

THE INDEPENDENCE FUND, INC.

*FINANCIAL STATEMENTS
DECEMBER 31, 2017*

THE INDEPENDENCE FUND, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Independence Fund, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of The Independence Fund, Inc. (the "Fund" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The Independence Fund, Inc., as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

C. Dewitt Foard & Company, P.A.

June 14, 2018

THE INDEPENDENCE FUND, INC.**Statement of Financial Position****December 31, 2017**

ASSETS

Current Assets:

Cash	\$	4,909,645
Promises to give		581,832

Total Current Assets **5,491,477**

Non-Current Assets:

Cash held for long-term purposes		470,081
Investments		2,688,343
Furniture and equipment, net of accumulated depreciation		208,353
Other		3,920

Total Non-Current Assets **3,370,697**

TOTAL **\$ 8,862,174**

LIABILITIES AND NET ASSETS

Current Liabilities:

Payroll liabilities	\$	44,525
Accounts payable		125,693

Total Current Liabilities **170,218**

Net Assets:

Unrestricted		8,691,956
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Total Net Assets **8,691,956**

TOTAL **\$ 8,862,174**

THE INDEPENDENCE FUND, INC.**Statement of Activities****Year Ended December 31, 2017**

SUPPORT AND REVENUE

Contributions	\$ 6,367,315
Special events	18,333
Investment income	418,133
Loss on disposal of assets	(985,104)

TOTAL **5,818,677**

EXPENSES

Program services	6,598,193
Management and general	932,280
Fundraising	814,225

TOTAL **8,344,698**

CHANGE IN NET ASSETS **(2,526,021)*****UNRESTRICTED NET ASSETS, BEGINNING*** **11,217,977**

UNRESTRICTED NET ASSETS, ENDING **\$ 8,691,956**

THE INDEPENDENCE FUND, INC.**Statement of Functional Expenses****Year Ended December 31, 2017**

	December 31, 2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTALS</u>
<u>SALARIES AND BENEFITS</u>				
Salaries	\$ 228,535	\$ 375,482	\$ 224,312	\$ 828,329
Payroll taxes	15,597	25,625	15,308	56,530
Employee benefits	19,878	32,658	19,510	72,046
<i>Total</i>	<i>264,010</i>	<i>433,765</i>	<i>259,130</i>	<i>956,905</i>
<u>OTHER EXPENSES</u>				
Grants and direct assistance	5,071,066	-	-	5,071,066
Contracted services	604,760	280,965	30,999	916,724
Travel and meetings	347,316	47,317	122,635	517,268
Advertising and marketing	-	-	281,031	281,031
Facilities and equipment	143,022	88,815	26,496	258,333
Client-specific assistance	133,975	1,025	24,223	159,223
Office and communications	32,156	38,603	13,161	83,920
Banking fees	-	8,292	54,697	62,989
Insurance	-	23,542	-	23,542
All other expenses	1,888	9,956	1,853	13,697
<i>Total</i>	<i>6,334,183</i>	<i>498,515</i>	<i>555,095</i>	<i>7,387,793</i>
<i>TOTAL EXPENSES</i>	<i>\$ 6,598,193</i>	<i>\$ 932,280</i>	<i>\$ 814,225</i>	<i>\$ 8,344,698</i>

THE INDEPENDENCE FUND, INC.**Statement of Cash Flows****Year Ended December 31, 2017**

OPERATING ACTIVITIES

Change in net assets	\$ (2,526,021)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Realized and unrealized (gain) loss on investments	(381,647)
Depreciation expense	97,768
Furniture and fixtures donated	50,496
Loss on disposal of fixed assets	985,104
(Increase) decrease in operating assets:	
Receivables	171,601
Increase (decrease) in operating liabilities:	
Payroll liabilities	22,556
Accounts payable	(94,287)
Grants payable	(263,205)
<i>Cash Flows from Operating Activities</i>	<i>(1,937,635)</i>

INVESTING ACTIVITIES

Purchase of fixed assets	(1,177)
Proceeds from the sale of fixed assets	334,896
Purchase of investments	(946,543)
Proceeds from the sale of investments	533,919
<i>Cash Flows from Investing Activities</i>	<i>(78,905)</i>

CHANGE IN CASH **(2,016,540)****CASH, BEGINNING** **7,396,266****CASH, ENDING** **\$ 5,379,726**

CASH PER STATEMENT OF FINANCIAL POSITION

Operating	4,909,645
Cash held for long-term	470,081
TOTAL	5,379,726

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

December 31, 2017

NOTE 1 – NATURE OF ACTIVITIES

Organization

The Independence Fund, Inc., (the Fund) is a Florida not-for-profit corporation that was formed in 2007. The purpose of the Fund is to empower our nation's severely wounded, injured, or ill Veterans to overcome physical, mental, and emotional wounds incurred in the line of duty.

