



USA Cares, Inc.

Independent Auditors' Report and
Financial Statements for the Years Ended

December 31, 2018 and 2017

Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



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, 2018 and 2017 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, 2018 and 2017 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 4, 2019

USA Cares, Inc.
Statements of Financial Position
December 31, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 350,744	\$ 386,752
Promises to give, net	43,500	111,135
Prepaid expenses	12,043	4,167
Inventory	3,755	9,900
Investments	130,783	131,455
Cash surrender value of life insurance	30,574	18,840
Property and equipment, net	<u>303,097</u>	<u>307,607</u>
Total Assets	<u><u>\$ 874,496</u></u>	<u><u>\$ 969,856</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 57,011	\$ 92,871
Accrued expenses and other liabilities	<u>60,748</u>	<u>60,775</u>
Total Liabilities	<u>117,759</u>	<u>153,646</u>
Net Assets		
Net assets without donor restrictions	<u>426,726</u>	<u>397,474</u>
Net assets with donor restrictions		
Time or purpose restricted	248,983	337,708
Endowment fund	<u>81,028</u>	<u>81,028</u>
Total Net Assets with Donor Restrictions	<u>330,011</u>	<u>418,736</u>
Total Net Assets	<u>756,737</u>	<u>816,210</u>
Total Liabilities and Net assets	<u><u>\$ 874,496</u></u>	<u><u>\$ 969,856</u></u>

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

USA Cares, Inc.
Statements of Activities
For The Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions and grants	\$ 1,597,922	\$ 405,711	\$ 2,003,633	\$ 1,352,281	\$ 292,940	\$ 1,645,221
Special events						
Gross revenue	490,253	-	490,253	520,354	-	520,354
Direct costs	(159,284)	-	(159,284)	(160,811)	-	(160,811)
Investment income (loss)	188	12,417	12,605	631	4,774	5,405
Unrealized gain (loss)	-	(13,088)	(13,088)	-	8,752	8,752
	1,929,079	405,040	2,334,119	1,712,455	306,466	2,018,921
Net assets released from restrictions	493,765	(493,765)	-	199,510	(199,510)	-
Total Public Support and Revenue	2,422,844	(88,725)	2,334,119	1,911,965	106,956	2,018,921
Expenses						
Program services	1,968,889	-	1,968,889	1,846,819	-	1,846,819
Management and general	122,833	-	122,833	149,578	-	149,578
Fund raising	301,870	-	301,870	298,720	-	298,720
Total Expenses	2,393,592	-	2,393,592	2,295,117	-	2,295,117
Change in Net Assets	29,252	(88,725)	(59,473)	(383,152)	106,956	(276,196)
Net assets at Beginning of Year	397,474	418,736	816,210	780,626	311,780	1,092,406
Net Assets at End of Year	\$ 426,726	\$ 330,011	\$ 756,737	\$ 397,474	\$ 418,736	\$ 816,210

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

USA Cares, Inc.
Statements of Functional Expenses
For The Years Ended December 31, 2018 and 2017

