

INDEPENDENCE NOW, INC.

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED
SEPTEMBER 30, 2019**

Independence Now, Inc.

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Independent Auditor's Report

Board of Directors
Independence Now, Inc.
Silver Spring, Maryland

We have audited the accompanying financial statements of **Independence Now, Inc.** (a nonprofit organization), which comprise the Statement of Financial Position as of September 30, 2019, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

111 Rockville Pike
Suite 600
Rockville, Maryland 20850

☎ 301.231.6200
☎ 301.231.7630
www.aronsonllc.com
info@aronsonllc.com

Independent Auditor's Report (continued)

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, 2019, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

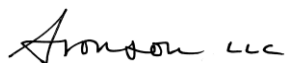
Other Matters

Other 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 Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal 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 information 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 March 25, 2020, on our consideration of **Independence Now, Inc.**'s internal control over financial reporting and on our tests of their 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 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 **Independence Now, Inc.**'s internal control over financial reporting and compliance.



Rockville, Maryland
March 25, 2020

Independence Now, Inc.

Statement of Financial Position

<i>September 30,</i>	2019
Assets	
Current assets	
Cash and cash equivalents	\$ 316,440
Investments	748,830
Grants and contracts receivable, net	210,397
Prepaid expenses and other current assets	15,046
Total current assets	1,290,713
Security deposit	7,624
Property and equipment, net	11,600
Total assets	\$ 1,309,937
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 30,910
Accrued expenses	82,014
Deferred revenue	15,116
Capital lease payable, current portion	3,607
Total current liabilities	131,647
Capital lease payable, net of current portion	7,448
Total liabilities	139,095
Net assets	
Net assets without donor restrictions	1,137,795
Net assets with donor restrictions	33,047
Total net assets	1,170,842
Total liabilities and net assets	\$ 1,309,937

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Independence Now, Inc.

Statement of Activities and Changes in Net Assets

<i>Year ended September 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Grants and contracts	\$ 938,270	\$ 6,983	\$ 945,253
Fee for service	312,541	-	312,541
Contributions	6,706	754	7,460
Investment income, net	14,921	-	14,921
Other revenue	16,494	-	16,494
Net assets released from donor restrictions	53,019	(53,019)	-
Total revenue, gains and other support	1,341,951	(45,282)	1,296,669
Expenses			
Program services			
Independent Living	491,231	-	491,231
Community Services	412,687	-	412,687
Work incentives planning and assistance	239,249	-	239,249
Total program services	1,143,167	-	1,143,167
Supporting services			
General and administrative	244,618	-	244,618
Total supporting services	244,618	-	244,618
Total expenses	1,387,785	-	1,387,785
Change in net assets	(45,834)	(45,282)	(91,116)
Beginning net assets	1,183,629	78,329	1,261,958
Ending net assets	\$ 1,137,795	\$ 33,047	\$ 1,170,842

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Independence Now, Inc.

Statement of Functional Expenses

Year ended September 30, 2019

	Program Services					General and Administrative	Total
	Independent Living	Community Services	Work Incentives Planning and Assistance	Total Program Services			
Salaries and related expenses	\$ 350,511	\$ 287,431	\$ 106,883	\$ 744,825	\$ 87,250	\$ 832,075	
Professional fees	19,375	92,170	123,335	234,880	79,965	314,845	
Occupancy	67,056	7,061	2,815	76,932	27,881	104,813	
Travel	22,210	6,083	2,116	30,409	1,478	31,887	
Staff development and training	16,972	7,958	85	25,015	2,055	27,070	
Depreciation and amortization	-	-	-	-	4,719	4,719	
Other expenses	15,107	11,984	4,015	31,106	41,270	72,376	
Total expenses	\$ 491,231	\$ 412,687	\$ 239,249	\$ 1,143,167	\$ 244,618	\$ 1,387,785	

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Independence Now, Inc.

Statement of Cash Flows

Year ended September 30, 2019

Cash flows from operating activities	
Change in net assets	\$ (91,116)
Adjustment to reconcile change in net assets to net cash used by operating activities	
Depreciation and amortization	4,719
Net realized and unrealized losses on investments	38,390
Change in assets and liabilities	
Grants and contracts receivable	(75,832)
Prepaid expenses and other current assets	1,010
Accounts payable	(9,106)
Accrued expenses	10,984
Deferred revenue	6,981
Net cash used by operating activities	(113,970)
Cash flows from investing activities	
Purchases of investments	(53,409)
Cash flows from financing activities	
Payments on capital lease obligation	(3,201)
Change in cash and cash equivalents	(170,580)
Cash and cash equivalents, beginning of year	487,020
Cash and cash equivalents, end of year	\$ 316,440
Supplemental cash flows information	
Actual cash payments of interest	\$ 1,539

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Independence Now, Inc.

