



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

(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

### **Opinion**

We have audited the accompanying consolidated financial statements of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

### **Auditor's 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 auditor's 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.

(Continued)

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 in order to design audit procedures that are appropriate in the circumstances, 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, 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 Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals' ability to continue as a going concern for a reasonable period of time.

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.

#### **Supplementary Information**

The supplementary information included in schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have issued our report dated February 17, 2023 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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Glendale, California  
February 17, 2023

**USA HOMEOWNERSHIP FOUNDATION, INC. AND SUBSIDIARIES  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022**

**ASSETS**

|                                                            |                            |
|------------------------------------------------------------|----------------------------|
| Assets                                                     |                            |
| Cash and cash equivalents                                  | \$ 1,507,426               |
| Homes under construction and held for sale <i>(Note 4)</i> | 1,875,902                  |
| Property and equipment, net <i>(Note 5)</i>                | 16,402                     |
| Receivables                                                | 5,353                      |
| Prepaid expenses                                           | 6,927                      |
| Other assets                                               | <u>8,979</u>               |
| Total assets                                               | <u><u>\$ 3,420,989</u></u> |

**LIABILITIES AND NET ASSETS**

|                                               |                            |
|-----------------------------------------------|----------------------------|
| Current liabilities                           |                            |
| Accounts payable                              | \$ 10,477                  |
| Accrued expenses                              | 15,275                     |
| Other liabilities                             | 7,870                      |
| Current portion of notes payable              | <u>13,177</u>              |
| Total current liabilities                     | 46,799                     |
| Long-term liabilities                         |                            |
| Notes payable <i>(Note 7)</i>                 | 497,781                    |
| less: current portion of notes payable        | <u>(13,177)</u>            |
| Commitments and contingencies <i>(Note 6)</i> | <u>-</u>                   |
| Total liabilities                             | <u>531,403</u>             |
| Total net assets                              | <u>2,889,586</u>           |
| Total liabilities and net assets              | <u><u>\$ 3,420,989</u></u> |

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC. AND SUBSIDIARIES**  
**DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                                                   | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---------------------------------------------------|----------------------------------|----------------------------|---------------------|
| Revenues and support                              |                                  |                            |                     |
| In-kind donations                                 | \$ 1,592,000                     | \$ -                       | \$ 1,592,000        |
| Donations and fundraisers                         | 1,969,618                        | -                          | 1,969,618           |
| Membership dues                                   | 138,465                          | -                          | 138,465             |
| Total revenues and support                        | 3,700,083                        | -                          | 3,700,083           |
| Operating revenues                                |                                  |                            |                     |
| Sale of rehabilitated real estate                 | 2,597,000                        | -                          | 2,597,000           |
| Short-term rental income                          | 9,915                            | -                          | 9,915               |
| Other revenues                                    | 18,106                           | -                          | 18,106              |
| Total operating revenues                          | 2,625,021                        | -                          | 2,625,021           |
| Total revenues, support and<br>operating revenues | 6,325,104                        | -                          | 6,325,104           |
| Expenses                                          |                                  |                            |                     |
| Program services expenses                         | 6,169,966                        | -                          | 6,169,966           |
| Management and general expenses                   | 448,034                          | -                          | 448,034             |
| Fundraising expenses                              | 924,933                          | -                          | 924,933             |
| Total expenses                                    | 7,542,933                        | -                          | 7,542,933           |
| Operating decrease in net assets                  | (1,217,829)                      | -                          | (1,217,829)         |
| Non-operating activities                          |                                  |                            |                     |
| Other income                                      | 197,188                          | -                          | 197,188             |
| Loss on impairment of assets                      | (42,791)                         | -                          | (42,791)            |
| Non-operating increase in net assets              | 154,397                          | -                          | 154,397             |
| Change in net assets                              | (1,063,432)                      | -                          | (1,063,432)         |
| Net assets, beginning of year                     | 3,953,018                        | -                          | 3,953,018           |
| Net assets, end of year                           | <u>\$ 2,889,586</u>              | <u>\$ -</u>                | <u>\$ 2,889,586</u> |