	2018			2017				
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Assistance	\$ 1,060,986	\$ 1,060,986	\$ -	\$ -	\$ 1,057,015	\$ 1,057,015	\$ -	\$ -
Business development	53,005	12,628	581	39,796	45,622	20,834	636	24,152
Wages and benefits	964,848	671,631	84,231	208,986	874,545	576,763	86,580	211,202
Occupancy	50,840	44,741	4,042	2,057	56,644	48,588	5,412	2,644
Other expenses	20,844	13,548	1,188	6,108	14,891	12,057	380	2,454
Depreciation	4,510	3,608	361	541	7,054	4,652	698	1,704
Office supplies	4,931	4,242	308	381	15,852	10,457	3,350	2,045
Conventions/meetings	2,136	1,641	-	495	2,858	2,858	-	-
Taxes, licenses and fees	5,844	60	274	5,510	4,298	-	243	4,055
Interest expense	1,134	-	1,134	-	1,538	-	1,538	-
Bank charges	16,344	5,135	-	11,209	10,481	1,232	1,711	7,538
Postage and shipping	11,305	6,413	845	4,047	3,200	1,613	795	792
Printing, media and publicity	764	625	-	139	911	866	-	45
Professional costs	75,810	44,675	21,319	9,816	115,079	49,861	35,064	30,154
Insurance	14,442	12,083	732	1,627	9,020	5,756	2,355	909
Technology	68,418	58,814	2,520	7,084	29,814	23,009	2,281	4,524
Telecommunications	11,937	6,205	4,995	737	17,050	8,979	6,278	1,793
Travel	25,494	21,854	303	3,337	29,245	22,279	2,257	4,709
Direct costs of special events	159,284	-	-	159,284	160,811	-	-	160,811
Total Expenses by Function	2,552,876	1,968,889	122,833	461,154	2,455,928	1,846,819	149,578	459,531
Less direct costs of special events	(159,284)	-	-	(159,284)	(160,811)	-	-	(160,811)
Total Expenses Included in Statement of Activities	<u>\$ 2,393,592</u>	<u>\$ 1,968,889</u>	<u>\$ 122,833</u>	<u>\$ 301,870</u>	<u>\$ 2,295,117</u>	<u>\$ 1,846,819</u>	<u>\$ 149,578</u>	<u>\$ 298,720</u>
Percent of total	<u>100.00%</u>	<u>82.26%</u>	<u>5.13%</u>	<u>12.61%</u>	<u>100.00%</u>	<u>80.47%</u>	<u>6.52%</u>	<u>13.01%</u>

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

USA Cares, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (59,473)	\$ (276,196)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,510	7,054
Unrealized (gain) loss	13,088	(8,752)
(Increase) decrease in operating assets:		
Promises to give	67,635	(81,135)
Prepaid expenses	(7,876)	2,325
Inventory	6,145	6,187
Cash surrender value of life insurance	(11,734)	(11,367)
Increase (decrease) in operating liabilities:		
Accounts payable	(35,860)	35,062
Accrued expenses and other liabilities	(26)	14,864
	<u>(23,591)</u>	<u>(311,958)</u>
Net Cash Used by Operating Activities		
Cash Flows From Investing Activities		
Purchase of investments	<u>(12,417)</u>	<u>(4,775)</u>
Net Cash Used by Investing Activities	<u>(12,417)</u>	<u>(4,775)</u>
Cash Flows From Financing Activities		
Borrowings from line of credit	110,000	50,000
Payments on line of credit	<u>(110,000)</u>	<u>(50,000)</u>
Net Cash Used by Financing Activities	<u>-</u>	<u>-</u>
Net Decrease in Cash	(36,008)	(316,733)
Cash at Beginning of Year	<u>386,752</u>	<u>703,485</u>
Cash at End of Year	<u>\$ 350,744</u>	<u>\$ 386,752</u>
Supplemental information:		
Cash paid for interest	<u>\$ 1,134</u>	<u>\$ 1,538</u>

USA Cares, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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 ten 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the net assets categories follows:

Net assets without donor restrictions: expendable funds that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of management and the board of directors.

Net assets with donor restrictions: stipulated by donors and grantors for specific program purposes or are restricted by time. This includes endowment funds in 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. Cash held temporarily by a custodian for investment purposes is included in investments and is not considered to be cash equivalents.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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 net assets with donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Functional Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and supporting services benefited. The expenses that are allocated are salaries and benefits, depreciation, other expenses, taxes/fees, printing, and insurance which are allocated on the basis of estimates of time and effort.

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.

Recently Issued Accounting Standards

For the year ended December 31, 2018, the Council adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-profits (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in formation about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

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, 2018 and 2017 the cash balances exceeded insured limits by \$46,355 and \$110,302, 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.

Note 3 - Promises to Give

Promises to give are all current and consist of the following at December 31, 2018 and 2017:

	2018	2017
Program expense	\$ 43,500	\$ 111,135

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 (loss) at December 31, 2018 and 2017 are as follows:

December 31, 2018	Cost Basis	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 32,130	\$ 32,130	\$ -
Mutual funds - equity	26,635	25,793	(842)
Mutual funds - fixed income	70,583	72,860	2,277
	\$ 129,348	\$ 130,783	\$ 1,435
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

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

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 endowment 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 endowment fund net assets is classified as net assets with purpose restrictions.

