

**INDEPENDENCE NOW, INC.**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Years Ended September 30, 2013 and 2012**



**SB & COMPANY, LLC**  
EXPERIENCE • QUALITY • CLIENT SERVICE

## **SEPTEMBER 30, 2013 AND 2012**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

Board of Directors of  
Independence Now, Inc.

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Independence Now, Inc. (Independence Now) as of September 30, 2013, the related statements of activities and changes in net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.



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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Now, Inc. as of September 30, 2013, 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.

### ***Other Matters***

The financial statements of Independence Now as of and for the year ended September 30, 2012, were audited by other auditors, who expressed an unmodified opinion on those financial statements on March 22, 2013.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of functional expenses for the year ended September 30, 2013, is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis and is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 functional expenses and the schedule of expenditures of Federal awards are fairly stated in all material respects in relation to the basic 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 March 19, 2014, on our consideration of Independence Now'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 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 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 organization's internal control over financial reporting and compliance.

Hunt Valley, Maryland  
March 19, 2014

*SB & Company, LLC*

**INDEPENDENCE NOW, INC.****Statements of Financial Position  
As of September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 346,698	\$ 312,142
Investments	576,444	518,086
Grants and contracts receivable, net	180,324	106,393
Prepaid expenses and other current assets	11,555	8,092
<b>Total Current Assets</b>	<u>1,115,021</u>	<u>944,713</u>
Security deposit	7,874	7,574
Property and equipment, net	11,939	15,123
<b>Total Assets</b>	<u>\$ 1,134,834</u>	<u>\$ 967,410</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 39,625	\$ 9,039
Accrued expenses	38,584	28,326
Deferred revenue	55,997	28,260
Capital lease payable, current portion	2,870	2,547
<b>Total Current Liabilities</b>	<u>137,076</u>	<u>68,172</u>
Capital lease payable, net of current portion	9,912	12,782
Deferred rent	17,730	20,119
<b>Total Liabilities</b>	<u>164,718</u>	<u>101,073</u>
<b>Net Assets</b>		
Unrestricted	967,977	844,455
Temporarily restricted	2,139	21,882
<b>Total Net Assets</b>	<u>970,116</u>	<u>866,337</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,134,834</u>	<u>\$ 967,410</u>

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

**INDEPENDENCE NOW, INC.**

**Statements of Activities and Changes in Net Assets  
For the Years Ended September 30, 2013 and 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>						
Federal grants	\$ 723,331	\$ -	\$ 723,331	\$ 590,842	\$ 21,882	\$ 612,724
Other grants and contributions	412,918	-	412,918	622,629	-	622,629
Contributions	4,658	-	4,658	4,331	-	4,331
Investment income, net	58,358	-	58,358	64,525	-	64,525
Other revenue	2,993	-	2,993	550	-	550
<b>Total</b>	<b>1,202,258</b>	<b>-</b>	<b>1,202,258</b>	<b>1,282,877</b>	<b>21,882</b>	<b>1,304,759</b>
Net Assets Released from Restrictions	19,743	(19,743)	-	17,685	(17,685)	-
<b>Total Support and Revenue</b>	<b>1,222,001</b>	<b>(19,743)</b>	<b>1,202,258</b>	<b>1,300,562</b>	<b>4,197</b>	<b>1,304,759</b>
<b>Expenses</b>						
Program services						
Independent Living	530,386	-	530,386	492,734	-	492,734
Community services	442,953	-	442,953	380,199	-	380,199
Work Incentives Planning and Assistance	27,850	-	27,850	218,993	-	218,993
Total program services	1,001,189	-	1,001,189	1,091,926	-	1,091,926
Supporting services						
General and administrative	97,290	-	97,290	87,555	-	87,555
<b>Total Expenses</b>	<b>1,098,479</b>	<b>-</b>	<b>1,098,479</b>	<b>1,179,481</b>	<b>-</b>	<b>1,179,481</b>
<b>Changes in Net Assets</b>	<b>123,522</b>	<b>(19,743)</b>	<b>103,779</b>	<b>121,081</b>	<b>4,197</b>	<b>125,278</b>
Net Assets, Beginning of Year	844,455	21,882	866,337	723,374	17,685	741,059
Net Assets, End of Year	\$ 967,977	\$ 2,139	\$ 970,116	\$ 844,455	\$ 21,882	\$ 866,337

