

ARM IN ARM, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

ARM IN ARM, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 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 present fairly, in all material respects, the financial position of ARM IN ARM, INC. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. 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 ARM IN ARM, INC. 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 ARM IN ARM, INC.'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 and *Government 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 and *Government 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 ARM IN ARM, INC.'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 ARM IN ARM, INC.'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, 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.

Handwritten signature of Klatzkin & Company, LLP in black ink.

KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
February 22, 2023

ARM IN ARM, INC.

STATEMENTS OF FINANCIAL POSITION

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
<u>Current Assets</u>		
Cash and Cash Equivalents.....	\$ 357,616	\$ 328,304
Cash Held in Trust.....	136,594	189,615
Promises to Give.....	13,211	-
Grants Receivable.....	248,657	391,013
Prepaid Expenses.....	1,467	1,617
Food Inventory.....	<u>4,941</u>	<u>4,941</u>
Total Current Assets.....	<u>762,486</u>	<u>915,490</u>
Property and Equipment at Cost, Less Accumulated		
Depreciation of \$327,277 and \$309,896.....	<u>216,514</u>	<u>71,084</u>
<u>Other Assets</u>		
Investments.....	2,124,469	2,013,849
Beneficial Interest in Assets Held by a Foundation.....	339,090	384,661
Security Deposits.....	<u>9,651</u>	<u>9,651</u>
Total Other Assets.....	<u>2,473,210</u>	<u>2,408,161</u>
TOTAL ASSETS.....	<u>\$ 3,452,210</u>	<u>\$ 3,394,735</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable.....	\$ 91,103	\$ 2,247
Representative Payee Payable.....	136,594	189,615
Accrued Expenses.....	<u>17,745</u>	<u>28,187</u>
Total Current Liabilities.....	<u>245,442</u>	<u>220,049</u>
<u>Net Assets</u>		
Without Donor Restrictions.....	2,685,773	2,590,580
With Donor Restrictions.....	<u>520,995</u>	<u>584,106</u>
Total Net Assets.....	<u>3,206,768</u>	<u>3,174,686</u>
TOTAL LIABILITIES AND NET ASSETS.....	<u>\$ 3,452,210</u>	<u>\$ 3,394,735</u>

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

ARM IN ARM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Donations.....	\$ 1,304,534	\$ 520,745	\$ 1,825,279
In-Kind Food Donations.....	1,109,949	-	1,109,949
Special Events - Contributions and Revenue of \$123,491			
Special Events - Cost of Direct Benefits to Donors of \$20,968			
Net Revenues from Special Events.....	102,523	-	102,523
Grants.....	807,962	-	807,962
Program Revenue.....	59,964	-	59,964
Net Investment Return.....	(89,335)	(45,571)	(134,906)
Net Assets Released From Restrictions.....	<u>538,285</u>	<u>(538,285)</u>	<u>-</u>
Total Support and Revenues.....	<u>3,833,882</u>	<u>(63,111)</u>	<u>3,770,771</u>
<u>Expenses</u>			
Program Services.....	3,361,117	-	3,361,117
Management and General.....	180,950	-	180,950
Fundraising and Development.....	<u>196,622</u>	<u>-</u>	<u>196,622</u>
Total Expenses.....	<u>3,738,689</u>	<u>-</u>	<u>3,738,689</u>
Change in Net Assets.....	95,193	(63,111)	32,082
Net Assets, Beginning of Year.....	<u>2,590,580</u>	<u>584,106</u>	<u>3,174,686</u>
Net Assets, End of Year.....	<u>\$ 2,685,773</u>	<u>\$ 520,995</u>	<u>\$ 3,206,768</u>

