



USA Cares, Inc.

**Independent Auditors' Report and
Financial Statements for the Years Ended
December 31, 2022 and 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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.

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 31, 2023

USA Cares, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 1,660,845	\$ 992,240
Promises to give	122,500	16,000
ERTC receivable	101,351	-
Prepaid expenses	32,767	10,950
Inventory	6,350	15,280
Investments	230,759	251,544
Cash surrender value of life insurance	26,663	21,878
Property and equipment, net	1,365,695	314,654
Right-of-use assets - operating leases, net	6,793	-
	\$ 3,553,723	\$ 1,622,546
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 31,599	\$ 16,428
Accrued expenses	48,487	46,303
Current portion of long-term debt	24,809	-
Current portion of operating lease liabilities	3,855	-
	108,750	62,731
Long-term Liabilities		
Long-term debt	763,832	149,900
Long-term operating lease liabilities	2,938	-
	766,770	149,900
Total Long-term Liabilities	766,770	149,900
Total Liabilities	875,520	212,631
Net Assets		
Net assets without donor restrictions	1,421,826	1,113,903
Net assets with donor restrictions		
Restricted by purpose or time	1,175,349	214,984
Restricted in perpetuity	81,028	81,028
	1,256,377	296,012
Total Net Assets	2,678,203	1,409,915
Total Liabilities and Net assets	\$ 3,553,723	\$ 1,622,546

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

USA Cares, Inc.
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions and grants	\$ 2,190,805	\$ 1,376,567	\$ 3,567,372	\$ 1,801,617	\$ 43,769	\$ 1,845,386
Contribution of nonfinancial assets	17,021	-	17,021	9,755	-	9,755
Special events						
Gross revenue	841,098	-	841,098	717,677	-	717,677
Direct costs	(212,460)	-	(212,460)	(149,916)	-	(149,916)
Investment income	2,445	2,530	4,975	38	3,197	3,235
Unrealized/realized gain (loss)	-	(26,315)	(26,315)	-	103,781	103,781
Loss on disposal of assets	(9,777)	-	(9,777)	-	-	-
	2,829,132	1,352,782	4,181,914	2,379,171	150,747	2,529,918
Net assets released from restrictions	392,417	(392,417)	-	83,621	(83,621)	-
Total Public Support and Revenue	3,221,549	960,365	4,181,914	2,462,792	67,126	2,529,918
Expenses						
Program services	2,547,936	-	2,547,936	1,786,433	-	1,786,433
Management and general	153,843	-	153,843	107,413	-	107,413
Fund raising	211,847	-	211,847	197,497	-	197,497
Total Expenses	2,913,626	-	2,913,626	2,091,343	-	2,091,343
Change in Net Assets	307,923	960,365	1,268,288	371,449	67,126	438,575
Net Assets at Beginning of Year	1,113,903	296,012	1,409,915	742,454	228,886	971,340
Net Assets at End of Year	\$ 1,421,826	\$ 1,256,377	\$ 2,678,203	\$ 1,113,903	\$ 296,012	\$ 1,409,915