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

**INDEPENDENCE NOW, INC.****Statements of Cash Flows****For the Years Ended September 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 103,779	\$ 125,278
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Amortization expense	3,184	6,575
Reinvestment of interest and earnings	(811)	(2,342)
Net unrealized investment gains	(57,547)	(62,183)
Effects of changes in non-cash operating assets and liabilities:		
Grants and contracts receivable, net	(73,931)	105,745
Prepaid expenses and other current assets	(3,463)	6,689
Security deposit	(300)	175
Accounts payable	30,586	7,728
Accrued expenses	10,258	(9,852)
Deferred revenue	27,737	-
Deferred rent	(2,389)	1,448
<b>Net Cash from Operating Activities</b>	<u>37,103</u>	<u>179,261</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital leases	<u>(2,547)</u>	<u>(5,955)</u>
<b>Net change in cash and cash equivalents</b>	<b>34,556</b>	<b>173,306</b>
Cash and cash equivalents, beginning of year	<u>312,142</u>	<u>138,836</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 346,698</u></u>	<u><u>\$ 312,142</u></u>
<b>Supplemental Disclosures</b>		
Cash paid for interest	<u>\$ 1,702</u>	<u>\$ 914</u>
Equipment acquired under capital lease obligations	<u>\$ -</u>	<u>\$ 15,919</u>

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

# INDEPENDENCE NOW, INC.

## Notes to the Financial Statements September 30, 2013 and 2012

### 1. BACKGROUND OF THE ORGANIZATION

Independence Now, Inc. (Independence Now) is a consumer controlled and directed non-profit organization which provides various independent living and other services to individuals with disabilities residing in Montgomery and Prince George's counties, in Maryland.

Organized in 1994 and opened during 1995, Independence Now offers the following services:

#### **Independent Living Services**

- *Independent Living Services* - Provides Independent Living Services to individuals with significant disabilities who reside in Montgomery and Prince George's Counties so that they may live in the community. This is done primarily through peer counseling, advocacy and information and referral services. Independent Living Specialists meet and work with consumers on an individual basis.
- *Money Follows the Person Peer Outreach Project* - Performs peer outreach to nursing facility residents in Montgomery and Prince George's counties. The purpose of this effort is to offer nursing facility residents information about the option to receive services in the community and to refer those who are interested in exploring community-based options to resources for information and transition assistance.

#### **Community Services**

- *Assistive Technology* - Provides basic assistive technology to eligible individuals with significant disabilities when such services are needed to achieve the goal established under the Independent Living Plan. Assistive technology can include: aids for daily living, environmental control units, communication devices and hearing aids, etc. The program assists with purchases or repairs within the constraints of funding limits.
- *Travel Training*- Offers comprehensive, individualized travel training to employment, job related and other activities for people with significant disabilities throughout the Washington DC metro public transit system. One-on-one training is provided to individuals for up to three locations of their choosing.
- *Youth Leadership Forum (YLF)* - Hosts an annual week-long leadership training program for High School students with disabilities. Students are given the opportunity to gain skills in self-advocacy and leadership as well as learn about resources available to them. This event and Alumni events offer networking opportunities with other students and a chance to volunteer with the YLF.
- *Work Incentives Planning and Assistance (WIPA)* - WIPA assists individuals with disabilities and members of the aging community who receive disability benefits from Social Security who want to explore returning to work. People who request services receive individual assistance from a Certified Community Work Incentives Coordinator who helps to identify employment goals and options to achieve those goals.



# **INDEPENDENCE NOW, INC.**

## **Notes to the Financial Statements September 30, 2013 and 2012**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements of Independence Now are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

Independence Now considers all cash in the bank and other short-term investments with original maturities of less than 90 days to be cash and cash equivalents. Cash equivalents as of September 30, 2013 and 2012, consisted of money market funds.

