



**USA Cares, Inc.**

**Independent Auditors' Report and  
Financial Statements for the Years Ended**

**December 31, 2021 and 2020**

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## Independent Auditors' Report

The Board of Directors  
USA Cares, Inc.  
Louisville, Kentucky

### Opinion

We have audited the accompanying financial statements of USA Cares, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Cares, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 discussed in Note 17 to the financial statements, an error resulting in the understatement of the amounts previously reported for pledges receivable and special event revenue as of December 31, 2020, was discovered during the current year. Accordingly, amounts reported for pledges receivable and special event revenue have been restated in the 2020 statements now presented, and an adjustment has been made to net assets as of December 31, 2020, to correct the error. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Cares Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USA Cares, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about USA Cares, Inc.'s ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Baldwin CPAs, PLLC*

Louisville, Kentucky  
March 27, 2022

**USA Cares, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Cash	\$ 992,240	\$ 641,063
Pledges receivable	-	20,000
Promises to give	16,000	44,069
Prepaid expenses	10,950	4,167
Inventory	15,280	13,473
Investments	251,544	144,566
Cash surrender value of life insurance	21,878	17,088
Property and equipment, net	314,654	305,359
	<b>\$ 1,622,546</b>	<b>\$ 1,189,785</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 16,428	\$ 35,742
Accrued expenses	46,303	32,803
Notes payable	149,900	149,900
	<b>212,631</b>	<b>218,445</b>
 <b>Net Assets</b>		
Net assets without donor restrictions	1,113,903	742,454
Net assets with donor restrictions		
Restricted by purpose or time	214,984	147,858
Restricted in perpetuity	81,028	81,028
	<b>296,012</b>	<b>228,886</b>
	<b>1,409,915</b>	<b>971,340</b>
	<b>\$ 1,622,546</b>	<b>\$ 1,189,785</b>

**USA Cares, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2021 and 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>						
Contributions and grants	\$ 1,811,372	\$ 43,769	\$ 1,855,141	\$ 1,299,804	\$ 81,569	\$ 1,381,373
Special events						
Gross revenue	717,677	-	717,677	463,860	-	463,860
Direct costs	(149,916)	-	(149,916)	(59,777)	-	(59,777)
Investment income (loss)	38	3,197	3,235	8,319	5,268	13,587
Unrealized/realized gain (loss)	-	103,781	103,781	-	(14,083)	(14,083)
	<u>2,379,171</u>	<u>150,747</u>	<u>2,529,918</u>	<u>1,712,206</u>	<u>72,754</u>	<u>1,784,960</u>
Net assets released from restrictions	83,621	(83,621)	-	60,222	(60,222)	-
<b>Total Public Support and Revenue</b>	<u>2,462,792</u>	<u>67,126</u>	<u>2,529,918</u>	<u>1,772,428</u>	<u>12,532</u>	<u>1,784,960</u>
<b>Expenses</b>						
Program services	1,786,433	-	1,786,433	1,240,710	-	1,240,710
Management and general	107,413	-	107,413	121,314	-	121,314
Fund raising	197,497	-	197,497	150,480	-	150,480
<b>Total Expenses</b>	<u>2,091,343</u>	<u>-</u>	<u>2,091,343</u>	<u>1,512,504</u>	<u>-</u>	<u>1,512,504</u>
<b>Change in Net Assets</b>	371,449	67,126	438,575	259,924	12,532	272,456
Net Assets at Beginning of Year	<u>742,454</u>	<u>228,886</u>	<u>971,340</u>	<u>482,530</u>	<u>216,354</u>	<u>698,884</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,113,903</u>	<u>\$ 296,012</u>	<u>\$ 1,409,915</u>	<u>\$ 742,454</u>	<u>\$ 228,886</u>	<u>\$ 971,340</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, 2021 and 2020**