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

USA Cares, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Total	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising
Salaries and wages	\$ 908,028	\$ 752,937	\$ 51,304	\$ 103,787	\$ 742,252	\$ 584,152	\$ 51,438	\$ 106,662
Employee benefits and payroll tax	133,484	110,685	7,542	15,257	103,518	81,469	7,174	14,875
Assistance	1,409,891	1,409,891	-	-	865,472	865,472	-	-
Occupancy	27,689	24,772	1,750	1,167	50,260	44,208	4,021	2,031
Bank charges	33,317	1,270	10,172	21,875	16,954	1,136	1,437	14,381
Business development	32,623	23,939	-	8,684	22,179	17,865	-	4,314
Conventions and training	6,539	3,545	694	2,300	2,584	793	793	998
Depreciation	15,250	12,505	915	1,830	5,997	4,797	480	720
Dues and subscriptions	10,192	5,404	79	4,709	11,602	5,110	220	6,272
Insurance	22,438	16,705	3,021	2,712	17,513	11,714	2,806	2,993
Interest expense	29,233	-	29,233	-	550	-	550	-
Meals and entertainment	21,646	9,650	39	11,957	7,396	6,489	43	864
Office supplies	3,916	3,274	300	342	8,562	7,572	252	738
Other expenses	12,585	11,625	481	479	1,941	1,732	91	118
Postage and shipping	15,483	11,583	671	3,229	14,254	9,823	-	4,431
Printing	8,235	7,159	-	1,076	6,156	5,724	-	432
Professional fees	106,769	56,862	39,234	10,673	118,956	71,793	28,942	18,221
Taxes, licenses and fees	3,864	1,283	32	2,549	4,575	367	27	4,181
Technology and small equipment	53,549	41,533	1,339	10,677	63,050	49,822	1,812	11,416
Telecommunications	16,941	9,478	6,621	842	16,668	8,379	7,323	966
Travel	35,303	27,850	17	7,436	10,904	8,016	4	2,884
Utilities	6,651	5,986	399	266	-	-	-	-
Direct costs of special events	212,460	-	-	212,460	149,916	-	-	149,916
Total Expenses by Function	3,126,086	2,547,936	153,843	424,307	2,241,259	1,786,433	107,413	347,413
Less: direct costs of special events	(212,460)	-	-	(212,460)	(149,916)	-	-	(149,916)
Total Expenses	<u>\$ 2,913,626</u>	<u>\$ 2,547,936</u>	<u>\$ 153,843</u>	<u>\$ 211,847</u>	<u>\$ 2,091,343</u>	<u>\$ 1,786,433</u>	<u>\$ 107,413</u>	<u>\$ 197,497</u>
Percent of total	<u>100.00%</u>	<u>87.45%</u>	<u>5.28%</u>	<u>7.27%</u>	<u>100.00%</u>	<u>85.42%</u>	<u>5.14%</u>	<u>9.44%</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, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 1,268,288	\$ 438,575
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,250	5,997
Unrealized and realized (gain) loss	26,315	(103,781)
(Gain) loss on disposal of assets	9,777	-
Amortization of right-of-use assets	3,803	-
(Increase) decrease in operating assets:		
ERTC receivable	(101,351)	-
Pledges receivable	-	20,000
Promises to give	(106,500)	28,069
Prepaid expenses	(21,817)	(6,783)
Inventory	8,930	(1,807)
Cash surrender value of life insurance	(4,785)	(4,790)
Increase (decrease) in operating liabilities:		
Accounts payable	15,171	(19,314)
Accrued expenses	2,184	13,500
Lease liabilities - operating leases	(3,803)	-
Net Cash Provided by Operating Activities	1,111,462	369,666
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,076,068)	(15,292)
Purchase of investments	(10,530)	(3,197)
Proceeds from sale of investments	5,000	-
Net Cash Used by Investing Activities	(1,081,598)	(18,489)
Cash Flows From Financing Activities		
Proceeds from long-term debt	1,150,000	-
Payments on long-term debt	(511,259)	-
Net Cash Provided by Financing Activities	638,741	-
Net Increase in Cash	668,605	351,177
Cash at Beginning of Year	992,240	641,063
Cash at End of Year	\$ 1,660,845	\$ 992,240
Supplemental Information		
Cash paid for interest	\$ 29,233	\$ 550
Obtaining right-of-use assets in exchange for lease liabilities	\$ 10,596	\$ -

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

USA Cares, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

Organization

USA Cares, Inc. (the Organization) is a not-for-profit, tax-exempt organization whose mission is to provide post-9/11 military veterans, service members, and their families with emergency financial assistance and post-service skills training to create a foundation for long-term stability. Their services improve the quality of life for veterans and their families and reduce potential factors that can contribute to veteran suicide. These services are funded primarily by contributions and grants.