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

ARM IN ARM, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Donations.....	\$ 1,255,429	\$ 665,950	\$ 1,921,379
In-Kind Food Donations.....	866,682	-	866,682
Special Events - Contributions and Revenue of \$74,649			
Special Events - Cost of Direct Benefits to Donors of \$1,936			
Net Revenues from Special Events.....	72,713	-	72,713
Grants.....	806,921	-	806,921
Program Revenue.....	55,233	-	55,233
Paycheck Protection Program Forgiveness Income.....	159,600	-	159,600
Net Investment Return.....	31,108	82,134	113,242
Net Assets Released From Restrictions.....	<u>729,059</u>	<u>(729,059)</u>	<u>-</u>
Total Support and Revenues.....	<u>3,976,745</u>	<u>19,025</u>	<u>3,995,770</u>
<u>Expenses</u>			
Program Services.....	3,146,171	-	3,146,171
Management and General.....	161,262	-	161,262
Fundraising and Development.....	<u>174,706</u>	<u>-</u>	<u>174,706</u>
Total Expenses.....	<u>3,482,139</u>	<u>-</u>	<u>3,482,139</u>
Change in Net Assets.....	494,606	19,025	513,631
Net Assets, Beginning of Year.....	<u>2,095,974</u>	<u>565,081</u>	<u>2,661,055</u>
Net Assets, End of Year.....	<u>\$ 2,590,580</u>	<u>\$ 584,106</u>	<u>\$ 3,174,686</u>

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

ARM IN ARM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Personnel:				
Payroll.....	\$ 799,982	\$ 103,894	\$ 135,062	\$ 1,038,938
Payroll Taxes.....	57,329	7,445	9,679	74,453
Payroll Service Fee.....	7,494	973	1,265	9,732
Employee Benefits.....	<u>172,431</u>	<u>22,394</u>	<u>29,111</u>	<u>223,936</u>
Total Personnel Expenses.....	<u>1,037,236</u>	<u>134,706</u>	<u>175,117</u>	<u>1,347,059</u>
Direct Assistance:				
Food.....	1,380,799	-	-	1,380,799
Rent.....	458,669	-	-	458,669
Mortgage.....	7,578	-	-	7,578
Security Deposits.....	38,880	-	-	38,880
Housing Stability and Case Management.....	37,474	-	-	37,474
Utilities.....	27,629	-	-	27,629
Other.....	<u>35,865</u>	<u>-</u>	<u>-</u>	<u>35,865</u>
Total Direct Assistance.....	<u>1,986,894</u>	<u>-</u>	<u>-</u>	<u>1,986,894</u>
Other Operating Costs:				
Insurance.....	34,063	2,741	2,349	39,153
Fundraising Expenses.....	-	-	20,968	20,968
Program Expense.....	1,901	-	-	1,901
Conference and Training.....	3,413	-	-	3,413
Professional Fees.....	25,366	2,041	1,749	29,156
Audit.....	-	21,155	-	21,155
Maintenance and Supplies.....	42,182	3,394	2,909	48,485
Store Supplies and Display.....	15,730	-	-	15,730
Office.....	40,618	3,268	2,801	46,687
Rent.....	104,765	8,429	7,226	120,420
Staff and Volunteer Support.....	4,124	-	-	4,124
Telephone.....	22,029	1,772	1,520	25,321
Transportation.....	8,150	656	562	9,368
Utilities.....	19,525	1,571	1,346	22,442
Depreciation.....	<u>15,121</u>	<u>1,217</u>	<u>1,043</u>	<u>17,381</u>
Total Operating Costs.....	<u>336,987</u>	<u>46,244</u>	<u>42,473</u>	<u>425,704</u>
Total Expenses.....	3,361,117	180,950	217,590	3,759,657
Less Expenses Included with Revenues on the Statement of Activities: Cost of Direct Benefits to Donors.....	<u>-</u>	<u>-</u>	<u>(20,968)</u>	<u>(20,968)</u>
Total Expenses Included in the Expense Section on the Statement of Activities.....	<u>\$ 3,361,117</u>	<u>\$ 180,950</u>	<u>\$ 196,622</u>	<u>\$ 3,738,689</u>

