

THE INDEPENDENCE FUND, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021  
AND  
INDEPENDENT AUDITOR'S REPORT

FRANKLIN & FRANKLIN, PA  
CERTIFIED PUBLIC ACCOUNTANTS

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# THE INDEPENDENCE FUND, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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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, 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 referred to above present fairly, in all material respects, the financial position of The Independence Fund, 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. 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 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 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.

A handwritten signature in cursive script that reads "Franklin & Franklin, PA". The signature is written in black ink and is positioned above the printed name of the firm.

Franklin & Franklin, PA  
Matthews, North Carolina

December 19, 2022

# THE INDEPENDENCE FUND, INC.

## STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	June 30, 2022	June 30, 2021
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,786,447	\$ 4,338,376
Accounts receivable	50,135	4,754
Sales tax receivable	29,569	12,621
Prepaid expenses and other current assets	24,951	12,148
Total current assets	<u>2,891,102</u>	<u>4,367,899</u>
Non-current assets:		
Cash held for long-term purposes	128,661	83,298
Investments	4,625,126	3,692,257
Property and equipment, net of accumulated depreciation	167,900	44,687
Total non-current assets	<u>4,921,687</u>	<u>3,820,242</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,812,789</u></u>	<u><u>\$ 8,188,141</u></u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 302,508	\$ 313,268
Payroll liabilities	85,750	51,567
Current portion of long-term debt	3,619	282
Total current liabilities	<u>391,877</u>	<u>365,117</u>
Long-Term Debt	<u>146,129</u>	<u>154,149</u>
<b>TOTAL LIABILITIES</b>	<u>538,006</u>	<u>519,266</u>
<b>NET ASSETS</b>		
Without donor restrictions	7,241,582	7,668,875
With donor restrictions	33,201	-
<b>TOTAL NET ASSETS</b>	<u>7,274,783</u>	<u>7,668,875</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 7,812,789</u></u>	<u><u>\$ 8,188,141</u></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	\$ 5,551,553	\$ 2,810,221	8,361,774
Conditional contributions	-	-	-
Contributions in-kind: services	306,920	-	306,920
Contributions in-kind: goods	-	-	-
Investment gain, net fees	(678,674)	-	(678,674)
All other	23,074	-	23,074
	<u>5,202,873</u>	<u>2,810,221</u>	<u>8,013,094</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,777,020</u>	<u>(2,777,020)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	7,979,893	33,201	8,013,094
EXPENSES			
Program services	6,417,653	-	6,417,653
Management and general	1,039,804	-	1,039,804
Fundraising	949,729	-	949,729
	<u>8,407,186</u>	<u>-</u>	<u>8,407,186</u>
TOTAL EXPENSES	8,407,186	-	8,407,186
CHANGE IN NET ASSETS	(427,293)	33,201	(394,092)
NET ASSETS, BEGINNING OF YEAR	<u>7,668,875</u>	<u>-</u>	<u>7,668,875</u>
NET ASSETS, END OF YEAR	<u>\$ 7,241,582</u>	<u>\$ 33,201</u>	<u>\$ 7,274,783</u>

# THE INDEPENDENCE FUND, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 4,771,594	\$ 2,498,125	\$ 7,269,719
Conditional contributions	-	-	-
Contributions in-kind: services	8,293,570	-	8,293,570
Contributions in-kind: goods	14,325	-	14,325
Investment loss, net fees	834,609	-	834,609
All other	415,826	-	415,826
	<u>14,329,924</u>	<u>2,498,125</u>	<u>16,828,049</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>2,498,125</u>	<u>(2,498,125)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	16,828,049	-	16,828,049
EXPENSES			
Program services	12,726,986	-	12,726,986
Management and general	654,579	-	654,579
Fundraising	522,659	-	522,659
	<u>13,904,224</u>	<u>-</u>	<u>13,904,224</u>
TOTAL EXPENSES	13,904,224	-	13,904,224
CHANGE IN NET ASSETS	2,923,825	-	2,923,825
NET ASSETS, BEGINNING OF YEAR	<u>4,745,050</u>	<u>-</u>	<u>4,745,050</u>
NET ASSETS, END OF YEAR	<u>\$ 7,668,875</u>	<u>\$ -</u>	<u>\$ 7,668,875</u>