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: Independence Now, Inc. (Independence Now) is a 501(c)3 corporation and 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.

Employment Services- Offers job development and job coaching to people with disabilities who are seeking employment and consumers of Department of Rehabilitation Services or Development Disabilities Council.

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.

Independence Now, Inc.

Notes to Financial Statements

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.

Supports Planning - From a consumer driven and person-centered perspective we assist and support individuals to remain in community settings, transition from nursing facilities, and coordinate care. This is a Medicaid case management program for individuals on a Home and Community Based waiver.

Basis of accounting: The financial statements have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents: Independence Now considers demand deposits, money market funds and commercial paper with original maturities of three months or less to be cash and cash equivalents. Independence Now maintains accounts which may exceed federally insured limits. Management does not consider this to be a significant credit risk.

Investments: Investments in marketable securities, equity funds, and bond funds are presented at fair value based on quoted market prices in principal active markets for identical assets. Management's estimates are based on information provided by the fund managers. Money market funds are recorded at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes Independence Now's gains and losses on investments bought, sold, or held during the period.

Fair value of financial instruments: As of September 30, 2019, the estimated fair values of financial instruments subject to fair value disclosures were determined based on available market information and valuation methodologies believed to be appropriate for these purposes.

Gains and losses on investments, including changes in fair value, are reported in the Statement of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation or applicable laws.

Independence Now, Inc.

Notes to Financial Statements

Fair value: Independence Now values certain investments at fair value in accordance with a three-tier fair value hierarchy, which 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no changes in the fair value methodologies used at September 30, 2019.

Grants and contracts receivable, net: Grants and contracts receivable include all current billed and unbilled costs chargeable to those awards within respective cost limits. All unbilled receivables will be billed at the next billing date and are expected to be collected within a twelve-month period. The face amount of receivables is reduced by an allowance for doubtful accounts, if needed. The allowance for doubtful accounts reflects the best estimate of probable losses determined principally on the basis of historical experience. Grants and contracts receivable are written off at the time management determines that the receivable will not be collected. The allowance for doubtful accounts as of September 30, 2019 was \$18,335.

Property and equipment: Property and equipment over \$2,500 are stated at cost if purchased and at fair value if contributed and are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 to 7 years
Website	5 years
Assets acquired under capital lease	Shorter of life of lease or 5 years

Independence Now, Inc.

Notes to Financial Statements

Impairment of long-lived assets: Independence Now evaluates the carrying value of its long-lived assets held for use based upon a comparison of the undiscounted future net cash flows to the net book value. These evaluations for impairment are significantly impacted by estimates of revenue, costs and expenses, and other factors. If the net book value is greater than the future undiscounted cash flows estimated, Independence Now records an impairment adjustment to reduce the cost basis of the asset to its fair value.

At September 30, 2019, Independence Now performed a recoverability analysis of all long-lived assets and does not believe an impairment adjustment is required.

Net assets: Net assets without donor restrictions are the part of net assets that are not subject to donor-imposed restrictions. They are available for support of all organizational operations and services.

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may be held permanently or that will be met either by actions of the Organization and/or the passage of time. When a donor restriction expires, that is, when the time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. When a donor restriction is satisfied in the same period it is received, the assets are classified as net assets without donor restrictions. As of September 30, 2019, the Organization had net assets with donor restrictions totaling \$33,047.

Revenue recognition: Amounts received under grants and contracts are recognized as revenue when the related expenses are incurred. Amounts received for services are recognized as the services are provided. 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 support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions.

Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of these assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Independence Now, Inc.

Notes to Financial Statements

Allocation of functional expenses: The costs of providing the various programs and other activities have been summarized in the accompanying Statement of Activities and Changes in Net Assets. Costs which cannot be specifically identified with a particular function and which benefit more than one functional category are allocated by direct attribution based on management estimates.

Expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Professional fees	Direct attribution
Occupancy	Estimated usage
Travel	Time and effort
Staff development and training	Direct attribution
Depreciation and amortization	Direct attribution
Other expenses	Direct attribution

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Tax status: Independence Now is a public charity exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation.

