

THE INDEPENDENCE FUND, INC.
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022
AND
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA
CERTIFIED PUBLIC ACCOUNTANTS

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THE INDEPENDENCE FUND, INC.

YEARS ENDED JUNE 30, 2023 AND 2022

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FRANKLIN & FRANKLIN, PA

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of The Independence Fund, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 **and 2022**, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Independence Fund, Inc. as of June 30, 2023 **and 2022**, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Independence Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Independence Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined 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 combined 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 The Independence Fund, 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Independence Fund, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024, on our consideration of The Independence Fund, 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 The Independence Fund, 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 The Independence Fund, Inc.'s internal control over financial reporting and compliance.

Franklin & Franklin, PA

Franklin & Franklin, PA
Matthews, North Carolina

January 11, 2024

THE INDEPENDENCE FUND, INC.

STATEMENTS OF FINANCIAL POSITION YEARS ENDED JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022
ASSETS		
Current assets:		
Cash	\$ 2,805,832	\$ 2,889,903
Accounts receivable	-	50,135
Sales tax receivable	28,789	29,569
Prepaid expenses and other current assets	17,495	24,951
Total current assets	<u>2,852,116</u>	<u>2,994,558</u>
Non-current assets:		
Cash held for long-term purposes	67	128,661
Investments	3,764,638	4,625,126
Property and equipment, net of accumulated depreciation	650,197	167,900
Right of use assets, net of amortization	342,197	-
Total non-current assets	<u>4,757,099</u>	<u>4,921,687</u>
TOTAL ASSETS	<u><u>\$ 7,609,215</u></u>	<u><u>\$ 7,916,245</u></u>
LIABILITIES & NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 595,236	\$ 302,508
Payroll liabilities	-	85,750
Current portion of long-term debt	-	3,619
Current portion of operating lease liability	121,397	-
Total current liabilities	<u>716,633</u>	<u>391,877</u>
Long-term debt		
Note payable	-	146,129
Operating lease liability, net of current portion	346,350	-
Total long-term debt	<u>346,350</u>	<u>146,129</u>
TOTAL LIABILITIES	<u>1,062,983</u>	<u>538,006</u>
NET ASSETS		
Without donor restrictions	6,546,232	7,345,038
With donor restrictions	-	33,201
TOTAL NET ASSETS	<u>6,546,232</u>	<u>7,378,239</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 7,609,215</u></u>	<u><u>\$ 7,916,245</u></u>

THE INDEPENDENCE FUND, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 7,919,732	\$ 3,672,864	11,592,596
Contributions in-kind: services	21,572	-	21,572
Investment gain, net fees	819,755	-	819,755
All other	63,299	-	63,299
	<u>8,824,358</u>	<u>3,672,864</u>	<u>12,497,222</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>3,706,065</u>	<u>(3,706,065)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	12,530,423	(33,201)	12,497,222
EXPENSES			
Program services	10,059,110	-	10,059,110
Management and general	2,267,657	-	2,267,657
Fundraising	1,002,462	-	1,002,462
	<u>13,329,229</u>	<u>-</u>	<u>13,329,229</u>
TOTAL EXPENSES	<u>13,329,229</u>	<u>-</u>	<u>13,329,229</u>
CHANGE IN NET ASSETS	(798,806)	(33,201)	(832,007)
NET ASSETS, BEGINNING OF YEAR	<u>7,345,038</u>	<u>33,201</u>	<u>7,378,239</u>
NET ASSETS, END OF YEAR	<u>\$ 6,546,232</u>	<u>\$ -</u>	<u>\$ 6,546,232</u>

THE INDEPENDENCE FUND, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 5,551,287	\$ 2,810,221	\$ 8,361,508
Contributions in-kind: services	306,920	-	306,920
Investment loss, net fees	(678,674)	-	(678,674)
All other	23,074	-	23,074
	<u>5,202,607</u>	<u>2,810,221</u>	<u>8,012,828</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,777,020</u>	<u>(2,777,020)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	7,979,627	33,201	8,012,828
EXPENSES			
Program services	6,313,931	-	6,313,931
Management and general	1,039,804	-	1,039,804
Fundraising	949,729	-	949,729
	<u>8,303,464</u>	<u>-</u>	<u>8,303,464</u>
TOTAL EXPENSES	<u>8,303,464</u>	<u>-</u>	<u>8,303,464</u>
CHANGE IN NET ASSETS	(323,837)	33,201	(290,636)
NET ASSETS, BEGINNING OF YEAR	<u>7,668,875</u>	<u>-</u>	<u>7,668,875</u>
NET ASSETS, END OF YEAR	<u><u>\$ 7,345,038</u></u>	<u><u>\$ 33,201</u></u>	<u><u>\$ 7,378,239</u></u>

