



USA Cares, Inc.

Independent Auditors' Report and
Financial Statements for the Years Ended

December 31, 2017 and 2016

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Independent Auditors' Report

To the Board of Directors
USA Cares, Inc.

We have audited the accompanying financial statements of USA Cares, Inc., (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses 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.

Auditors' 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 audits 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 financial position of USA Cares, Inc. as of December 31, 2017 and 2016 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.

Baldwin CPAs, PLLC

Louisville, Kentucky
March 15, 2018

USA Cares, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 386,752	\$ 703,485
Promises to give, net	111,135	30,000
Prepaid expenses	4,167	6,492
Inventory	9,900	16,087
Investments	131,455	117,929
Cash surrender value of life insurance	18,840	7,473
Property and equipment, net	307,607	314,660
Total assets	\$ 969,856	\$ 1,196,126
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 92,871	\$ 57,809
Accrued expenses and other liabilities	60,775	45,911
Total liabilities	153,646	103,720
Net assets		
Unrestricted	397,474	780,626
Temporarily restricted	337,708	230,752
Permanently restricted	81,028	81,028
Total net assets	816,210	1,092,406
Total liabilities and net assets	\$ 969,856	\$ 1,196,126

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

USA Cares, Inc.
Statements of Activities
For The Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions and grants	\$ 1,352,281	\$ 292,940	\$ -	\$ 1,645,221	\$ 1,778,724	\$ 145,857	\$ -	\$ 1,924,581
Special event revenue	520,354	-	-	520,354	419,500	-	-	419,500
Special event direct costs	(160,811)	-	-	(160,811)	(150,875)	-	-	(150,875)
Investment income	631	4,774	-	5,405	323	5,475	-	5,798
Unrealized gain (loss)	-	8,752	-	8,752	-	3,321	-	3,321
	1,712,455	306,466	-	2,018,921	2,047,672	154,653	-	2,202,325
Net assets released from restrictions	199,510	(199,510)	-	-	387,620	(387,620)	-	-
Total revenue and support	1,911,965	106,956	-	2,018,921	2,435,292	(232,967)	-	2,202,325
Expenses:								
Program services	1,846,819	-	-	1,846,819	1,997,312	-	-	1,997,312
Management and general	149,578	-	-	149,578	150,426	-	-	150,426
Fund raising	298,720	-	-	298,720	201,174	-	-	201,174
Total expenses	2,295,117	-	-	2,295,117	2,348,912	-	-	2,348,912
Change in net assets	(383,152)	106,956	-	(276,196)	86,380	(232,967)	-	(146,587)
Net assets at beginning of year	780,626	230,752	81,028	1,092,406	694,246	463,719	81,028	1,238,993
Net assets at end of year	<u>\$ 397,474</u>	<u>\$ 337,708</u>	<u>\$ 81,028</u>	<u>\$ 816,210</u>	<u>\$ 780,626</u>	<u>\$ 230,752</u>	<u>\$ 81,028</u>	<u>\$ 1,092,406</u>

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

USA Cares, Inc.
Statements of Functional Expenses
For The Years Ended December 31, 2017 and 2016