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC. AND SUBSIDIARIES**  
**DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                                    | <b>Program<br/>services<br/>expenses</b> | <b>Management<br/>and general<br/>expenses</b> | <b>Fundraising<br/>expenses</b> | <b>Total expenses</b> |
|------------------------------------|------------------------------------------|------------------------------------------------|---------------------------------|-----------------------|
| Advertising expenses               | \$ -                                     | \$ -                                           | \$ 151,175                      | \$ 151,175            |
| Awards and grants                  | 1,150,893                                | -                                              | -                               | 1,150,893             |
| Bank service fees                  | 12,000                                   | 4,837                                          | -                               | 16,837                |
| Books, subscriptions and reference | 6,494                                    | -                                              | -                               | 6,494                 |
| Business registration fees         | -                                        | 9,734                                          | -                               | 9,734                 |
| Conference, convention and meeting | 433,389                                  | -                                              | 141,867                         | 575,256               |
| Contract services                  | 276,634                                  | 57,880                                         | 31,719                          | 366,233               |
| Depreciation and amortization      | -                                        | 4,863                                          | 2,084                           | 6,947                 |
| Event entertainment costs          | 33,730                                   | -                                              | 33,729                          | 67,459                |
| Event supplies                     | 39,749                                   | -                                              | 39,749                          | 79,498                |
| Food and beverages - events        | 51,007                                   | -                                              | 51,006                          | 102,013               |
| Event prizes                       | -                                        | -                                              | 12,949                          | 12,949                |
| Insurance                          | 3,811                                    | 3,811                                          | -                               | 7,622                 |
| Interest expense                   | 9,408                                    | -                                              | -                               | 9,408                 |
| Memberships and dues               | 19,936                                   | 19,936                                         | 19,934                          | 59,806                |
| Postage and mailing service        | 11,696                                   | -                                              | 11,696                          | 23,392                |
| Printing and copying               | 7,293                                    | 7,293                                          | 7,294                           | 21,880                |
| Professional services              | 15,376                                   | 3,295                                          | 3,295                           | 21,966                |
| Property rehabilitation            | 3,453,850                                | -                                              | -                               | 3,453,850             |
| Rent expense                       | 26,237                                   | 26,237                                         | 26,236                          | 78,710                |
| Salaries and related expenses      | 445,754                                  | 222,876                                        | 222,876                         | 891,506               |
| Start-up expenses                  | -                                        | 32,425                                         | -                               | 32,425                |
| Supplies                           | 9,110                                    | 9,110                                          | 9,111                           | 27,331                |
| Telephone                          | 6,769                                    | 3,385                                          | 3,384                           | 13,538                |
| Travel                             | 37,266                                   | 37,266                                         | 37,265                          | 111,797               |
| Venue costs                        | 119,564                                  | -                                              | 119,564                         | 239,128               |
| Other expense                      | -                                        | 5,086                                          | -                               | 5,086                 |
|                                    | <u>\$ 6,169,966</u>                      | <u>\$ 448,034</u>                              | <u>\$ 924,933</u>               | <u>\$ 7,542,933</u>   |

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC. AND SUBSIDIARIES**  
**DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|                                                                                                             |                |
|-------------------------------------------------------------------------------------------------------------|----------------|
| Operating decrease in net assets                                                                            | \$ (1,063,432) |
| Adjustments to reconcile increase (decrease) in net assets<br>to net cash provided by operating activities: |                |
| Loss on impairment of assets                                                                                | 42,791         |
| Depreciation and amortization expense                                                                       | 6,947          |
| In-kind donations, capitalized                                                                              | (1,592,000)    |
| Changes in operating assets and liabilities:                                                                |                |
| Homes under construction and held for sale                                                                  | 2,088,561      |
| Receivables                                                                                                 | 415,713        |
| Prepaid expenses                                                                                            | (2,509)        |
| Accounts payable                                                                                            | (49,065)       |
| Accrued expenses                                                                                            | (189,215)      |
| Payroll liabilities                                                                                         | (54,340)       |
| Other liabilities                                                                                           | (6,415)        |
|                                                                                                             | <hr/>          |
| Net cash used in operating activities                                                                       | (402,964)      |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|                                            |           |
|--------------------------------------------|-----------|
| Repayments from revolving credit agreement | (200,000) |
| Repayments made on notes payable           | (2,219)   |
|                                            | <hr/>     |
| Net cash used in financing activities      | (202,219) |

Net decrease in cash and cash equivalents (605,183)

Cash and cash equivalents, beginning of the year 2,112,609

Cash and cash equivalents, end of the year \$ 1,507,426

**SUPPLEMENTAL DISCLOSURES**

|               |                        |
|---------------|------------------------|
| Interest paid | <u><u>\$ 9,408</u></u> |
|---------------|------------------------|

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 1 - General**

USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals (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 United States.

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 consolidated financial statements.

**Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of USA Homeownership Foundation, Inc., and its wholly owned subsidiaries MVP Insurance Services, Inc. and MVP Title Company, Inc. (the Organization). All material intercompany transactions and balances have been eliminated in consolidation.

