipment at June 30, 2019 and 2018:

	Estimated useful lives in years	2019	2018
Computers and office equipment	5 - 7	$145,775	$139,653
Leasehold improvements	7 - 40	144,819	144,819
Vehicles	5	78,614	78,614
		369,208	363,086
Accumulated depreciation		271,785	246,607
		$ 97,423	$116,479

Depreciation expense charged to operations was $25,178 and $24,111 for the years ended June 30, 2019 and 2018, respectively.

Note 5. Endowment Investment and Spending Policies

The Organization's endowment consists of contributions that donors designated for the operation of the Princeton office. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2011, the Organization established an endowment fund with the Princeton Area Community Foundation (PACF), an unaffiliated organization, with a $250,000 contribution received in 2010. The Foundation has full authority and discretion as to the investment of the assets of the fund.

The endowment fund of Arm in Arm, Inc. was created by the Board of Trustees to help secure the Organization's future by establishing a base of financial security and providing a flow of investment income to complement annual fundraising. The endowment fund currently includes donor-restricted funds.

The Board of Trustees has interpreted the New Jersey Uniform Prudent Management of 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, the Organization retains in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted investment policies that seek long term capital growth, current income, and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. For the years ended June 30, 2019 and 2018, the endowment funds were invested with the PACF in pooled separate accounts, which investments are comprised of domestic and international equity funds, corporate bond funds, limited partnerships, alternative investments and cash.

To satisfy its long term objectives, the Organization relies on the total return strategy adopted by PACF. Investments at PACF are invested in a manner that is intended to produce results that match or exceed a blended benchmark of domestic and international equities, corporate bonds and limited partnerships, while assuming a moderate level of investment risk.

The Organization can receive annual payments of up to 5% of the endowment fund's fair value of the prior calendar year-end. The payments can be used for operating expenses of Arm in Arm, Inc.

Note 5. Endowment Investment and Spending Policies (Cont'd)

The endowment fund is classified as a beneficial interest in assets held by a foundation on the Statements of Financial Position.

Endowment net asset composition at June 30, 2019 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount......	$ -	$250,000	$250,000
Accumulated investment gains	-	33,464	33,464
	$ -	$283,464	$283,464

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ -	$283,714	$283,714
Net investment return:			
Interest and dividends..........................	-	4,541	4,541
Realized gain (loss)	-	(2,356)	(2,356)
Unrealized gain (loss)	-	13,971	13,971
Bank fees..	-	(2,206)	(2,206)
Net investment return	-	13,950	13,950
Appropriated for expenditures.................	-	(14,200)	(14,200)
Endowment net assets, end of year.........	$ -	$283,464	$283,464

Note 5. Endowment Investment and Spending Policies (Cont'd)

Endowment net asset composition at June 30, 2018 is as follows:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount......	$ -	$250,000	$250,000
Accumulated investment gains	-	33,714	33,714
	$ -	$283,714	$283,714

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ -	$274,469	$274,469
Net investment return:			
Interest and dividends..........................	-	3,215	3,215
Realized gain (loss)	-	7,705	7,705
Unrealized gain (loss)	-	14,116	14,116
Bank fees..	-	(2,091)	(2,091)
Net investment return	-	22,945	22,945
Appropriated for expenditures.................	-	(13,700)	(13,700)
Endowment net assets, end of year.........	$ -	$283,714	$283,714

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Management has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2019 and 2018, there were no donor-restricted endowment funds with fair values less than the amount required to be maintained by the donor.

