

THE INDEPENDENCE FUND, INC.

FINANCIAL STATEMENTS
JUNE 30, 2018

THE INDEPENDENCE FUND, INC.

Table of Contents

June 30, 2018

Page

Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

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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 June 30, 2018, and the related statements of activities, functional expenses and cash flows for the six months 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 June 30, 2018 and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

C. Dewitt Foard & Company, P.A.
September 20, 2018

THE INDEPENDENCE FUND, INC.**Statement of Financial Position****June 30, 2018**

ASSETS

Current Assets:

Cash	\$	4,118,712
Promises to give		170,694
Prepaid expenses		22,589

Total Current Assets **4,311,995**

Non-Current Assets:

Cash held for long-term purposes		96,730
Investments		3,079,122
Furniture and equipment, net of accumulated depreciation		137,476

Total Non-Current Assets **3,313,328**

TOTAL **\$ 7,625,323**

LIABILITIES AND NET ASSETS

Current Liabilities:

Payroll liabilities	\$	45,238
Accounts payable		144,724
Grants payable		155,000

Total Current Liabilities **344,962**

Net Assets:

Unrestricted		6,796,936
Temporarily restricted		483,425

Total Net Assets **7,280,361**

TOTAL **\$ 7,625,323**

THE INDEPENDENCE FUND, INC.**Statement of Activities****Six Months Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTALS</u>
<u>SUPPORT AND REVENUE</u>			
Contributions	\$ 1,207,199	\$ 1,491,539	\$ 2,698,738
Investment income	20,563	-	20,563
Sales of merchandise	11,401	-	11,401
Net assets released from restriction by payment	1,008,114	(1,008,114)	-
<i>TOTAL</i>	<i>2,247,277</i>	<i>483,425</i>	<i>2,730,702</i>
<u>EXPENSES</u>			
Program services	2,933,671	-	2,933,671
Management and general	608,388	-	608,388
Fundraising	600,238	-	600,238
<i>TOTAL</i>	<i>4,142,297</i>	<i>-</i>	<i>4,142,297</i>
<i>CHANGE IN NET ASSETS</i>	<i>(1,895,020)</i>	<i>483,425</i>	<i>(1,411,595)</i>
<i>UNRESTRICTED NET ASSETS, BEGINNING</i>	<i>8,691,956</i>	<i>-</i>	<i>8,691,956</i>
<i>UNRESTRICTED NET ASSETS, ENDING</i>	<i>\$ 6,796,936</i>	<i>\$ 483,425</i>	<i>\$ 7,280,361</i>

THE INDEPENDENCE FUND, INC.**Statement of Functional Expenses****Six Months Ended June 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>TOTALS</u>
<u>SALARIES AND BENEFITS</u>				
Salaries	\$ 257,791	\$ 167,304	\$ 129,076	\$ 554,171
Payroll taxes	22,716	14,742	11,373	48,831
Employee benefits	50,246	32,610	25,159	108,015
<i>Total</i>	<i>330,753</i>	<i>214,656</i>	<i>165,608</i>	<i>711,017</i>
<u>OTHER EXPENSES</u>				
Grants and direct assistance	1,927,325	-	-	1,927,325
Contracted services	174,500	251,643	40,651	466,794
Travel and meetings	303,319	12,765	23,329	339,413
Advertising and marketing	-	-	278,035	278,035
Facilities and equipment	52,645	81,751	22,416	156,812
Client-specific assistance	40,232	476	21,183	61,891
Office and communications	95,796	31,288	19,746	146,830
Banking fees	-	3,018	29,009	32,027
Insurance	-	9,031	-	9,031
All other expenses	9,101	3,760	261	13,122
<i>Total</i>	<i>2,602,918</i>	<i>393,732</i>	<i>434,630</i>	<i>3,431,280</i>
<i>TOTAL EXPENSES</i>	<i>\$ 2,933,671</i>	<i>\$ 608,388</i>	<i>\$ 600,238</i>	<i>\$ 4,142,297</i>

THE INDEPENDENCE FUND, INC.**Statement of Cash Flows****Six Months Ended June 30, 2018**