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, 2018 and 2017 are as follows:

	Net Assets with Donor Restrictions		
	Accumulated Earnings	Endowment Corpus	Total
Balance, December 31, 2018	\$ 49,755	\$ 81,028	\$ 130,783
Balance, December 31, 2017	\$ 50,427	\$ 81,028	\$ 131,455

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

Note 5 - Endowment Fund - Continued

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Balance, December 31, 2016	\$ 36,901	\$ 81,028	\$ 117,929
Investment Return			
Dividend income	3,535	-	3,535
Realized gain (loss)	1,239	-	1,239
Unrealized gain (loss)	8,752	-	8,752
Total investment return	<u>13,526</u>	<u>-</u>	<u>13,526</u>
Balance, December 31, 2017	<u>\$ 50,427</u>	<u>\$ 81,028</u>	<u>\$ 131,455</u>
Investment Return			
Dividend income	7,098	-	7,098
Realized gain (loss)	5,318	-	5,318
Unrealized gain (loss)	<u>(13,088)</u>	<u>-</u>	<u>(13,088)</u>
Total investment return	<u>(672)</u>	<u>-</u>	<u>(672)</u>
Balance, December 31, 2018	<u><u>\$ 49,755</u></u>	<u><u>\$ 81,028</u></u>	<u><u>\$ 130,783</u></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 without donor restrictions.

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, 2018 and 2017

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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 247,500	\$ 247,500
Construction in progress	63,641	63,641
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	578,318
Less accumulated depreciation	<u>(275,221)</u>	<u>(270,711)</u>
Property and equipment, net	<u>\$ 303,097</u>	<u>\$ 307,607</u>
Depreciation expense	<u>\$ 4,510</u>	<u>\$ 7,054</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 1% (6.5% as of December 31, 2018). The line of credit expires May 15, 2019, and is secured by the Organization's land. There was no outstanding balance at December 31, 2018 and 2017.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

Note 9 - Net Assets with Donor Restrictions

Net assets are restricted for the following purposes:

	2018	2017
Subject to specified purpose or passage of time:		
Program activities	\$ 155,728	\$ 176,146
Time restricted	43,500	111,135
	199,228	287,281
Subject to the spending policy:		
Accumulated earnings from endowment	49,755	50,427
Subject to restriction in perpetuity:		
Endowment funds	81,028	81,028
	\$ 330,011	\$ 418,736

Endowment funds are donor restricted funds in which the principal is invested in perpetuity and the income is used to support programs.

Note 10 - 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 four years is as follows:

2019	\$ 50,004
2020	50,004
2021	50,004
2022	45,837
	\$ 195,849

Total lease expense was \$50,840 and \$46,976 for the years ended December 31, 2018 and 2017, respectively.

Note 11 - 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.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

Note 12 - 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 2018 and 2017, 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, 2018 and 2017 were \$30,075 and \$13,733, respectively.

Note 13 - Liquidity and Availability of Financial Assets

USA Cares, Inc. monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. USA Cares, Inc. has the following financial assets as of December 31, 2018 that could readily be made available within one year to fund expenses without limitations:

	<u>2018</u>
Financial Assets	
Cash	\$ 350,744
Promises to give	<u>43,500</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 394,244</u></u>

As described in Note 8, in addition to financial assets available to meet general expenditures over the year, USA Cares, Inc. has a \$200,000 line of credit available to draw upon in the event of an unanticipated liquidity need.

USA Cares, Inc.
Notes to Financial Statements - Continued
December 31, 2018 and 2017

Note 14 - Recently Issued Accounting Standards Update

Accounting Standards Update 2014-09, Revenue from Contracts with Customers

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

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 2018-08, Not-for-Profit Entities

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU will be effective for USA Cares for the year ending December 31, 2019. 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 4, 2019, which was the date at which the financial statements were available to be issued.