

**HM3 PARTNERS
INDEPENDENCE FUND, INC.**

**Financial Statements
(with Independent Auditor's Report thereon)**

December 31, 2017 and 2016

KLINE
KEPPEL
AND
KORYAK

A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HM3 Partners Independence Fund, Inc.
Gibsonia, Pennsylvania

We have audited the accompanying financial statements of HM3 Partners Independence Fund, Inc. (a nonprofit corporation) (the Organization), which comprise the statement of assets and net assets (modified cash basis) as of December 31, 2017, and the related statements of revenue, expenses, and net assets (modified cash basis) for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Organization as of December 31, 2017, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in note 1.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The 2016 financial statements were compiled by us, and our report thereon, dated October 28, 2017, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Klime Keppel and Koryak, PC

November 8, 2018

HM3 PARTNERS INDEPENDENCE FUND, INC.
Statements of Assets and Net Assets
(Modified Cash Basis)
December 31,

	ASSETS	2017	2016
		(Audited)	(Unaudited)
Current Assets			
Cash		\$ 5,449	\$ 33,131
Event deposit		<u>15,000</u>	<u>-</u>
Total Current Assets		<u>20,449</u>	<u>33,131</u>
Other Asset -			
Website		2,000	2,000
Less accumulated amortization		<u>(1,400)</u>	<u>(1,000)</u>
		<u>600</u>	<u>1,000</u>
TOTAL ASSETS		<u>\$ 21,049</u>	<u>\$ 34,131</u>
	NET ASSETS		
Net Assets - Unrestricted		<u>\$ 21,049</u>	<u>\$ 34,131</u>

See accompanying notes to the financial statements.

HM3 PARTNERS INDEPENDENCE FUND, INC
Statements of Revenue, Expenses, and Net Assets
(Modified Cash Basis)
For the Years Ended December 31,

	2017	2016
	<u>(Audited)</u>	<u>(Unaudited)</u>
Revenue:		
Proceeds from Fundraising Events	\$ 627,808	\$ 48,346
Contributions	201,200	200
Interest Income	<u>8</u>	<u>9</u>
 Total Revenue	 <u>829,016</u>	 <u>48,555</u>
 Expenses:		
Program Services -		
Donations and grants	<u>393,050</u>	<u>12,000</u>
Management and General:		
Amortization	400	400
Insurance	819	744
Office	1,104	867
Professional fees	13,825	2,019
Registration fees	<u>100</u>	<u>1,025</u>
Total Management and General	<u>16,248</u>	<u>5,055</u>
Fundraising Expenses (including direct costs of events)	<u>432,800</u>	<u>22,218</u>
Total Expenses	<u>842,098</u>	<u>39,273</u>
 (Deficiency) Excess of Revenue over Expenses	 (13,082)	 9,282
 Net Assets (all unrestricted) - Beginning of Year	 <u>34,131</u>	 <u>24,849</u>
 Net Assets (all unrestricted) - End of Year	 <u>\$ 21,049</u>	 <u>\$ 34,131</u>

See accompanying notes to the financial statements.

HM3 PARTNERS INDEPENDENCE FUND, INC.
Notes to Financial Statements
(Modified Cash Basis)
December 31, 2017 (Audited) and 2016 (Unaudited)

Note 1: Summary of Significant Accounting Policies

Organization and Nature of Activities

HM3 Partners Independence Fund, Inc. (the Organization) is a Pennsylvania public, nonprofit organization created in 2014 for the benefit of community organizations, groups, and individuals involved in advancement of causes honoring and supporting the United States of America, the community, and caring for others less fortunate. The Organization attains these goals through the donations of gifts and receipt of contributions from the general public.

Basis of Accounting

The Organization prepares its financial statements on the modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America in which the Organization records most revenue when received rather than when earned and most expenses when disbursed rather than when incurred.

Basis of Presentation

Although the Organization prepares its financial statements on the modified cash basis of accounting, it presents its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted as required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), FASB ASC No. 958. As of and for the years ended December 31, 2017 and 2016, the Organization had no temporarily or permanently restricted net assets.

Donated Assets

The Organization records noncash donations as contributions at their estimated fair market value as of the date of donation.

Donated Services

The Organization receives donated services from unpaid volunteers. Management has not recorded any amounts for such services in the accompanying statements of revenue, expenses paid and net assets.

Revenue Recognition

The Organization recognizes revenue upon the receipt of a donation.

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Website

The Organization records its website at cost and bases amortization on the asset's estimated useful life of 5 years. The Organization records amortization using the straight line method.

Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

Management charges expenses directly to program services, fundraising, or management and general categories based on specific identification.

Income Taxes

The Organization has applied for an exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization files an annual informational return with the Internal Revenue Service (IRS), and the IRS may examine each annual return for 2014 through 2017.

Subsequent Events

Management has evaluated subsequent events through November 8, 2018, the date the financial statements became available for release.

Note 2: Supporting Services

The Organization charges supporting services to three different categories: Program Services, Fundraising, and Management & General. The Organization presents the breakdown of these categories for the years ended December 31, 2017 and 2016, on the following page.

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(Modified Cash Basis)
December 31, 2017 (Audited) and 2016 (Unaudited)

<u>Expense</u>	<u>Fundraising</u>	<u>Management & General</u>
For the year ended December 31, 2017:		
Advertising	\$ 1,600	\$ -
Amortization	-	400
Entertainment	255,222	-
Equipment rental, facility charges, and food and beverage	155,431	-
Insurance	470	819
Printing, copying, and postage	3,080	-
Professional fees	1,220	13,825
Registration fees	-	100
Supplies and other office expenses	<u>15,777</u>	<u>1,104</u>
	<u>\$ 432,800</u>	<u>\$ 16,248</u>
 For the year ended December 31, 2016:		
Amortization	\$ -	\$ 400
Auction costs	3,520	-
Entertainment	2,500	-
Equipment rental, facility charges, and food and beverage	12,395	-
Insurance	-	744
Printing, copying, and postage	858	-
Professional fees	-	2,019
Registration fees	-	1,025
Supplies and other office expenses	<u>2,945</u>	<u>867</u>
	<u>\$ 22,218</u>	<u>\$ 5,055</u>

Note 3: Related Party Transactions

During the years ended December 31, 2017 and 2016, certain members of the Organization's board of directors contributed approximately \$376,000 and \$9,000, respectively, either individually or through companies affiliated with the directors. During the years ended December 31, 2017 and 2016, the Organization paid certain expenses amounting to approximately \$5,000 and \$2,000, respectively, to companies affiliated with certain directors.