Reports of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

Nation's Finest and Subsidiaries

December 31, 2023

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Report of Independent Auditors

The Board of Directors
Nation's Finest and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Nation's Finest and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023 and the related consolidated statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nation's Finest and Subsidiaries as of December 31, 2023, and the changes in their net assets and their cash flows for the year 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 Nation's Finest and Subsidiaries 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.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that Nation's Finest and Subsidiaries will continue as a going concern. As discussed in Note 10 to the consolidated financial statements, Nation's Finest and Subsidiaries has suffered losses from operations and negative cash flow from operations, coupled with noncompliance with debt covenants, that raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nation's Finest and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Nation's Finest and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nation's Finest and Subsidiaries' 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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, consolidating statement of financial position and consolidating statement of activities are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026, on our consideration of Nation's Finest and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Nation's Finest and Subsidiaries' 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 Nation's Finest and Subsidiaries' internal control over financial reporting and compliance.

Baker Tilly US, LLP

San Francisco, California
January 29, 2026

Consolidated Financial Statements

Nation's Finest
Consolidated Statement of Financial Position
December 31, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,225,783
Cash - trust account	4,165
Grants receivable	1,523,489
Prepaid expenses	126,348
Other current assets	60
Total current assets	2,879,845
NONCURRENT ASSETS	
Deposits	58,426
Loan receivable, net	67,149
Operating lease right-of-use assets	1,411,616
Finance lease right-of-use assets	139,317
Property and equipment, net	12,684,128
Total noncurrent assets	14,360,636
Total assets	$ 17,240,481
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 166,368
Accrued liabilities	1,535,806
Deferred revenue	928,317
Trust account payable	23,075
Related party loan payable, current portion	100,000
Notes payable, current portion	6,093,802
Operating lease liabilities, current portion	535,089
Finance lease liabilities, current portion	67,099
Total current liabilities	9,449,556
LONG-TERM LIABILITIES	
Forgivable notes payable	2,275,000
Related party loan payable, net of current portion	125,000
Notes payable, net of current portion	904,484
Operating lease liabilities, net of current portion	916,955
Finance lease liabilities, net of current portion	75,878
Total long-term liabilities	4,297,317
Total liabilities	13,746,873
NET ASSETS	
Without donor restrictions	2,967,667
With donor restrictions	525,941
Total net assets	3,493,608
Total liabilities and net assets	$ 17,240,481

See accompanying notes.

Nation's Finest
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants and awards	$ -	$ 31,397,295	$ 31,397,295
Program income	102,013	-	102,013
Contributions	162,319	142,685	305,004
In-kind contributions- non-financial	408,997	-	408,997
Other revenue	212,885	-	212,885
Net assets released from restrictions	31,537,408	(31,537,408)	-
Total revenues and support	32,423,622	2,572	32,426,194
FUNCTIONAL EXPENSES			
Program services	31,256,576	-	31,256,576
Management and general	3,395,034	-	3,395,034
Fundraising	557,451	-	557,451
Total functional expenses	35,209,061	-	35,209,061
CHANGES IN NET ASSETS	(2,785,439)	2,572	(2,782,867)
NET ASSETS, beginning of year	5,753,106	523,369	6,276,475
NET ASSETS, end of year	$ 2,967,667	$ 525,941	$ 3,493,608

See accompanying notes.