Uncertainty in income taxes: Independence Now evaluates uncertainty in income tax positions taken or expected to be taken on a tax return based on a more-likely-than not recognition standard. If that threshold is met, the tax position is then measured as the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of September 30, 2019, there are no accruals for uncertain tax positions. If applicable, Independence Now records interest and penalties as a component of income tax expense. Tax years from 2016 through the current year remain open for examination by tax authorities.

Subsequent events: Management has evaluated subsequent events for disclosure in the financial statements through March 25, 2020, which is the date the financial statements were available to be issued.

Independence Now, Inc.

Notes to Financial Statements

New accounting standards adopted during the year ended September 30, 2019:

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-14 (“ASU 2016-14”) *Presentation of Financial Statements of Not-for-Profit Entities*. This standard is intended to improve the net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. This standard is effective for fiscal years beginning after December 15, 2017. Independence Now has adopted ASU 2016-14 during 2019. Notes 2, 8, and 9 include disclosures impacted by the implementation of ASU 2016-14, as well as the qualitative and quantitative results of the adoption.

2. Information regarding liquidity and availability

Independence Now strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Independence Now’s financial assets as of September 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date because of contractual restrictions or internal board designations.

	September 30, 2019
Cash and cash equivalents	\$ 316,440
Investments	748,830
Grants and contracts receivable, net	210,397
Total financial assets	1,275,667
Net assets with donor restrictions	(33,047)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,242,620

3. Investments

Investments consist of the following for the year ended:

	September 30, 2019
Mutual funds:	
Equity funds	\$ 92,331
Equity income fund	307,598
Bond-debenture fund	22,797
Equities:	
U.S. equities	8,382
Cash equivalents	317,722
Total investments	\$ 748,830

Independence Now, Inc.

Notes to Financial Statements

Net investment income consists of the following for the year ended:

	September 30, 2019
Interest and dividends	\$ 53,311
Realized and unrealized losses	(38,390)
Total investment income	\$ 14,921

4. Fair value of investments

The fair value of investments is presented as follows:

		Fair Value Measurements Using				
		September 30, 2019	Total	Level 1	Level 2	Level 3
Mutual funds:						
Equity fund	\$	92,331	\$ 92,331	\$ -	\$ -	-
Equity income fund		307,598	307,598	-	-	-
Bond-debenture fund		22,797	22,797	-	-	-
Equities:						
U.S. equities		8,382	8,382	-	-	-
Cash equivalents		317,722	317,722	-	-	-
Total	\$	748,830	\$ 748,830	\$ -	\$ -	-

Level 1 values were developed utilizing quoted prices in active markets.

Independence Now recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended September 30, 2019.

Gains and losses (realized and unrealized), net of management fees, on all investments are reported in investment income on the Statement of Activities and Changes in Net Assets.

5. Risks and uncertainties

Independence Now holds investments in various securities that are exposed to risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future financial statements.

Subsequent to year end, a pandemic of the coronavirus (COVID-19) was declared by the World Health Organization. This could impact transactions relating to customers and vendors. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. As of March 25, 2020, the amount and likelihood of loss relating to these events is not determined.

Independence Now, Inc.

Notes to Financial Statements

6. Grants and contracts receivable, net	Grants and contracts receivable, net consisted of the following as of:	September 30, 2019
	Grants and contracts receivable	\$ 228,372
	Less: allowance for doubtful accounts	(18,335)
	Grants and contracts receivable, net	\$ 210,397

As of September 30, 2019, four grantors comprised 73% of total grants and contracts receivable in the accompanying Statement of Financial Position. For the year ended September 30, 2019, two grantors comprised 41% of total revenue in the accompanying Statement of Activities and Changes in Net Assets.

7. Property and equipment, net	Property and equipment consists of the following as of:	September 30, 2019
	Furniture and fixtures	\$ 52,057
	Equipment under capital lease	17,756
	Website	5,000
	Total property and equipment	74,813
	Less: Accumulated depreciation and amortization	(63,213)
	Net property and equipment	\$ 11,600

Depreciation and amortization expense for the year ended September 30, 2019 was \$4,719.

8. Net assets with donor restrictions	Net assets with donor restrictions are as follows as of:	September 30, 2019
	Aid Association of the Blind	\$ 32,293
	SCI Support Group	754
	Total donor restricted net assets	\$ 33,047

Independence Now, Inc.