	2017				2016			
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Assistance	\$ 1,057,015	\$ 1,057,015	\$ -	\$ -	\$ 1,133,277	\$ 1,133,277	\$ -	\$ -
Business development	45,622	20,834	636	24,152	27,940	14,084	1,133	12,723
Wages and benefits	874,545	576,763	86,580	211,202	788,895	573,098	95,350	120,447
Occupancy	56,644	48,588	5,412	2,644	62,230	53,104	6,150	2,976
Other expenses	14,891	12,057	380	2,454	4,211	1,932	779	1,500
Depreciation	7,054	4,652	698	1,704	7,285	5,292	881	1,112
Office supplies	15,852	10,457	3,350	2,045	21,562	13,569	4,525	3,468
Conventions/meetings	2,858	2,858	-	-	24,729	24,413	-	316
Taxes, licenses and fees	4,298	-	243	4,055	5,001	-	274	4,727
Interest expense	1,538	-	1,538	-	425	-	425	-
Bank charges	10,481	1,232	1,711	7,538	8,742	-	1,347	7,395
Postage and shipping	3,200	1,613	795	792	15,337	10,554	1,270	3,513
Printing, media and publicity	911	866	-	45	13,789	12,737	838	214
Professional costs	115,079	49,861	35,064	30,154	137,732	89,805	23,879	24,048
Insurance	9,020	5,756	2,355	909	13,992	5,103	2,558	6,331
Technology	29,814	23,009	2,281	4,524	28,374	21,012	2,377	4,985
Telecommunications	17,050	8,979	6,278	1,793	21,567	12,754	6,106	2,707
Travel	29,245	22,279	2,257	4,709	33,824	26,578	2,534	4,712
Total expenses	<u>\$ 2,295,117</u>	<u>\$ 1,846,819</u>	<u>\$ 149,578</u>	<u>\$ 298,720</u>	<u>\$ 2,348,912</u>	<u>\$ 1,997,312</u>	<u>\$ 150,426</u>	<u>\$ 201,174</u>
Percent of total	<u>100.00%</u>	<u>80.47%</u>	<u>6.52%</u>	<u>13.01%</u>	<u>100.00%</u>	<u>85.03%</u>	<u>6.40%</u>	<u>8.57%</u>

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

USA Cares, Inc.
Statements of Cash Flows
December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (276,196)	\$ (146,587)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,054	7,285
Unrealized (gain) loss	(8,752)	(3,321)
(Increase) decrease in operating assets:		
Accounts receivable	-	8,394
Promises to give	(81,135)	63,875
Prepaid expenses	2,325	530
Inventory	6,187	(5,452)
Cash surrender value of life insurance	(11,367)	(7,473)
Increase (decrease) in operating liabilities:		
Accounts payable	35,062	12,051
Accrued expenses and other liabilities	14,864	4,954
Net cash provided (used) by operating activities	(311,958)	(65,744)
Cash flows from investing activities:		
Purchase of investments	(4,775)	(5,475)
Net cash provided (used) by investing activities	(4,775)	(5,475)
Net increase (decrease) in cash	(316,733)	(71,219)
Cash at beginning of year	703,485	774,704
Cash at end of year	\$ 386,752	\$ 703,485
Supplemental information:		
Cash paid for interest	\$ 1,538	\$ 425

USA Cares, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

Note 1. Summary of Significant Accounting Policies

Organization

USA Cares, Inc. is a not-for-profit, tax-exempt organization formed to provide financial support to American military service members (both active service members and veterans that have been honorably discharged after September 11, 2001) and their families. These services are funded primarily by contributions and grants.

The Organization currently has nine chapters located throughout the United States.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, USA Cares, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

Unrestricted Net Assets: include the portion of expendable funds that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets: include gifts for which donor- imposed restrictions have not been met.

Permanently Restricted Net Assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash

USA Cares, Inc. considers all cash in deposit accounts as cash for financial statement purposes.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Promises to Give

Promises to give are recognized when the donor makes a promise to give to USA Cares, Inc. that is, in substance, unconditional. Promises to give becoming due in the next year are recorded at net realizable value. Promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventory

Inventory consists of gift cards valued at their cash value.

Investments

The ASC establishes a framework for measuring fair value based upon a hierarchy that prioritizes observable and unobservable inputs used to measure fair value as follows:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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, although 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.

Property and Equipment

Property and equipment are recorded at cost if purchased and fair market value if donated and are depreciated based on the straight-line method over the estimated useful life of the respective assets (5-40 years). The cost of property and equipment purchased in excess of \$2,500 is capitalized.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In-kind Materials, Equipment, and Services

In-kind materials, equipment and certain services are reflected as contributions and assets or expense in the accompanying statements at their estimated fair values on the date of contribution.