# THE INDEPENDENCE FUND, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
<b>SALARIES AND BENEFITS</b>				
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
<b>TOTAL SALARIES AND BENEFITS</b>	<b>1,629,795</b>	<b>390,970</b>	<b>252,312</b>	<b>2,273,077</b>
<b>OTHER EXPENSES</b>				
Grants and direct assistance	984,394	-	-	984,394
Contracted services	742,888	337,071	82,247	1,162,206
Travel and meetings	439,300	48,770	58,433	546,503
Advertising and marketing	436,286	-	436,286	872,572
Facilities and equipment	173,334	36,497	9,437	219,268
Depreciation	21,255	5,336	1,380	27,971
Client-specific assistance	1,506,080	-	9,249	1,515,329
Office and communications	183,775	192,122	72,690	448,587
Banking fees	-	3,853	25,967	29,820
Insurance	-	21,290	-	21,290
All other expenses	13,621	3,895	1,728	19,244
<b>TOTAL OTHER EXPENSES</b>	<b>4,500,933</b>	<b>648,834</b>	<b>697,417</b>	<b>5,847,184</b>
<b>SUBTOTAL BEFORE DONATED SERVICES</b>	<b>6,130,728</b>	<b>1,039,804</b>	<b>949,729</b>	<b>8,120,261</b>
<b>DONATED SERVICES</b>				
Public service announcements	286,925	-	-	286,925
<b>TOTAL EXPENSES</b>	<b>\$ 6,417,653</b>	<b>\$ 1,039,804</b>	<b>\$ 949,729</b>	<b>\$ 8,407,186</b>

# THE INDEPENDENCE FUND, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
<b>SALARIES AND BENEFITS</b>				
Salaries	\$ 1,142,504	\$ 274,073	\$ 176,873	1,593,450
Payroll taxes	83,061	19,925	12,859	115,845
Employee benefits	137,336	32,947	21,261	191,544
<b>TOTAL SALARIES AND BENEFITS</b>	<b>1,362,901</b>	<b>326,945</b>	<b>210,993</b>	<b>1,900,839</b>
<b>OTHER EXPENSES</b>				
Grants and direct assistance	1,436,184	-	-	1,436,184
Contracted services	170,937	131,961	12,232	315,130
Travel and meetings	133,959	14,856	17,357	166,172
Advertising and marketing	146,299	-	146,299	292,598
Facilities and equipment	167,365	18,699	6,034	192,098
Depreciation	30,442	3,401	1,097	34,940
Client-specific assistance	919,951	-	5,611	925,562
Office and communications	114,299	128,360	60,298	302,957
Banking fees	-	3,178	61,327	64,505
Insurance	-	18,728	-	18,728
All other expenses	10,632	8,451	1,411	20,494
<b>TOTAL OTHER EXPENSES</b>	<b>3,130,068</b>	<b>327,634</b>	<b>311,666</b>	<b>3,769,368</b>
<b>SUBTOTAL BEFORE DONATED SERVICES</b>	<b>4,492,969</b>	<b>654,579</b>	<b>522,659</b>	<b>5,670,207</b>
<b>DONATED SERVICES</b>				
Public service announcements	8,234,017	-	-	8,234,017
<b>TOTAL EXPENSES</b>	<b>\$ 12,726,986</b>	<b>\$ 654,579</b>	<b>\$ 522,659</b>	<b>\$ 13,904,224</b>