#### **Grants and Contracts Receivable**

Grants and contracts receivable are stated at their net realizable value and represent amounts owed to Independence Now for cost reimbursable program expenses. On a periodic basis, management evaluates its grants and contracts receivable balance and establishes an allowance for doubtful accounts, based upon management's estimate of the amounts which are ultimately realizable pursuant to the applicable terms of the various grants and commitments. Grants and contracts receivable are written off at the time management determines that the receivable will not be collected. The allowance for doubtful accounts was estimated to be \$681 and \$7,983, respectively, as of September 30, 2013 and 2012.

#### **Property and Equipment**

Property and equipment are recorded at cost. Donated furniture and equipment are capitalized at the estimated fair market value on the date received. Property and equipment with costs in excess of \$2,500, and useful lives of more than one year are capitalized and recorded at cost. The cost of maintenance and repairs is charged to expense, as incurred. Depreciation of furniture and fixtures is recorded on a straight-line basis over the estimated useful lives of the assets ranging from five to seven years.

# INDEPENDENCE NOW, INC.

## Notes to the Financial Statements September 30, 2013 and 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fair Value Measurement and Income Recognition for Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes Independence Now's gains and losses on investments bought and sold as well as held during the year.

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of September 30, 2013 and 2012.

# INDEPENDENCE NOW, INC.

## Notes to the Financial Statements September 30, 2013 and 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fair Value Measurement and Income Recognition for Investments (continued)**

*Interest bearing cash:* Valued at cost plus accrued earnings.

*Stocks, mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Independence Now believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### **Deferred Rent**

Independence Now's deferred rent liability results from escalating rent payments over the life of the lease for its current office space, which expires in 2016. Independence Now is recording rent expense over the lease period on a straight-line basis with the difference between the current year's lease payment and the straight-line lease expense being recorded as deferred rent on the accompanying statements of financial position. As of September 30, 2013 and 2012, the deferred rent was \$17,730 and \$20,119, respectively.

#### **Net Assets**

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired.

Temporarily restricted net assets are those whose use by Independence Now has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as unrestricted net assets.

Permanently restricted net assets consist of contributions received from donors, which are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested and only the investment income be used. Investment income earned from such contributions is temporarily restricted to support the purpose designated. As of September 30, 2013 and 2012, there were no permanently restricted net assets.

# **INDEPENDENCE NOW, INC.**

## **Notes to the Financial Statements September 30, 2013 and 2012**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Restricted and Unrestricted Support and Revenue**

Amounts received under grants and contracts are recognized as revenue when the related expenses are incurred. Funds received for services and benefits that have not yet been provided or events that have not yet occurred are recorded as deferred revenue.

Contributions received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor imposed restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated between the program services and general and administrative services that benefit from those costs. General and administrative expenses include those expenses that are not directly identified with any other specific function, but provide for the overall support and direction of Independence Now.

#### **Income Taxes**

Independence Now is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. Independence Now performed an evaluation of uncertain tax positions as of September 30, 2013, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. For the year ended September 30, 2013, the statute of limitations for tax years 2009 through 2012 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which Independence Now files tax returns. It is Independence Now's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

# INDEPENDENCE NOW, INC.

## Notes to the Financial Statements September 30, 2013 and 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Subsequent Events

Independence Now evaluated subsequent events and transactions through March 19, 2014, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

#### Reclassifications

Certain amounts from 2012 have been reclassified to conform to 2013 presentation.

### 3. INVESTMENTS

The following tables set forth by level, within the fair value hierarchy, Independence Now's investments at fair value:

	As of September 30, 2013			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 316,580	\$ -	\$ -	\$ 316,580
Stocks				
Financial institutions	9,022	-	-	9,022
Mutual funds				
Equity fund	169,958	-	-	169,958
Equity income fund	64,717	-	-	64,717
Bond-debenture fund	16,167	-	-	16,167
<b>Total</b>	<b>\$ 576,444</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 576,444</b>

