



**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS**

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(With Independent Auditors' Report Thereon)

**USA Homeownership Foundation, Inc.
Dba Veterans Association of Real Estate Professionals**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USA Homeownership Foundation, Inc.
DBA Veterans Association of Real Estate Professionals
Corona, California

Report on the Financial Statements

We have audited the accompanying financial statements of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated February 26, 2019 on our consideration of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' internal control over financial reporting and compliance.

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A handwritten signature in cursive script that reads "tellees".

Glendale, California
February 26, 2019

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

Assets	
Cash and cash equivalents	\$ 1,466,587
Homes under construction and held for sale <i>(Note 4)</i>	4,050,636
Property and equipment, net <i>(Note 5)</i>	4,511
Other assets	129,912
Total assets	<u><u>\$ 5,651,646</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 27,568
Accrued expenses	355,309
Revolving credit agreement <i>(Note 7)</i>	426,470
Payroll liabilities	7,096
Other liabilities	16,969
Total current liabilities	833,412
Long-term liabilities	
Commitments and contingencies <i>(Note 6)</i>	-
Total liabilities	833,412
Total net assets	4,818,234
Total liabilities and net assets	<u><u>\$ 5,651,646</u></u>

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenues and other support			
In-kind donations	\$ 2,818,654	\$ -	\$ 2,818,654
Chapter donations and fundraisers	698,743	-	698,743
National donations and fundraisers	608,262	-	608,262
Rehabilitation contributions	727,117	-	727,117
	<u>4,852,776</u>	<u>-</u>	<u>4,852,776</u>
Total operating support	4,852,776	-	4,852,776
Operating revenues			
Membership dues	147,831	-	147,831
Sale of rehabilitated real estate	4,010,438	-	4,010,438
Short-term rental income	18,915	-	18,915
Other revenues	18,383	-	18,383
	<u>4,195,567</u>	<u>-</u>	<u>4,195,567</u>
Total operating revenue	4,195,567	-	4,195,567
Total operating revenue and other support	<u>9,048,343</u>	<u>-</u>	<u>9,048,343</u>
Operating expenses			
Program services expenses	7,862,618	-	7,862,618
Management and general expenses	263,685	-	263,685
Fundraising expenses	893,048	-	893,048
	<u>9,019,351</u>	<u>-</u>	<u>9,019,351</u>
Total operating expenses	9,019,351	-	9,019,351
Operating increase in net assets	28,992	-	28,992
Non-operating activities			
Loss on impairment of assets	(280,154)	-	(280,154)
Non-operating decrease in net assets	(280,154)	-	(280,154)
Change in net assets	(251,162)	-	(251,162)
Net assets, beginning of year	5,069,396	-	5,069,396
Net assets, end of year	<u>\$ 4,818,234</u>	<u>\$ -</u>	<u>\$ 4,818,234</u>

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program services expenses	Management and general expenses	Fundraising expenses	Total expenses
Advertising and promotion	\$ -	\$ -	\$ 344,040	\$ 344,040
Auto	2,855	-	-	2,855
Bank and wire fees	-	3,243	-	3,243
Chapter expenses	-	-	40,824	40,824
Charitable donations	618,252	-	-	618,252
Computer and software	24,363	-	-	24,363
Depreciation and amortization	-	3,827	-	3,827
Educational course writing	332,915	-	-	332,915
Event costs	674,444	-	367,292	1,041,736
Grant writing	-	-	495	495
Insurance	-	2,199	-	2,199
Licenses and permits	-	2,372	-	2,372
Meals and entertainment	2,677	3,492	-	6,169
Office supplies	-	21,363	-	21,363
Salaries	68,800	112,760	140,397	321,957
Postage and delivery	-	15,478	-	15,478
Printing and reproduction	2,910	-	-	2,910
Professional development	2,385	-	-	2,385
Professional fees	-	35,570	-	35,570
Property rehabilitation	5,753,312	18,631	-	5,771,943
Rent	-	41,517	-	41,517
Repairs and maintenance	-	1,027	-	1,027
State taxes	-	2,206	-	2,206
Telephone, internet and fax	13,867	-	-	13,867
Travel	307,687	-	-	307,687
Web design and website hosting	58,151	-	-	58,151
	<u>\$ 7,862,618</u>	<u>\$ 263,685</u>	<u>\$ 893,048</u>	<u>\$ 9,019,351</u>