THE INDEPENDENCE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total Expenses
SALARIES AND BENEFITS				
Salaries	\$ 2,351,699	\$ 564,146	\$ 364,071	3,279,916
Payroll taxes	180,327	43,258	27,917	251,502
Employee benefits	457,186	109,675	70,778	637,639
TOTAL SALARIES AND BENEFITS	2,989,212	717,079	462,766	4,169,057
OTHER EXPENSES				
Grants and direct assistance	1,178,662	-	-	1,178,662
Contracted services	1,945,713	1,037,697	224,231	3,207,641
Travel and meetings	1,400,246	122,888	131,867	1,655,001
Advertising and marketing	302,713	-	15,789	318,502
Facilities and equipment	320,068	63,152	29,911	413,131
Depreciation	89,400	23,877	9,357	122,634
Client-specific assistance	1,357,994	-	15,429	1,373,423
Office and communications	300,915	267,931	88,306	657,152
Banking fees	-	2,973	11,440	14,413
Insurance	50,661	-	-	50,661
Amortization of right of use assets	85,931	22,950	8,994	117,875
Interest expense on right of use assets	23,843	6,368	2,495	32,706
All other expenses	13,752	2,742	1,877	18,371
TOTAL OTHER EXPENSES	7,069,898	1,550,578	539,696	9,160,172
SUBTOTAL BEFORE DONATED SERVICES	10,059,110	2,267,657	1,002,462	13,329,229
DONATED SERVICES				
Public service announcements	-	-	-	-
TOTAL EXPENSES	\$ 10,059,110	\$ 2,267,657	\$ 1,002,462	\$ 13,329,229

See accompanying notes and independent auditor's report.

THE INDEPENDENCE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total Expenses
SALARIES AND BENEFITS				
Salaries	\$ 1,363,094	\$ 326,991	\$ 211,023	1,901,108
Payroll taxes	91,944	22,056	14,234	128,234
Employee benefits	174,757	41,923	27,055	243,735
TOTAL SALARIES AND BENEFITS	1,629,795	390,970	252,312	2,273,077
OTHER EXPENSES				
Grants and direct assistance	984,394	-	-	984,394
Contracted services	730,922	337,071	82,247	1,150,240
Travel and meetings	439,300	48,770	58,433	546,503
Advertising and marketing	436,286	-	436,286	872,572
Facilities and equipment	154,119	36,497	9,437	200,053
Depreciation	21,255	5,336	1,380	27,971
Client-specific assistance	1,482,826	-	9,249	1,492,075
Office and communications	134,488	192,122	72,690	399,300
Banking fees	-	3,853	25,967	29,820
Insurance	-	21,290	-	21,290
All other expenses	13,621	3,895	1,728	19,244
TOTAL OTHER EXPENSES	4,397,211	648,834	697,417	5,743,462
SUBTOTAL BEFORE DONATED SERVICES	6,027,006	1,039,804	949,729	8,016,539
DONATED SERVICES				
Public service announcements	286,925	-	-	286,925
TOTAL EXPENSES	\$ 6,313,931	\$ 1,039,804	\$ 949,729	\$ 8,303,464

See accompanying notes and independent auditor's report.

THE INDEPENDENCE FUND, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	Year Ended June 30, 2023	Year Ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (832,007)	\$ (290,636)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Amortization of right of use asset	117,875	-
Accrual of interest on EIDL	1,024	3,650
Realized and unrealized (gain)/loss on investments	(452,075)	831,263
Contribution of marketable securities	(2,315,498)	(255,314)
Depreciation expense	122,634	27,971
Changes in:		
Accounts receivable	50,135	(45,381)
Sales tax receivable	780	(16,948)
Prepaid expenses and other current assets	7,456	(12,803)
Accounts payable	292,728	(10,760)
Payroll liabilities	(85,750)	34,183
Operating lease liability	467,747	-
Net Cash Flows From Operating Activities	<u>(3,092,698)</u>	<u>265,225</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(604,931)	(156,592)
Payments for right of use assets	(460,072)	-
Purchase of investments	-	(1,698,369)
Proceeds from the sale of investments	4,094,784	191,309
Net Cash Flows From Investing Activities	<u>3,029,781</u>	<u>(1,663,652)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of long-term debt	-	-
Principal payments on long-term debt	(149,748)	(4,683)
Net Cash Flows From Financing Activities	<u>(149,748)</u>	<u>(4,683)</u>
Net Change in Cash	(212,665)	(1,403,110)
CASH, BEGINNING OF YEAR	<u>3,018,564</u>	<u>4,421,674</u>
CASH, END OF YEAR	<u><u>\$ 2,805,899</u></u>	<u><u>\$ 3,018,564</u></u>
Non-cash financing activities:		
Accrued interest on EIDL	\$ 1,024	\$ 3,650