	As of September 30, 2012			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 147,907	\$ -	\$ -	\$ 147,907
Stocks				
Financial institutions	7,287	-	-	7,287
Mutual funds				
Equity fund	146,497	-	-	146,497
Equity income fund	201,223	-	-	201,223
Bond-debenture fund	15,172	-	-	15,172
<b>Total</b>	<b>\$ 518,086</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 518,086</b>

## INDEPENDENCE NOW, INC.

### Notes to the Financial Statements September 30, 2013 and 2012

#### 3. INVESTMENTS (continued)

Earnings on investments for the years ended September 30, were as follows:

	<u>2013</u>	<u>2012</u>
Reinvested interest and earnings	\$ 958	\$ 2,385
Net unrealized gains	57,547	62,183
Investment expenses	(147)	(43)
<b>Total</b>	<u><u>\$ 58,358</u></u>	<u><u>\$ 64,525</u></u>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	<u>2013</u>	<u>2012</u>	<u>Useful Life</u>
Furniture and fixtures	\$ 49,328	\$ 49,328	5 to 7 years
Assets acquired under capital lease	15,919	15,919	5 years
<b>Total</b>	<u>65,247</u>	<u>65,247</u>	
Less: accumulated depreciation and amortization	<u>53,308</u>	<u>50,124</u>	
<b>Property and equipment, net</b>	<u><u>\$ 11,939</u></u>	<u><u>\$ 15,123</u></u>	

Amortization for assets acquired under the capital lease was \$3,184 and \$6,575, for the years ended September 30, 2013 and 2012, respectively.

#### 5. CONCENTRATION OF SUPPORT AND REVENUE

Independence Now received support and revenue for the fiscal years ended September 30, as follows:

	<u>2013</u>	<u>2012</u>
Federal government	64%	48%
State and local government	18%	17%
Other	18%	35%
	<u>100%</u>	<u>100%</u>

# INDEPENDENCE NOW, INC.

## Notes to the Financial Statements September 30, 2013 and 2012

### 5. CONCENTRATION OF SUPPORT AND REVENUE (continued)

Management has allocated costs and recognized certain revenue pursuant to their understanding of the terms of the Independence Now's grants. Management's allocations of such costs are subject to retrospective reviews or audits and, accordingly, are subject to adjustment and or disallowance. Management is unable, however, to estimate whether any allocated costs may ultimately become subject to disallowance and/or whether any related revenue might not be fully realizable. Reduction of this source of support would have a significant impact on Independence Now's programs and activities. Management does not expect any disallowances to have a material impact on the financial position.

### 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of September 30:

	<u>2013</u>	<u>2012</u>
Youth Leadership Forum	\$ -	\$ 8,305
Aid Association for the Blind	2,139	13,577
<b>Total</b>	<u>\$ 2,139</u>	<u>\$ 21,882</u>

### 7. COMMITMENTS AND CONTINGENCIES

#### Operating leases

During 2009, Independence Now moved its operations to a new location and entered into an agreement under an eighty-five month non-cancelable lease term ending on February 28, 2016. The lease requires monthly payments of \$7,089 and a 3.5% annual escalation clause.

In 2013, Independence Now renegotiated the terms of the lease agreement and the amended terms required a monthly payment of \$7,089, through December 31, 2013. Independence Now is currently operating under the agreement that expired on December 31, 2013. Additionally, Independence Now entered into an additional lease agreement in 2013, for office space under which it is required to make monthly payments of \$700. This lease agreement expires on August 31, 2014.

Total rent expense for the fiscal years ended September 30, 2013 and 2012, was \$91,001 and \$102,854 respectively.

#### Capital leases

During 2012, the Organization obtained a new copier through a 5 year capital lease agreement which requires monthly payment of \$354. The copier is capitalized at \$15,919 and accumulated amortization was \$3,980 as of September 30, 2013. Interest expense was \$1,702 and \$472, for the years ended September 30, 2013 and 2012, respectively.