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

ARM IN ARM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Personnel:				
Payroll.....	\$ 792,759	\$ 90,314	\$ 120,419	\$ 1,003,492
Payroll Taxes.....	57,735	6,577	8,770	73,082
Payroll Service Fee.....	7,394	842	1,123	9,359
Employee Benefits.....	<u>154,157</u>	<u>17,562</u>	<u>23,417</u>	<u>195,136</u>
Total Personnel Expenses.....	<u>1,012,045</u>	<u>115,295</u>	<u>153,729</u>	<u>1,281,069</u>
Direct Assistance:				
Food.....	1,214,056	-	-	1,214,056
Rent.....	355,781	-	-	355,781
Mortgage.....	69,118	-	-	69,118
Security Deposits.....	37,163	-	-	37,163
Housing Stability and Case Management.....	51,311	-	-	51,311
Utilities.....	47,156	-	-	47,156
Other.....	<u>33,132</u>	<u>-</u>	<u>-</u>	<u>33,132</u>
Total Direct Assistance.....	<u>1,807,717</u>	<u>-</u>	<u>-</u>	<u>1,807,717</u>
Other Operating Costs:				
Insurance.....	35,520	2,858	2,450	40,828
Fundraising Expenses.....	-	-	1,936	1,936
Program Expense.....	3,857	-	-	3,857
Conference and Training.....	894	-	-	894
Professional Fees.....	17,006	1,368	1,173	19,547
Audit.....	-	21,497	-	21,497
Maintenance and Supplies.....	44,626	3,591	3,077	51,294
Store Supplies and Display.....	15,605	-	-	15,605
Office.....	42,189	3,395	2,909	48,493
Rent.....	104,765	8,429	7,226	120,420
Staff and Volunteer Support.....	1,920	-	-	1,920
Telephone.....	22,177	1,784	1,530	25,491
Transportation.....	5,069	408	350	5,827
Utilities.....	18,260	1,469	1,260	20,989
Depreciation.....	<u>14,521</u>	<u>1,168</u>	<u>1,002</u>	<u>16,691</u>
Total Operating Costs.....	<u>326,409</u>	<u>45,967</u>	<u>22,913</u>	<u>395,289</u>
Total Expenses.....	3,146,171	161,262	176,642	3,484,075
Less Expenses Included with Revenues on the Statement of Activities: Cost of Direct Benefits to Donors.....	<u>-</u>	<u>-</u>	<u>(1,936)</u>	<u>(1,936)</u>
Total Expenses Included in the Expense Section on the Statement of Activities.....	<u>\$ 3,146,171</u>	<u>\$ 161,262</u>	<u>\$ 174,706</u>	<u>\$ 3,482,139</u>

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

ARM IN ARM, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	<u>2022</u>	<u>2021</u>
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash		
Cash Flows from Operating Activities:		
Cash Received from Grantors and Donors.....	\$ 2,822,350	\$ 2,496,372
Cash Received from Special Events.....	123,491	74,649
Cash Paid To Vendors and Employees.....	(2,585,816)	(2,591,735)
Cash Paid for Special Events.....	(20,968)	(1,936)
Interest and Dividends Received.....	45	181
Constructive Cash Received - Dividends Reinvested.....	24,291	16,053
Interest Paid.....	-	-
Income Taxes Paid.....	-	-
	<u>363,393</u>	<u>(6,416)</u>
Net Cash Provided by (Used in) Operating Activities.....		
Cash Flows from Investing Activities:		
Purchases of Investments.....	(224,291)	(316,053)
Purchases of Equipment.....	<u>(162,811)</u>	<u>(7,477)</u>
	<u>(387,102)</u>	<u>(323,530)</u>
Net Cash Provided by (Used in) Investing Activities.....		
Decrease in Cash, Cash Equivalents, and Restricted Cash.....	(23,709)	(329,946)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year.....	<u>517,919</u>	<u>847,865</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year.....	<u>\$ 494,210</u>	<u>\$ 517,919</u>

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

ARM IN ARM, INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	<u>2022</u>	<u>2021</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Change in Net Assets.....	\$ 32,082	\$ 513,631
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:		
Depreciation.....	17,381	16,691
Realized (Gain) Loss on Investments.....	(29,268)	(22,061)
Unrealized (Gain) Loss on Investments.....	188,510	(74,947)
(Increase) Decrease in Operating Assets:		
Grants Receivable.....	142,356	(287,161)
Prepaid Expenses.....	150	101
Increase (Decrease) in Operating Liabilities:		
Accounts Payable.....	88,856	(10,070)
Representative Payee Payable.....	(53,021)	30,736
Refundable Advance - Paycheck Protection Program.....	-	(159,600)
Accrued Expenses.....	<u>(10,442)</u>	<u>(13,736)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>\$ 363,393</u>	<u>\$ (6,416)</u>

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

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 1. Organization and Operations

Arm in Arm, Inc. (the "Organization") 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, job training, and job search assistance. The Organization is supported primarily through donor contributions and grants. Support from 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.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting:

The financial statements of the Organization 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").