	2021				2020			
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Salaries and wages	\$ 742,252	\$ 584,152	\$ 51,438	\$ 106,662	\$ 607,272	\$ 459,523	\$ 63,217	\$ 84,532
Employee benefits and payroll tax	103,518	81,469	7,174	14,875	80,709	61,073	8,402	11,234
Assistance	865,472	865,472	-	-	516,427	516,427	-	-
Occupancy	50,260	44,208	4,021	2,031	50,780	44,624	4,062	2,094
Bank charges	16,954	1,136	1,437	14,381	16,420	2,899	5,899	7,622
Business development	22,179	17,865	-	4,314	34,473	32,477	-	1,996
Conventions and training	2,584	793	793	998	4,999	2,269	1,157	1,573
Depreciation	5,997	4,797	480	720	2,545	2,036	204	305
Dues and subscriptions	11,602	5,110	220	6,272	9,840	4,953	129	4,758
Insurance	17,513	11,714	2,806	2,993	15,655	10,643	2,301	2,711
Interest expense	550	-	550	-	2,257	-	2,257	-
Meals and entertainment	7,396	6,489	43	864	4,435	3,566	187	682
Office supplies	8,562	7,572	252	738	5,407	3,584	1,418	405
Other expenses	1,941	1,732	91	118	2,362	2,005	67	290
Postage and shipping	14,254	9,823	-	4,431	7,033	4,334	-	2,699
Printing	6,156	5,724	-	432	1,560	1,560	-	-
Professional fees	118,956	71,793	28,942	18,221	75,888	38,984	24,224	12,680
Taxes, licenses and fees	4,575	367	27	4,181	5,723	1,022	27	4,674
Technology and small equipment	63,050	49,822	1,812	11,416	50,019	37,726	1,802	10,491
Telecommunications	16,668	8,379	7,323	966	16,127	9,153	5,925	1,049
Travel	10,904	8,016	4	2,884	2,573	1,852	36	685
Direct costs of special events	149,916	-	-	149,916	59,777	-	-	59,777
Total Expenses by Function	2,241,259	1,786,433	107,413	347,413	1,572,281	1,240,710	121,314	210,257
Less: direct costs of special events	(149,916)	-	-	(149,916)	(59,777)	-	-	(59,777)
Total Expenses	<u>\$ 2,091,343</u>	<u>\$ 1,786,433</u>	<u>\$ 107,413</u>	<u>\$ 197,497</u>	<u>\$ 1,512,504</u>	<u>\$ 1,240,710</u>	<u>\$ 121,314</u>	<u>\$ 150,480</u>
Percent of total	<u>100.00%</u>	<u>85.42%</u>	<u>5.14%</u>	<u>9.44%</u>	<u>100.00%</u>	<u>82.03%</u>	<u>8.02%</u>	<u>9.95%</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, 2021 and 2020**

	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 438,575	\$ 272,456
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,997	2,545
Unrealized and realized (gain) loss	(103,781)	6,997
(Increase) decrease in operating assets:		
Pledges receivable	20,000	(20,000)
Promises to give	28,069	(44,069)
Prepaid expenses	(6,783)	6,500
Inventory	(1,807)	(4,041)
Cash surrender value of life insurance	(4,790)	25,964
Increase (decrease) in operating liabilities:		
Accounts payable	(19,314)	6,351
Accrued expenses	13,500	(10,030)
	<b>369,666</b>	<b>242,673</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(15,292)	(7,299)
Purchase of investments	(3,197)	(1,124)
Proceeds from sale of investments	-	2,942
	<b>(18,489)</b>	<b>(5,481)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from notes payable	-	149,900
Proceeds from line of credit	-	60,000
Payments on line of credit	-	(60,000)
	<b>-</b>	<b>149,900</b>
<b>Net Increase in Cash</b>	<b>351,177</b>	<b>387,092</b>
Cash at Beginning of Year	641,063	253,971
	<b>\$ 992,240</b>	<b>\$ 641,063</b>
<b>Cash at End of Year</b>	<b>\$ 992,240</b>	<b>\$ 641,063</b>
<b>Supplemental Information</b>		
Cash paid for interest	\$ 550	\$ 2,257



**USA Cares, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**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 twelve 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 (Continued)**  
**December 31, 2021 and 2020**

**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 (1-10 years). The cost of property and equipment purchased more than \$2,500 is capitalized.

Revenue Recognition

Contributions and grants 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. Contributions and grants that are 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 contributions and grants are 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, 2021 and 2020**

**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.

Advertising Expense

The organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$12,733 and \$31,288, respectively.

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.

Reclassifications

Certain reclassifications have been made in the prior year's amounts to conform with current year statement presentation.

**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, 2021 and 2020 the cash balances exceeded insured limits by \$692,931 and \$363,611, respectively.