# THE INDEPENDENCE FUND, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (394,092)	\$ 2,923,825
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain on forgiveness of debt	-	(405,300)
Accrual of interest on EIDL	3,650	4,531
Realized and unrealized (gain)/loss on investments	831,263	(731,026)
Contribution of marketable securities	(255,314)	(304,550)
Depreciation expense	27,971	34,940
Changes in:		
Accounts receivable	(45,381)	(4,754)
Sales tax receivable	(16,948)	(192)
Prepaid expenses and other current assets	(12,803)	18,038
Accounts payable	(10,760)	103,771
Payroll liabilities	34,183	(48,242)
Other short-term liabilities	-	-
Net Cash Flows From Operating Activities	<u>161,769</u>	<u>1,591,041</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(156,592)	(31,041)
Purchase of investments	(1,698,369)	(1,135,047)
Proceeds from the sale of investments	191,309	1,188,045
Net Cash Flows From Investing Activities	<u>(1,663,652)</u>	<u>21,957</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of long-term debt	-	-
Principal payments on long-term debt	(4,683)	-
Net Cash Flows From Financing Activities	<u>(4,683)</u>	<u>-</u>
Net Change in Cash	(1,506,566)	1,612,998
CASH, BEGINNING OF YEAR	<u>4,421,674</u>	<u>2,808,676</u>
CASH, END OF YEAR	<u>\$ 2,915,108</u>	<u>\$ 4,421,674</u>
<b>Non-cash financing activities:</b>		
Forgiveness of debt	\$ -	\$ 405,300
Accrued interest on EIDL	\$ 3,650	\$ 4,531

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### 1. ORGANIZATION AND THE NATURE OF ACTIVITIES

#### Organization

The Independence Fund, Inc., (“the Fund”) 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 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 that use our all-terrain mobility devices regain the ability to do the things they love, transforming their lives toward a better future. We have provided 2,627 mobility devices since our founding.

*Caregiver Program* – The Fund serves the heroes behind the heroes; the Caregivers that work tirelessly to support the 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 years ended June 30, 2022 and 2021, the Fund transitioned to a virtual model to support our Caregivers and we were able to support 1,293 Caregivers through virtual peer support, training, and comradery.

*Family Program* – Open to families of catastrophically wounded Veterans, the Family Program 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. While we were unable to conduct in-person retreats this year, we were able to provide virtual programming for 277 families.

*Operation Resiliency* – The Fund and the Veterans Health Administration Office of Mental Health and Suicide Prevention (OMHSP) have partnered together in order to make an immediate impact on the lives of our Veterans and their families. The structure is a mutually beneficial manner that advances and improves Veterans’ mental health and wellbeing and expands and promotes community collaboration to increase access to mental health resources for all Veterans and their families and prevent suicide in the Veteran community. Through virtual suicide prevention training and support, The Independence Fund was able to support 143 Veterans this year. Like the Caregiver Program, virtual programming has been the cornerstone of Operation Resiliency as we travel through the COVID period. 485 Veterans have been assisted during this time via virtual programming in addition to those we were able to serve in person.

*Advocacy Program* – For Veterans returning with the scars of war, the fight does not end upon their arrival home. Unfortunately, some of the biggest battles are with the very institutions that 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.

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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*Independence@Home* – The COVID-19 pandemic had a disproportional effect on our Veterans, Caregivers, and their families. In order to address the immediate needs of these Heroes, The Independence Fund showed flexibility in developing a new program called Independence@Home. This program has been able to provide 2,454 families with financial and disaster support during their time of need.

### Funding Sources

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The accompanying financial statements of the 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 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 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 \$27,971 and \$34,940 for the years ended June 30, 2022 and 2021, respectively.

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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### 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, 2022 and 2021, the Fund received public service announcements valued at \$286,925 and \$8,234,017 respectively. During the year ended June 30, 2022 and 2021 the fund also received information technology goods and services valued at \$19,995 and \$73,878 respectively.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Fund with program services, management and general expenses, and fundraising efforts. The 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 Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. 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 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 Fund during the years ended June 30, 2022 and 2021 was \$872,572 and \$292,598, respectively.