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating decrease in net assets	\$ (251,162)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Loss on impairment of assets	280,154
Depreciation and amortization expense	3,827
In-kind donations, capitalized	(3,545,771)
Changes in operating assets and liabilities:	
Homes under construction and held for sale (Note 4)	4,362,650
Other assets	(129,912)
Accounts payable	27,568
Accrued expenses	343,314
Payroll liabilities	5,665
Other liabilities	14,217
Net cash provided by operating activities	1,110,550
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(4,490)
Net cash used in investing activities	(4,490)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments made on notes payable	(81,000)
Repayments from revolving credit agreement	(1,251,319)
Proceeds from revolving credit agreement	1,077,789
Net cash used in financing activities	(254,530)
Net increase in cash and cash equivalents	851,530
 Cash and cash equivalents, beginning of the year	615,057
Cash and cash equivalents, end of the year	\$ 1,466,587
 SUPPLEMENTAL DISCLOSURES	
Interest paid	\$ 114,722

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1 - General

USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals (the Organization) (a nonprofit organization), is a California non-profit organization incorporated on May 11, 2011 dedicated to increasing sustainable homeownership and economic development for the active military and veteran communities across the.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations. Revenues to support the Organization are primarily renovation and sale of donated properties, membership dues, contributions and fundraising activities.

Note 2 - Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets without donor restrictions

Net assets 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 the Organization's management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Organization does not currently have any donor restrictions.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies (continued)

Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

The Organization recognizes services and other fee revenue in the period when the service has been provided.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in operating bank accounts, cash on hand and interest bearing short-term investments with maturity of three months or less as cash and cash equivalents.

Uninsured Cash Balances

The Organization maintains balances in its checking and saving accounts at various financial institutions, which periodically exceeds the federally insured limits of \$250,000, per insured bank. Accordingly, there is a concentration of credit risk related to amounts on deposit in excess of this coverage. Management believes this risk is not significant.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Homes Under Construction and Held for Sale

Homes under construction includes the direct and indirect costs of construction, land, and the donated value of materials and professional services used in the construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions and Donor Restrictions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation expense is computed under the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged against income as incurred, whereas significant renewals or betterments are capitalized. Included in the statement of activities are provisions for depreciation in the amount of \$3,827.

In-Kind Support

The Organization receives donations from a variety of sources for the furtherance of its objectives. Non-cash donations are recorded as contributions at their estimated fair market values at the date of donation. Contributions of services are recognized if the services received creates or enhances nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2018, the Organization received \$2,818,654 in donated properties that have been reflected in the statements of activities.

Functional Expense Allocation

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management on an equitable basis.

USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Allocation (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Event costs	Time and effort
Meals and entertainment	Time and effort
Salaries	Time and effort
Property rehabilitation	Time and effort

Income Taxes

The Organization follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Accounting for Uncertainty in Income Taxes, which prescribes a minimum recognition threshold and measurement methodology for tax positions taken, or expected to be taken, in a tax return prior to recognition in the financial statements. The standard also provides guidance for derecognition, classification, interest and penalties, and accounting in interim periods, disclosure, and transition.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d, and therefore no provision for income taxes is included in the financial statements. The Organization believes that it has appropriate support for the positions taken on its tax returns and that the exempt status would be sustained on examination.

The Organization classifies interest and penalties on underpayments of income tax, if any, as interest expense and penalties, respectively, both of which would be included in general and administrative expenses. The Organization files tax returns in the United States federal and California state jurisdictions.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred.

USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Organization has financial instruments whereby the fair market value of the financial instruments could be different than that recorded on a historical basis on the accompanying statements of financial position. The Organization's financial instruments consist of cash and cash equivalents, homes under construction and held for sale, accounts payable, and notes payable. The carrying amounts of the Organization's financial instruments excluding homes under construction and held for sale generally approximate their fair values at December 31, 2018. See note 8.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, FASB, issued updated guidance on leases. The new standard requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. A modified retrospective approach should be applied for leases existing at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted. The Organization is currently assessing the impact of adopting this guidance on the financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. Under the new guidance, the existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called donor restriction. The new standard is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is in the process of evaluating the effect that the guidance will have on its financial statements. The Organization does not believe the adoption of this pronouncement will have a material impact on the financial statements.