Basis of Presentation:

The financial statements of the Organization have been prepared in accordance 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.

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.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Cont'd)

Revenue and Support Recognition:

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 value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using low risk interest rates applicable to the years in which promises are received to discount the amounts. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they are dependent are substantially satisfied.

A portion of the Organization's revenue is derived from cost-reimbursable state and county grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions and/or achieved the specified performance requirements. Amounts received prior to incurring qualifying expenditures or meeting the specified performance requirements are reported as refundable advances in the Statements of Financial Position. The Organization received conditional grants of \$379,173 and \$295,191 that have not been recognized at June 30, 2022 and June 30, 2021, respectively, because qualifying expenditures have not yet been incurred or performance requirements have not yet been met. During the years ended June 30, 2022 and 2021, approximately 8% and 10%, respectively, of total revenues was received through grants from Mercer County.

Program revenue is derived from payments received for serving as a representative payee for the Social Security Administration. The Organization collects a fee based on a fee schedule for the beneficiaries served. Amounts are recorded as revenue when received.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributions of donated non-cash assets, such as property and equipment, are recorded at their fair values in the periods received. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Cont'd)

Revenue and Support Recognition (Cont'd):

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, 2022 and 2021, food donations with a value of \$1,109,949 and \$866,682, respectively, were received. This amount is included as in-kind food donations in the Statements of Activities. Food donations were valued at \$1.92 and \$1.74 per pound for the years ended June 30, 2022 and 2021, respectively, in accordance with Feeding America's product valuation study. 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, 2022 and 2021, respectively.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the periods received. The Organization also receives donated services from unpaid volunteers who assist in special projects. No amounts have been recorded in the accompanying financial statements because the criteria for recognition under U.S. GAAP have not been satisfied.

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.

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

Revenue from fundraising events is recognized when the event occurs. The amount of revenue in the Statements of Activities is shown net of the cost of direct benefits to donors.

The Organization has elected to omit the disclosures that are optional for nonpublic entities.

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.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Cont'd)

Cash, Cash Equivalents, and Restricted Cash (Cont'd):

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

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Statements of Financial Position that sum to the total shown in the Statements of Cash Flows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$357,616	\$328,304
Restricted cash held in trust	<u>136,594</u>	<u>189,615</u>
Total cash, cash equivalents, and restricted cash.....	<u>\$494,210</u>	<u>\$517,919</u>

Grants Receivable:

Grants receivable consists of both conditional and unconditional contributions. Grants receivable are from government agencies and are expected to be collected in full, and accordingly, no allowance for doubtful amounts has been recorded. If amounts become uncollectible, they will be charged to the change in net assets when the determination is made. Grants receivable from Mercer County represented 68% and 37% of total grants receivable at June 30, 2022 and 2021, respectively. Grants receivable from Hamilton Township represented 12% and 51% of total grants receivable at June 30, 2022 and 2021. Grants receivable from the State of New Jersey represented 11% of total grants receivable at June 30, 2022. There were no amounts written off for the years ended June 30, 2022 or 2021.

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.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Cont'd)

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.

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.

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.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 2. 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 also exempt from state income taxes and is registered with the State of New Jersey under the New Jersey Charitable Registration and Investigation Act (CRI) of 1994.

The Organization's federal exempt returns are subject to examination by the IRS, generally for three years after they were filed. The Organization's state informational returns are subject to examination up to four years after they were filed. The statute of limitations does not apply to unfiled returns. The Organization believes that all required returns have been filed.

