



USA Cares, Inc.

**Independent Auditors' Report and
Financial Statements for the Years Ended
December 31, 2023 and 2022**

Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2023 and 2022, 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, 2023 and 2022, 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.

Prior Period Adjustments

As discussed in Note 15 to the financial statements, USA Cares, Inc. corrected an error primarily related to reporting special event revenue in the proper period. 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

April 11, 2024

USA Cares, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	(Restated) 2022
	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 1,387,366	\$ 1,660,845
Promises to give	45,000	97,500
ERTC receivable	-	101,351
Prepaid expenses	6,663	32,767
Inventory	7,100	6,350
	<u>1,446,129</u>	<u>1,898,813</u>
Total Current Assets	1,446,129	1,898,813
Property and Equipment, Net	1,393,664	1,365,695
Other Assets		
Long-term investments	250,721	230,759
Cash surrender value of life insurance	31,448	26,663
Promises to give, less current portion	-	25,000
Right-of-use assets - operating leases, net	2,938	6,793
Total Other Assets	<u>285,107</u>	<u>289,215</u>
Total Assets	<u>\$ 3,124,900</u>	<u>\$ 3,553,723</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 57,092	\$ 31,599
Accrued expenses	64,221	48,487
Deferred revenue	25,500	90,833
Current portion of long-term debt	24,592	24,809
Current portion of operating lease liabilities	2,870	3,855
	<u>174,275</u>	<u>199,583</u>
Total Current Liabilities	174,275	199,583
Long-term Liabilities		
Long-term debt	687,663	763,832
Long-term operating lease liabilities	68	2,938
	<u>687,731</u>	<u>766,770</u>
Total Long-term Liabilities	687,731	766,770
Total Liabilities	862,006	966,353
Net Assets		
Net assets without donor restrictions	1,722,425	1,410,966
Net assets with donor restrictions		
Restricted by purpose or time	445,581	1,081,516
Restricted in perpetuity	94,888	94,888
	<u>540,469</u>	<u>1,176,404</u>
Total net assets with donor restrictions	540,469	1,176,404
Total Net Assets	<u>2,262,894</u>	<u>2,587,370</u>
Total Liabilities and Net assets	<u>\$ 3,124,900</u>	<u>\$ 3,553,723</u>

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

USA Cares, Inc.
Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023			(Restated) 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	Public Support and Revenue					
Contributions and grants	\$ 1,958,648	\$ 161,000	\$ 2,119,648	\$ 2,190,805	\$ 1,282,734	\$ 3,473,539
Contribution of nonfinancial assets	33,468	-	33,468	17,021	-	17,021
Special events						
Gross revenue	1,095,082	-	1,095,082	841,098	-	841,098
Direct costs	(282,952)	-	(282,952)	(212,460)	-	(212,460)
Investment income	18,572	3,840	22,412	2,445	2,530	4,975
Unrealized/realized gain (loss)	-	16,122	16,122	-	(23,315)	(23,315)
Loss on disposal of assets	-	-	-	(9,777)	-	(9,777)
	2,822,818	180,962	3,003,780	2,829,132	1,261,949	4,091,081
Net assets released from restrictions	816,897	(816,897)	-	392,417	(392,417)	-
Total Public Support and Revenue	3,639,715	(635,935)	3,003,780	3,221,549	869,532	4,091,081
Expenses						
Program services	2,954,705	-	2,954,705	2,547,936	-	2,547,936
Management and general	152,331	-	152,331	153,843	-	153,843
Fundraising	221,220	-	221,220	211,847	-	211,847
Total Expenses	3,328,256	-	3,328,256	2,913,626	-	2,913,626
Change in Net Assets	311,459	(635,935)	(324,476)	307,923	869,532	1,177,455
Net Assets at Beginning of Year, as previously reported	1,421,826	1,256,377	2,678,203	1,113,903	296,012	1,409,915
Prior period adjustment (Note 15)	(10,860)	(79,973)	(90,833)	(10,860)	10,860	-
Net Assets at Beginning of Year, as restated	1,410,966	1,176,404	2,587,370	1,103,043	306,872	1,409,915
Net Assets at End of Year	<u>\$ 1,722,425</u>	<u>\$ 540,469</u>	<u>\$ 2,262,894</u>	<u>\$ 1,410,966</u>	<u>\$ 1,176,404</u>	<u>\$ 2,587,370</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, 2023 and 2022