**Basis of Accounting**

The Organization utilizes the accrual basis of accounting.

**Financial Statement Presentation**

The financial statement presentation is in accordance with FASB ASC 958, Not-for-Profit Entities, as amended by ASU 2016-14. Under ASC 958, as amended, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

*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.

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Financial Statement Presentation** (continued)

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.

**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 in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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.

**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 \$6,947.

**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, 2022, the Organization received \$1,592,000 in donated properties that have been reflected in the statements of activities.

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense was \$151,175 for the year ended December 31, 2022.

**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 CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 2 - Summary of Significant 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, 2022. See note 8.

**Accounting Pronouncements Adopted**

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, 2021, and early adoption is permitted. The implementation of the new standard had no effect on the statements of financial position or activities for the year ended December 31, 2022.

In September 2020, the FASB issued updated guidance on contributed nonfinancial assets (gifts-in-kind). The new standard requires not-for-profit entities to present gifts-in-kind on a separate line item in the statement of activities, and to disclose a disaggregation by category that depicts the type of gifts-in-kind. For each category, it is also required to disclose how the assets are used or monetized, including any associated donor or grant restrictions, and how they are valued. A retrospective approach should be applied for gifts-in-kind at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual periods beginning after June 15, 2022, and early adoption is permitted. The implementation of the new standard had no effect on the statement of activities for the year ended December 31, 2022.

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 3 – Availability and Liquidity**

As of December 31, 2022, the Organization's liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

|                                                                                        |                     |
|----------------------------------------------------------------------------------------|---------------------|
| Financial assets at year-end:                                                          |                     |
| Cash and cash equivalents                                                              | \$ 1,507,426        |
| Less amounts not available to be used within one year                                  | <u>-</u>            |
| Financial assets available to meet general expenditures<br>over the next twelve months | <u>\$ 1,507,426</u> |

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements.

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash and cash equivalents based on the financial needs of the Agency, the time horizon of those needs and the Board of Directors' investment philosophy.

**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, 2022, is as follows:

|                                         |                     |
|-----------------------------------------|---------------------|
| Balance – December 31, 2021             | \$ 2,415,254        |
| Purchased or donated property           | 1,592,000           |
| Holding and constructions costs, net    | 536,483             |
| VAREP cares homes donated               | (791,286)           |
| Transfer/sale of homes                  | (1,833,758)         |
| Impairment                              | <u>(42,791)</u>     |
| Property and property development costs | <u>\$ 1,875,902</u> |

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 5 - Property and Equipment**

As of December 31, 2022, the cost of property and equipment is as follows:

|                               |                         |
|-------------------------------|-------------------------|
| Computers                     | \$ 40,063               |
| Furniture and equipment       | 3,469                   |
| Production equipment          | <u>9,033</u>            |
| Less accumulated depreciation | <u>(36,163)</u>         |
| Total, net                    | <u><u>\$ 16,402</u></u> |

**Note 6 – Commitments and Contingencies**

**Lease Commitments**

Total rent expense incurred under operating leases totaled \$78,710 for the year ended December 31, 2022.

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

|                                     |                         |
|-------------------------------------|-------------------------|
| 2023                                | <u>\$ 74,748</u>        |
| Total minimum future lease payments | <u><u>\$ 74,748</u></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, 2022, the deferred rent liability balance was \$7,870.

**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 CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 7 – Notes Payable**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Current<br>portion | Total             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| <p>Promissory note dated June 19, 2020, in the original amount of \$150,000. On September 26, 2021, the loan was modified, and the loan amount was increased from \$150,000 to \$500,000. The note is payable in installment payments of \$2,208 per month and will begin twelve months from the date of the promissory note. The loan has deferment of the principal and interest payments through March 31, 2022. The note bears interest at a fixed rate of 2.75%. Final maturity is June 2050. Each payment will be first applied to interest accrued and the remaining balance of the payment, if any, will then be applied to principal.</p> |                    |                   |
| Total notes payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <u>\$ 13,177</u>   | <u>\$ 497,781</u> |
| Principal payments on notes payable, are due as follows:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    |                   |
| Year ending December 31,                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                    |                   |
| 2023                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | \$ 13,177          |                   |
| 2024                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 13,544             |                   |
| 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 13,921             |                   |
| 2026                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 14,308             |                   |
| 2027                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 14,707             |                   |
| Thereafter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <u>428,124</u>     |                   |
| Total future minimum required principal payments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <u>\$ 497,781</u>  |                   |

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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 of 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 full 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 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, 2022.