### Reclassifications

Certain 2021 amounts have been reclassified to conform with the 2022 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

### 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	June 30, <u>2022</u>	June 30, <u>2021</u>
Current financial assets, at year end	\$ 2,866,151	\$ 4,355,751
Less those unavailable for general expenditures within one year:		
Financial assets restricted by donors	<u>(33,201)</u>	<u>-0-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,832,950</u>	<u>\$ 4,355,751</u>

As of June 30, 2022, the Fund has \$2,832,950 of financial assets available to meet cash needs for general operating expenditures, consisting of cash of \$2,786,447 and receivables of \$46,503. The 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 \$900,000. The 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 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, 2022:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Equity funds	\$ 2,345,971	\$ 1,808,600
Bond funds	652,644	675,793
Exchange traded funds	1,626,511	1,150,000
Other assets	<u>-0-</u>	<u>57,864</u>
Total investments	<u>\$ 4,625,126</u>	<u>\$ 3,692,257</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:

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022 and 2021 are classified as Level 1 assets.

### 5. FURNITURE AND EQUIPMENT

Furniture and equipment as of June 30, 2022 and 2021 is comprised of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Computer equipment	\$ 206,747	\$ 133,838
Furniture and fixtures	160,162	141,292
Leasehold and other improvements	28,475	20,946
Vehicles and trailers	<u>263,537</u>	<u>232,787</u>
Less: accumulated depreciation	<u>(491,021)</u>	<u>(484,176)</u>
Furniture and equipment, net of depreciation	<u>\$ 167,900</u>	<u>\$ 44,687</u>

### 6. LONG-TERM DEBT

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Note payable to Bank of America for \$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 amortizes fully over 30 years.	<u>149,748</u>	<u>154,431</u>
Total	<u>\$ 149,748</u>	<u>\$ 154,431</u>

The estimated future principal payments are as follows for the years ended June 30:

2023	\$ 3,619
2024	3,720
2025	3,824
2026	3,930
2027	4,040
2028 and thereafter	<u>130,615</u>
Total	<u>\$ 149,748</u>

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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A promissory note payable to Towne Bank in the amount of \$405,300 was received under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. During the year ended June 30, 2021, the Fund received full forgiveness of the loan and is reflected on page 5 of the financial statements.

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 continues to accrue, but payments are 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 Fund maintains cash balances at financial institutions in excess of FDIC insured limits. The balance of uninsured cash as of June 30, 2022 was \$2,663,943. 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 Fund 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.

### 8. OPERATING LEASE

The Fund leases office space under a non-cancelable operating lease agreement. Total rental expense under this operating lease for the year ended June 30, 2022 was \$46,230 and \$91,556 for the year ended June 30, 2021.

Future minimum lease payments are as follows:

2023	\$	141,882
2024		105,407
2025		104,867
2026		108,013
2027 and thereafter		<u>111,253</u>
Total	\$	<u>571,422</u>

### 9. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022 and 2021, there were no related party transactions.

# THE INDEPENDENCE FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 10. PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2021, an invoice for expenses incurred in the year ended June 30, 2020 and 2019 was discovered. The accounts payable on June 30, 2020 was understated by \$56,929 and understated on June 30, 2019 by \$45,453. Within the financial statements presented herein, net assets were reduced by \$56,929 as of June 30, 2020 and marketing expense during the year ended June 30, 2020 was increased by \$11,386.

During the year ended June 30, 2021, management identified that the asset life assigned to leasehold improvements was too long, as generally accepted accounting principals limit the asset life of a leasehold improvement to the ending date of the lease. The correction of the depreciation estimate related to these assets was adjusted, resulting in a decrease in net assets as of June 30, 2020 of \$7,323 and an increase in depreciation expense for the year ended June 30, 2020 of \$2,029.

### 11. SUBSEQUENT EVENTS

The Fund has evaluated for disclosure any subsequent events from the June 30, 2022 through December 19, 2022, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.