

**HM3 PARTNERS
INDEPENDENCE FUND, INC.**

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

December 31, 2018 and 2017

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 statements of assets and net assets (modified cash basis) as of December 31, 2018 and 2017, and the related statements of revenue, expenses, and net assets (modified cash basis) 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 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 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 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, 2018 and 2017, and its support, revenue, and expenses for the years 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.

Kline Keppel and Koryak, PC

October 17, 2019

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 21,572	\$ 5,449
Event deposit	-	15,000
Total Current Assets	<u>21,572</u>	<u>20,449</u>
Other Asset -		
Website	5,500	2,000
Less accumulated amortization	<u>(1,975)</u>	<u>(1,400)</u>
	<u>3,525</u>	<u>600</u>
TOTAL ASSETS	<u>\$ 25,097</u>	<u>\$ 21,049</u>
NET ASSETS		
Net Assets (without donor restrictions)	<u>\$ 25,097</u>	<u>\$ 21,049</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,

	<u>2018</u>	<u>2017</u>
Revenue:		
Proceeds from Fundraising Events	\$ 1,198,456	\$ 627,808
Contributions	19,291	201,200
Interest Income	18	8
	<u>1,217,765</u>	<u>829,016</u>
Total Revenue		
Expenses:		
Program Services -		
Donations and grants	<u>312,500</u>	<u>393,050</u>
Management and General:		
Amortization	575	400
Insurance	773	819
Office	7,501	1,104
Professional fees	9,278	13,825
Registration fees	-	100
Total Management and General	<u>18,127</u>	<u>16,248</u>
Fundraising Expenses (including direct costs of events)	<u>883,090</u>	<u>432,800</u>
Total Expenses	<u>1,213,717</u>	<u>842,098</u>
Excess (Deficiency) of Revenue over Expenses	4,048	(13,082)
Net Assets (without donor restrictions) - Beginning of Year	<u>21,049</u>	<u>34,131</u>
Net Assets (without donor restrictions) - End of Year	<u>\$ 25,097</u>	<u>\$ 21,049</u>

See accompanying notes to the financial statements.

HM3 PARTNERS INDEPENDENCE FUND, INC.
Notes to Financial Statements
(Modified Cash Basis)
December 31, 2018 and 2017

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 two classes of net assets: without donor and with donor restrictions as required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), FASB ASC No. 958, as amended by Accounting Standards Update 2016-14. As of and for the years ended December 31, 2018 and 2017, the Organization had no net assets with donor restrictions.

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, and net assets.

Revenue Recognition

The Organization recognizes revenue upon the receipt of a donation.

HM3 PARTNERS INDEPENDENCE FUND, INC.
Notes to Financial Statements
(Modified Cash Basis)
December 31, 2018 and 2017

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 2015 through 2018.

Subsequent Events

Management has evaluated subsequent events through October 17, 2019, 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, 2018 and 2017, on the following page.

HM3 PARTNERS INDEPENDENCE FUND, INC.
Notes to Financial Statements
(Modified Cash Basis)
December 31, 2018 and 2017

<u>Expense</u>	<u>Fundraising</u>	<u>Management & General</u>
For the year ended December 31, 2018:		
Advertising and marketing	\$ 52,347	\$ 5,400
Amortization	-	575
Entertainment	634,786	-
Equipment rental, facility charges, and food and beverage	178,713	-
Insurance	983	773
Printing, copying, and postage	1,600	-
Professional fees	-	9,278
Supplies and other expenses	<u>14,661</u>	<u>2,101</u>
	<u>\$ 883,090</u>	<u>\$ 18,127</u>
 For the year ended December 31, 2017:		
Advertising and marketing	\$ 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 expenses	<u>15,777</u>	<u>1,104</u>
	<u>\$ 432,800</u>	<u>\$ 16,248</u>

Note 3: Related Party Transactions

During the years ended December 31, 2018 and 2017, certain members of the Organization's board of directors contributed approximately \$486,000 and \$376,000, respectively, either individually or through companies affiliated with the directors. During the year ended December 31, 2017, the Organization paid certain expenses amounting to approximately \$5,000 to companies affiliated with certain directors. In 2018, the Organization did not pay any such expenses.