

INDEPENDENCE NOW, INC.

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

For the Years Ended September 30, 2016 and 2015



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

SEPTEMBER 30, 2016 AND 2015

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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 statements of financial position of Independence Now, Inc. (Independence Now) as of September 30, 2016 and 2015, the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits 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 audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedules of functional expenses for the years ended September 30, 2016 and 2015, and schedule of expenditures of Federal awards for the years ended September 30, 2016 and 2015, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of Federal awards is required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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 additional 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 information is 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 23, 2017, 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 Independence Now's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independence Now's internal control over financial reporting and compliance.

Hunt Valley, Maryland
March 23, 2017

A handwritten signature in black ink that reads "SB & Company, LLC".

INDEPENDENCE NOW, INC.**Statements of Financial Position
As of September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 482,666	\$ 430,401
Investments	645,931	609,935
Grants and contracts receivable, net	134,115	182,862
Prepaid expenses and other current assets	13,676	1,981
Total Current Assets	<u>1,276,388</u>	<u>1,225,179</u>
Security deposit	7,824	7,624
Property and equipment, net	7,542	10,434
Total Assets	<u>\$ 1,291,754</u>	<u>\$ 1,243,237</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 27,048	\$ 26,159
Accrued expenses	61,774	71,376
Deferred revenue	21,676	13,059
Capital lease payable, current portion	3,034	3,644
Total Current Liabilities	<u>113,532</u>	<u>114,238</u>
Capital lease payable, net of current portion	-	3,034
Deferred rent	2,025	-
Total Liabilities	<u>115,557</u>	<u>117,272</u>
Net Assets		
Unrestricted	1,170,045	1,121,731
Temporarily restricted	6,152	4,234
Total Net Assets	<u>1,176,197</u>	<u>1,125,965</u>
Total Liabilities and Net Assets	<u>\$ 1,291,754</u>	<u>\$ 1,243,237</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, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Federal grants	\$ 798,859	\$ -	\$ 798,859	\$ 831,983	\$ -	\$ 831,983
Other grants and contributions	314,248	3,679	317,927	311,972	1,943	313,915
Fee for service	197,351	-	197,351	154,950	-	154,950
Contributions	1,159	-	1,159	5,240	-	5,240
Investment income, net	35,996	-	35,996	1,236	-	1,236
Other revenue	16,625	-	16,625	23,483	-	23,483
Total	1,364,238	3,679	1,367,917	1,328,864	1,943	1,330,807
Net Assets Released from Restrictions	1,761	(1,761)	-	-	-	-
Total Support and Revenue	1,365,999	1,918	1,367,917	1,328,864	1,943	1,330,807
Expenses						
Program services:						
Independent Living	385,928	-	385,928	438,980	-	438,980
Community Services	628,947	-	628,947	566,310	-	566,310
Work Incentives Planning and Assistance	265,506	-	265,506	251,026	-	251,026
Total program services	1,280,381	-	1,280,381	1,256,316	-	1,256,316
Supporting services:						
General and administrative	37,304	-	37,304	32,632	-	32,632
Total Expenses	1,317,685	-	1,317,685	1,288,948	-	1,288,948
Changes in Net Assets	48,314	1,918	50,232	39,916	1,943	41,859
Net Assets, Beginning of Year	1,121,731	4,234	1,125,965	1,081,815	2,291	1,084,106
Net Assets, End of Year	\$ 1,170,045	\$ 6,152	\$ 1,176,197	\$ 1,121,731	\$ 4,234	\$ 1,125,965

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

INDEPENDENCE NOW, INC.**Statements of Cash Flows
For the Years Ended September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 50,232	\$ 41,859
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation and amortization expense	5,621	3,184
Reinvestment of interest and earnings	(9,516)	(19,690)
Unrealized investment (gains) losses, net	(26,480)	18,454
Effects of changes in non-cash operating assets and liabilities:		
Grants and contracts receivable, net	48,747	(15,017)
Prepaid expenses and other current assets	(11,695)	7,718
Security deposit	(200)	-
Accounts payable	889	(36,927)
Accrued expenses	(9,602)	32,240
Deferred revenue	8,617	(20,415)
Deferred rent	2,025	(12,043)
Net Cash from Operating Activities	<u>58,638</u>	<u>(637)</u>
 Cash Flows from Financing Activities		
Purchase of property and equipment	(2,729)	-
Payments on capital leases	(3,644)	(3,234)
Net Cash from Financing Activities	<u>(6,373)</u>	<u>(3,234)</u>
 Net change in cash and cash equivalents	52,265	(3,871)
Cash and cash equivalents, beginning of year	<u>430,401</u>	<u>434,272</u>
Cash and Cash Equivalents, End of Year	<u>\$ 482,666</u>	<u>\$ 430,401</u>
 Supplemental Disclosures		
Cash paid for interest	<u>\$ 605</u>	<u>\$ 1,015</u>