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. ORGANIZATION AND THE NATURE OF ACTIVITIES

Organization

The Independence Fund, Inc., is a North Carolina-based, national, not-for-profit corporation under the Internal Revenue Code section 501(c)(3), which was formed in 2007. The purpose of The Independence 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:

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 that are supposed to be on their side; whether it be the Department of Defense, the Department of Veterans Affairs, or Congress, when they simply don't understand the challenges Veterans face, or when they turn a deaf ear. The Independence Fund's Advocacy team assists where the needs are greatest right now; amplifying the voices of those who fought for us.

Allies – In July 2021, in advance of the withdrawal of all American troops from Afghanistan, The Independence Fund became the first VSO to open programming eligibility to Afghan combat interpreters living in or being resettled in the United States, ensuring that wartime Allies would be recognized as key members of the Veteran community. In September, following the fall of Afghanistan, the Allies program began providing financial stipends to Special Immigrant Visa (SIV) holders, and SIV-pending Allies in the US, as well as connecting all resettled Afghans with proper resources, appropriate partner organizations, interpretation services, healthcare, and more nationwide.

Caregiver Program – The Independence Fund is proud to serve Caregivers of all eras. By providing small group retreats, military Caregivers are provided not only with an opportunity for respite, but a chance to receive resources, support, and empowerment in a peer-to-peer environment. The Independence Fund was the first VSO to host a national retreat for male Caregivers: fathers, husbands, and brothers of our nation's wounded.

Casework – The Independence Fund's Casework team supports Veterans and caregivers as they navigate the challenges that accompany post-military benefits and Veterans Administration (VA) resources. Our Casework team specializes in:

- Service-connected Benefits
- VA Medical Eligibility
- Caregiver Assistance
- Upgrading Your Discharge
- Status Community
- Resources
- Medical Referrals
- Vocational Rehabilitation
- Unresolved Medical Issues
- Access to Medical Care
- Legal Resources

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Family Program – The Independence Fund’s Family Program, open to families of catastrophically wounded Veterans, focuses on art therapy, respite, and comprehensive individual aftercare. With the understanding that true independence can only be reached through total family care. The Independence Fund tailors its family program to provide aftercare that is specifically created for each family and partners families facing similar post-military concerns.

Mobility Program – The Independence Fund’s hallmark program provides catastrophically wounded Veterans the chance to regain their independence through the use of specialized all-terrain trackchairs. The program is open to Veterans of all eras who have undergone a severe loss of mobility from a service-connected catastrophic injury or illness.

Independence@Home – Independence@Home provides direct support to catastrophically disabled Veterans, Caregivers, and families with physical and emergent needs including housing, utilities, childcare, and transportation services. Our Feeding Independence events provide Veterans with groceries and supplies through contact-less, drive-thru events at local Veterans Administration (VA) medical centers throughout the country.

Operation RESILIENCY – Operation RESILIENCY reunites post-9/11 military units who survived traumatic experiences together during their deployment and have been affected by Veteran suicide once home. Relying on the trust and brotherhood forged in combat, military units gather to address their next, and most important mission on the home front: Preventing Veteran suicide. Together, Veterans engage in peer-to-peer support, physical activity, and social connectedness to build resiliency skills. Since 2019, The Independence Fund has been proud to include the unit’s combat interpreter Allies in reunions, as they served alongside our Veterans shoulder-to-shoulder in combat and now fight alongside our Veterans on the home front. OpRES attendees participate in a four-day retreat and leave with tools and resources to use when the load gets too heavy.

TIF Tactical – Our TIF Tactical adaptive shooting program provides opportunities for our nation’s catastrophically wounded, injured, or ill Veterans to re-engage with hunting and shooting sports. TIF Tactical provides Veterans with unforgettable opportunities nationwide through partner ranges and hunting locations.

