

INDEPENDENCE HOUSE, INC.

**DATA COLLECTION
AUDIT REPORTING PACKAGE
YEAR ENDED
JUNE 30, 2019**

**WALSH & CO.
ACCOUNTANTS & CONSULTANTS**

INDEPENDENCE HOUSE, INC.

AUDIT REPORTING PACKAGE

JUNE 30, 2019

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WALSH & CO.

ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

Board of Directors
Independence House, Inc.

We have audited the accompanying financial statements of the Independence House, Inc. (a non-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and 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. 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 the 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 the Independence House, Inc. as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years 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 October 24, 2019, on our consideration of the Independence House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Independence House, Inc.'s internal control over financial reporting and compliance.

October 24, 2019

Michael J. Walsh

Michael J. Walsh

Certified Public Accountant

INDEPENDENCE HOUSE, INC.,

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 775,676	\$ 838,340
Investments	294,824	262,081
Accounts and contracts receivable	386,664	282,054
Other Assets	<u>44,293</u>	<u>22,420</u>
Total Current Assets	<u>1,501,457</u>	<u>1,404,895</u>
Property and Equipment:		
Land	322,000	322,000
Building	679,549	673,426
Furniture and equipment	<u>141,438</u>	<u>124,807</u>
	1,142,987	1,120,233
Less accumulated depreciation	<u>(484,448)</u>	<u>(451,144)</u>
Net property and equipment	<u>658,539</u>	<u>669,089</u>
Total Assets	<u>\$ 2,159,996</u>	<u>\$ 2,073,984</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable	\$ 28,204	\$ 11,475
Accrued expenses	232,985	171,205
Deferred revenue	6,690	12,006
Current portion of long-term debt	<u>16,958</u>	<u>16,211</u>
Total Current Liabilities	<u>284,837</u>	<u>210,897</u>
Long-term debt, net of current portion	<u>207,034</u>	<u>225,379</u>
	<u>491,871</u>	<u>436,276</u>
Net Assets:		
Without donor restrictions	1,538,625	1,517,708
With donor restrictions	<u>129,500</u>	<u>120,000</u>
Total Net Assets	<u>1,668,125</u>	<u>1,637,708</u>
Total Liabilities and Net Assets	<u>\$ 2,159,996</u>	<u>\$ 2,073,984</u>

See accompanying notes.

INDEPENDENCE HOUSE, INC.,

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor</u>	<u>With Donor</u>	<u>Totals</u>	<u>Without Donor</u>	<u>With Donor</u>	<u>Totals</u>
	<u>Restrictions</u>	<u>Restrictions</u>		<u>Restrictions</u>	<u>Restrictions</u>	
Revenues:						
Contract service revenue	\$ 2,538,853		\$ 2,538,853	\$ 2,031,023		\$ 2,031,023
Grants and contributions	349,319	\$ 9,500	358,819	498,134		498,134
In-Kind goods and services	102,495		102,495	120,397		120,397
Special events, gross	69,801		69,801	89,785		89,785
Other income	16,616		16,616	4,688		4,688
Rental income	15,172		15,172	16,859		16,859
Investment return, net	<u>31,494</u>		<u>31,494</u>	<u>16,225</u>		<u>16,225</u>
Total Operating Revenues	<u>3,123,750</u>	<u>9,500</u>	<u>3,133,250</u>	<u>2,777,111</u>		<u>2,777,111</u>
Expenses:						
Program services	2,825,404		2,825,404	2,309,959		2,309,959
General and Administrative	148,725		148,725	123,040		123,040
Fundraising	<u>128,704</u>		<u>128,704</u>	<u>121,581</u>		<u>121,581</u>
Total Expenses	<u>3,102,833</u>		<u>3,102,833</u>	<u>2,554,580</u>		<u>2,554,580</u>
Changes in Net Assets	20,917	9,500	30,417	222,531		222,531
Net Assets, Beginning of year	<u>1,517,708</u>	<u>120,000</u>	<u>1,637,708</u>	<u>1,295,177</u>	<u>\$ 120,000</u>	<u>1,415,177</u>
Net Assets, End of Year	<u>\$ 1,538,625</u>	<u>\$ 129,500</u>	<u>\$ 1,668,125</u>	<u>\$ 1,517,708</u>	<u>\$ 120,000</u>	<u>\$ 1,637,708</u>

See accompanying notes.