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

INDEPENDENCE NOW, INC.

Notes to the Financial Statements September 30, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015, consisted of money market funds.

Grants and Contracts Receivable, Net

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. There was no allowance for the year ended June 30, 2016, as management believes that these amounts are fully collectible. The allowance for doubtful accounts was estimated to be \$360 as of September 30, 2015.

Property and Equipment, Net

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, 2016 and 2015

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, 2016 and 2015.

INDEPENDENCE NOW, INC.

Notes to the Financial Statements September 30, 2016 and 2015

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 and 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, 2016, the deferred rent was \$2,025. There was no deferred rent as of September 30, 2015.

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, 2016 and 2015, there were no permanently restricted net assets.

INDEPENDENCE NOW, INC.

Notes to the Financial Statements September 30, 2016 and 2015

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 these 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, 2016, 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, 2016, the statute of limitations for fiscal years 2013 through 2016 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, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Independence Now's management evaluated subsequent events and transactions through March 23, 2017, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

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, 2016			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 316,986	\$ -	\$ -	\$ 316,986
Stocks:				
Financial institutions	6,716	-	-	6,716
Mutual funds:				
Equity fund	226,539	-	-	226,539
Equity income fund	76,760	-	-	76,760
Bond-debenture fund	18,930	-	-	18,930
Total	\$ 645,931	\$ -	\$ -	\$ 645,931

	As of September 30, 2015			
	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 316,844	\$ -	\$ -	\$ 316,844
Stocks:				
Financial institutions	7,406	-	-	7,406
Mutual funds:				
Equity fund	199,478	-	-	199,478
Equity income fund	68,962	-	-	68,962
Bond-debenture fund	17,245	-	-	17,245
Total	\$ 609,935	\$ -	\$ -	\$ 609,935

INDEPENDENCE NOW, INC.

Notes to the Financial Statements September 30, 2016 and 2015

3. INVESTMENTS (continued)

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

	<u>2016</u>	<u>2015</u>
Dividends and interest income	\$ 9,574	\$ 19,739
Net unrealized gains (losses)	26,480	(18,454)
Investment expenses	(58)	(49)
Total	<u>\$ 35,996</u>	<u>\$ 1,236</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>	<u>Useful Life</u>
Furniture and fixtures	\$ 52,057	\$ 49,328	5 to 7 years
Website	5,000	5,000	5 years
Assets acquired under capital lease	15,919	15,919	5 years
Total	<u>72,976</u>	<u>70,247</u>	
Less: accumulated depreciation and amortization	65,434	59,813	
Property and equipment, net	<u>\$ 7,542</u>	<u>\$ 10,434</u>	

Depreciation and amortization expense was \$5,621 and \$3,184 for the years ended September 30, 2016 and 2015, which includes amortization expense for assets acquired under the capital lease of \$3,184 for both years.

5. CONCENTRATION OF SUPPORT AND REVENUE

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

	<u>2016</u>	<u>2015</u>
Federal government	58%	63%
State and local government	23%	24%
Other	18%	14%
	<u>100%</u>	<u>100%</u>

INDEPENDENCE NOW, INC.

Notes to the Financial Statements September 30, 2016 and 2015

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>2016</u>	<u>2015</u>
Aid Association for the Blind	\$ 5,970	\$ 2,291
YLF	182	182
Other	-	1,761
Total	<u>\$ 6,152</u>	<u>\$ 4,234</u>

7. COMMITMENTS AND CONTINGENCIES

Operating leases

In March 2016, Independence Now has entered into a 5-year operating lease for its office space, which requires monthly payments of \$7,089. The annual base rent will increase by 2% each year.