Notes to Financial Statements

- 9. Releases from donor restrictions** Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Releases from restrictions were as follows for the year ended:

	September 30, 2019
Independent Living Programs	\$ 53,019

- 10. Operating leases** In March 2016, Independence Now entered into a 5-year operating lease for its office space, which requires monthly payments of \$7,089. The annual base rent increases by 2% each year. The lease may be terminated early by providing the landlord with 120 days notice.

Independence Now entered into an additional lease agreement in September 2016 for office space, which requires monthly payments of \$1,150. This lease agreement is automatically renewed each year. The monthly payment increases \$100 each year.

Rent expense for the year ended September 30, 2019 was \$104,813 and is recorded as Occupancy on the Statement of Functional Expenses. The operating leases are secured by deposits totaling \$7,624 and are included on the Statement of Financial Position.

- 11. Capital leases** During 2017, Independence Now obtained a new copier through a 5-year capital lease agreement which requires monthly payments of \$395. As of September 30, 2019, the copier was capitalized at \$17,756 and accumulated depreciation was \$6,701. Interest expense was \$1,539 for the year ended September 30, 2019.

Future minimum payments on the lease are as follows:

Year ending September 30, 2019:	
2020	\$ 4,740
2021	4,740
2022	3,554
Total payments	13,034
Less: portion representing interest	(1,979)
Total minimum lease payments	\$ 11,055

Independence Now, Inc.

Notes to Financial Statements

12. Retirement 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.



Independent Auditor's 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
Independence Now, Inc.
Silver Spring, Maryland

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 consolidated financial statements of **Independence Now, Inc.** (a nonprofit organization), which comprise the Statement of Financial Position as of September 30, 2019, and the related Statements of Activities and Changes in Net Assets, 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 March 25, 2020.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a material weakness.

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

111 Rockville Pike
Suite 600
Rockville, Maryland 20850

☎ 301.231.6200
☎ 301.231.7630
www.aronsonllc.com
info@aronsonllc.com

Independent Auditor’s 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* (Continued)

charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Independence Now, Inc.’s** financial statements are free from material misstatement, we performed tests of their 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002.

Independence Now, Inc.’s Response to Findings

Independence Now, Inc.’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. **Independence Now, Inc.’s** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aronson LLC

Rockville, Maryland
March 25, 2020



Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Independence Now, Inc.
Silver Spring, Maryland

Report on Compliance for Each Major Federal Program

We have audited **Independence Now, Inc.’s** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Independence Now, Inc.’s** major federal programs for the year ended September 30, 2019. **Independence Now, Inc.’s** major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of the federal awards applicable to their federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of **Independence Now, Inc.’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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Inc.’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, Inc.’s** compliance.

111 Rockville Pike
Suite 600
Rockville, Maryland 20850

☎ 301.231.6200
☎ 301.231.7630
www.aronsonllc.com
info@aronsonllc.com

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

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 their major federal programs for the year ended September 30, 2019.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

Independence Now, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. **Independence Now, Inc.**'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of **Independence Now, Inc.** 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 the Uniform Guidance, 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 Inc.**'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.

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Aronson LLC

Rockville, Maryland
March 25, 2020

Independence Now, Inc.

Schedule of Expenditures of Federal Awards

Year ended September 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
Handicapped-State Grants	84.027A	190386	\$ -	\$ 27,993
Total U.S. Department of Education				27,993
U.S. Department of Health & Human Services				
ACL Centers for Independent Living	93.432	1806MD ILCL-00; 1808MD ILCL-00	-	281,728
Medical Assistance Program	93.778	Medicaid Title XIX- CFDA 93.778	-	148,298
ACL Independent Living State Grants	93.369	191216	-	50,126
ACL Assistive Technology	93.464	No specified number	-	5,133
Total Department of Health & Human Services				485,285
Social Security Administration				
Social Security- Work Incentives Planning and Assistance Program	96.008	5 WIP15050428-04-00; 6 WIP15050428-05-01	-	255,352
Total Social Security Administration				255,352
Total expenditures of federal awards			\$ -	\$ 768,630

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Independence Now, Inc.