	2023				(Restated) 2022			
	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising
Salaries and wages	\$ 1,057,022	\$ 864,538	\$ 57,079	\$ 135,405	\$ 908,028	\$ 752,937	\$ 51,304	\$ 103,787
Employee benefits and payroll tax	138,253	113,077	7,466	17,710	133,484	110,685	7,542	15,257
Assistance	1,646,950	1,646,950	-	-	1,409,891	1,409,891	-	-
Occupancy	-	-	-	-	27,689	24,772	1,750	1,167
Bank charges	29,367	2,201	13,249	13,917	33,317	1,270	10,172	21,875
Business development	42,012	40,136	-	1,876	32,623	23,939	-	8,684
Conventions and training	2,365	1,903	-	462	6,539	3,545	694	2,300
Depreciation	39,650	30,508	3,505	5,637	15,250	12,505	915	1,830
Dues and subscriptions	11,318	5,843	16	5,459	10,192	5,404	79	4,709
Insurance	28,190	21,769	3,779	2,642	22,438	16,705	3,021	2,712
Interest expense	24,553	-	24,553	-	29,233	-	29,233	-
Meals and entertainment	9,189	8,779	82	328	21,646	9,650	39	11,957
Office supplies	9,417	7,745	753	919	3,916	3,274	300	342
Other expenses	22,562	20,285	1,325	952	12,585	11,625	481	479
Postage and shipping	10,084	6,970	207	2,907	15,483	11,583	671	3,229
Printing	2,373	2,372	-	1	8,235	7,159	-	1,076
Professional fees	119,700	80,228	30,125	9,347	106,769	56,862	39,234	10,673
Taxes, licenses and fees	9,338	1,046	21	8,271	3,864	1,283	32	2,549
Technology and small equipment	49,170	37,395	1,399	10,376	53,549	41,533	1,339	10,677
Telecommunications	18,457	9,884	7,698	875	16,941	9,478	6,621	842
Travel	40,782	37,322	24	3,436	35,303	27,850	17	7,436
Utilities	17,504	15,754	1,050	700	6,651	5,986	399	266
Direct costs of special events	282,952	-	-	282,952	212,460	-	-	212,460
Total Expenses by Function	3,611,208	2,954,705	152,331	504,172	3,126,086	2,547,936	153,843	424,307
Less: direct costs of special events	(282,952)	-	-	(282,952)	(212,460)	-	-	(212,460)
Total Expenses	\$ 3,328,256	\$ 2,954,705	\$ 152,331	\$ 221,220	\$ 2,913,626	\$ 2,547,936	\$ 153,843	\$ 211,847
Percent of total	100.00%	88.78%	4.58%	6.64%	100.00%	87.45%	5.28%	7.27%

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

USA Cares, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>(Restated)</u> <u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (324,476)	\$ 1,177,455
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	39,650	15,250
Donated securities	(10,718)	(10,917)
Reinvestment of interest and dividends	(6,175)	(4,890)
Unrealized and realized (gain) loss	(16,122)	26,315
Loss on disposal of assets	-	9,777
Amortization of right-of-use assets	3,855	3,803
(Increase) decrease in operating assets:		
ERTC receivable	101,351	(101,351)
Promises to give	77,500	(106,500)
Prepaid expenses	26,104	(21,817)
Inventory	(750)	8,930
Cash surrender value of life insurance	(4,785)	(4,785)
Increase (decrease) in operating liabilities:		
Accounts payable	25,493	15,171
Accrued expenses	15,734	2,184
Deferred revenues	(65,333)	90,833
Lease liabilities - operating leases	<u>(3,855)</u>	<u>(3,803)</u>
Net Cash (Used) Provided by Operating Activities	(142,527)	1,095,655
Cash Flows From Investing Activities		
Purchase of property and equipment	(67,618)	(1,076,068)
Purchase of investments	(32,483)	(46,470)
Proceeds from sale of investments	<u>45,535</u>	<u>56,747</u>
Net Cash Used by Investing Activities	(54,566)	(1,065,791)
Cash Flows From Financing Activities		
Proceeds from long-term debt	-	1,150,000
Payments on long-term debt	<u>(76,386)</u>	<u>(511,259)</u>
Net Cash (Used) Provided by Financing Activities	(76,386)	638,741
Net (Decrease) Increase in Cash	(273,479)	668,605
Cash at Beginning of Year	<u>1,660,845</u>	<u>992,240</u>
Cash at End of Year	<u>\$ 1,387,366</u>	<u>\$ 1,660,845</u>
Supplemental Information		
Cash paid for interest	<u>\$ 24,553</u>	<u>\$ 29,233</u>
Obtaining right-of-use assets in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 10,596</u>

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

USA Cares, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022

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. 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.