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.

**USA HOMEOWNERSHIP FOUNDATION, INC.  
DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**Note 8 – Fair Value Measurements** (continued)

Fair value of assets measured on a recurring basis as of December 31, 2022

|                                            | Fair Value   | Level 1 | Level 2      | Level 3 |
|--------------------------------------------|--------------|---------|--------------|---------|
| Homes under construction and held for sale | \$ 1,875,902 | \$ -    | \$ 1,875,902 | \$ -    |

**Note 9 – Related Party Transactions**

The Organization paid \$223,229 to Win Win Consulting Inc., a private company owned by one of its founders, during the year ended December 31, 2022, for managing, supporting, and promoting the real estate program including donated and sold properties.

The Organization paid \$262,164 to Advance Team, Inc., a private company owned by one of its founders, during the year ended December 31, 2022, for managing, supporting, and promoting the real estate program including donated and sold properties.

The Organization made a grant of \$235,000 to VetCares, Inc, a nonprofit organization, controlled by co-founder and President of the Organization. Vetcares, Inc. was established to handle all philanthropic activities and, at the same time, generate income from donated cars, furniture, and other items to meet its expenses.

**Note 10 – The Cares Act**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Company was eligible for a refundable employee retention credit subject to certain criteria. The Company recognized other income of \$197,162 for the year ended December 31, 2022

Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization’s claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

**Note 11 – Concentration**

Approximately 53% of the Organization’s revenues and other support was provided by contributions from one entity.

**Note 12 – Subsequent Events**

The Organization has evaluated subsequent events for potential recognition and/or disclosure through February 17, 2023, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

**USA HOMEOWNERSHIP FOUNDATION, INC. AND SUBSIDIARIES**  
**DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS**  
**SCHEDULE 1 – SUPPLEMENTARY INFORMATION**  
**CONSOLIDATING SCHEDULE – STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

|                                                            | USA<br>Homeownership<br>Foundation, Inc. | MVP Insurance<br>Services, Inc. | MVP Title<br>Company, Inc | Elimination        | Consolidated        |
|------------------------------------------------------------|------------------------------------------|---------------------------------|---------------------------|--------------------|---------------------|
| <b>ASSETS</b>                                              |                                          |                                 |                           |                    |                     |
| Assets                                                     |                                          |                                 |                           |                    |                     |
| Cash and cash equivalents                                  | \$ 1,507,225                             | \$ -                            | \$ 201                    | \$ -               | \$ 1,507,426        |
| Homes under construction and held for sale <i>(Note 4)</i> | 1,875,902                                | -                               | -                         |                    | 1,875,902           |
| Property and equipment, net <i>(Note 5)</i>                | 16,402                                   | -                               | -                         | -                  | 16,402              |
| Receivables                                                | 18,976                                   | -                               | -                         | (13,623)           | 5,353               |
| Prepaid expenses                                           | 6,927                                    | -                               | -                         | -                  | 6,927               |
| Other assets                                               | 8,979                                    | -                               | -                         | -                  | 8,979               |
|                                                            |                                          |                                 |                           |                    |                     |
| Total assets                                               | <u>\$ 3,434,411</u>                      | <u>\$ -</u>                     | <u>\$ 201</u>             | <u>\$ (13,623)</u> | <u>\$ 3,420,989</u> |
| <b>LIABILITIES AND NET ASSETS</b>                          |                                          |                                 |                           |                    |                     |
| Current liabilities                                        |                                          |                                 |                           |                    |                     |
| Accounts payable - related parties                         | \$ -                                     | \$ 9,123                        | \$ 4,500                  | \$ (13,623)        | \$ -                |
| Accounts payable                                           | 10,477                                   | -                               | -                         | -                  | 10,477              |
| Accrued expenses                                           | 15,275                                   | -                               | -                         | -                  | 15,275              |
| Other liabilities                                          | 7,870                                    | -                               | -                         | -                  | 7,870               |
| Current portion of notes payable                           | 13,177                                   | -                               | -                         | -                  | 13,177              |
|                                                            |                                          |                                 |                           |                    |                     |
| Total current liabilities                                  | 46,799                                   | 9,123                           | 4,500                     | (13,623)           | 46,799              |
| Long-term liabilities                                      |                                          |                                 |                           |                    |                     |
| Notes payable <i>(Note 7)</i>                              | 497,781                                  | -                               | -                         | -                  | 497,781             |
| less: current portion of notes payable                     | (13,177)                                 | -                               | -                         | -                  | (13,177)            |
|                                                            |                                          |                                 |                           |                    |                     |
| Commitments and contingencies <i>(Note 6)</i>              | -                                        | -                               | -                         | -                  | -                   |
|                                                            |                                          |                                 |                           |                    |                     |
| Total liabilities                                          | <u>531,403</u>                           | <u>9,123</u>                    | <u>4,500</u>              | <u>(13,623)</u>    | <u>531,403</u>      |
|                                                            |                                          |                                 |                           |                    |                     |
| Total net assets                                           | <u>2,903,008</u>                         | <u>(9,123)</u>                  | <u>(4,299)</u>            | <u>-</u>           | <u>2,889,586</u>    |
|                                                            |                                          |                                 |                           |                    |                     |
| Total liabilities and net assets                           | <u>\$ 3,434,411</u>                      | <u>\$ -</u>                     | <u>\$ 201</u>             | <u>\$ (13,623)</u> | <u>\$ 3,420,989</u> |