Expense Allocation

Expenses are allocated based on estimated time allocation to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

USA Cares, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. USA Cares, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in current year financial statements. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2. Concentrations of Credit Risk

Cash – USA Cares, Inc. maintains its cash balances and marketable securities in several financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation. At various times the cash balances exceed amounts federally insured. The risk is managed by maintaining all deposits in high quality financial institutions. On December 31, 2017 and 2016 the cash balances exceeded insured limits by \$110,000 and \$192,000, respectively.

Investments – Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization. To address the risk, USA Cares, Inc. maintains a formal investment policy that sets out investment guidelines, asset allocation guidelines and requires review of the investment manager's performance. The finance committee oversees the entire process.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Note 3. Promises To Give

Promises to give are all current and consist of the following at December 31, 2017 and 2016:

	2017	2016
Program expense	\$ 111,135	\$ 30,000

Note 4. Investments

Investments consist of cash and mutual funds and are presented in the financial statements at fair value based on quoted market prices in active markets (all Level 1 measurements). Market risk could occur and is dependent on the future changes in market prices of the various investments held. Cost, fair values and unrealized gain at December 31, 2017 and 2016 are as follows:

December 31, 2017	Cost Basis	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 601	\$ 601	\$ -
Mutual funds - equity	34,288	33,569	(719)
Mutual funds - fixed income	81,815	97,285	15,470
	\$ 116,704	\$ 131,455	\$ 14,751
December 31, 2016	Cost Basis	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 185	\$ 185	\$ -
Mutual funds - equity	68,316	73,414	5,098
Mutual funds - fixed income	44,562	44,330	(232)
	\$ 113,063	\$ 117,929	\$ 4,866

Investment management fees paid for the years ending December 31, 2017 and 2016 were \$0 and \$1,129, respectively.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Note 5. Endowment Fund

USA Cares, Inc. follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA eliminates the requirement to maintain the historic dollar value of donor restricted endowments and instead focuses on donor intent and spending practices that are prudent for the uses, benefits, purposes and duration for which the endowment fund is established. UPMIFA also places a time restriction on the earnings retained in the endowment fund. USA Cares, Inc. has adopted FASB ASC 958-205, which provides guidance and additional disclosures on the net asset classification of endowment funds.

USA Cares, Inc.'s endowment fund consists of donor restricted endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors for USA Cares, Inc. has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, USA Cares, Inc. classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets. In accordance with UPMIFA, USA Cares, Inc. considered the following factors: (1) the duration and preservation of the fund, (2) the purposes of USA Cares, Inc. and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of USA Cares, Inc., and (7) the investment policies of USA Cares, Inc..

USA Cares, Inc. has not adopted a spending policy.

Endowment net asset composition by type at December 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 50,427</u>	<u>\$ 81,028</u>	<u>\$ 131,455</u>
Balance, December 31, 2016	<u>\$ -</u>	<u>\$ 36,901</u>	<u>\$ 81,028</u>	<u>\$ 117,929</u>

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, December 31, 2015	\$ -	\$ 28,105	\$ 81,028	\$ 109,133
Dividend income	-	4,441	-	4,441
Realized gain (loss)	-	1,034	-	1,034
Unrealized gain (loss)	-	3,321	-	3,321
Total investment return	-	8,796	-	8,796
Balance, December 31, 2016	-	36,901	81,028	117,929
Dividend income	-	3,535	-	3,535
Realized gain (loss)	-	1,239	-	1,239
Unrealized gain (loss)	-	8,752	-	8,752
Total investment return	-	13,526	-	13,526
Balance, December 31, 2017	<u>\$ -</u>	<u>\$ 50,427</u>	<u>\$ 81,028</u>	<u>\$ 131,455</u>

All endowment assets stated above are a result of donor restrictions, with no self-imposed restrictions by the board. Therefore, no amount of the endowment as described above is considered unrestricted.