Note 6. Fair Value Measurements

Assets measured at fair value on a recurring basis at June 30, 2019 were as follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds:				
Intermediate bond funds.....	$ 430,446	$ 430,446	$ -	$ -
Income funds.....................	128,913	128,913	-	-
Money market funds...........	789,643	789,643	-	-
Beneficial interest in assets held by Foundation.............	283,464	-	-	283,464
Total	$1,632,466	$1,349,002	$ -	$ 283,464

Assets measured at fair value on a recurring basis at June 30, 2018 were as follows:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds:				
Intermediate bond funds.....	$ 392,685	$ 392,685	$ -	$ -
Income funds.....................	116,949	116,949	-	-
Money market funds...........	724,592	724,592	-	-
Beneficial interest in assets held by Foundation.............	283,714	-	-	283,714
Total	$1,517,940	$1,234,226	$ -	$ 283,714

Note 6. Fair Value Measurements (Cont'd)

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 - Determined using quoted market prices in active markets for identical assets.

Level 2 - Determined using other observable inputs such as quoted market prices in active markets for similar assets. There were no assets valued using Level 2 measurements.

Level 3 - The fair value of the beneficial interest in assets held by a community foundation is measured using the fair value of the assets held in the foundation's managed investment pool. The Organization considers the measurement of its beneficial interest in the community foundation to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the fair values of the assets in the foundation's managed investment pool as reported by the foundation, the Organization will never receive those assets or have the ability to direct the foundation to redeem them.

The table in Note 5 presents information about the fair value of the beneficial interest in assets held by a foundation.

Note 7. Significant Risks and Uncertainties

The Organization invests in various securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term would materially affect the investments and the amounts reported in the Statements of Financial Position. Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Organization's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

Note 8. Restrictions on Net Assets

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

	2019	2018
Purpose restrictions:		
Hunger Prevention Program	$ 81,852	$ 60,250
Homelessness Prevention Program	5,969	50,341
Financial Literacy	28,060	20,000
Technology	-	7,815
All Kids Thrive Program	8,134	-
	124,015	138,406
Subject to endowment spending policy and appropriation:		
Princeton Office and Pantry	283,464	283,714
Total net assets with donor restrictions	$407,479	$422,120

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Satisfaction of purpose restrictions:		
Hunger Prevention Program	$ 93,147	$112,118
Homelessness Prevention Program	66,372	54,284
Financial Literacy	24,440	10,000
Technology	7,816	34,059
All Kids Thrive Program	51,866	-
Capital purchases	-	5,000
Workforce development	3,500	-
	247,141	215,461
Pursuant to endowment spending policy and appropriation:		
Princeton Office and Pantry	30,448	13,704
Total net assets released from restrictions	$277,589	$229,165

Note 9. Retirement Plan

Beginning in 2016, the Organization has a SIMPLE IRA plan for employees. The Organization matched 100% of employees' contributions up to a limit of 3% of compensation. Effective January 1, 2018, the Organization matches 100% of employees' contributions up to a limit of 2% of compensation. During the years ended June 30, 2019 and 2018, the retirement plan expense incurred by the Organization was $9,946 and $14,018, respectively.

Note 10. Operating Lease Agreements and Commitments

The Organization leases space for its Trenton, New Jersey food pantry under the terms of an operating lease which can be cancelled with twelve months written notice. The term of the lease is for five years and expired December 2018. The lease was extended until June 30, 2020. Payments were $7,345 per month for 2019 and 2020.

On November 4, 2016, the Organization signed a lease for another food pantry location. The lease term began on February 1, 2017 and expires on January 31, 2020. Rent during the initial term is $2,565 per month. The Organization has an option to extend the lease for an additional three year term.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019 for each of the remaining years and in the aggregate are:

Year ended June 30,	Amount
2020.....................................	$106,095
2021 and thereafter..............	-
Total minimum future rental payments	$106,095

Rental expense under all operating leases aggregated $118,920 and $118,056 for the years ended June 30, 2019 and 2018, respectively.

Note 11. Financial Statement Presentation

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on the previously reported change in net assets.

<u>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*</u>

To the Board of Trustees of
Arm in Arm, Inc.
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ARM IN ARM, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arm in Arm, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arm in Arm, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Arm in Arm, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arm in Arm, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Klatzkin & Company, LLP

KLATZKIN & COMPANY LLP

Hamilton, New Jersey
December 19, 2019