The Organization currently has twenty-four 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, 2022 and 2021

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, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions of Non-financial Assets and In-kind Donations

The Organization may receive various types of in-kind donations including services and equipment. FASB ASC 958-605-25 requires recognition of professional services received if those services (a) create or enhance long-lived non-financial assets or (b) require specialized skill(s), are provided by individuals possessing those skill(s) and would typically need to be purchased if not provided by donation. The services received by the Organization do not meet these criteria. Contributions of tangible assets are recognized at fair value when received and presented on the statement of activities as contributions of non-financial assets and in-kind donations, as required by ASU 2020-07.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. Many individuals volunteer significant amounts of time and perform a variety of tasks that assist the Organization with programs, solicitations, and various committee assignments, however the Organization does not reflect the value of the contributed services because they do not meet recognition criteria presented by GAAP.

Advertising Expense

The organization uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2022 and 2021 were \$19,251 and \$12,733, 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.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted in the Current Year

In September 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted and implemented this pronouncement on January 1, 2021 using the retrospective method of application. The adoption of ASU 2020-07 resulted in no material changes to the recognition of contributions.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt this ASU effective January 1, 2022, and utilized all the applicable available practical expedients. The adoption had an immaterial impact on the Organization’s statements of financial position and activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$10,596 an increase in long-term operating lease liabilities of \$6,793, and short-term operating lease liabilities of \$3,803. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

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, 2022 and 2021, the cash balances exceeded insured limits by \$1,920,726 and \$692,931, respectively.

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

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 3 - Promises to Give

Promises to give are all current and consist of the following on December 31, 2022 and 2021:

	2022	2021
Program expense	\$ 122,500	\$ 16,000

Note 4 - Investments

Investments consist of cash and mutual funds and are presented in the financial statements at fair value based on quoted market prices in active markets (all Level 1 measurements). Market risk could occur and is dependent on the future changes in market prices of the various investments held. Cost, fair values and unrealized gain on December 31, 2022 and 2021 are as follows:

<u>December 31, 2022</u>	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 9,898	\$ -	\$ -	\$ 9,898
Mutual funds - domestic	220,861	-	-	220,861
Total investments at fair value	\$ 230,759	\$ -	\$ -	\$ 230,759
<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

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.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 5 - Endowment Fund (Continued)

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, 2022 and 2021 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
December 31, 2022	\$ 10,860	\$ 138,871	\$ 81,028	\$ 230,759
December 31, 2021	\$ 10,860	\$ 159,656	\$ 81,028	\$ 251,544

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 5 - Endowment Fund (Continued)

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions		Total
		Accumulated Earnings	Endowment Corpus	
December 31, 2020	\$ 10,860	\$ 52,678	\$ 81,028	\$ 144,566
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	10,860	159,656	81,028	251,544
Investment return				
Contribution		3,000		3,000
Investment income, net	-	2,530	-	2,530
Realized gain/(loss)	-	(3,987)	-	(3,987)
Unrealized gain/(loss)	-	(22,328)	-	(22,328)
December 31, 2022	<u>\$ 10,860</u>	<u>\$ 138,871</u>	<u>\$ 81,028</u>	<u>\$ 230,759</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, 2022 and 2021

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, 2022 and 2021 are as follows:

	2022	2021
Land	\$ 247,500	\$ 247,500
Land improvements	37,009	40,487
Building	1,007,650	-
Building improvements	53,149	11,642
Furniture and fixtures	28,298	25,405
Equipment	22,097	11,040
Vehicles	11,834	11,834
Website	19,761	19,761
	1,427,298	367,669
Less accumulated depreciation	(61,603)	(53,015)
	\$ 1,365,695	\$ 314,654
Property and equipment, net		
	\$ 15,250	\$ 5,997
Depreciation expense		

Note 8 - PPP Loan

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.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 9 - Long-Term Debt

Long-term debt consists of the following as of December 31:

	2022	2021
2.75% note, secured by company assets, monthly payment of \$1,318 including principal and interest, final payment due November 2052.	\$ 298,596	\$ 149,900
3.50% note, secured by company assets, monthly payment of \$5,010, a balloon payment of \$321,591 due on the maturity date.	490,045	-
	\$ 788,641	\$ 149,900