OPERATING ACTIVITIES

Change in net assets	\$ (1,411,595)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Realized and unrealized loss on investments	10,127
Depreciation expense	86,325
(Increase) decrease in operating assets:	
Receivables	411,138
Prepays	(22,589)
Other	3,920
Increase (decrease) in operating liabilities:	
Payroll liabilities	713
Accounts payable	19,031
Grants payable	155,000
<i>Cash Flows from Operating Activities</i>	<i>(747,930)</i>

INVESTING ACTIVITIES

Purchase of fixed assets	(15,448)
Purchase of investments	(3,672,693)
Proceeds from the sale of investments	3,271,787
<i>Cash Flows from Investing Activities</i>	<i>(416,354)</i>

CHANGE IN CASH (1,164,284)**CASH, BEGINNING** 5,379,726**CASH, ENDING** \$ 4,215,442

CASH PER STATEMENT OF FINANCIAL POSITION

Operating	\$ 4,118,712
Cash held for long-term	96,730
TOTAL	\$ 4,215,442

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

June 30, 2018

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.

In 2017, the Fund's Board of Directors approved changing the fiscal year-end to June 30.

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 the six months ended June 30, 2018, the Fund provided 40 chairs, 38 bikes, and 10 sets of soft wheels to Veterans.

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. During the six months ended June 30, 2018, the Fund provided nine grants that included adaptive sports team sponsorships, Veteran team sponsorships for the Spartan Race and the Warrior Games, assistance in purchasing specialized sports equipment, and coverage of transportation costs to adaptive sports competitions. Two Grit Freedom Chairs, three basketball wheelchairs, five sets of adaptive snow skis, six paramobile golf chairs, and six adaptive rowing seats were also provided to catastrophically wounded, ill, and injured 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 the six months ended June 30, 2018, the Fund directly served 53 Caregivers through retreats conducted by the Fund and four additional Caregivers with grants to meet specialized needs. Hundreds more were also served through grants to other nonprofit organizations that solely serve Caregivers, such as The Elizabeth Dole Foundation and Healing Household Six.

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. Our Advocacy Program assists where the need is greatest right now: giving a voice to Veterans for VA healthcare reform, ensuring the Caregivers of the seriously disabled are properly supported, and addressing the latent problems of toxic exposure. 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.

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 June 30, 2018, the Fund's remaining temporarily restricted net assets were restricted for use in its mobility program.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Fund. At June 30, 2018, 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.

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 facilities, equipment or materials, if significant, are included in support at fair value. During the year, the Fund recorded donated facilities valued at \$24,000, donated goods valued at \$18,534 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.

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 are expected to be collected in the subsequent year. Management has determined that no allowance for doubtful accounts is necessary based on a review of individual pledges and that most of the promises were collected shortly after year-end.

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 4 – INVESTMENTS

Balance at June 30, 2018

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 June 30, 2018:

Exchange traded funds	\$ 583,652
Equity mutual funds	2,495,470
<i>TOTAL</i>	<i>\$ 3,079,122</i>

Investment earnings

Investment earnings of \$20,563 for the year ended June 30, 2018, consists of \$30,690 of interest and dividend income, net of \$10,127 of realized and unrealized capital losses.

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 June 30, 2018 are classified as Level 1 assets.

THE INDEPENDENCE FUND, INC.**Notes to Financial Statements****June 30, 2018**

NOTE 5 – FURNITURE AND EQUIPMENT

Furniture and equipment as of June 30, 2018 is comprised of the following:

Computer equipment	\$ 113,223
Furniture and fixtures	282,180
Leasehold and other improvements	15,022
Vehicles and trailers	48,925
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Total	459,350
Less - accumulated depreciation and amortization	321,874
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<i>FURNITURE AND EQUIPMENT, NET OF DEPRECIATION</i>	<i>\$ 137,476</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 June 30, 2018 was \$3,734,622. 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.

Donor

A single donor contributed 19 percent of the Fund's contributions during the six-month period. This represents a significant concentration of risk that operations could be affected if this donor reduced or discontinued giving.

NOTE 7 – OPERATING LEASE

The Fund leases office space under a non-cancelable operating lease agreement. Lease payments made in 2018 were \$85,000. Future minimum payments are due during the years ending June 30:

2019	\$ 87,556
2020	90,209
2021	92,931
2022	54,878
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<i>TOTAL</i>	<i>\$ 325,574</i>

THE INDEPENDENCE FUND, INC.

Notes to Financial Statements

June 30, 2018

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.