Revenue from special fundraising events is recognized when the event takes place and all significant event-related obligations have been fulfilled. Amounts received in advance of events are reported as deferred revenue in the statements of financial position.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

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, 2023 and 2022 were \$27,197 and \$19,251, 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 the current year's statement presentation.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

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, 2023 and 2022, the cash balances exceeded insured limits by \$899,153 and \$1,920,726, 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 consist of the following on December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Program expense	<u>\$ 45,000</u>	<u>\$ 122,500</u>
Receivable in less than one year	\$ 45,000	\$ 97,500
Receivable in one to five years	<u>-</u>	<u>25,000</u>
Total promises to give	<u>\$ 45,000</u>	<u>\$ 122,500</u>

Note 4 - Investments

Investments consist of cash, common stock, 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. The following tables present the fair value measurements of investments reported in the statement of net position and the level within the fair value hierarchy in which the fair value measurements fall:

<u>December 31, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Cash and cash equivalents	\$ 10,846	\$ -	\$ -	\$ 10,846
Common stock	115,022	-	-	115,022
Mutual funds - equity	36,197	-	-	36,197
Mutual funds - fixed income	<u>88,656</u>	<u>-</u>	<u>-</u>	<u>88,656</u>
Total investments at fair value	<u>\$ 250,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,721</u>

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 4 – Investments (Continued)

December 31, 2022

Cash and cash equivalents	\$ 12,898	\$ -	\$ -	\$ 12,898
Common stock	101,109	-	-	101,109
Mutual funds - equity	32,229	-	-	32,229
Mutual funds - fixed income	84,523	-	-	84,523
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments at fair value	<u>\$ 230,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,759</u>

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.

The distribution of earnings will be permitted to the extent that such distributions do not exceed a level that would erode the endowment's real assets over time. The Investment Committee will seek to reduce the variability of annual distributions by factoring past spending and portfolio asset values into its current spending decisions. The Investment Committee will review its spending assumptions annually for the purpose of deciding whether any changes therein necessitate amending the spending policy, its target asset allocation, or both.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 5 - Endowment Fund (Continued)

Endowment net asset composition by type on December 31, 2023 and 2022 are as follows:

	Net Assets with Donor Restrictions		Total
	Accumulated Earnings	Endowment Corpus	
December 31, 2023	\$ 155,833	\$ 94,888	\$ 250,721
December 31, 2022	\$ 135,871	\$ 94,888	\$ 230,759

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Net Assets with Donor Restrictions		Total
	Accumulated Earnings	Endowment Corpus	
December 31, 2021	\$ 159,656	\$ 91,888	\$ 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	135,871	94,888	230,759
Investment return			
Investment income, net	3,840	-	3,840
Realized gain/(loss)	(3,762)	-	(3,762)
Unrealized gain/(loss)	19,884	-	19,884
December 31, 2023	\$ 155,833	\$ 94,888	\$ 250,721

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, 2023 and 2022

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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 247,500	\$ 247,500
Land improvements	37,009	37,009
Building	1,007,650	1,007,650
Building improvements	64,477	53,149
Furniture and fixtures	36,970	28,298
Equipment	46,251	22,097
Vehicles	35,299	11,834
Website	19,761	19,761
	<u>1,494,917</u>	<u>1,427,298</u>
Total costs		
Less accumulated depreciation	<u>(101,253)</u>	<u>(61,603)</u>
	<u>\$ 1,393,664</u>	<u>\$ 1,365,695</u>
Property and equipment, net		
	<u>\$ 39,650</u>	<u>\$ 15,250</u>
Depreciation expense		

