



**USA Cares, Inc.**

**Independent Auditors' Report and  
Financial Statements for the Years Ended  
December 31, 2019 and 2018**

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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, 2019 and 2018 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.

### Correction of an Error

As described in Note 14 to the financial statements, net assets were corrected for an error in prior years. Our opinion is not modified with respect to that matter.

### 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, 2019 and 2018 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 24, 2020

**USA Cares, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash	\$ 253,971	\$ 350,744
Promises to give, net	-	43,500
Prepaid expenses	10,667	12,043
Inventory	9,432	3,755
Investments	153,381	130,783
Cash surrender value of life insurance	43,052	30,574
Property and equipment, net	300,605	303,097
	<b>\$ 771,108</b>	<b>\$ 874,496</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 29,391	\$ 57,011
Accrued expenses and other liabilities	42,833	60,748
	<b>72,224</b>	<b>117,759</b>
 <b>Net Assets</b>		
Net assets without donor restrictions	482,530	431,777
Net assets with donor restrictions		
Restricted by purpose or time	135,326	243,932
Restricted in perpetuity	81,028	81,028
	<b>216,354</b>	<b>324,960</b>
	<b>698,884</b>	<b>756,737</b>
	<b>\$ 771,108</b>	<b>\$ 874,496</b>

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

**USA Cares, Inc.**  
**Statements of Activities**  
**For The Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>						
Contributions and grants	\$ 1,489,164	\$ 36,500	\$ 1,525,664	\$ 1,597,922	\$ 405,711	\$ 2,003,633
Special events						
Gross revenue	549,110	-	549,110	490,253	-	490,253
Direct costs	(155,912)	-	(155,912)	(159,284)	-	(159,284)
Investment income (loss)	178	(452)	(274)	188	12,417	12,605
Unrealized gain (loss)	-	17,240	17,240	-	(13,088)	(13,088)
	1,882,540	53,288	1,935,828	1,929,079	405,040	2,334,119
Net assets released from restrictions	161,894	(161,894)	-	493,765	(493,765)	-
<b>Total Public Support and Revenue</b>	<u>2,044,434</u>	<u>(108,606)</u>	<u>1,935,828</u>	<u>2,422,844</u>	<u>(88,725)</u>	<u>2,334,119</u>
<b>Expenses</b>						
Program services	1,680,131	-	1,680,131	1,968,889	-	1,968,889
Management and general	125,939	-	125,939	122,833	-	122,833
Fund raising	187,611	-	187,611	301,870	-	301,870
<b>Total Expenses</b>	<u>1,993,681</u>	<u>-</u>	<u>1,993,681</u>	<u>2,393,592</u>	<u>-</u>	<u>2,393,592</u>
<b>Change in Net Assets</b>	50,753	(108,606)	(57,853)	29,252	(88,725)	(59,473)
Net Assets at Beginning of Year	431,777	324,960	756,737	397,474	418,736	816,210
Prior Period Adjustment (Note 14)	-	-	-	5,051	(5,051)	-
<b>Net Assets at End of Year</b>	<u>\$ 482,530</u>	<u>\$ 216,354</u>	<u>\$ 698,884</u>	<u>\$ 431,777</u>	<u>\$ 324,960</u>	<u>\$ 756,737</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, 2019 and 2018**