The Organization has determined that there are no material uncertain tax positions that require disclosure in the financial statements. 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, 2022, the Organization has adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Statements of Activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

The presentation and disclosures of contributed nonfinancial assets have been enhanced in accordance with the standard.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 2. Summary of Significant Accounting Policies (Cont'd)

New Accounting Pronouncement:

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. As a nonpublic entity and as allowed by FASB ASU 2020-05 issued June 3, 2020, the Organization has elected its option to defer adoption of the revised lease standard until its fiscal year beginning after December 15, 2021. 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 February 22, 2023, the date on which the financial statements were available to be issued.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 3. Available Resources and Liquidity

The following represents the Organization's financial assets at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 357,616	\$ 328,304
Grants receivable	261,867	391,013
Investments	2,124,469	2,013,849
Beneficial interest in assets held by a foundation	<u>339,090</u>	<u>384,661</u>
Total financial assets	3,083,042	3,117,827
Less amounts not available to be used within one year:		
Investments held for long-term purposes	(2,124,469)	(2,013,849)
Beneficial interest in assets held by a foundation	<u>(339,090)</u>	<u>(384,661)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 619,483</u>	<u>\$ 719,317</u>

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 office. These funds are not available for general operating expenditures.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 4. Unconditional Promises to Give

The Organization received an unconditional promise to give during the year ended June 30, 2022. Management does not estimate that any portion is uncollectible. Unconditional promises to give are as follows:

<u>June 30, 2022</u>	<u>Total</u>	<u>Current</u>	<u>Long term</u>
Receivable in less than one year	\$ 13,211	\$ 13,211	\$ -
Receivable in one to five years	<u>-</u>	<u>-</u>	<u>-</u>
Total unconditional promises to give	<u>\$ 13,211</u>	<u>\$ 13,211</u>	<u>\$ -</u>

Note 5. Investments

Investments as of June 30, 2022 are summarized as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	\$ 491,264	\$ 420,757	\$ (70,507)
Vanguard Admiral Treasury Money Market Fund	1,299,490	1,299,490	-
Vanguard Wellesley Income Fund	351,199	325,636	(25,563)
Vanguard Federal Money Market Fund	<u>78,586</u>	<u>78,586</u>	<u>-</u>
Total	<u>\$2,220,539</u>	<u>\$2,124,469</u>	<u>\$ (96,070)</u>

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 5. Investments (Cont'd)

Investments as of June 30, 2021 are summarized as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gain (loss)</u>
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares.....	\$ 474,772	\$ 483,342	\$8,570
Vanguard Admiral Treasury Money Market Fund	1,297,263	1,297,263	-
Vanguard Wellesley Income Fund.....	130,778	154,792	24,014
Vanguard Federal Money Market Fund	<u>78,452</u>	<u>78,452</u>	<u>-</u>
Total	<u>\$1,981,265</u>	<u>\$2,013,849</u>	<u>\$32,584</u>

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

Net investment return for the years ended June 30, 2022 and 2021 was comprised of the following:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 26,908	\$ 18,457
Unrealized gain (loss).....	(188,510)	74,947
Realized gain (loss).....	29,268	22,061
Administrative and investment fees	<u>(2,572)</u>	<u>(2,223)</u>
Total net investment return	<u>\$(134,906)</u>	<u>\$113,242</u>

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 6. Property and Equipment

The following is a summary of property and equipment at June 30, 2022 and 2021:

	Estimated useful lives in years	2022	2021
Computers and office equipment.....	5 - 7	\$167,137	\$157,547
Leasehold improvements	7 - 40	144,819	144,819
Vehicles.....	5	<u>231,835</u>	<u>78,614</u>
		543,791	380,980
Accumulated depreciation		<u>327,277</u>	<u>309,896</u>
		<u>\$216,514</u>	<u>\$ 71,084</u>

Depreciation expense charged to operations was \$17,381 and \$16,691 for the years ended June 30, 2022 and 2021, respectively.

Note 7. 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 PACF 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.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 7. Endowment Investment and Spending Policies (Cont'd)

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, 2022 and 2021, the endowment funds were invested with the PACF in pooled separate accounts, where 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.