Note 8 - Long-Term Debt

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

	<u>2023</u>	<u>2022</u>
2.75% Economic Injury Disaster Loan, secured by company assets, monthly payment of \$1,318 including principal and interest, final payment due November 2052.	\$ 290,969	\$ 298,596
3.50% bank note, secured by company assets, monthly payment of \$5,010, a balloon payment of \$321,591 due July 2032 (maturity date).	<u>421,286</u>	<u>490,045</u>
Total Long-Term Debt	712,255	788,641
Less: Current Portion	24,592	24,809
	<u>\$ 687,663</u>	<u>\$ 763,832</u>

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 8 - Long-Term Debt (Continued)

Principal payments due on the note payable are as follows:

Year Ending December 31,			
2024	\$	24,592	
2025		25,451	
2026		26,293	
2027		27,164	
2028		28,271	
Thereafter		580,484	
	\$	712,255	

Note 9 - Line of Credit

The Organization had a line of credit for \$200,000. Interest is payable monthly at a rate of prime (8.5% as of December 31, 2023) plus .5%. The line of credit was secured by the Organization's land. There was no outstanding balance on December 31, 2023 and 2022. The line of credit expired August 15, 2023.

Note 10 - Net Assets with Donor Restrictions

Net assets are restricted for the following purposes:

	2023	2022
Subject to specified purpose or passage of time:		
Program activities	\$ 244,748	\$ 823,145
Time restricted	45,000	122,500
	289,748	945,645
Subject to the spending policy:		
Accumulated earnings from endowment	155,833	135,871
Subject to restriction in perpetuity:		
Endowment funds	94,888	94,888
Total net assets with donor restriction	\$ 540,469	\$ 1,176,404

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

Note 11 - 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 8 months to 13 months.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 11 – Leases (Continued)

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. Assets recorded under right of use assets – operating leases were \$6,793 and \$10,596, and accumulated amortization associated with operating leases was \$3,855 and \$3,803 for the years ended December 31, 2023 and 2022, respectively.

The components of lease expense were as follows:

Year Ended December 31,	2023
Operating leases, included in operating expenses	\$ 2,888
Total lease costs	\$ 2,888

Other information related to leases are as follows:

Year Ended December 31,	2023
Weighted average remaining lease term (years)	0.8
Weighted average discount rate	1.37%

Future minimum lease payments under operating lease are as follows:

Year Ending December 31,		
2024	\$	2,888
2025		68
Less imputed interest		(18)
Total	\$	2,938

Note 12 - Defined Contribution Pension Plan

USA Cares, Inc. offers a 403(b) plan. Employees are eligible on the first day of the month following employment. For participating employees, USA Cares, Inc. will contribute 50% match, not to exceed 3% of their compensation. For the years ended December 31, 2023 and 2022, employer contributions were \$9,600 and \$8,600, respectively.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 13 - Contributions of Nonfinancial Assets

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

	2023	2022
Events	\$ 33,468	\$ 17,021
	\$ 33,468	\$ 17,021

Gifts in-kind (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.

Note 14 - Liquidity and Availability of Financial Assets

The following table reflects USA Cares, Inc.'s financial assets as of December 31, 2023 and 2022, 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.

	2023	2022
Financial Assets		
Cash	\$ 1,387,366	\$ 1,660,845
Promises to give	45,000	97,500
Financial assets available to meet cash needs for general expenditures within one year	1,432,366	1,758,345
Less those unavailable for general expenditure within one year		
Purpose restricted	(244,748)	(913,978)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,187,618	\$ 844,367

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.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

Note 15 – Prior Period Adjustments

USA Cares, Inc. identified the following adjustments to be made in the prior year financial statements to record special event revenue in the correct period and to reclassify contributions to the endowment from net assets without donor restrictions to net assets with donor restrictions.

	December 31, 2022		
	As Reported	Adjustment	As Restated
Net assets without donor restrictions	\$ 1,421,826	\$ (10,860)	\$ 1,410,966
Net assets with donor restrictions	1,256,377	(79,973)	1,176,404
Contributions and grants - net assets with donor restrictions	1,376,567	(93,833)	1,282,734
Unrealized/realized gain (loss) - net assets with donor restrictions	(26,315)	3,000	(23,315)
Deferred revenue	-	90,833	90,833
	December 31, 2021		
	As Reported	Adjustment	As Restated
Net assets without donor restrictions	\$ 1,113,903	\$ (10,860)	\$ 1,103,043
Net assets with donor restrictions	296,012	10,860	306,872

Note 16 - Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through April 11, 2024, which was the date at which the financial statements were available to be issued.