	2019				2018			
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Salaries and wages	\$ 684,329	\$ 517,832	\$ 71,239	\$ 95,258	\$ 832,004	\$ 579,158	\$ 72,634	\$ 180,212
Employee benefits and payroll tax	95,581	72,326	9,950	13,305	132,844	92,473	11,597	28,774
Assistance	892,274	892,274	-	-	1,060,986	1,060,986	-	-
Occupancy	50,780	44,624	4,062	2,094	50,840	44,741	4,042	2,057
Bank charges	20,206	4,506	3,583	12,117	16,344	5,135	-	11,209
Business development	38,124	10,933	-	27,191	53,005	12,628	581	39,796
Conventions and training	9,551	5,471	1,866	2,214	2,136	1,641	-	495
Depreciation	4,542	3,634	363	545	4,510	3,608	361	541
Dues and subscriptions	7,887	2,762	144	4,981	8,979	4,093	27	4,859
Insurance	13,945	11,766	478	1,701	14,442	12,083	732	1,627
Interest expense	4,346	-	4,346	-	1,134	-	1,134	-
Meals and entertainment	16,559	14,800	776	983	11,388	9,455	684	1,249
Office supplies	6,977	5,488	714	775	4,931	4,242	308	381
Other expenses	1,054	875	153	26	477	-	477	-
Postage and shipping	6,507	4,581	262	1,664	11,305	6,413	845	4,047
Printing	1,492	1,333	-	159	764	625	-	139
Professional fees	66,296	34,556	22,275	9,465	75,810	44,675	21,319	9,816
Taxes, licenses and fees	5,749	899	40	4,810	5,844	60	274	5,510
Technology and small equipment	45,131	36,462	1,847	6,822	68,418	58,814	2,520	7,084
Telecommunications	11,219	6,789	3,673	757	11,937	6,205	4,995	737
Travel	11,132	8,220	168	2,744	25,494	21,854	303	3,337
Direct costs of special events	155,912	-	-	155,912	159,284	-	-	159,284
<b>Total Expenses by Function</b>	<b>2,149,593</b>	<b>1,680,131</b>	<b>125,939</b>	<b>343,523</b>	<b>2,552,876</b>	<b>1,968,889</b>	<b>122,833</b>	<b>461,154</b>
Less direct costs of special events	(155,912)	-	-	(155,912)	(159,284)	-	-	(159,284)
<b>Total Expenses Included in Statement of Activities</b>	<b>\$ 1,993,681</b>	<b>\$ 1,680,131</b>	<b>\$ 125,939</b>	<b>\$ 187,611</b>	<b>\$ 2,393,592</b>	<b>\$ 1,968,889</b>	<b>\$ 122,833</b>	<b>\$ 301,870</b>
Percent of total	100.00%	84.27%	6.32%	9.41%	100.00%	82.26%	5.13%	12.61%

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

**USA Cares, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	2019	2018
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (57,853)	\$ (59,473)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,542	4,510
Unrealized (gain) loss	(17,240)	13,088
Donation of fixed assets	(2,050)	-
(Increase) decrease in operating assets:		
Promises to give	43,500	67,635
Prepaid expenses	1,376	(7,876)
Inventory	(5,677)	6,145
Cash surrender value of life insurance	(12,478)	(11,734)
Increase (decrease) in operating liabilities:		
Accounts payable	(27,620)	(35,860)
Accrued expenses and other liabilities	(17,915)	(26)
<b>Net Cash Used by Operating Activities</b>	(91,415)	(23,591)
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(5,358)	(12,417)
<b>Net Cash Used by Investing Activities</b>	(5,358)	(12,417)
<b>Cash Flows From Financing Activities</b>		
Borrowings from line of credit	125,000	110,000
Payments on line of credit	(125,000)	(110,000)
<b>Net Cash Used by Financing Activities</b>	-	-
<b>Net Decrease in Cash</b>	(96,773)	(36,008)
Cash at Beginning of Year	350,744	386,752
<b>Cash at End of Year</b>	\$ 253,971	\$ 350,744
<b>Supplemental information:</b>		
Cash paid for interest	\$ 4,346	\$ 1,134

**USA Cares, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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.

Inventory

Inventory consists of gift cards valued at their cash value.



**USA Cares, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**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.

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.

Public Support and Revenue

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, grants, or notification of a beneficial interest, is received and are recorded as net assets without 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 and when the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Special events revenue is recognized when the event takes place.

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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, 2019, USA Cares, Inc. adopted the following Financial Accounting Standards Board's Accounting Standards Updates:

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**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, 2019 and 2018 the cash balances exceeded insured limits by \$0 and \$46,355, 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, 2019 and 2018:

	2019	2018
Program expense	\$ -	\$ 43,500

**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, 2019 and 2018 are as follows:

December 31, 2019	Cost Basis	Fair Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 5,012	\$ 5,012	\$ -
Mutual funds - equity	95,952	113,144	17,192
Mutual funds - fixed income	35,177	35,225	48
	\$ 136,141	\$ 153,381	\$ 17,240
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

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**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 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, 2019 and 2018 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
Balance, December 31, 2019	\$ 10,860	\$ 61,493	\$ 81,028	\$ 153,381
Balance, December 31, 2018	\$ 5,050	\$ 44,705	\$ 81,028	\$ 130,783

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**Note 5 - Endowment Fund (Continued)**