INDEPENDENCE HOUSE, INC.,

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 30,417	\$ 222,531
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by operating activities:		
Depreciation	33,304	29,320
Net realized and unrealized (gains) losses on investments	(26,420)	(13,960)
Changes in operating assets and liabilities:		
Accounts and Contracts receivable	(104,610)	(83,550)
Other assets	(21,873)	26,224
Accounts payable	16,729	3,009
Accrued expenses	61,780	39,406
Deferred revenues	<u>(5,316)</u>	<u>12,006</u>
Net Cash from Operating Activities	<u>(15,989)</u>	<u>234,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,323)	(26,439)
Proceeds from sale of investment		21,840
Additions to buildings and improvements	<u>(22,754)</u>	<u>(32,616)</u>
Net Cash used for Investing Activities	<u>(29,077)</u>	<u>(37,215)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on mortgage payable	<u>(17,598)</u>	<u>(16,756)</u>
Net Cash from Financing Activities	<u>(17,598)</u>	<u>(16,756)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(62,664)</u>	<u>181,015</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>838,340</u>	<u>657,325</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 775,676</u>	<u>\$ 838,340</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 10,326</u>	<u>\$ 11,080</u>

See accompanying notes.

INDEPENDENCE HOUSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

2019

2018

	Program and Services	General and Administrative	Fundraising	Total	Program and Services	General and Administrative	Fundraising	Total
Personnel and Related:								
Salaries	\$ 1,933,958	\$ 72,231	\$ 64,667	\$ 2,070,856	\$ 1,519,090	\$ 49,372	\$ 62,833	\$ 1,631,295
Payroll Taxes and Benefits	<u>307,731</u>	<u>41,414</u>	<u>15,271</u>	<u>364,416</u>	<u>253,364</u>	<u>26,117</u>	<u>15,870</u>	<u>295,351</u>
Total Personnel and Related	<u>2,241,689</u>	<u>113,645</u>	<u>79,938</u>	<u>2,435,272</u>	<u>1,772,454</u>	<u>75,489</u>	<u>78,703</u>	<u>1,926,646</u>
Occupancy:								
Rent	79,900			79,900	83,375	75	280	83,730
Interest paid	10,326			10,326	11,080			11,080
Depreciation-								
building and improvements	24,003	761	576	25,340	25,221		795	26,016
Repairs and maintenance	57,183	(799)	1,494	57,878	44,201	1,099	1,399	46,699
Utilities	23,547	546	620	24,713	19,825	520	661	21,006
Insurance	<u>7,368</u>	<u>249</u>	<u>281</u>	<u>7,898</u>	<u>6,329</u>		<u>375</u>	<u>6,704</u>
Total Occupancy	<u>202,327</u>	<u>757</u>	<u>2,971</u>	<u>206,055</u>	<u>190,031</u>	<u>1,694</u>	<u>3,510</u>	<u>195,235</u>
Other:								
In-kind goods and services	102,495			102,495	120,397			120,397
Stipends -								
(employee and non-employees)	10,754			10,754	11,568			11,568
Client assistance	16,327		6,378	22,705	14,826			14,826
Travel/event costs	48,926	290	23,859	73,075	36,518	344	16,527	53,389
Equipment and computers	36,332	745	840	37,917	27,698	650	824	29,172
Telephone	48,166	118	5,080	53,364	44,455	270	4,072	48,797
Insurance	19,627	553	628	20,808	20,076	651	830	21,557
Accounting and legal		12,437		12,437	3,958	21,564		25,522
Office supplies	60,988	724	3,055	64,767	35,071	407	8,176	43,654
Consulting	15,508	17,950		33,458	2,070	17,800	3,000	22,870
Miscellaneous	6,013	915	4,351	11,279	19,231	1,528	5,386	26,145
Printing and postage	6,077	178	1,136	7,391	8,227	263	372	8,862
Depreciation	7,264	329	371	7,964	1,271	1,954	79	3,304
Payroll service	<u>2,911</u>	<u>84</u>	<u>97</u>	<u>3,092</u>	<u>2,108</u>	<u>426</u>	<u>102</u>	<u>2,636</u>
Total Other	<u>381,388</u>	<u>34,323</u>	<u>45,795</u>	<u>461,506</u>	<u>347,474</u>	<u>45,857</u>	<u>39,368</u>	<u>432,699</u>
Total Expense	<u>\$ 2,825,404</u>	<u>\$ 148,725</u>	<u>\$ 128,704</u>	<u>\$3,102,833</u>	<u>\$ 2,309,959</u>	<u>\$ 123,040</u>	<u>\$ 121,581</u>	<u>\$ 2,554,580</u>

See accompanying notes.