Nation's Finest
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Homeless Prevention/ Rapid Rehousing	Supportive Housing	Employment & Training	Housing Development	Other Programs	Total Program Services	Management and General	Fundraising	2023 Total
Personnel	$ 7,883,427	$ 2,612,350	$ 97,498	$ -	$ 1,097,845	$ 11,691,120	$ 1,461,764	$ 141,157	$ 13,294,041
Payroll taxes and employee benefits	2,450,368	821,496	15,766	-	210,159	3,497,789	355,167	27,826	3,880,782
Temporary financial assistance	10,012,232	427,751	13,013	-	35,291	10,488,287	-	-	10,488,287
Building rents/leases	727,493	524,639	819	-	32,409	1,285,360	137,284	1,064	1,423,708
Outreach/recruitment	700,208	34,738	558	-	23,778	759,282	28,301	102,800	890,383
Office supplies	139,093	26,124	909	400,000	17,300	583,426	26,406	11,965	621,797
Interest	-	-	-	534,014	-	534,014	6,226	-	540,240
Professional services	330,883	87,474	795	26,808	16,884	462,844	414,000	186,007	1,062,851
Donated supplies, food, and rent	152,632	246,312	-	-	-	398,944	-	10,053	408,997
Depreciation and amortization	9,698	30,900	-	317,256	-	357,854	221,209	-	579,063
Repairs, maintenance, and non-capitalized equipment	203,908	93,710	379	-	36,785	334,782	26,077	132	360,991
Homeless Management Information System (HMIS)	168,446	63,738	894	-	6,096	239,174	23,913	5	263,092
Fees/Licenses	110,272	56,962	2,115	-	8,337	177,686	114,547	19,361	311,594
Travel/per diem	122,304	12,808	2,826	-	7,607	145,545	46,424	44,760	236,729
Insurance	32,911	42,009	6	43,510	3,565	122,001	84,934	-	206,935
Software & licensing	60,624	25,285	319	-	2,728	88,956	71,902	9,025	169,883
Miscellaneous	14,302	33,550	-	35,172	6,488	89,512	106,880	3,296	199,688
Bad Debt	-	-	-	-	-	-	270,000	-	270,000
	$ 23,118,801	$ 5,139,846	$ 135,897	$ 1,356,760	$ 1,505,272	$ 31,256,576	$ 3,395,034	$ 557,451	$ 35,209,061

See accompanying notes.

Nation's Finest
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ (2,782,867)
Adjustments to reconcile changes in net assets to net cash	
Used in operating activities:	
Depreciation and amortization	579,063
Forgiveness of payables	14,242
Changes in operating assets and liabilities:	
Grants receivable	384,581
Prepaid expenses	(29,635)
Other current assets	990
Deposits	(7,581)
Accounts payable	37,845
Related party loan payable	(108,333)
Accrued liabilities	575,781
Deferred revenue	788,824
Operating lease liabilities	(189,609)
Finance lease liabilities	1,720
Trust accounts payable	2,114
Net cash used in operating activities	(732,865)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(147,403)
Issuance of loan receivable	(67,149)
Proceeds from sale of property and equipment	400,000
Net cash provided by investing activities	185,448
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings on debt agreements	500,000
Principal payments on finance leases	(52,330)
Principal payments on debt	(459,242)
Net cash used in financing activities	(11,572)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(558,989)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	1,578,805
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	$ 1,229,948

See accompanying notes.

Nation's Finest
Consolidated Statement of Cash Flows (Continued)
Year Ended December 31, 2023

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSISTED OF THE FOLLOWING		
Cash and cash equivalents	$	1,225,783
Cash - trust account		4,165
	$	1,229,948
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	$	540,240
Operating lease right-of-use assets obtained in exchange in for operating lease liabilities	$	210,132

See accompanying notes.

Note 1 – Nature of Operations

Operations – Nation's Finest (the Organization), formerly known as Vietnam Veterans of California, Inc. dba Veterans Resource Centers of America, is a 501(c)(3) tax-exempt nonprofit organization, community based veteran's service agency organized under the laws of the State of California for the purpose of providing services for a wide range of issues facing veterans in need, including disability, homelessness, criminal justice, and ongoing psychological problems associated with combat. The Organization strives to engage veterans and their families in a process of healing and growth that celebrates their individuality, identifies all barriers to success, mitigates those barriers, and challenges each participant to reach their utmost potential. The Organization has corporate headquarters in Santa Rosa with resource centers in California (Chico, Santa Rosa, Sacramento, Monterey, Eureka, Santa Cruz, Menlo Park, Vallejo, and Redding), Nevada (Carson City and Reno), and Arizona (Bullhead City, Prescott, and Flagstaff). Effective June 2020, the Organization amended and restated its Articles of Incorporation, changing it's legal name from Vietnam Veterans of California, Inc. to Nation's Finest.