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
Balance, December 31, 2017	\$ -	\$ 50,427	\$ 81,028	\$ 131,455
Contributions	5,050	-	-	5,050
Investment return				
Realized income	-	7,366	-	7,366
Market value change	-	(13,088)	-	(13,088)
Balance, December 31, 2018	<u>5,050</u>	<u>44,705</u>	<u>81,028</u>	<u>130,783</u>
Contributions	5,810	-	-	5,810
Investment return				
Realized income	-	(452)	-	(452)
Market value change	-	17,240	-	17,240
Balance, December 31, 2019	<u>\$ 10,860</u>	<u>\$ 61,493</u>	<u>\$ 81,028</u>	<u>\$ 153,381</u>

**Note 6 - Cash Value of Life Insurance**

USA Cares, Inc. is the beneficiary of three 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.

**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.

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**Note 7 - Property and Equipment (Continued)**

The cost and accumulated depreciation of such assets at December 31, 2019 and 2018 are as follows:

	2019	2018
Land	\$ 247,500	\$ 247,500
Land improvements	40,487	63,641
Furniture and fixtures	25,405	69,078
Equipment	17,340	122,892
Vehicles	11,834	11,834
Website	62,073	63,373
	404,639	578,318
Less accumulated depreciation	(104,034)	(275,221)
Property and equipment, net	\$ 300,605	\$ 303,097
Depreciation expense	\$ 4,542	\$ 4,510

**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% (5.75% as of December 31, 2019). The line of credit expires August 15, 2021, and is secured by the Organization's land. There was no outstanding balance at December 31, 2019 and 2018.

**Note 9 - Net Assets with Donor Restrictions**

Net assets are restricted for the following purposes:

	2019	2018
Subject to specified purpose or passage of time:		
Program activities	\$ 73,833	\$ 155,727
Time restricted	-	43,500
	73,833	199,227
Subject to the spending policy:		
Accumulated earnings from endowment	61,493	44,705
Subject to restriction in perpetuity:		
Endowment funds	81,028	81,028
	\$ 216,354	\$ 324,960

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

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**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, and computer equipment, software, and IT services under a five year lease expiring July 31, 2023 for \$1,775 per month. Minimum future lease payments for the next four years is as follows:

2020	\$ 71,301
2021	71,301
2022	67,134
2023	<u>12,423</u>
	<u>\$ 222,159</u>

Total lease expense was \$71,301 and \$50,840 for the years ended December 31, 2019 and 2018, 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.

**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 2019 and 2018, 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, 2019 and 2018 were \$8,297 and \$8,075, respectively.

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**Note 13 - Liquidity and Availability of Financial Assets**

The following table reflects USA Cares, Inc.'s financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, perpetual endowments and accumulated earnings net of appropriations within one year.

	2019	2018
Financial Assets		
Cash	\$ 253,971	\$ 350,744
Promises to give	-	43,500
	253,971	394,244
Financial assets available to meet cash needs for general expenditures within one year	253,971	394,244
Less those unavailable for general expenditure within one year		
Restricted for career training in Kentucky	(60,885)	(72,880)
	193,086	321,364
Financial assets available to meet cash needs for general expenditures within one year	\$ 193,086	\$ 321,364

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. 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.

**Note 14 - Prior Period Adjustment**

The accompanying financial statements have been restated to correct an error made in the prior year. Management has determined that net assets with donor restrictions were overstated and net assets without donor restrictions were understated by \$5,051 in the prior year. Management increased the endowment fund by \$5,051 using net assets without donor restrictions in the prior year, however, this amount was included in the accumulated earnings.

The effect on net assets is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Balance December 31, 2018, as previously stated	\$ 426,726	\$ 330,011	\$ 756,737
Adjustment to correct net assets	5,051	(5,051)	-
Balance December 31, 2018, as restated	\$ 431,777	\$ 324,960	\$ 756,737



**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2019 and 2018**

**Note 15 - Recently Issued Accounting Standards Update**

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.

**Note 16 - Subsequent Events**

In early 2020, the global coronavirus outbreak hit the United States of America. USA Cares, Inc.'s overall organization could be negatively impacted by the coronavirus outbreak, but the significance and the duration of the impact for which it may have cannot be determined at this time.

Management has evaluated subsequent events for recognition or disclosure in the financial statements through March 24, 2020, which was the date at which the financial statements were available to be issued.