



USA Cares, Inc.

Independent Auditors' Report and

Financial Statements

for the Years Ended

December 31, 2025 and 2024

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Independent Auditors' Report

To 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, 2025 and 2024, 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, 2025 and 2024, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, USA Cares, Inc. has restated its financial statements for the year ended December 31, 2024 to correct an error related to the classification of net assets between donor restricted and without donor restrictions. Our opinion is not modified with respect to that 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 7, 2026

USA Cares, Inc.
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	\$ 1,896,862	\$ 1,945,189
Promises to give	819,500	1,101,500
Prepaid expenses	16,100	-
Inventory	5,500	6,800
Total Current Assets	2,737,962	3,053,489
Property and Equipment, Net	1,550,641	1,483,816
Other Assets		
Long-term investments	310,321	272,628
Cash surrender value of life insurance	40,982	36,228
Right-of-use assets - operating leases, net	20,828	35,701
Total Other Assets	372,131	344,557
Total Assets	\$ 4,660,734	\$ 4,881,862
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 66,982	\$ 63,987
Accrued expenses	81,978	83,796
Deferred revenue	20,085	18,770
Security deposit	3,500	3,500
Current portion of long-term debt	36,979	35,769
Current portion of operating lease liabilities	10,340	14,874
Total Current Liabilities	219,864	220,696
Long-term Liabilities		
Long-term debt	409,090	474,674
Long-term operating lease liabilities	10,488	20,827
Total Long-term Liabilities	419,578	495,501
Total Liabilities	639,442	716,197
Net Assets		
Net assets without donor restrictions	1,719,516	2,041,235
Net assets with donor restrictions		
Restricted by purpose or time	2,206,888	2,029,542
Restricted in perpetuity	94,888	94,888
Total net assets with donor restrictions	2,301,776	2,124,430
Total Net Assets	4,021,292	4,165,665
Total Liabilities and Net assets	\$ 4,660,734	\$ 4,881,862

The accompanying notes are an integral part of these financial statements

USA Cares, Inc.
Statements of Activities
For the Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Contributions and grants	\$ 1,428,775	\$ 3,121,280	\$ 4,550,055	\$ 2,175,191	\$ 3,557,944	\$ 5,733,135
Contribution of nonfinancial assets	21,607	-	21,607	20,813	-	20,813
Special events						
Gross revenue	949,248	-	949,248	962,934	-	962,934
Direct costs	(213,617)	-	(213,617)	(207,244)	-	(207,244)
Miscellaneous income	5,206	-	5,206	17,369	-	17,369
Lease income	42,000	-	42,000	5,625	-	5,625
Investment income/loss	14,554	(74,816)	(60,262)	22,949	5,255	28,204
Unrealized/realized gain	-	112,509	112,509	-	16,652	16,652
	<u>2,247,773</u>	<u>3,158,973</u>	<u>5,406,746</u>	<u>2,997,637</u>	<u>3,579,851</u>	<u>6,577,488</u>
Net assets released from restrictions	<u>2,981,627</u>	<u>(2,981,627)</u>	<u>-</u>	<u>1,995,890</u>	<u>(1,995,890)</u>	<u>-</u>
Total Public Support and Revenue	5,229,400	177,346	5,406,746	4,993,527	1,583,961	6,577,488
Expenses						
Program services	4,977,055	-	4,977,055	4,139,554	-	4,139,554
Management and general	200,689	-	200,689	208,942	-	208,942
Fundraising	373,375	-	373,375	326,221	-	326,221
Total Expenses	<u>5,551,119</u>	<u>-</u>	<u>5,551,119</u>	<u>4,674,717</u>	<u>-</u>	<u>4,674,717</u>
Change in Net Assets	(321,719)	177,346	(144,373)	318,810	1,583,961	1,902,771
Net Assets at Beginning of Year	<u>2,041,235</u>	<u>2,124,430</u>	<u>4,165,665</u>	<u>1,722,425</u>	<u>540,469</u>	<u>2,262,894</u>
Net Assets at End of Year	<u>\$ 1,719,516</u>	<u>\$ 2,301,776</u>	<u>\$ 4,021,292</u>	<u>\$ 2,041,235</u>	<u>\$ 2,124,430</u>	<u>\$ 4,165,665</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, 2025 and 2024