Veterans Housing Development Corporation (VHDC) is a 501(c)(3) nonprofit organization formed in 2015 under IRC 509(a)(3) as a supporting organization to the Organization. The mission of VHDC is to support the exempt purposes of the Organization through the engagement of programs and activities that support veterans and their families. VHDC is the sole member of various single member LLCs formed to facilitate development projects.

Services and programs

Homeless prevention and rapid re-housing – The Organization provides supportive services to very low-income veteran families living in or transitioning to permanent housing through the Supportive Services for Veteran Families grant. The Organization provides eligible veteran families with outreach, case management, and assistance in obtaining veteran assistance and other mainstream benefits that promote housing stability and community integration.

Employment and training program – The Organization provides an employment training program that focuses on helping individuals achieve results by providing a personalized career exploration and job-search program. The Organization also offers comprehensive placement services by providing clients with job leads, resume preparation, informational resources and interview preparation.

Permanent supportive housing – The Organization provides case management, supportive services, and permanent supportive housing. The Organization operates 210 permanent supportive housing units.

Transitional housing – The Organization provides transitional housing for homeless veterans to promote the development and provision of supportive housing and/or supportive services with the goal of helping homeless veterans achieve residential stability, increase their skill levels and/or income, and obtain greater self-determination. The Organization currently operates 112 beds of housing where homeless veterans may stay for up to two years. The Organization also has transitional housing projects which offer a safe environment where veterans are supported in their efforts to overcome a variety of obstacles.

Behavioral health treatment – The Organization provides dual diagnosis mental health services including 50 beds for behavioral health and social recovery services.

Nutrition services – Through the CalFresh program and local food drives, all of the Organization's residential clients and many low income veterans throughout California benefit from improved access to nutritious meals and information presented to improve the health and well-being of qualified veteran households and individuals.

Case management – The Organization provides culturally competent, critical time intervention case management in order to help veterans live healthy lives and achieve their goals. All veterans meet with a case manager from the Organization upon arrival to perform an initial assessment. Based on this assessment, the case manager works in collaboration with the veteran to devise a service plan addressing identified needs and objectives. Each veteran has a personalized service plan outlining barriers and goals related to substance abuse, mental health, medical needs, finances, education, employment and housing. The case manager meets with the veteran on a regular basis to monitor progress. The goal of case management is to help veterans develop the skills necessary to achieve and maintain independence.

Resource centers – The Organization operates fourteen centers across Northern California, Northern Arizona, and Northern Nevada and provides critical service and support for veterans and their families. The service centers are staffed by a diverse, professional and talented staff in order to serve all veterans in a respectful and positive way, including case managers, drug and alcohol counselors, program support staff, teachers and mental health therapists.

Humanitarian efforts – The Organization's commitment to service extends to other parts of the world. In 1997, the Organization opened a mobile health clinic in Luong Son province in Northern Vietnam. This clinic provides medical treatment to hundreds of impoverished people of Vietnam who otherwise would not receive health care. In 2002, partnering with the East Meets West Foundation, the Organization was able to build the first of three schools, which serve 300 children annually. All three schools replace dilapidated and substandard school buildings and serve the most impoverished communities in Vietnam. The Organization continues to support the mission with frequent renovations of the buildings and improvements on the technology of the facilities.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization's activities and net assets are classified as net assets without donor restrictions and net assets with donor restrictions according to the terms of the various contributions, grants and donor's wishes or interests.

Net assets without donor restrictions – Net assets without donor restrictions consist of all resources that have not been restricted by a donor and are available to support the Organization's activities. There are no board designated net assets as of the year ended December 31, 2023.

Net assets with donor restrictions – Net assets with donor restrictions represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and reported as net assets without donor restrictions. These transactions are reported as net assets released from restrictions and are reported separately from other transactions. For the year ended December 31, 2023 there are no net assets with donor restrictions that are in perpetuity.

Principles of consolidation – The accompanying consolidated financial statements reflect the consolidation of the Organization and its supporting organization, VHDC, and the following limited liability companies of which VHDC is the sole member: VHDC Mather Veterans Phase One, LLC, Mather Veterans Village Phase 2, LLC, Mather Veterans Village Phase 3, LLC, VHDC Redding Housing Unit #1 2298 Park Marina Drive, LLC, Shasta Lake Veterans Village, LLC, Oroville Veterans Village Phase 1, LLC, Chico Veterans Village LLC, Eureka Veterans Village, LLC, and Windsor Veterans Village, LLC. Intercompany accounts and transactions have been eliminated in consolidation.