Independence Now entered into an additional lease agreement in September 2016, for office space under which it is required to make monthly payments of \$950. This lease agreement will expire on August 31, 2017, and can be renewed for an additional year, which requires monthly payments of \$1,050.

Total rent expense for the fiscal years ended September 30, 2016 and 2015, was \$97,293 and \$85,510, 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 \$12,736 and \$9,552 as of September 30, 2016 and 2015, respectively. Interest expense was \$605 and \$1,015, for the years ended September 30, 2016 and 2015, respectively.

INDEPENDENCE NOW, INC.

Notes to the Financial Statements September 30, 2016 and 2015

7. COMMITMENTS AND CONTINGENCIES (continued)

Future minimum payments on all leases were as follows as of September 30, 2016, for the fiscal years ending September 30:

<u>Years Ending</u>	<u>Capital Lease</u>	<u>Operating Lease</u>
2017	\$ 3,034	\$ 96,510
2018	-	87,782
2019	-	89,537
2020	-	91,328
2021	-	38,367
	<u>\$ 3,034</u>	<u>\$ 403,524</u>

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, 2016, with comparative totals for 2015**

	Program Services				General & Administrative	2016 Total	2015 Total
	Independent Living	Community Service	WIPA	Total Program Services			
Salaries	\$ 260,648	\$ 335,082	\$ 99,931	\$ 695,661	\$ 8,360	\$ 704,021	\$ 675,764
Payroll taxes	24,538	32,828	7,762	65,128	836	65,964	62,633
Fringe benefits	16,983	24,022	7,161	48,166	2,986	51,152	54,648
Occupancy	51,846	31,480	14,913	98,239	-	98,239	85,891
Amortization and depreciation	-	-	-	-	5,621	5,621	3,184
Professional fees	10,430	138,257	129,860	278,547	7,573	286,120	306,928
Staff development	2,094	1,440	455	3,989	-	3,989	3,268
Insurance	2,617	2,911	955	6,483	928	7,411	9,807
Supplies	3,968	3,492	700	8,160	-	8,160	8,223
Travel	3,576	31,385	647	35,608	-	35,608	35,291
Postage & printing	2,009	2,122	1,612	5,743	79	5,822	3,245
Training & conference	182	10,706	-	10,888	-	10,888	11,490
Interest & bank charges	163	-	-	163	577	740	990
Membership	1,487	1,804	143	3,434	-	3,434	3,364
Equipment expense	1,968	2,201	-	4,169	-	4,169	5,461
Telephone	3,419	10,525	1,367	15,311	-	15,311	13,768
Bad debt expense	-	-	-	-	9,960	9,960	475
Miscellaneous	-	692	-	692	384	1,076	4,518
Total	\$ 385,928	\$ 628,947	\$ 265,506	\$ 1,280,381	\$ 37,304	\$ 1,317,685	\$ 1,288,948

INDEPENDENCE NOW, INC.

**Supplemental Schedule of Functional Expenses
For the Year Ended September 30, 2015**

	Program Services			Total Program Services	General & Administrative	2015 Total
	Independent Living	Community Service	WIPA			
Salaries	\$ 289,332	\$ 283,588	\$ 94,820	\$ 667,740	\$ 8,024	\$ 675,764
Payroll taxes	26,287	27,715	7,748	61,750	883	62,633
Fringe benefits	26,801	18,421	8,884	54,106	542	54,648
Occupancy	43,304	28,004	11,791	83,099	2,792	85,891
Amortization and depreciation	-	-	-	-	3,184	3,184
Professional fees	24,691	152,603	122,318	299,612	7,316	306,928
Staff development	977	2,136	26	3,139	129	3,268
Insurance	3,540	4,024	1,345	8,909	898	9,807
Supplies	3,697	2,872	478	7,047	1,176	8,223
Travel	8,856	25,709	684	35,249	42	35,291
Postage & printing	1,432	494	113	2,039	1,206	3,245
Training & conference	2,767	8,685	-	11,452	38	11,490
Interest & bank charges	322	213	81	616	374	990
Membership	1,629	1,277	458	3,364	-	3,364
Equipment expense	152	1,708	550	2,410	3,051	5,461
Telephone	4,709	7,321	1,714	13,744	24	13,768
Bad debt expense	-	-	-	-	475	475
Miscellaneous	484	1,540	16	2,040	2,478	4,518
Total	\$ 438,980	\$ 566,310	\$ 251,026	\$ 1,256,316	\$ 32,632	\$ 1,288,948

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.