In May 2014, the FASB issued guidance that replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model. The core principle is to recognize revenue upon the transfer of goods or services to customers at an amount that reflects the consideration expected to be received. Since its issuance, the FASB has amended several aspects of the new guidance, including provisions that address revenue recognition associated with the licensing of intellectual property. The new guidance, including the amendments, is effective for annual reporting periods beginning after December 15, 2018. The guidance may be adopted either by restating all years presented in the Organization's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption. The Organization does not believe the adoption of the announcement will have a material impact on the financial statements.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 3 – Availability and Liquidity

The following represents the Organization's financial assets at December 31, 2018

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,466,587
Less amounts not available to be used within one year	-
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,466,587</u>

Note 4 – Homes Under Construction and Held for Sale

A summary of activity in homes under construction and building lots for the year ended December 31, 2018 is as follows:

Balance – December 31, 2017	\$ 5,147,669
Purchased or donated property	2,818,654
Holding and constructions costs, net	(300,502)
VAREP cares homes donated	(555,996)
Transfer/sale of homes	(2,779,035)
Impairment	<u>(280,154)</u>
Property and property development costs	<u>\$ 4,050,636</u>

Note 5 - Property and Equipment

As of December 31, 2018, the cost of property and equipment is as follows:

Computers	\$ 21,052
Furniture and equipment	2,156
Production equipment	<u>2,479</u>
Less accumulated depreciation	<u>(21,176)</u>
Total, net	<u>\$ 4,511</u>

USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 6 – Commitments and Contingencies

Lease Commitments

Total rent expense incurred under operating leases totaled \$41,517 for the year ended December 31, 2018

Minimum future lease payments pursuant to the above lease agreement are as follows:
Year Ending December 31,

2019	\$	63,000
2020		69,000
2021		71,000
2022		73,000
2023		<u>75,000</u>
Total minimum future lease payments	\$	<u>351,000</u>

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease and is included in other liabilities in the statements of financial position. As of December 31, 2018, the deferred rent liability balance was \$16,593.

Legal

The Organization is from time to time involved in ordinary routine litigation incidental to the conduct of its business. The Organization regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate for such litigation matters, such reserved amounts are charged to operations in the year during which they are accrued.

The Organization believes that no presently pending litigation matters are likely to have a material adverse effect on the Organization financial statements, taken as a whole.

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 7 – Revolving credit agreement

	Current portion	Total
The Company has several revolving credit agreements where funds are used for the rehabilitation and maintenance of homes under construction and held for sale; The revolving credit agreements are collateralized by the various properties owned by the Organization, bearing interest ranging from 15%-18% per annum. The agreements may be cancelled at any time by either party. The unpaid combined principal balance may not exceed \$900,000.		
Total revolving credit	\$ <u>426,470</u>	\$ <u>426,470</u>
Principal payments on revolving credit, are due as follows:		
Year ending December 31,		
2019	\$ 426,470	

Note 8 – Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation techniques used to determine fair value. The fair value hierarchy gives highest priority to quoted process in active markets for identical assets or liabilities (Level I) and the lowest to unobservable inputs (Level III). If the inputs used in the determination fo the fair value measurement fall within different levels of the hierarchy, the categorization of based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 – Inputs the include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the fill term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Fair values for these

**USA HOMEOWNERSHIP FOUNDATION, INC.
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 8 – Fair Value Measurements (continued)

instruments are estimated using appraised value. Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a non-recurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The Organization's assets measured at fair value on a non-recurring basis are those for which the Organization has recorded valuation adjustments and write-offs prior to and during the year ended December 31, 2018.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used from previous years.

Homes under construction and held for sale: Valued at net realizable value for projects held for development and sale are estimated with reference to market prices and conditions existing at the reporting date. This is determined by the Organization having considered suitable external advice from independent real estate appraisers and in light of recent market transactions of housing projects in the same geographic area.

The preceding methods 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.

Fair value of assets measured on a recurring basis as of December 31, 2018

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Homes under construction and held for sale	\$ 4,050,636	\$ -	\$ 4,050,636	\$ -

Note 9 – Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through February 26, 2019, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
USA Homeownership Foundation, Inc.
DBA Veterans Association of Real Estate Professionals
Corona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' basic financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' internal control. Accordingly, we do not express an opinion on the effectiveness of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

(Continued)

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

tellees.

A handwritten signature in cursive script that reads "tellees".

Glendale, California
February 26, 2019