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2021 and 2020**

**Note 2 - Concentrations of Credit Risk (Continued)**

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 on December 31, 2021 and 2020:

	2021	2020
Program expense	\$ 16,000	\$ 44,069

**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 on December 31, 2021 and 2020 are as follows:

	Level 1	Level 2	Level 3	Total Fair Value
<u>December 31, 2021</u>				
Cash and cash equivalents	\$ 10,412	\$ -	\$ -	\$ 10,412
Mutual funds - domestic	241,132	-	-	241,132
Total investments at fair value	\$ 251,544	\$ -	\$ -	\$ 251,544
<u>December 31, 2020</u>				
Cash and cash equivalents	\$ 112,939	\$ -	\$ -	\$ 112,939
Mutual funds - domestic	31,627	-	-	31,627
Total investments at fair value	\$ 144,566	\$ -	\$ -	\$ 144,566

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2021 and 2020**

**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 on December 31, 2021 and 2020 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
December 31, 2021	\$ 10,860	\$ 159,656	\$ 81,028	\$ 251,544
December 31, 2020	\$ 10,860	\$ 52,678	\$ 81,028	\$ 144,566

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2021 and 2020**

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

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
December 31, 2019	\$ 10,860	\$ 61,493	\$ 81,028	\$ 153,381
Investment return				
Investment income, net	-	5,268	-	5,268
Realized gain/(loss)	-	(2,942)	-	(2,942)
Unrealized gain/(loss)	-	(11,141)	-	(11,141)
December 31, 2020	<u>10,860</u>	<u>52,678</u>	<u>81,028</u>	<u>144,566</u>
Investment return				
Investment income, net	-	3,197	-	3,197
Realized gain/(loss)	-	98,552	-	98,552
Unrealized gain/(loss)	-	5,229	-	5,229
December 31, 2021	<u>\$ 10,860</u>	<u>\$ 159,656</u>	<u>\$ 81,028</u>	<u>\$ 251,544</u>

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

USA Cares, Inc. is the beneficiary of two life insurance policies whereby the donor of the policy donates 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 be 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, 2021 and 2020**

**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 on December 31, 2021 and 2020 are as follows:

	2021	2020
Land	\$ 247,500	\$ 247,500
Land improvements	40,487	40,487
Leasehold improvements	11,642	-
Furniture and fixtures	25,405	25,405
Equipment	11,040	11,040
Vehicles	11,834	11,834
Website	19,761	16,112
Total costs	367,669	352,378
Less accumulated depreciation	(53,015)	(47,019)
Property and equipment, net	\$ 314,654	\$ 305,359
Depreciation expense	\$ 5,997	\$ 2,545

**Note 8 - PPP Loan**

On April 13, 2020, USA Cares entered into an unsecured promissory note under the Paycheck Protection Program (the "PPP"), with a principal amount of \$144,900. The PPP was established under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The term of the PPP loan is two years. The interest rate on this loan is 1.0% per annum, which shall be deferred for the first six months of the term of the loan. After the initial six-month deferral period, the loan requires monthly payments of principal and interest until maturity with respect to any portion of the PPP loan which is not forgiven as described below. USA Cares is permitted to prepay or partially prepay the PPP loan at any time with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the SBA, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. USA Cares applied for Forgiveness of the PPP loan on December 29, 2020 and the SBA approved the Forgiveness Application in full on January 22, 2021. USA Cares recorded the loan as a grant on the statement of activities for the year ended December 31, 2020.

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2021 and 2020**

**Note 8 - PPP Loan (Continued)**

On February 16, 2021, USA Cares entered into a second unsecured promissory note under the Paycheck Protection Program (the "PPP II"), with a principal amount of \$144,900. The PPP II loan was established under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration (the "SBA"). The term of the PPP II loan is five years. The interest rate on this loan is 1.0% per annum, which shall be deferred for the first six months of the term of the loan. After the initial six-month deferral period, the loan requires monthly payments of principal and interest until maturity with respect to any portion of the PPP II loan which is not forgiven as described below. USA Cares is permitted to prepay or partially prepay the PPP loan at any time with no prepayment penalties. Under the terms of the CARES Act, PPP II loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP II loan. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the SBA, based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. USA Cares applied for forgiveness of the PPP loan on May 27, 2021 and the SBA approved the forgiveness application in full on July 20, 2021. USA Cares recorded the loan as a grant on the statement of activities for the year ended December 31, 2021.

**Note 9 - Notes Payable**

On May 15, 2020, USA Cares, Inc. obtained an Economic Injury Disaster Loan (EIDL) for \$149,900. The proceeds from the note were used to support general operations and provide economic relief from government mandated closings due to the COVID-19 pandemic. The note requires 348 monthly payments, beginning May 15, 2022, of principal and interest of \$641 and bears interest at a fixed rate of 2.75%. Each payment will be first applied to interest accrued and the remaining balance of the payment, if any, will then be applied to principal.

Principal payments due on the note payable are as follows for the year ended December 31, 2021:

2022	\$	-
2023		1,596
2024		3,530
2025		3,628
2026		3,729
Thereafter		137,417
	\$	149,900

**Note 10 - 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% (4.5% as of December 31, 2021). The line of credit expires August 15, 2023 and is secured by the Organization's land. There was no outstanding balance on December 31, 2021 and 2020.