Report on the Financial Statements

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, 2016, 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 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence Now'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 23, 2017

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.



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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 THE UNIFORM GUIDANCE**

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) 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, 2016. 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 each of its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School'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 (CFR) 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 the 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, with the compliance requirements referred to above that 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 item 2016-001. Our opinion on each major Federal program is not modified with respect to this matter.

Independence Now's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Independence Now'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 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 the Independence Now's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program as a basis for designing 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'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.



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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, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

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.

Hunt Valley, Maryland
March 23, 2017

SB & Company, LLC

INDEPENDENCE NOW, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016**

<u>Federal Grantor/Program Title/Pass-Through Grantor/Program or Cluster Title</u>	<u>CFDA</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:			
Pass - through Awards:			
Maryland State Department of Education, Division of Rehabilitation Services, Independent Living - State Grants	84.169	Unknown	\$ 87,360
Maryland State Department of Education, Division of Rehabilitation Services, Community Outreach:YLF:DORS	84.126	Unknown	<u>2,190</u>
Total pass-through awards			<u>89,550</u>
Total U.S. Department of Education			<u>89,550</u>
U.S. Department of Health and Human Services			
Direct Awards			
Independent Living:ACL 1	93.432	Unknown	137,639
Independent Living:ACL2	93.432	Unknown	<u>119,549</u>
Total Direct Awards			257,188
Pass-through Maryland Department of Disability Centers for Medicare and Medicaid Services	93.779	DEXP5400006	149,759
Pass-through Montgomery County Department of Health and Human Services			
Centers for Medicare and Medicaid Services	93.779	1058615	13,069
Pass-through Prince George's County Department of Aging and Family Services			
Centers for Medicare and Medicaid Services	93.779	Unknown	<u>24,557</u>
Total Centers for Medicare and Medicaid Services			187,385
Medicare Improvements for Patients and Providers	93.071	Unknown	<u>872</u>
Total U.S. Department of Health and Human Services			<u>445,446</u>
Social Security Administration			
Direct Awards:			
Social Security - Work Incentives Planning and Assistance Program	96.008	08/01/13-07/31/15	<u>263,863</u>
Total Federal Expenditures			<u>\$ 798,859</u>

The accompanying notes are an integral part of this schedule.

INDEPENDENCE NOW, INC.

Notes to the Schedule of Expenditures of Federal Awards September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of Independence Now, Inc. (Independence Now) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards* (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Compliance Supplement (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 2016 cash or non-cash expenditure activities. For our single audit testing, we tested Federal award programs with 2015 cash and non-cash expenditures, to ensure coverage of at least 25% of Federally granted funds. Our actual coverage was 32%.

Expenditures reported on the Schedule of Expenditures of Federal Awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Independence Now has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Major Program</u>	<u>CFDA Numbers</u>	<u>Federal Expenditures</u>
Independent Living: ACL	93.432	<u>\$ 257,188</u>

2. BASIS OF PRESENTATION

The accompanying Schedule includes the Federal award activity of Independence Now and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirement, Cost Principles, and Audit Requirements for Federal Awards*.

INDEPENDENCE NOW, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016**

Section I - Summary of Independent Public Accountants' 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 No

Noncompliance material to the financial statements noted? No

Federal Awards

Type of independent public accountants' report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified Yes

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes

Identification of Major Programs:

<u>Major Program</u>	<u>CFDA Numbers</u>	<u>Federal Expenditures</u>
Independent Living: ACL	93.432	<u>\$ 257,188</u>
Threshold for distinguishing between Type A and B programs		\$ 750,000
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, 2016**

Section II – Financial Statement Findings

None noted.

INDEPENDENCE NOW, INC.

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016**

Section III – Federal Award Findings and Questioned Costs

Reference Number: 2016-001

**U.S. Department of Health and Human Services
CFDA No. 93.432 – Independent Living ACL Program**

Type of Finding – Significant Deficiency over Activities Allowed or Unallowed and Allowable Cost/ Cost Principles and Period of Availability

Criteria

Uniform Grant Guidance requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

The OMB Circular A-122, *Cost Principles for Non-Profit Organizations (CFR part 230)*, states that for a cost to be allowable under an award, the cost must be adequately documented. Costs must also conform to any limitations or exclusions set-forth in the award agreement.