See independent auditor's report and accompanying notes.

**USA HOMEOWNERSHIP FOUNDATION, INC. AND SUBSIDIARIES**  
**DBA VETERANS ASSOCIATION OF REAL ESTATE PROFESSIONALS**  
**SCHEDULE 2 – SUPPLEMENTARY INFORMATION**  
**CONSOLIDATING SCHEDULE – STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|                                                   | USA<br>Homeownership<br>Foundation, Inc. | MVP Insurance<br>Services, Inc. | MVP Title<br>Company, Inc | Elimination | Consolidated        |
|---------------------------------------------------|------------------------------------------|---------------------------------|---------------------------|-------------|---------------------|
| Revenues and support                              |                                          |                                 |                           |             |                     |
| In-kind donations                                 | \$ 1,592,000                             | \$ -                            | \$ -                      | \$ -        | \$ 1,592,000        |
| Donations and fundraisers                         | 1,969,618                                | -                               | -                         | -           | 1,969,618           |
| Membership dues                                   | 138,465                                  | -                               | -                         | -           | 138,465             |
| Total revenues and support                        | 3,700,083                                | -                               | -                         | -           | 3,700,083           |
| Operating revenues                                |                                          |                                 |                           |             |                     |
| Sale of rehabilitated real estate                 | 2,597,000                                | -                               | -                         | -           | 2,597,000           |
| Short-term rental income                          | 9,915                                    | -                               | -                         | -           | 9,915               |
| Other revenues                                    | 18,106                                   | -                               | -                         | -           | 18,106              |
| Total operating revenues                          | 2,625,021                                | -                               | -                         | -           | 2,625,021           |
| Total revenues, support and<br>operating revenues | 6,325,104                                | -                               | -                         | -           | 6,325,104           |
| Expenses                                          |                                          |                                 |                           |             |                     |
| Program services expenses                         | 6,169,966                                | -                               | -                         | -           | 6,169,966           |
| Management and general expenses                   | 434,612                                  | 9,123                           | 4,299                     | -           | 448,034             |
| Fundraising expenses                              | 924,933                                  | -                               | -                         | -           | 924,933             |
| Total expenses                                    | 7,529,511                                | 9,123                           | 4,299                     | -           | 7,542,933           |
| Operating decrease in net assets                  | (1,204,407)                              | (9,123)                         | (4,299)                   | -           | (1,217,829)         |
| Non-operating activities                          |                                          |                                 |                           |             |                     |
| Other income                                      | 197,188                                  | -                               | -                         | -           | 197,188             |
| Loss on impairment of assets                      | (42,791)                                 | -                               | -                         | -           | (42,791)            |
| Non-operating increase in net assets              | 154,397                                  | -                               | -                         | -           | 154,397             |
| Change in net assets                              | (1,050,010)                              | (9,123)                         | (4,299)                   | -           | (1,063,432)         |
| Net assets, beginning of year                     | 3,953,018                                | -                               | -                         | -           | 3,953,018           |
| Net assets, end of year                           | <u>\$ 2,903,008</u>                      | <u>\$ (9,123)</u>               | <u>\$ (4,299)</u>         | <u>\$ -</u> | <u>\$ 2,889,586</u> |

See independent auditor's report and accompanying notes.



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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 consolidated financial statements of USA Homeownership Foundation, Inc. DBA Veterans Association of Real Estate Professionals for the year ended December 31, 2022, and the related notes to the consolidated 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 17, 2023.

### **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." with a red dot at the end.

Glendale, California  
February 17, 2023