	2025				2024			
	Total	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising
Salaries and wages	\$ 1,474,951	\$ 1,175,388	\$ 89,382	\$ 210,181	\$ 1,349,200	\$ 1,054,535	\$ 83,381	\$ 211,284
Employee benefits and payroll tax	213,972	170,514	12,967	30,491	185,025	144,616	11,435	28,974
Assistance	3,163,963	3,163,963	-	-	2,498,741	2,498,741	-	-
Occupancy	-	-	-	-	2,320	2,088	139	93
Bank charges	33,880	11,883	-	21,997	29,309	4,436	12,426	12,447
Business development	46,432	32,170	-	14,262	31,874	30,463	-	1,411
Conventions and training	3,693	2,287	-	1,406	5,630	4,455	-	1,175
Depreciation and amortization	72,030	42,067	20,999	8,964	53,571	35,059	11,209	7,303
Dues and subscriptions	9,091	6,815	100	2,176	13,631	6,698	58	6,875
Insurance	47,203	37,093	5,347	4,763	37,064	28,744	4,569	3,751
Interest expense	15,875	-	15,875	-	27,858	-	27,858	-
Meals and entertainment	13,496	11,729	235	1,532	16,283	14,638	978	667
Office supplies	9,905	8,319	596	990	11,217	9,703	605	909
Other expenses	38,220	32,468	3,934	1,818	31,171	27,562	2,321	1,288
Postage and shipping	8,141	5,309	-	2,832	11,076	7,455	-	3,621
Printing	4,235	4,169	-	66	5,802	5,170	-	632
Professional fees	203,660	143,836	36,406	23,418	181,948	129,186	40,437	12,325
Taxes, licenses and fees	15,590	1,789	40	13,761	10,298	1,410	88	8,800
Technology and small equipment	101,149	68,857	2,319	29,973	75,016	55,934	2,599	16,483
Telecommunications	23,800	12,230	10,454	1,116	23,119	12,167	9,864	1,088
Travel	32,805	29,832	98	2,875	58,312	51,865	-	6,447
Utilities	19,028	17,130	1,144	754	16,252	14,629	975	648
Direct costs of special events	213,617	-	-	213,617	200,720	-	-	200,720
Total Expenses by Function	5,764,736	4,977,848	199,896	586,992	4,875,437	4,139,554	208,942	526,941
Less: direct costs of special events	(213,617)	-	-	(213,617)	(200,720)	-	-	(200,720)
Total Expenses	<u>\$ 5,551,119</u>	<u>\$ 4,977,848</u>	<u>\$ 199,896</u>	<u>\$ 373,375</u>	<u>\$ 4,674,717</u>	<u>\$ 4,139,554</u>	<u>\$ 208,942</u>	<u>\$ 326,221</u>
Percent of total	<u>100.00%</u>	<u>89.67%</u>	<u>3.60%</u>	<u>6.73%</u>	<u>100.00%</u>	<u>88.55%</u>	<u>4.47%</u>	<u>6.98%</u>

The accompanying notes are an integral part of these financial statements

USA Cares, Inc.
Statements of Cash Flows
December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	\$ (144,373)	\$ 1,902,771
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	57,157	47,287
Donated securities	(77,079)	(63,019)
Reinvestment of interest and dividends	(5,156)	(7,892)
Unrealized and realized (gain) loss	(112,509)	(16,652)
Amortization of right-of-use assets	14,873	6,284
(Increase) decrease in operating assets:		
Promises to give	282,000	(1,056,500)
Prepaid expenses	(16,100)	6,663
Inventory	1,300	300
Cash surrender value of life insurance	(4,754)	(4,780)
Increase (decrease) in operating liabilities:		
Accounts payable	2,995	6,895
Accrued expenses	(1,818)	19,575
Deferred revenues	1,315	(6,730)
Lease liabilities - operating leases	(14,873)	(6,284)
Security deposit	-	3,500
	(17,022)	831,418
Net Cash (Used) Provided by Operating Activities		
Cash Flows From Investing Activities		
Purchase of property and equipment	(123,982)	(137,439)
Purchase of investments	(181,476)	(31,578)
Proceeds from sale of investments	338,527	97,234
	33,069	(71,783)
Net Cash Provided (Used) by Investing Activities		
Cash Flows From Financing Activities		
Payments on long-term debt	(64,374)	(201,812)
	(64,374)	(201,812)
Net Cash Used by Financing Activities		
Net (Decrease) Increase in Cash	(48,327)	557,823
Cash at Beginning of Year	1,945,189	1,387,366
Cash at End of Year	\$ 1,896,862	\$ 1,945,189
Supplemental Information		
Cash paid for interest	\$ 15,875	\$ 27,858
Obtaining right-of-use assets in exchange for lease liabilities	\$ -	\$ 41,108

USA Cares, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

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 thirteen 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, 2025 and 2024

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. The Organization uses the allowance method to estimate uncollectible promises to give. The allowance is based on collection experience in prior years and management's analysis of specific promises made.