Note 6. Cash Value of Life Insurance

USA Cares, Inc. is the beneficiary of two life insurance policies whereby the donor of the policy makes a donation annually in the amount of the insurance premium. FASB ASC 325-30-35-1 and 35-2 requires that the investment element of a cash value policy is an asset and should be reported at the amount that could be realized under the insurance contract at the statement of financial position date. Management believes that the cash surrender value of the donated insurance policies approximates their fair value.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Note 7. Property and Equipment

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over the estimated useful lives on a straight-line basis. The cost and accumulated depreciation of such assets at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 247,500	\$ 247,500
Construction in progress	63,641	63,640
Furniture and fixtures	69,078	69,078
Equipment	122,892	122,892
Vehicles	11,834	11,834
Website	<u>63,373</u>	<u>63,373</u>
	578,318	578,317
Less accumulated depreciation	<u>(270,711)</u>	<u>(263,657)</u>
Property and equipment, net	<u>\$ 307,607</u>	<u>\$ 314,660</u>
Depreciation expense	<u>\$ 7,054</u>	<u>\$ 7,285</u>

Note 8. Line Of Credit

The Organization has available a line of credit for \$200,000. Interest is payable monthly at a rate of prime plus .5% (5.00% as of December 31, 2017). The line of credit expires May 15, 2019, and is secured by the Organization's land. There was no outstanding balance at December 31, 2017 and 2016.

Note 9. Leases

USA Cares, Inc. leases office space under a five year lease expiring December 1, 2022 for \$4,167 per month, with a five year option to extend. Minimum future lease payment for the next five years is as follows:

2018	\$ 50,004
2019	50,004
2020	50,004
2021	50,004
2022	<u>45,837</u>
	<u>\$ 245,853</u>

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Total lease expense was \$46,976 and \$45,905 for the years ended December 31, 2017 and 2016, respectively.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Endowment income	\$ 50,427	\$ 36,901
Programs	287,281	193,851
	\$ 337,708	\$ 230,752

Note 11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is used to support programs. Permanently restricted net assets were \$81,028 for each of the years ended December 31, 2017 and 2016.

Note 12. Defined Contribution Pension Plan

USA Cares, Inc. offers a 403(b) plan. Employees are eligible on the first day of the month following employment. USA Cares, Inc. does not currently offer a match on employee deferrals.

Note 13. In-Kind Donations

USA Cares, Inc. records various types of in-kind support, including materials and other tangible assets. Contributed in-kind support is recognized in accordance with FASB ASC 958-605-25, which governs the presentation of financial statements of not-for-profit organizations. This pronouncement requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by USA Cares, Inc. do not meet these criteria. In 2017 and 2016, USA Cares, Inc. did not recognize any in-kind professional services.

Contributions of tangible assets are recognized at fair market value when received. The amounts are reflected in the accompanying financial statements as support and are offset by like amounts included in expenses or assets. In-kind donations for the years ended December 31, 2017 and 2016 were \$13,733 and \$23,330, respectively.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2017 and 2016

Note 14. Recently Issued Accounting Standards Update

Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The core principle of ASU 2014-09 is to recognize revenues when a customer obtains control of a good or service, in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. The standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year. The updated standard will be effective for the year ending December 31, 2019. USA Cares, Inc. has not yet selected a transition method and is currently evaluating the effect that the new standard will have on its financial statements.

Accounting Standards Update 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on USA Cares, Inc.'s balance sheet as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, USA Cares, Inc. will recognize: 1) a lease liability for Organization's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents USA Cares, Inc.'s right to use, or control the use of, the specified asset for the lease term. Upon adopting the ASU, USA Cares, Inc. will be required to recognize and measure its leases at the beginning of the earliest period presented using a modified retrospective approach.

ASU 2016-02 will be effective for USA Cares, Inc. for the year ending December 31, 2020, with early adoption permitted. USA Cares, Inc. is currently evaluating the effect that the new standard will have on its financial statements.

Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The ASU includes a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU will be effective for USA Cares, Inc. for the year ending December 31, 2018. Early adoption is permitted. USA Cares, Inc. is currently evaluating the effect that the new standard will have on its financial statements.

Note 15. Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through March 15, 2018, which was the date at which the financial statements were available to be issued.