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, 2022 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$250,000	\$250,000
Accumulated investment gains	<u>-</u>	<u>89,090</u>	<u>89,090</u>
	<u>\$ -</u>	<u>\$339,090</u>	<u>\$339,090</u>

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 7. Endowment Investment and Spending Policies (Cont'd)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year.....	\$ -	\$384,661	\$384,661
Net investment return:			
Interest and dividends	-	4,680	4,680
Realized gain (loss)	-	12,179	12,179
Unrealized gain (loss).....	-	(59,858)	(59,858)
Bank fees	-	(2,572)	(2,572)
Net investment return	-	(45,571)	(45,571)
Appropriated for expenditures	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$339,090</u>	<u>\$339,090</u>

Endowment net asset composition at June 30, 2021 is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted gift amount	\$ -	\$250,000	\$250,000
Accumulated investment gains	-	134,661	134,661
	<u>\$ -</u>	<u>\$384,661</u>	<u>\$384,661</u>

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 7. Endowment Investment and Spending Policies (Cont'd)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year.....	\$ -	\$302,527	\$302,527
Net investment return:			
Interest and dividends	-	2,640	2,640
Realized gain (loss)	-	4,363	4,363
Unrealized gain (loss).....	-	77,354	77,354
Bank fees	-	<u>(2,223)</u>	<u>(2,223)</u>
Net investment return	-	<u>82,134</u>	<u>82,134</u>
Appropriated for expenditures	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$384,661</u>	<u>\$384,661</u>

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, 2022 and 2021, there were no donor-restricted endowment funds with fair values less than the amount required to be maintained by the donor.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 8. Fair Value Measurements

Assets measured at fair value on a recurring basis at June 30, 2022 were as follows:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds:				
Intermediate bond funds	\$ 420,757	\$ 420,757	\$ -	\$ -
Income funds	325,636	325,636	-	-
Money market funds	1,378,076	1,378,076	-	-
Beneficial interest in assets held by Foundation	<u>339,090</u>	<u>-</u>	<u>-</u>	<u>339,090</u>
Total	<u>\$2,463,559</u>	<u>\$2,124,469</u>	<u>\$ -</u>	<u>\$339,090</u>

Assets measured at fair value on a recurring basis at June 30, 2021 were as follows:

	<u>Total</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Mutual funds:				
Intermediate bond funds	\$ 483,342	\$ 483,342	\$ -	\$ -
Income funds	154,792	154,792	-	-
Money market funds	1,375,715	1,375,715	-	-
Beneficial interest in assets held by Foundation	<u>384,661</u>	<u>-</u>	<u>-</u>	<u>384,661</u>
Total	<u>\$2,398,510</u>	<u>\$2,013,849</u>	<u>\$ -</u>	<u>\$384,661</u>

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 8. 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 7 presents information about the fair value of the beneficial interest in assets held by a foundation.

Note 9. Refundable Advance - Paycheck Protection Program

The Organization was granted a \$159,600 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Organization was eligible for forgiveness of up to 100% of the loan if the Organization maintained employment levels during its 24-week covered period and used the funds for certain payroll, rent, and utility expenses. The Organization initially recorded the loan as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions were explicitly waived. This loan was fully forgiven by the SBA on April 29, 2021. The principal of \$159,600 has been recorded as contribution revenue for the year ended June 30, 2021.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 10. Restrictions on Net Assets

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Purpose restrictions:		
Hunger Prevention Program.....	\$ 31,466	\$ 82,194
Homelessness Prevention Program	94,415	12,536
Utility Assistance	7,098	-
Financial Literacy	8,755	5,522
Census	-	4
COVID-19 Relief.....	-	54,001
All Kids Thrive Program.....	<u>40,171</u>	<u>45,187</u>
	181,905	199,444
Subject to endowment spending policy and appropriation:		
Princeton Office.....	<u>339,090</u>	<u>384,662</u>
Total net assets with donor restrictions	<u>\$520,995</u>	<u>\$584,106</u>