Veterans Justice Initiative – With a goal of confronting deeply-rooted mental health and substance abuse issues within the Veteran community, The Independence Fund’s Sarah Verardo founded the Veterans Justice Initiative (VJI). Compelled by the experiences of her husband’s battle buddies facing mental and legal crises, Sarah, with the support of the State of North Carolina, launched VJI in 2022. The innovative program connects Veterans and law enforcement with shared experiences, training, and resources.

The Veterans Justice Initiative assists law enforcement agencies, first responders, and frontline workers to understand the nuances and true scope of Veterans’ mental health obstacles once they return home from service. Early intervention and casework is crucial to Veteran mental wholeness.

Funding Sources

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

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net assets without donor restrictions are those currently available for use in the operations of The Independence Fund under the direction of the Board. Net assets without donor restriction can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in day-to-day operations of The Independence 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. Such amounts, if any, are reflected as Net Assets Without Donor Restriction – Designated in the accompanying Statement of Financial Position.

Net assets with donor restrictions consist of net assets that have been designated by donors for specific purposes and those net assets that are not currently available for use until commitments regarding their use have been fulfilled.

Support

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported on the Statement of Activities as net assets released from restrictions.

Property 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.

Depreciation expense was \$122,634 and \$27,971 for the years ended June 30, 2023 and 2022, respectively.

Donated Service 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 the 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 ended June 30, 2023 and 2022, The Independence Fund received public service announcements valued at \$-0- and \$286,925 respectively. During the year ended June 30, 2023 and 2022 The Independence Fund also received goods and services valued at \$21,572 and \$19,995 respectively.

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

In addition, many individuals volunteer their time and perform a variety of tasks that assist The Independence Fund with program services, management and general expenses, and fundraising efforts. The Independence Fund does not record the value of other donated services in its financial statements because they do not meet the criteria for recognition under ASC No. 605, *Accounting for Contributions Received and Contributions Made*.

Federal Income Tax Status

The Independence Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Independence 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 that are inherently program, management and general, or fundraising, are charged directly to those functions. Facility costs are allocated based on the estimated square footage utilized by that function. Donated public service announcements are shown as program services expense. Salaries, payroll taxes, and benefit expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent by each employee.

Use of Estimates

The preparation of 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 the disclosure 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.

Advertising

Advertising expense is expensed as incurred. Advertising and marketing expense incurred by The Independence Fund during the years ended June 30, 2023 and 2022 was \$318,502 and \$872,572, respectively.

Reclassifications

Certain 2022 amounts have been reclassified to conform with the 2023 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	June 30, 2023	June 30, 2022
Current financial assets, at year end	\$ 2,834,621	\$ 2,969,607
Less those unavailable for general expenditures within one year:		
Financial assets restricted by donors	<u>-0-</u>	<u>(33,201)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,834,621</u>	<u>\$ 2,936,406</u>

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

As of June 30, 2023, The Independence Fund has \$2,834,621 of financial assets available to meet cash needs for general operating expenditures, consisting of cash of \$2,805,832 and sales tax receivable of \$28,789. The Independence Fund has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$3,000,000. The Independence Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, The Independence Fund invests cash in excess of daily requirements in various short-term and long-term investments, including equity exchange-traded funds, bond mutual funds and equity mutual funds.

4. INVESTMENTS

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. The change in the fair value of securities is reflected as investment gains or losses in the accompanying Statement of Activities. The fair value of investments was as follows on June 30, 2023 and June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Equity funds	\$ 1,650,795	\$ 2,345,971
Bond funds	469,021	652,644
Exchange traded funds	1,465,694	1,626,511
Other assets	<u>179,128</u>	<u>-0-</u>
Total investments	<u>\$ 3,764,638</u>	<u>\$ 4,625,126</u>

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 on 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 The Independence Fund's investments as of June 30, 2023 and 2022 are classified as Level 1 assets.

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

5. FURNITURE AND EQUIPMENT

Furniture and equipment as of June 30, 2023 and 2022 is comprised of the following:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Computer equipment	\$ 467,112	\$ 206,747
Furniture and fixtures	222,883	160,162
Leasehold and other improvements	51,021	28,475
Vehicles and trailers	<u>522,835</u>	<u>263,537</u>
Less: accumulated depreciation	<u>(613,654)</u>	<u>(491,021)</u>
Furniture and equipment, net of depreciation	<u>\$ 650,197</u>	<u>\$ 167,900</u>

6. LONG-TERM DEBT

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Note payable to Bank of America or \$149,748, commencing with the first payment due on June 6, 2022. Terms of the 30-year promissory note call for monthly payments of \$641, including principal and interest at 2.75% per year. The principal was fully paid in 2023.	<u>-0-</u>	<u>149,748</u>
Total	<u>\$ -0-</u>	<u>\$ 149,748</u>

The note payable to Bank of America was issued via the COVID-19 Economic Injury Disaster Loan (EIDL) during the year ended June 30, 2020. Initially, payments were deferred a year under the program, but subsequent to the initial issuance, the United States Small Business Administration (SBA) deferred payments for an additional 12 months. Interest continued to accrue, but payments were not required for the Fund until June 6, 2022. The note payable was paid in full in August 2022.