INDEPENDENCE HOUSE, INC.,

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a.) Nature of Activities

Independence House, Inc. (the "Organization") is a Massachusetts nonprofit organization which was established to provide services to victims of domestic violence and sexual assault and their children. The Organization provides crises intervention counseling, referrals and community education to battered and abused women and their children through the use of a 24-hour crisis hotline, counseling, emergency shelter, court, legal, welfare and housing advocacy programs and support groups.

(b.) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for financial statements of not-for-profit organizations. Under the ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

Net Assets without donor *restrictions* are those net resources that bear no external restrictions and are generally available for use by the Organization.

Net assets with donor restrictions are *amounts* received or committed by donors with purpose or time restrictions that have not yet been met. Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Time/purpose restriction	<u>\$ 129,500</u>	<u>\$ 120,000</u>

(c.) Recently Adopted Accounting Policies

In 2019, The Organization adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit disclosures about liquidity and availability of resources for the 2018 financial statements.

(d.) Revenue Recognition

The Organization receives funding from contracts from Federal, Commonwealth of Massachusetts and local governments in the form of cost reimbursements and unit rate contracts. The Organization recognizes cost reimbursement contract revenue to the extent of expenses. Unit rate contract revenue is recognized based on unit rates as provided under the contracts. Revenue recognition depends on the terms of the contract.

(e.) Contributions:

Contributions without donor restrictions are recognized as revenue when unconditionally committed or received. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred or as time restrictions lapse.

(f.) Property and Equipment:

Acquisition of property and equipment in excess of \$1,500 is capitalized. Buildings and improvements are being depreciated over their estimated useful lives of twenty-seven and a half to thirty-nine years using the straight-line method. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Office equipment is depreciated over five years and furniture and fixtures over seven years.

(g.) Income Taxes:

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There are no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2019 and 2018.

The Organization's tax returns, form 990, for the years ending 2016, 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they are filed.

(h.) Functional Allocation of Expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Independence House, Inc.
Notes to Financial Statements

(i.) Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

(j.) Accounts Receivable/Allowance

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. An allowance for doubtful accounts is provided when accounts receivable are considered uncollectible. There is no allowance for doubtful accounts at June 30, 2019 and 2018.

(k.) Special Events

Special events revenue is shown at gross in the accompanying statement of activities for the years ended June 30, 2019 and 2018, net of related expenses is as follows:

	<u>2019</u>	<u>2018</u>
Annual Walk and Other Events	\$ 69,801	\$ 89,785
Direct Expenses	<u>(29,632)</u>	<u>(13,355)</u>
Net Special Events Revenue	<u>\$ 40,169</u>	<u>\$ 76,430</u>

(l.) Advertising Costs

The Organization expenses advertising costs which were for public awareness and job applicants as incurred. Advertising costs for the years ended June 30, 2019 and 2018 were \$7,738 and \$5,801 respectively.

(m.) Estimates:

The preparation of 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 could differ from those estimates.

(n.) Reclassifications

Certain items in the 2018 financial statements have been reclassified to conform to the current year presentation.

NOTE 2 - DONOR RESTRICTED NET ASSETS

Donor restricted net assets of \$129,500 and \$120,000 at June 30, 2019 and 2018, respectively, were primarily for the Housing Stabilization Program.

NOTE 3 - OPERATING LEASES

The Organization rents space under a tenant-at-will agreement.

The Organization has leases for space in Falmouth, Hyannis and Orleans, Massachusetts. As of June 30, 2019, future minimum lease payments are as follows:

Year ending	
<u>June 30</u>	<u>Amount</u>
2020	\$ 27,850
2021	16,000
2022	<u>10,800</u>
	<u>\$ 54,650</u>

Rental costs for the years ended June 30, 2019 and 2018 amounted to \$79,900 and \$83,730, respectively.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains temporary cash investments in banks in Massachusetts. The Federal Deposit Insurance Corporation insures balances up to \$250,000 for most deposit accounts. The Organization had approximately \$402,000 and \$217,000 in deposits at one bank that exceed the FDIC insured limits as of June 30, 2019 and 2018, respectively.