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

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Hunger Prevention Program.....	\$273,228	\$355,984
Mobile Delivery – Van and Software	64,500	-
Food Pantry Equipment.....	8,190	-
Homelessness Prevention Program	48,677	159,884
Utility Assistance	7,902	-
Financial Literacy	16,767	2,343
All Kids Thrive Program.....	55,016	54,499
Census	4	20,377
COVID-19 Relief.....	54,001	134,472
Workforce development	<u>10,000</u>	<u>1,500</u>
Total net assets released from restrictions.....	<u>\$538,285</u>	<u>\$729,059</u>

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 11. Contributed Nonfinancial Assets

The Organization received contributions of nonfinancial assets as follows:

	<u>2022</u>	<u>2021</u>
Food donations.....	\$1,109,949	\$866,682

Contributed assets are recognized as in-kind revenue with a corresponding increase to food expense. Food donations were valued in accordance with a product valuation study conducted by Feeding America. All donated assets were utilized by the Organization's programs. There were no donor-imposed restrictions associated with the donated assets.

Note 12. Retirement Plan

In 2016, the Organization established a SIMPLE IRA plan for eligible employees. Effective January 1, 2018, the Organization matched 100% of employees' contributions up to a limit of 2% of compensation. Effective January 1, 2020, the match was increased to 100% of employees' contributions up to a limit of 3% of compensation. During the years ended June 30, 2022 and 2021, the retirement plan expense incurred by the Organization was \$28,590 and \$25,274, respectively.

Note 13. 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 was for five years and expired December 2018. The lease was extended until June 30, 2020. Subsequently, a twelve-month lease was signed for the period from August 1, 2020 through July 31, 2021. A new two-year lease was signed for the period through June 30, 2023. Payments were \$7,345 per month for 2021 and 2022. Effective October 1, 2022, the Organization vacated this property and was released from its future lease obligations.

On August 16, 2022, the Organization signed a lease for administrative offices and food storage facilities. The lease term began on October 1, 2022, and is for a three-year term through September 30, 2025. Monthly payments are \$7,270 for the first twenty-four months. Monthly payments will be \$7,406 for the next twelve months.

On November 4, 2016, the Organization signed a lease for a food pantry location. The lease term began on February 1, 2017 and expired on January 31, 2020. Rent during the initial term was \$2,565 per month. The Organization exercised its option to extend the lease for an additional three-year term through January 31, 2023 with payments of \$2,690 per month. The Organization signed a new lease for the same location. The term began on February 1, 2023, and will expire on January 31, 2026. Rent during the lease term is \$2,690 per month.

ARM IN ARM, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Note 13. Operating Lease Agreements and Commitments (Cont'd)

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2022 for each of the remaining years and in the aggregate are:

<u>Year ended June 30,</u>	<u>Amount</u>
2023	\$119,747
2024	119,522
2025	120,741
2026	41,047
2027 and thereafter	<u>-</u>
Total minimum future rental payments	<u>\$401,057</u>

Rental expense under all operating leases aggregated \$120,420 and \$120,420 for the years ended June 30, 2022 and 2021, respectively.

Note 14. Risks and Uncertainties

The COVID-19 outbreak in the United States in March 2020 has caused business disruption through mandated and voluntary closure of businesses, schools, churches, and other public facilities. The Organization has continued to provide services, with safety measures in place, since the onset of the pandemic. Special events were either cancelled, postponed, or moved to a virtual format. During the year ending June 30, 2022, the Organization resumed in-person special events. The Organization has received donations for COVID-19 relief, and there were eviction moratoriums in place. As the moratoriums have been lifted, the Organization has received an increase in requests for assistance. Considerable uncertainty remains about the duration of the pandemic and long-term implications on funding from government agencies and other sources. Accordingly, the extent to which COVID-19 may impact the Organization's future financial position, changes in net assets, and cash flows is uncertain and the accompanying financial statements include no adjustments related to the effects of the pandemic.

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.

**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**

To the Board of Trustees of
Arm in Arm, Inc.
Hamilton, 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, 2022, 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 February 22, 2023.

Report on 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) as a basis for designing 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 a 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ARM IN ARM, INC.'s financial statements are free from 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 financial statements. 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.

Handwritten signature in black ink that reads "Klitzkin & Company, LLP".

KLATZKIN & COMPANY_{LLP}

Hamilton, New Jersey
February 22, 2023