7. CONCENTRATION OF RISKS

Cash

The Independence Fund maintains cash balances at financial institutions in excess of FDIC insured limits. The balance of uninsured cash as of June 30, 2023 was \$2,575,577. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institutions.

Investments

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

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Contributions

During the year ended June 30, 2023 The Independence Fund received 37% of its contributions from one donor.

8. OPERATING LEASE

The Independence Fund leases office space under a non-cancelable operating lease agreements. Total rental expense under this operating lease for the year ended June 30, 2023 was \$64,823 and \$46,230 for the year ended June 30, 2022.

Future minimum lease payments are as follows:

2024	\$	18,294
2025		-0-
2026		-0-
2027		-0-
2028 and thereafter		<u>-0-</u>
Total	\$	<u>18,294</u>

9. NEW ACCOUNTING STANDARD

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. Implementation of this pronouncement is effective for years beginning after December 15, 2021. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. Generally, operating leases with a term of 12 months or less or those that are immaterial are not recorded on the statement of financial position. The Organization has considered this new pronouncement and has identified that two real property leases are subject to this pronouncement. These leases have monthly lease payments ranging from \$3,595 to \$8,237 with annual increases. Lease payments are scheduled through December 2028.

The Independence Fund implemented the new accounting standard and has elected not to restate the comparative period. The lease arrangements are operating leases and have been recorded in the combined Statements of Financial Position as right-of-use assets in other assets and the corresponding liability in current and non-current liabilities. The discount rate used is 6%.

Right of use assets-operating lease	\$ 460,072
Accumulated amortization of right of use assets	\$ 117,875
Current portion of operating lease liability	\$ 121,397
Non-current portion of operation lease liability	\$ 346,350

THE INDEPENDENCE FUND, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending June 30:

2024	\$ 121,397
2025	90,351
2026	95,244
2027	104,449
2028 and thereafter	56,306
Total	<u>\$ 467,747</u>

10. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2023 the Organization supported Special Operations Association of America, a non-profit organization in which the President is an officer with advocacy partnership in the amount \$200,000. In addition, in May 2023 the board of directors approved an initial grant of \$10,000 for the establishment of a new non-profit organization, the Verardo Group, which will be involved in extending additional charitable and educational services to veterans, first responders, conducting research, and supporting subsidiary organizations which carry out related supportive programs and services. Further, during the year ended June 30, 2023 the Organization expended \$88,080 in advertising costs to an organization in which the President is on the board of directors.

11. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2023, it was determined that cash was understated by \$103,456 as of the year ended June 30, 2022. Within the financial statements presented herein, net assets were increased by \$103,456 as of June 30, 2022 expenses during the year ended June 30, 2022 were decreased by \$103,456.

12. SUBSEQUENT EVENTS

The Independence Fund has evaluated for disclosure any subsequent events from June 30, 2023 through January 11, 2024, which is the date the financial statements were available to be issued. During this period additional funding in the amount of \$1,030,000 was provided for the Verardo Group which was discussed in Note 10 above. In addition, during this period The Independence Fund liquidated all investments and transferred them into cash. During this period, other than the items noted above, no material recognizable subsequent events were identified.

THE INDEPENDENCE FUND, INC.

SCHEDULE OF EXPENDITURE OF STATE AWARDS JUNE 30, 2023

<u>North Carolina Grantee/Pass-Through Grantor/Program or Cluster Title</u>	<u>Total NC Expenditures</u>
North Carolina Department of Military and Veteran Affairs	<u>\$1,500,000</u>
Total Expenditures of North Carolina Awards	<u>\$1,500,000</u>

FRANKLIN & FRANKLIN, PA

CERTIFIED PUBLIC ACCOUNTANTS

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*

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

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 the of The Independence Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 January 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Independence Fund, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Independence Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Independence Fund, 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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Independence Fund, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Matthews, North Carolina
January 11, 2024