Cash, cash equivalents, and restricted cash – The Organization considers all highly liquid temporary cash investments with maturities of three months or less to be cash equivalents for purposes of the statements of cash flows. The Organization sets aside a portion of their housing fees as savings and maintains a savings account for all clients that are living in the transitional housing facilities. Cash held by the Organization for transitional clients as of December 31, 2023, amounted to $4,165. Financial instruments subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposits in excess of the Federal Deposit Insurance Corportaion (FDIC) insurance thresholds. Management has not experienced any loss related to demand deposits in the past.

Grants receivable – Grants receivable consist of amounts due from government entities under cost reimbursement agreements. Grants receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is maintained based on past experience and management's review of outstanding receivables. Amounts that are deemed uncollectible are charged to expense in the period the collection efforts have been exhausted. At December 31, 2023, there was no allowance for uncollectible grants receivable, as management determined all accounts to be collectible.

Leases – The Organization accounts for leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases (Topic 842)*. Under Topic 842, the Organization determines whether the arrangement is or contains a lease at inception and reassesses its determination if terms and conditions of the arrangement are changed. Right-of-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Organization considers only payments that are fixed and determinable at the time of commencement. The lease TOU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contract is typically not readily determinable. As a result, the Organization will utilize the risk-free rate, a rate for a U.S. Treasury security for a similar term, as permitted by Topic 842. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

The Organization leases office space, vehicles, and copier equipment under agreements classified as operating leases that expire on various dates through 2029. The Organization also leases vehicles under agreements classified as finance leases that expire on various dates through 2026. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Organization's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and ROU assets unless the Organization is reasonably certain to be exercising the options. Variable expenses generally represent the difference between base rent payments and revised rent payments following an increase attributable to the change in the Consumer Price Index (CPI) and were insignificant during the year ended December 31, 2023. The Organization does not separate lease and nonlease components. Rather, these components are combined and accounted for as a single lease and nonlease component as allowed by the practical expedient permitted by Topic 842. The Organization has elected the short-term lease recognition exemption for certain leases which are less than twelve months in duration or month-to-month. This means, for those leases that qualify, ROU assets or lease liabilities will not be recognized.

Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. For finance leases, amortization expense is recognized based on the useful life of the underlying assets. Minimum lease payments on finance leases are recognized as a reduction of the related lease liability and interest expense over the lease term.

Property and equipment – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 39 years. Funds without restriction used for property and equipment acquisitions are capitalized in the year acquired. Items with a cost in excess of $5,000 and an estimated economic life in excess of one year are capitalized. Assets purchased with grant funds are expensed or capitalized in accordance with program guidelines. These generally have reversionary rights back to funding agencies if the Organization ceases operations. The Organization periodically evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished services utility of the capital asset. No asset impairment was recognized during the year ended December 31, 2023.

Accrued compensated absences – Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Organization since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period sick leave is taken.

Deferred revenue – Deferred revenue consists primarily of unearned grant amounts received in advance and in excess of incurred expenditures.

Related party loan payable – The Organization's related party loan payable liability consists of a deferred compensation agreement between the Organization and a previous employee for services for and on behalf of Veterans Housing Development Corporation (VHDC). Installments of monthly payments of approximately $8,333 per month are due until the remaining balance is paid. As of the year ended December 31, 2023, the liability balance was $225,000.

Revenues and other support – Revenues and other support are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

Grants and award revenue – Governmental and private grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit is exchange for the resources provided. Instead, revenue is recognized like a conditional contribution– when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. The Organization has elected a simultaneous release option to account for these grants and thus are recorded as grants and awards without donor restriction upon satisfaction of the barriers.

Contributions – Unconditional contributions are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. The Organization's policy is to liquidate donated nonfinancial assets unless holding the asset is in the best interest of the Organization. Contributions to be received in future periods are discounted using risk-adjusted rates applicable at the initial measurement date. The discount is amortized annually and recognized as revenue. For the year ended December 31, 2023, there was $0 discount on long-term contributions receivable. An allowance for uncollectible contributions receivable is provided based upon management's judgement considering such factors as historical collection history and existing economic conditions. For the year ended December 31, 2023, the allowance for uncollectible receivables was $270,000.