Condition

During our audit, it was noted that Independence Now does not perform a true up at year end of the actual allocated cost versus budget estimates for selected personnel. In accordance with OMB A-122, budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Cause

Independence Now does not have a process in place to review and true-up actual costs charged to its Federal programs.

Effect

The possibility exists that Independence Now is not in compliance with the activities allowed or unallowed and allowable cost/cost principles requirements and period of availability.

Recommendation

We recommend that the client implement procedures to ensure that documentation supporting actual costs charged to Federal grants are properly maintained and archived.

Questioned Costs

Unknown.

INDEPENDENCE NOW, INC.

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2016

Reference Number: 2016-001 (continued)

Corrective Action Plan

The Executive Director met with the auditor soon after the audit to review staff salaries and strategize on what needed to be changed. During FY16, Independence Now submitted an Indirect Cost Plan to US DHHS which was approved in the spring. Independence Now instituted the change in the way in which staff record hours when working on multiple programs or from different funders in FY 17, as this was when the Indirect Cost Plan went into effect and subsequently G&A became used in a different manner.

In May 2016, the Executive Director attended a financial management training by the CIL Technical Assistance organization. This training provided a much greater understanding of Uniform Guidance and more specifically Personal Activity Reporting. By the end of the FY, new Financial Policies were adopted that state the following:

INNOW Personnel Activity Reports are required to be up-to-date at the end of each pay period. The time and effort for employees charged to programs which require personnel activity and reporting will clearly show the distribution of activity for each employee. Independence Now uses this documentation to verify the way employees' time is split between cost objectives. As mandated individually by funder, this requirement applies to hourly and salaried, supervisory and nonsupervisory staffs that are not included in the indirect cost objective.

Each PAR:

- Must be an after the fact record of actual time worked.
- Must account for the total of the time for which the employee is compensated.
- Must be signed by the employee and supervisor.
- Will be prepared monthly.

This deficiency affected about 4 staff in the organization. All of whom are now recording their time as spent, program by program in their PARs and then matching their PARs to their timesheet every pay period.

INDEPENDENCE NOW, INC.

Schedule of Prior Year Findings and Questioned Costs For the Year Ended September 30, 2016

Reference Number: 2015-001

**Social Security Administration
CFDA No. 96.008 – Work Incentives Planning and Assistance Program**

**Type of Finding – Significant Deficiency over Activities Allowed or Unallowed and Allowable
Cost/ Cost Principles and Period of Availability**

Criteria

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The characteristics of internal control are presented in the context of the components of internal control discussed in Internal Control-Integrated Framework (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements.

The OMB Circular A-122, Cost Principles for Non-Profit Organizations (CFR part 230), states that for a cost to be allowable under an award, the cost must be adequately documented. Costs must also conform to any limitations or exclusions set-forth in the award agreement.

Condition

During our audit, it was noted that Independence Now does not perform a true up at year end of the actual allocated cost versus budget estimates for selected personnel. In accordance with OMB A-122, budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.

Cause

Independence Now does not have a process in place to review and true-up actual costs charged to its Federal programs.

Effect

The possibility exists that Independence Now is not in compliance with the activities allowed or unallowed and allowable cost/cost principles requirements and period of availability.

Recommendation

We recommend that the client implement procedures to ensure that documentation supporting actual costs charged to Federal grants are properly maintained and archived.

Questioned Costs

Unknown.

INDEPENDENCE NOW, INC.

**Schedule of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2016**

Reference Number: 2015-001 (continued)

Corrective Action Plan

Independence Now will work with auditors to develop a plan to transition affected staff to a new method of recording actual time spent when working in a position that is funded by multiple funding sources. The Finance Director and Executive Director will continue to work with DHHS on the Indirect Cost Plan and will explore how it will affect the recording of Administrative staff time. The Executive Director will attend a National Financial Management Training for Centers for Independent Living in May, 2016 and will gain further knowledge via the expertise available at the training. By the end of FY16, a new process will be developed on recording time for staff with multiple funding sources and staff will be trained on the new process.

2016 Update

See finding 2016-001.