## INDEPENDENCE NOW, INC.

### Notes to the Financial Statements September 30, 2013 and 2012

#### 7. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum payments on all leases were as follows as of September 30, 2013, for the fiscal years ending September 30:

<u>Years Ending</u>	<u>Capital Lease</u>	<u>Operating Lease</u>
2014	\$ 4,249	\$ 95,399
2015	4,249	90,613
2016	4,249	38,767
2017	3,189	-
<b>Total minimum payments</b>	<b>15,936</b>	<b>\$ 224,779</b>
Less: Amounts representing interest at 12%	(3,154)	
<b>Capital lease obligations</b>	<b>\$ 12,782</b>	

#### 8. RETIREMENT BENEFIT PLAN

Independence Now provides a defined contribution retirement plan under section 403(b) of the Internal Revenue Code. The plan is administered by a life insurance company. Under the terms of the plan, all full and part time employees who are at least twenty one years of age and have completed ninety days of employment are eligible to participate. Employees may make contributions up to the maximum allowed by law. The plan does not allow for employer contributions.



## **SUPPLEMENTAL INFORMATION**

**INDEPENDENCE NOW, INC.**

**Supplemental Schedule of Functional Expenses  
For the Year Ended September 30, 2013, with comparative totals for 2012**

	2013						2012 Total
	Program Services			Total Program Services	General & Administrative	2013 Total	
Independent Living	Community Service	WIPA SSA					
Salaries	\$ 326,593.00	\$ 239,543.00	\$ 8,280.00	\$ 574,416	\$ 51,405	\$ 625,821	\$ 704,298
Payroll taxes	26,116	20,003	695	46,814	4,337	51,151	59,694
Fringe benefits	23,305	20,827	-	44,132	3,890	48,022	52,617
Occupancy	58,822	22,999	1,760	83,581	7,421	91,002	102,854
Amortization	1,061	1,061	1,062	3,184	-	3,184	6,575
Professional fees	33,933	98,347	14,813	147,093	19,666	166,759	157,219
Staff development	2,165	717	69	2,951	256	3,207	3,756
Insurance	6,137	2,290	126	8,553	744	9,297	9,355
Supplies	1,228	1,482	545	3,255	283	3,538	4,353
Travel	21,673	12,446	102	34,221	2,975	37,196	16,224
Postage & printing	1,158	1,762	79	2,999	262	3,261	4,577
Training & conference	17,131	13,618	-	30,749	2,561	33,310	18,043
Interest & bank charges	1,038	681	3	1,722	162	1,884	914
Membership	2,993	76	82	3,151	274	3,425	2,400
Equipment expense	242	1,975	-	2,217	192	2,409	2,340
Telephone	5,816	5,060	220	11,096	964	12,060	21,530
Bad debt expense	-	-	-	-	448	448	8,515
Miscellaneous	975	66	14	1,055	1,450	2,505	4,217
<b>Total</b>	<b>\$ 530,386</b>	<b>\$ 442,953</b>	<b>\$ 27,850</b>	<b>\$ 1,001,189</b>	<b>\$ 97,290</b>	<b>\$ 1,098,479</b>	<b>\$ 1,179,481</b>

**INDEPENDENCE NOW, INC.**

**Supplemental Schedule of Functional Expenses  
For the Year Ended September 30, 2012**

	<b>Program Services</b>				<b>General &amp; Administrative</b>	<b>2012 Total</b>
	<b>Independent Living</b>	<b>Community Service</b>	<b>WIPA SSA</b>	<b>Total Program Services</b>		
Salaries	\$ 316,934	\$ 190,160	\$ 140,860	\$ 647,954	\$ 56,344	\$ 704,298
Payroll taxes	26,862	16,117	11,939	54,918	4,776	59,694
Fringe benefits	23,678	14,207	10,523	48,408	4,209	52,617
Occupancy	46,284	27,771	20,571	94,626	8,228	102,854
Amortization	2,959	1,775	1,315	6,049	526	6,575
Professional fees	36,828	97,460	16,335	150,623	7,298	157,921
Staff development	1,690	1,014	751	3,455	301	3,756
Insurance	4,210	2,526	1,871	8,607	748	9,355
Supplies	1,959	1,175	871	4,005	348	4,353
Travel	7,301	4,380	3,245	14,926	1,298	16,224
Postage & printing	2,060	1,236	915	4,211	366	4,577
Training & conference	7,819	5,373	3,508	16,700	641	17,341
Interest & bank charges	411	247	183	841	73	914
Membership	1,080	648	480	2,208	192	2,400
Equipment expense	1,053	632	468	2,153	187	2,340
Telephone	9,689	5,813	4,306	19,808	1,722	21,530
Bad debt expense	-	8,515	-	8,515	-	8,515
Miscellaneous	1,917	1,150	852	3,919	298	4,217
<b>Total</b>	<b>\$ 492,734</b>	<b>\$ 380,199</b>	<b>\$ 218,993</b>	<b>\$ 1,091,926</b>	<b>\$ 87,555</b>	<b>\$ 1,179,481</b>