Notes to Schedule of Expenditures of Federal Awards

-
- 1. Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of **Independence Now, Inc.** under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of **Independence Now, Inc.**, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of **Independence Now, Inc.**
 - 2. Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
 - 3. Indirect cost rate**

Independence Now has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
 - 4. Reconciliation of revenue**

The reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Activities and Changes in Net Assets is as follows:

Schedule of Expenditures of Federal Awards	\$ 768,630
Other grants and contracts	176,623
Total grants and contracts	\$ 945,253

Independence Now, Inc.

Schedule of Findings and Questioned Costs

Year ended September 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? X yes no

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes X no
- Significant deficiency identified? yes X no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of Major Programs:

<u>Grant Number, CFDA #</u>	<u>Federal Program</u>
5 WIP15050428-04-00, 96.008	Social Security- Work Incentives Planning and Assistance Program
6 WIP15050428-05-01, 96.008	Social Security- Work Incentives Planning and Assistance Program
1806MD ILCL-00, 93.432	ACL Centers for Independent Living
1808MD ILCL-00, 93.432	ACL Centers for Independent Living

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

Independence Now, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year ended September 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Reportable Finding Considered a Significant Deficiency – Closing process and accounting for funds received in advance

Criteria: The auditee is responsible for establishing and managing policies and controls that can support accurate, current, and complete disclosures of their financial information as required by accounting principles generally accepted in the United States of America (GAAP). The recognition of revenue and support of an entity involves the consideration of two factors: being realized or realizable, and being earned. In the case of contributions, it also involves overcoming barriers that create donor-imposed conditions on funding received.

Condition: During testing we noted revenue was recognized for funding received when conditions regarding the use of the assets had not been satisfied.

Context: Internal controls were not in place to identify funding received that was conditioned upon meeting a specified level of service. As a result, a portion of advance funding was moved to deferred revenue. Additional procedures were performed to examine controls over financial reporting, and no other instances were identified in the current period.

Cause: We noted there was not proper oversight of financial reporting to ensure the appropriate treatment of funds received that contained conditions and stipulations creating barriers precluding revenue recognition.

Effect: The net adjustments decreased net assets with donor restrictions and the current year change in net assets.

Recommendation: We recommend regular reviews of contracts, grants, and agreements to ensure that revenue is recognized appropriately. Management should be familiar with the upcoming accounting standards updates which will be adopted by the Organization for the year ending September 30, 2020: ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Independence Now, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year ended September 30, 2019

Views of Responsible Officials and Corrective Action Plan (unaudited):

Management acknowledges that funds received in advance should be classified as deferred revenues or a related liability account. Management will perform regular reviews of contracts, grants, and agreements to ensure that revenue is recognized appropriately, leveraging the assistance of their outsourced accounts as appropriate as part of the Organization's internal control processes. The Organization will adjust policies for recognizing revenue as necessary when the Organization adopts ASU 2014-09 and ASU 2018-08. These enhancements will mitigate the risk of any future errors.

Anticipated completion date: March 25th, 2020

Responsible contact person: Sarah Basehart, Executive Director

Finding 2019-002: Reportable Finding Considered a Material Weakness – Controls and financial reporting for payroll costs

Criteria: The auditee should have controls in place to prevent and detect misstatements by assessing the reasonableness of payroll costs.

Condition: During testing we noted that two employees were underpaid in comparison with their most recent employment agreements. This was the result of errors in calculations by the payroll provider, and these errors were not identified by management in a timely manner and resulted in an understatement of payroll expenses.

Context: Internal controls were not in place to identify the discrepancy in pay rates for the identified employees in a timely manner. Internal controls over payroll costs are an essential component of preventing and detecting misstatements.

Cause: We noted that policies and controls in place surrounding payroll expenditures were not sufficient to ensure the accuracy and completeness of payroll costs.

Effect: Employees are entitled to additional compensation from the Organization, and adjusting journal entries were made to accrue the costs.

Recommendation: We recommend that the Organization establish a control to review payroll registers for accuracy and completeness on a periodic basis.

Independence Now, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year ended September 30, 2019

Views of Responsible Officials and Corrective Action Plan (unaudited):

Management acknowledges that enhanced internal control processes will reduce the risk of errors in payroll processing and recording. Management will perform regular reviews of payroll registers by selecting multiple employees each pay period for rate verification “spot checks”. These selections will vary each pay period to ensure that all employees rates are verified at different points during the year. The Organization believes that these enhancements to internal control processes will mitigate the risk of any future errors.

Anticipated completion date: March 25th, 2020

Responsible contact person: Sarah Basehart, Executive Director

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS

None