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, 2025 and 2024

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, 2025, and 2024 were \$33,433 and \$23,393, 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.

Note 2 - 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, 2025 and 2024

Note 3 - Prior Period Adjustment

During 2025, the Organization recorded a correction of an error for \$484,953 that impacted previously reported balances in the 2024 financial statements related to the classification of net assets between net assets with donor restrictions and net assets without donor restrictions. The 2024 financial statements have been restated to present this change in classification. The effect on the change in net assets with donor restrictions and financial position as of and for the year ended December 31, 2024 are as follows:

	2024		
	As previously reported	Adjustment	Restated
Statement of Financial Position			
Net Assets			
Net assets without donor restrictions	\$ 2,526,188	\$ (484,953)	\$ 2,041,235
Net assets with donor restrictions			
Restricted by purpose or time	1,544,589	484,953	2,029,542
Restricted in perpetuity	94,888	-	94,888
Total net assets with donor restrictions	1,639,477	484,953	2,124,430
Total Net Assets	\$ 4,165,665	\$ -	\$ 4,165,665
Statement of Activity			
Contributions and grants without donor restrictions	\$ 2,719,209	\$ (544,018)	\$ 2,175,191
Contributions and grants with donor restrictions	\$ 3,013,926	\$ 544,018	\$ 3,557,944
Net assets released from restrictions	\$ 1,936,825	\$ 59,065	\$ 1,995,890

Note 4 - 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, 2025 and 2024, the cash balances exceeded insured limits by \$1,337,441 and \$1,346,065, 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, 2025 and 2024

Note 5 - Promises to Give

Promises to give consist of the following on December 31, 2025 and 2024:

	2025	2024
Program expense	\$ 819,500	\$ 1,101,500
Receivable in less than one year	\$ 819,500	\$ 1,101,500
Receivable in one to five years	-	-
Total promises to give	\$ 819,500	\$ 1,101,500

Note 6 - 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:

December 31, 2025	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 5,357	\$ -	\$ -	\$ 5,357
Common stock	234,288	-	-	234,288
Mutual funds - fixed income	70,676	-	-	70,676
Total investments at fair value	\$ 310,321	\$ -	\$ -	\$ 310,321
<u>December 31, 2024</u>				
Cash and cash equivalents	\$ 12,512	\$ -	\$ -	\$ 12,512
Common stock	125,299	-	-	125,299
Mutual funds - equity	40,145	-	-	40,145
Mutual funds - fixed income	94,672	-	-	94,672
Total investments at fair value	\$ 272,628	\$ -	\$ -	\$ 272,628

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note 7 - 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.

Endowment net asset composition by type on December 31, 2025 and 2024 are as follows:

	Net Assets with Donor Restrictions		Total
	Accumulated Earnings	Endowment Corpus	
December 31, 2025	\$ 215,433	\$ 94,888	\$ 310,321
December 31, 2024	\$ 177,740	\$ 94,888	\$ 272,628

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note 7 - Endowment Fund (Continued)

Changes in endowment net assets for the years ended December 31, 2025 and 2024 are as follows:

	Net Assets with Donor Restrictions		Total
	Accumulated Earnings	Endowment Corpus	
December 31, 2023	\$ 155,833	\$ 94,888	\$ 250,721
Investment return			
Investment income, net	5,255	-	5,255
Realized gain/(loss)	(275)	-	(275)
Unrealized gain/(loss)	16,927	-	16,927
December 31, 2024	177,740	94,888	272,628
Investment return			
Investment income, net	(74,816)	-	(74,816)
Realized gain/(loss)	38,375	-	38,375
Unrealized gain/(loss)	74,134	-	74,134
December 31, 2025	<u>\$ 215,433</u>	<u>\$ 94,888</u>	<u>\$ 310,321</u>

Note 8 - 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, 2024 and 2023 are as follows:

	2025	2024
Land	\$ 247,500	\$ 247,500
Land improvements	41,837	41,837
Building	1,007,650	1,007,650
Building improvements	264,186	150,997
Furniture and fixtures	50,057	50,057
Equipment	90,049	79,255
Vehicles	35,299	35,299
Website	19,761	19,761
Total costs	1,756,339	1,632,356
Less accumulated depreciation	(205,698)	(148,540)
Property and equipment, net	<u>\$ 1,550,641</u>	<u>\$ 1,483,816</u>
Depreciation expense	<u>\$ 57,157</u>	<u>\$ 47,287</u>