The contracts receivable balance at June 30, 2019 and 2018 includes amounts due from four accounts with one funding source. This funding source accounted for approximately 93% and 92% of the total accounts receivable balance at June 30, 2019 and 2018, respectively.

During the fiscal years ended June 30, 2019 and 2018, the Organization received approximately 81% and 73%, respectively, of its total revenue from various departments of the Commonwealth of Massachusetts and the Federal government.

NOTE 5 - SURPLUS REVENUE RETENTION

In accordance with Independence House, Inc. contracts with one of its principal funding sources, the Commonwealth of Massachusetts, the Organization is allowed to retain a portion of its excess support and revenue over expenses in a fiscal year (the "surplus"). The Organization may retain as its surplus up to 5% of total revenue from the Commonwealth during any fiscal year. In addition, the Organization may retain a cumulative amount of surplus over a period of years not to exceed 20% of the prior years' total support and revenue from the Commonwealth.

NOTE 6 - DONATED GOODS AND SERVICES

The Organization receives donated goods and services in various aspects of its program. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies or by management. The value of these contributions for donated goods and for professional services was \$102,495 and \$120,397 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 - INVESTMENTS

Investments are reported at fair market value based on quoted prices in active markets (all Level 1 measurements). Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Gains or losses on sales of investments held, are recorded independently in each net asset class.

The following schedule summarizes the investment return, net and its classification in the statement of activities for the year ended June 30:

<u>Unrestricted</u>	<u>2019</u> <u>Unrestricted</u>	<u>2018</u> <u>Unrestricted</u>
Investment income	\$ 9,153	\$ 6,080
Investment fee	(4,079)	(3,815)
Realized gain	3,616	6,548
Unrealized gain	<u>22,804</u>	<u>7,412</u>
Total investment return, net	<u>\$ 31,494</u>	<u>\$ 16,225</u>

The cost and market value of investments as of June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Marketable equity securities and money funds:		
Cost	<u>\$ 225,570</u>	<u>\$ 215,631</u>
Market	<u>\$ 294,824</u>	<u>\$ 262,081</u>

At June 30, 2019 and 2018, cash and investments included \$129,500 and \$120,000, respectively, which was primarily temporarily restricted for the Housing Stabilization Program and Victim Services.

NOTE 8 - LONG-TERM DEBT

Long-term debt consisted of the following at June 30,

	<u>2019</u>	<u>2018</u>
Note payable, 4.375% dated March 2004 payable in monthly installments of principal and interest totaling \$1,045 to March 2024. The note is secured by a mortgage on real property.	\$ 51,553	\$ 62,005
Note payable, 4.375% dated November 2006 payable in monthly installments of principal and interest totaling \$1,194 to November 2036. The note is secured by a mortgage on real property.	<u>172,439</u>	<u>179,585</u>
	223,992	241,590
Current maturities	<u>(16,958)</u>	<u>(16,211)</u>
Long-term debt, net	<u>\$ 207,034</u>	<u>\$ 225,379</u>

Maturities of long-term debt for each of the five years and thereafter succeeding June 30, 2019 are as follows:

Year Ending	<u>Amount</u>
<u>June 30</u>	
2020	\$16,958
2021	17,740
2022	18,559
2023	19,415
Thereafter	<u>135,756</u>
	<u>\$ 223,992</u>

NOTE 9 – PENSION PLAN

Independence House, Inc. maintains a tax sheltered annuity plan qualifying under Section 403(b) of the Internal Revenue Code. Eligible employees are able to participate in the plan upon hire. Employees may make contributions to the plan through salary reductions (subject to IRS limits). Contributions under the plan vest fully after six years employment. The Organization matches the first 3%; total contributions were \$27,489 and \$20,346 to the plan for the years ended June 30, 2019 and 2018, respectively.

NOTE 10 - INTEREST IN AGENCY FUND

Independence House, Inc. is the beneficiary of an endowment fund at the Cape Cod Foundation. During 2002, the Foundation received a bequest of \$38,868 and established a permanent fund to benefit Independence House, Inc. Distributions are made to the Organization at least annually according to the Foundation's spending policy. Payments are currently based on approximately 4.5% of the fund market value. The balance of the fund on June 30, 2019 and 2018 was \$37,803 and \$36,711, respectively.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the statement of financial position as of June 30, 2019 for general operating expenses are as follows:

Cash and cash equivalents	\$ 775,676
Accounts receivable	386,664
Investments	<u>294,824</u>
Total financial assets	1,457,164
Less-net assets with specific donor restrictions	<u>(129,500)</u>
Financial assets available to meet cash needs For general expenditures within one year	<u>\$ 1,327,664</u>

The Organization manages liquidity by structuring financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of short-term requirements in investments. As of June 30, 2019, the Organization has financial assets exceeding three months of operating expenses.