**SINGLE AUDIT REPORTS AND SCHEDULES**



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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 of  
Independence Now, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Independence Now, Inc. (Independence Now), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 19, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independence Now, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independence Now, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Independence Now, 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 may exist that have not been identified.



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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independence Now'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 determination of financial statement amounts. 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.

Hunt Valley, Maryland  
March 19, 2014

*SB & Company, LLC*



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors of  
Independence Now, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Independence Now, Inc.'s (Independence Now) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Independence Now's major Federal programs for the year ended September 30, 2013. Independence Now's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Independence Now's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Independence Now's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Independence Now's compliance.



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### ***Opinion on Each Major Federal Program***

In our opinion, Independence Now, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Independence Now is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independence Now, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independence Now's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hunt Valley, Maryland  
March 19, 2014

*SB & Company, LLC*

**INDEPENDENCE NOW, INC.**

**Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013**

<u>Federal Grantor/Program Title/Pass Through Grantor/Program or Cluster Title</u>	<u>CFDA/Grant Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education:</b>			
<b>Direct awards:</b>			
ARRA - Centers for Independent Living, Recovery Act	84.400		\$ 125,057
Independent Living Cluster	84.132A		<u>223,862</u>
Total Independent Living Cluster			<u>348,919</u>
<b>Pass - through awards</b>			
Maryland State Department of Education, Division of Rehabilitation Services, Independent Living - State Grants	84.169	Unknown	150,378
Special Education - Grants to States	84.027	Unknown	<u>30,456</u>
Total pass-through awards			<u>180,834</u>
<b>Total U.S. Department of Education</b>			<u>529,753</u>
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Award</b>			
Centers for Medicare and Medicaid Services	93.779		167,540
Money Follows the Person Rebalancing Demonstration	93.791		<u>2,038</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>169,578</u>
<b>Social Security Administration</b>			
<b>Direct Award</b>			
Social Security - Work Incentives Planning and Assistance Program	96.008		<u>17,953</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Direct Award</b>			
Community Development Block Grant program for Entitlement Communities	14.218		<u>6,047</u>
<b>Total Federal Expenditures</b>			<u>\$ 723,331</u>

**INDEPENDENCE NOW, INC.**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

All Federal grant operations of Independence Now, Inc. (Independence Now) are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133 (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the major grant programs noted below. The programs on the accompanying schedule of expenditures of Federal awards represent all Federal award programs and other grants with fiscal year 2013 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs with 2013 cash and non-cash expenditures, to ensure coverage of at least 25% of Federally granted funds. Our actual coverage was 48%.

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Independent Living Cluster	84.400/84.132A	<u>\$ 348,919</u>

**2. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of Federal awards has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**INDEPENDENCE NOW, INC.**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013**

**Section I - Summary of Independent Public Accountant's Results**

**Financial Statements**

Type of independent public accountants' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None Reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	None Reported
Type of independent public accountants' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

**Identification of Major Programs:**

<u>Major Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Independent Living Cluster	84.400/84.132A	<u>\$ 348,919</u>
Threshold for distinguishing between Type A and B programs		\$ 300,000
Did Independence Now qualify as a low risk auditee?		Yes

**INDEPENDENCE NOW, INC.**

**Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013**

**Section II – Financial Statement Findings**

None noted.

**Section III – Federal Award Findings and Questioned Costs**

None noted.

**INDEPENDENCE NOW, INC.**

**Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended September 30, 2012**

There were no findings in the prior year.