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note 9 - Long-Term Debt

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

	2025	2024
2.75% Economic Injury Disaster Loan, secured by company assets, monthly payment of \$1,318 including principal and interest, final payment due November 2052.	\$ 275,061	\$ 283,169
3.50% bank note, secured by company assets, monthly payment of \$5,010, a balloon payment of \$321,591 due July 2032 (maturity date).	171,008	227,274
Total Long-Term Debt	446,069	510,443
Less: Current Portion	36,979	35,769
	\$ 409,090	\$ 474,674

Principal payments due on the note payable are as follows:

Year Ending December 31,	
2026	36,979
2027	38,230
2028	39,441
2029	40,860
2030	42,244
Thereafter	248,315
	\$ 446,069

Note 10 - Line of Credit

The Organization entered into a line of credit agreement on April 2, 2024. The line of credit allows the Organization to make draws of up to \$500,000. Interest on the outstanding balance is payable monthly based on the prime rate, 6.75% as of December 31, 2025. The line of credit expires on April 2, 2026, and is secured by the Organization's property. There was no outstanding balance on December 31, 2025.

The Organization plans to renew the line of credit agreement in April 2026. The renewal will have the same terms as the original line of credit, with a maturity date of April 2028.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note 11 - Net Assets with Donor Restrictions

Net assets are restricted for the following purposes as of December 31:

	2025	2024
Subject to specified purpose or passage of time:		
Program activities	\$ 1,171,955	\$ 750,302
Time restricted	819,500	1,101,500
	1,991,455	1,851,802
Subject to the spending policy:		
Accumulated earnings from endowment	215,433	177,740
Subject to restriction in perpetuity:		
Endowment funds	94,888	94,888
Total net assets with donor restriction	\$ 2,301,776	\$ 2,124,430

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

Lessor

On November 12, 2024, the Organization became the lessor of the rear portion of their building to an unrelated party. This lease expires in November 2026. Lease income is included in the statement of activities as part of public support revenue. Cash receipts from operating leases are classified within cash flows from operating activities. Lease income for the year ended December 31, 2025 and 2024, was \$42,000 and \$5,625, respectively. The future minimum rental income to be received is as follows:

Year Ending December 31,	
2026	\$ 36,375
Total	\$ 36,375

Lessee

The Organization leases certain office equipment, copying machines, and office facilities. 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 statement of financial position. The leases recorded had original lease terms of 24 months to 60 months.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note 12 – Leases (Continued)

Operating leases are included in operating lease right-of-use (“ROU”) assets, other current liabilities, and operating lease liabilities in our statement 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. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value or 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, 2025, assets recorded under right of use assets - operating leases were \$42,783, and accumulated amortization associated with operating leases was \$21,955.

The components of lease expense were as follows:

Year Ended December 31,	<u>2025</u>	<u>2024</u>
Operating leases, included in operating expenses	<u>\$ 15,932</u>	<u>\$ 8,904</u>
Total lease costs	<u>\$ 15,932</u>	<u>\$ 8,904</u>

Other information related to leases are as follows:

Number of leases included in ROU assets	3	3
Weighted average remaining lease term (years)	3	3
Weighted average discount rate	3.36%	3.58%

Future minimum lease payments under operating leases are as follows:

Year Ending December 31,	
2026	\$ 10,801
2027	3,801
2028	3,801
2029	3,052
Thereafter	268
Less imputed interest	<u>(895)</u>
Total	<u>\$ 20,828</u>

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, 2025 and 2024, employer contributions were \$14,271 and \$14,495, respectively.

USA Cares, Inc.
Notes to Financial Statements (Continued)
December 31, 2025 and 2024

Note 14 - Contributions of Nonfinancial Assets

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

	2025	2024
Special events donations	\$ 21,607	\$ 20,813
	\$ 21,607	\$ 20,813

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 15 - Liquidity and Availability of Financial Assets

The following table reflects USA Cares, Inc.'s financial assets as of December 31, 2025 and 2024, 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.

	2025	2024
Financial Assets		
Cash	\$ 1,896,862	\$ 1,945,189
Promises to give	819,500	1,101,500
Financial assets available to meet cash needs for general expenditures within one year	2,716,362	3,046,689
Less those unavailable for general expenditure within one year		
Purpose restricted	(1,171,955)	(750,302)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,544,407	\$ 2,296,387

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.

Note 16 - Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through April 7, 2026, which was the date at which the financial statements were available to be issued.