**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2021 and 2020**

**Note 11 - Net Assets with Donor Restrictions**

Net assets are restricted for the following purposes:

	2021	2020
Subject to specified purpose or passage of time:		
Program activities	\$ 39,328	\$ 51,111
Time restricted	16,000	44,069
	55,328	95,180
Subject to the spending policy:		
Accumulated earnings from endowment	159,656	52,678
Subject to restriction in perpetuity:		
Endowment funds	81,028	81,028
Total net assets with donor restriction	\$ 296,012	\$ 228,886

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

**Note 12 - 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 \$2,008 per month. Minimum future lease payments for the next two years are as follows:

2022	\$ 74,098
2023	14,055
	\$ 88,153

Total lease expense was \$73,387 for the years ended December 31, 2021 and 2020. As of December 31, 2021 USA Cares has signed a purchase agreement for the office space.

**Note 13 - 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, 2021 and 2020**

**Note 14 - 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 2021 and 2020, 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, 2021 and 2020 were \$4,500 and \$0, respectively.

**Note 15 - Liquidity and Availability of Financial Assets**

The following table reflects USA Cares, Inc.'s financial assets as of December 31, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash	\$ 992,240	\$ 641,063
Pledges receivable	-	-
Promises to give	<u>16,000</u>	<u>44,069</u>
Financial assets available to meet cash needs for general expenditures within one year	1,008,240	685,132
Less those unavailable for general expenditure within one year		
Restricted for career training	<u>(39,328)</u>	<u>(51,111)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 968,912</u>	<u>\$ 634,021</u>

USA Cares, Inc. monitors its liquidity so that it can meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. As described in Note 9, 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, 2021 and 2020**

**Note 16 - Recently Issued Accounting Standards Update**

Accounting Standards Update (ASU) 2016-02, Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, (ASU 2016-02), 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 ASU 2016-02, 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, 2022, 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 (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring an entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. ASU 2020-07 includes additional disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The standard will be applied on a retrospective basis and will be effective for the year ending December 31, 2022. USA Cares, Inc. does not expect the new standard will impact its financial statements other than a reclassification on the statement of activities and additional disclosures.

**Note 17 - Correction of an Error**

During audit procedures performed for the year ending December 31, 2021, it was noted that special event income was understated for the period ending December 31, 2020 by \$20,000. As a result, net income and beginning net assets were understated by \$20,000. Accordingly, USA Cares has restated its results and cash flows for the year ended December 31, 2020.

The following is a summary of the restatement referenced above:

	<u>As Previously Reported</u>	<u>As Restated</u>
Balance at December 31, 2020		
Pledges receivable	\$ -	\$ 20,000
Net assets	951,340	971,340
For the year ended December 31, 2020		
Change in net assets	\$ 252,456	\$ 272,456
Special Event income (net)	384,083	404,083

**USA Cares, Inc.**  
**Notes to Financial Statements (Continued)**  
**December 31, 2021 and 2020**

**Note 18 - Commitments and Contingencies**

The novel coronavirus (COVID-19) was first identified in people in late 2019. COVID-19 spread rapidly throughout the world and, in March 2020, the World Health Organization characterized COVID-19 as a pandemic. It has significantly disrupted supply chains and businesses around the world. The United States and global markets experienced significant volatility in value resulting from uncertainty caused by the pandemic. USA Cares, Inc. is closely monitoring its investment portfolio and its liquidity, but has no immediate plans to change its investment portfolio. The extent of the impact of COVID-19 on USA Cares, Inc.'s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the clients, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact USA Cares, Inc.'s future financial condition, results of operations and cash flows is uncertain.

On December 21, 2021 USA Cares, Inc. signed a letter of intent to purchase real estate located at 11760 Commonwealth Drive in Louisville, KY. The proposed purchase price is \$1,000,000. Closing is contingent upon USA Cares, Inc. receiving an appraisal that is equal to or greater than the purchase price. The purchase agreement is not binding, and no deposit has been made as of December 31, 2021.

**Note 19 - Subsequent Events**

On January 13, 2022, USA Cares, Inc. modified their Economic Injury Disaster Loan (EIDL) to include an additional \$149,900, increasing their loan balance to \$300,000. The payment terms were modified to include an increased payment of \$1,318 due each month, beginning May 15, 2022. All remaining principle and accrued interest are due and payable on May 22, 2050. The interest rate remains unchanged.

Management has evaluated subsequent events for recognition or disclosure in the financial statements through March 27, 2022, which was the date at which the financial statements were available to be issued.