NOTE 12 - FAIR VALUE MEASUREMENT

The Organization reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of 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 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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 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 at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at June 30, 2019 and 2018.

Cash and cash equivalents: Valued at acquisition cost.

Investments: Valued at market.

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 the Organization 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.

Independence House, Inc.
Notes to Financial Statements

The following tables set forth by level, with the fair value hierarchy, the Organization's assets at fair value.

<u>Assets at fair value as of June 30, 2019</u>		
(In thousands)		
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 776	\$ 776
Investments	<u>295</u>	<u>295</u>
	<u>\$ 1,071</u>	<u>\$ 1,071</u>

<u>Assets at fair value as of June 30, 2018</u>		
(In thousands)		
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 838	\$ 838
Investments	<u>262</u>	<u>262</u>
	<u>\$ 1,100</u>	<u>\$ 1,100</u>

Valuation and Income Recognition

The Organization's cash and cash equivalents and investments as of June 30, 2019 and 2018 are stated at fair value.

The aggregate of the fair value amounts presented above do not necessarily represent the underlying value of the organization.

NOTE 13- SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through October 24, 2019, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to the financial statements.

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ACCOUNTANTS & CONSULTANTS

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*

To the Board of Directors of
Independence House, Inc.
Hyannis, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Independence House, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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 October 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independence House, 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 House, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Independence House, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independence House, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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.

October 24, 2019

Michael J. Walsh

Michael J. Walsh

Certified Public Accountant

INDEPENDENCE HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

<u>Federal Grantor Agency Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Agency/Grant #</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Office On Violence Against Women	16.588	SCEPS300IVAWA18INDEP	\$ 88,119
Domestic Violence/Sexual Assault	16.588	SCEPS300IVAWA19INDEO	62,309
			<u>150,428</u>
Safe Plan	16.575	SAFEPLAN2019INDE0000	158,336
VOCA CWA	16.575	VOCA2019INDECWVA0000	376,938
VOCA-TWEENS	16.575	VOCA2019INDEETWEEN000	<u>215,644</u>
			<u>750,918</u>
<u>U.S. Department of Homeland Security</u>			
FEMA	97.024	447600-16, Phase 36	\$ 1,700
<u>Pass Through Massachusetts</u>			
Department of Public Health	93.671	3427M03181428006	\$ 43,196
Department of Public Health	93.136	INTF3401M03181228068	20,417
Department of Public Health	93.136	INTF3401M03181228086	<u>31,870</u>
			<u>95,483</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 998,529</u>

See accompanying notes to schedule of expenditures of federal awards.

INDEPENDENCE HOUSE, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Independence House, Inc. under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared 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 Independence House, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Independence House, Inc.

Note 2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following 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 may or may not be allowable or may be limited as to reimbursement.
- b) Pass-through entity identifying numbers are presented where available.

WALSH & CO.

ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Independence House, Inc.
Hyannis, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Independence House, 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 House, Inc.'s major federal programs for the year ended June 30, 2019. Independence House, 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 its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Independence House, 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 House, 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 House, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Independence House., 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 June 30, 2019.

Report on Internal Control Over Compliance

Management of Independence House, 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 House, 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 Hous, 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.

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

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Independence House, Inc., as of and for the year ended June 30, 2019, and have issued our report thereon dated October 24, 2019, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

October 24, 2019

Michael J. Walsh

Michael J Walsh

Certified Public Accountant

INDEPENDENCE HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of Independence House, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Independence House, Inc. were disclosed during the audit.
4. There was no control deficiencies noted in internal control over major federal award programs disclosed in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Independence House, Inc. expresses an unmodified opinion on the major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a).
7. The programs tested as major programs is as follows:

<u>Program</u>	<u>CFDA No.</u>
U.S. Department of Justice:	
Safe Plan	16.575
VOCA CWA	16.575
VOCA - TWEENS	16.575
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Independence House, Inc. was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None