Principal payments due on the note payable are as follows:

Year Ending December 31,		
2023		\$ 24,809
2024		24,592
2025		25,451
2026		26,293
2027		27,404
Thereafter		660,092
		\$ 788,641

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 (7.5% as of December 31, 2022) plus .5%. The line of credit expires August 15, 2023 and is secured by the Organization's land. There was no outstanding balance on December 31, 2022 and 2021.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 11 - Net Assets with Donor Restrictions

Net assets are restricted for the following purposes:

	2022	2021
Subject to specified purpose or passage of time:		
Program activities	\$ 913,978	\$ 39,328
Time restricted	122,500	16,000
	1,036,478	55,328
Subject to the spending policy:		
Accumulated earnings from endowment	138,871	159,656
Subject to restriction in perpetuity:		
Endowment funds	81,028	81,028
Total net assets with donor restriction	\$ 1,256,377	\$ 296,012

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

The Organization leases certain office equipment, laptop computers, and copying machines. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Leases with a right of use value less than \$2,500 are not recognized. The leases have remaining lease terms of 20 months to 25 months.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our statements of financial position. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk free rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense is recognized for these leases on a straight-line basis over the lease term. As of December 31, 2022, assets recorded under right-of-use assets - operating leases were \$10,596, and accumulated amortization associated with operating leases was \$3,803.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 12 - Leases (Continued)

The components of lease expense were as follows:

Year Ended December 31,	<u>2022</u>
Operating leases, included in operating expenses	<u>\$ 3,924</u>
Total lease costs	<u><u>\$ 3,924</u></u>

Other information related to leases are as follows:

Year Ended December 31,	<u>2022</u>
Weighted average remaining lease term (years)	1.8
Weighted average discount rate	1.37%

Future minimum lease payments under operating lease are as follows:

Year Ending December 31,		
2023	\$	3,924
2024		2,888
2025		68
Less imputed interest		<u>(87)</u>
Total	\$	<u>6,793</u>

As of December 31, 2021, the Organization's operating lease were accounted for under ASC 840, Leases.

Operating Leases

Total rent expense for operating leases for the year ended December 31, 2021, amounted to \$73,387.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 12 - Leases (Continued)

Future minimum lease payments under FASB ASC 840, Leases are as follows:

Year Ending December 31,		
2022	\$	74,098
2023		14,055
Total	\$	88,153

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. For participating employees, USA Cares, Inc. will contribute 50% match, not to exceed 3% of their compensation. For the years ended December 31, 2022 and 2021, employer contributions were \$8,600 and \$0, respectively.

Note 14 - Contributions of Nonfinancial Assets

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	2022	2021
Events	\$ 17,021	\$ 9,755
	\$ 17,021	\$ 9,755

The Organization records various forms of gift-in-kind (GIK), including appliances, clothing, events, food, furniture, supplies, and toiletries. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 15 - Liquidity and Availability of Financial Assets

The following table reflects USA Cares, Inc.'s financial assets as of December 31, 2022 and 2021, 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.

	2022	2021
Financial Assets		
Cash	\$ 1,660,845	\$ 992,240
Promises to give	122,500	16,000
Financial assets available to meet cash needs for general expenditures within one year	1,783,345	1,008,240
Less those unavailable for general expenditure within one year		
Restricted for career training	(913,978)	(39,328)
Financial assets available to meet cash needs for general expenditures within one year	\$ 869,367	\$ 968,912

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 10, 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 16 – Other Receivable

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee per quarter for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021.

Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act for the second, third, and fourth quarters of 2020, and the first and second quarters of 2021. As of December 31, 2022, the Organization has recognized \$101,351 as ERTC Receivable on the balance sheet and contributions and grants were increased by this receivable amount on the statement of activities. The Organization has utilized guidance in ASC 410 and ASC 250 as a change in estimate.

Note 17 - Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through March 31, 2023, which was the date at which the financial statements were available to be issued.