Purpose and programs

The Fund operates the following programs to further its mission:

Mobility Program - Many severely wounded Veterans have lost the ability to experience activities they previously enjoyed. Wounded Veterans who use our all-terrain mobility devices regain the ability to do the things they love, transforming their lives toward a better future. During 2017 the Fund provided 287 chairs, 128 bikes, and 70 sets of soft wheels to Veterans.

Caregiver Program - The Fund serves the heroes behind the heroes: the Caregivers who work tirelessly to support wounded Veterans day-in and day-out. The Fund provides Caregivers the means to build strong networks and receive the emotional and physical support they need. During 2017, the Fund directly served 49 Caregivers through retreats conducted by the Fund and indirectly served hundreds more through grants to other nonprofit organizations that solely serve Caregivers, such as The Elizabeth Dole Foundation and Healing Household.

Adaptive Sports - By inviting Veterans to participate in sporting events, providing funding for adaptive equipment, and granting funds for Veteran adaptive sports organizations, our Adaptive Sports Program gives wounded Veterans the opportunity to improve their well-being.

Advocacy Program - For Veterans returning with the scars of war, the fight doesn't end upon their arrival home. Unfortunately, some of the biggest battles are with the very institutions who are supposed to be on their side. The Fund fights for those who fought for us.

Funding sources

The Fund is supported primarily by voluntary contributions and grants that are received primarily from individuals, companies, and foundations.

Presentation

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in unrestricted net assets. Unconditional promises to give are recorded when the promise is made. Intentions to give are not recognized because the intentions do not represent a legally enforceable pledge. Conditional promises to give are not recognized until they become unconditional. This occurs when the conditions on which they depend are substantially met.

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Fund and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Fund.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Fund and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are accomplished in the period received are reported as unrestricted. At December 31, 2017, the Fund had no remaining temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. At December 31, 2017, the Fund had no permanently restricted net assets.

Furniture and equipment

Furniture and equipment with a value of \$1,000 or more is recorded at cost if purchased or fair value if donated. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which range from three to seven years.

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated equipment or materials, if significant, are included in support at fair value. During the year, the Fund recorded donated goods valued at \$30,053 and no contributed services.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Fund with program services, management and general, and fundraising efforts. The Fund does not record the value of other donated services in its financial statements since the value of the services does not meet the requirements for recognition in the financial statements.

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Federal income tax status

The Fund is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). The Fund is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fund raising based on management's estimates of time spent and various allocation methods appropriate to the type of expense.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 – PROMISES TO GIVE

Promises to give represent donations that were initiated by donors in 2017 but the settlement of the funds did not take place until early 2018. The balance at year-end is shown at net realizable value and all amounts were received in January 2018.

NOTE 4 – INVESTMENTS

Balance at December 31, 2017

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the statement of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value of securities is estimated using quoted market prices. If a quoted market price is not available, fair value of securities are reflected as investment gains or losses in the accompanying statements of activities. The fair value of investments was as follows at December 31, 2017:

Equities	\$ 2,117,552
Exchange traded funds	525,199
Equity mutual funds	45,592
<i>TOTAL</i>	<i>\$ 2,688,343</i>

Investment earnings

Investment earnings of \$418,133 for the year ended December 31, 2017, consists of \$381,647 of realized and unrealized capital gains and \$36,486 of interest and dividend income.

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

December 31, 2017

NOTE 4 – INVESTMENTS, continued

Fair value disclosures

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs, as follows:

Level 1 - Fair value is based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Fair value is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Fair value is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All of the Fund's investments as of December 31, 2017 are classified as Level 1 assets.

NOTE 5 – FURNITURE AND EQUIPMENT

Furniture and equipment as of December 31, 2017 is comprised of the following:

Computer equipment	\$ 97,775
Furniture and fixtures	127,591
Leasehold and other improvements	15,022
Vehicles and trailers	203,514
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Total	443,902
Less - accumulated depreciation and amortization	235,549
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<i>FURNITURE AND EQUIPMENT, NET OF DEPRECIATION</i>	<i>\$ 208,353</i>

NOTE 6 – CONCENTRATION OF RISKS

Cash

The Fund maintains cash balances at financial institutions in excess of FDIC insured limits. The balance of uninsured cash as of December 31, 2017 was \$4,359,460. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institution.

Investments

These investments are insured by the Securities Investor Protection Corporation up to \$500,000. The Fund invests in a variety of investments, which are subject to fluctuations in market values and expose the Fund to a certain degree of investment risk.

THE INDEPENDENCE FUND, INC.**Notes to Financial Statements****December 31, 2017**

NOTE 7 – OPERATING LEASE

The Fund leases office space under a non-cancelable operating lease agreement. Lease payments made in 2017 were \$82,553. Future minimum payments are due during the years:

2018	\$ 85,000
2019	87,556
2020	90,209
2021	92,931
2022	54,878
<i>TOTAL</i>	<i>\$ 410,574</i>

NOTE 8 – SUBSEQUENT EVENTS

The Fund has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.