Contributions in-kind (nonfinancial) – Contributed goods and services that create or enhance nonfinancial assets, or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded as contributions in-kind at their estimated fair value on the date of receipt. The in-kind expense is recorded at its estimated fair value on the date of receipt. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time period. Assets donated with explicit restrictions regarding use are reported as revenue with donor restrictions. Contributions in-kind without donor restrictions consisted of donated use of property for the Homeless Prevention/Rapid Rehousing program and the HUD program in San Mateo, the VA Health Care for Homeless Veterans program in Santa Rosa, the VA Grant and Per Diem program in Petaluma, and permanent supportive housing in Redding which were fully utilized to support the Organization's mission and goals.

Program and other revenues – Program and other revenues include, development fee revenue, partnership management fee income, and rental income, which are recognized over the period the services are provided or at the time goods are provided.

Functional allocation of expenses – The Organization's costs of providing the various programs and other activities have been summarized on a functional basis. Direct costs associated with specific programs are recorded as program expense. Program expenses may include allocable management and general and fundraising expenses. Indirect or shared costs are allocated to the programs and supporting services by a method that measures the estimated benefit provided.

Advertising costs – The Organization expenses advertising costs as incurred. The advertising costs incurred for the year ended December 31, 2023, are $170,106, included in consulting expense in the statement of functional expenses.

Income taxes – The Organization and VHDC are tax-exempt, nonprofit corporations under 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Taxation Code. Continuance of such exemption is subject to compliance with regulations and review of the activities by taxing authorities. The Organization and VHDC are not aware of any transactions that would affect their tax-exempt status.

VHDC Mather Veterans Phase One, LLC, Mather Veterans Village Phase 2, LLC, Mather Veterans Village Phase 3, LLC, VHDC Redding Housing Unit #1 2298 Park Marina Drive, LLC, Shasta Lake Veterans Village, LLC, Oroville Veterans Village Phase 1, LLC, Chico Veterans Village LLC, Eureka Veterans Village, LLC, and Windsor Veterans Village, LLC are all single member LLCs, therefore they are disregarded entities of VHDC for federal and state income tax purposes.

The Organization follows the accounting guidance for uncertain tax positions. Management determined that there are no uncertain tax positions as of December 31, 2023.

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events – The Organization has evaluated subsequent events through January 29, 2026, the date which the consolidated financial statements were available to be issued. In January 2024, the Organization paid off the note payable to Exchange Bank discussed in footnote 5 as this was not renewed. In June 2025, the Organization received $2,629,648 of Employee Retention Tax Credit associated with the March 31, 2021, and September 30, 2021 payroll. In August 2025, the Organization paid off the line of credit balance discussed in footnote 4.

Note 3 – Property and Equipment, Net

Property, plant, and equipment as of December 31, consisted of the following:

Land	$ 300,806
Buildings	14,944,595
Leasehold improvements	940,838
Furniture and equipment	202,039
Software	213,396
Automobiles	139,274
Construction in progress	1,495,218
Collection	3,600
	18,239,766
Less accumulated depreciation	(5,555,638)
	$ 12,684,128

Depreciation and amortization expense amounted to $524,793 and $54,270, respectively, for the year ended December 31, 2023.

Note 4 – Line of Credit

The Organization holds a line of credit with a bank in the amount of $1,300,000. Available borrowings on the line of credit as of December 31, 2023, was $800,000. Interest on the line of credit available for borrowing is charged at the prime rate plus 2.05% (10.55% per annum at December 31, 2023). The line of credit matured January 31, 2024 and was renewed through January 2025. There was a $500,000 outstanding balance on the line of credit at December 31, 2023.

Note 5 – Notes Payable, Net

Notes payable, net are detailed as follows:

Note payable to the Sacramento Housing & Redevelopment Agency; interest rate of 3%; payable in monthly principal and interest payments of $1,054, maturing April 1, 2026. The note is collateralized by real property and Nation's Finest is required to utilize the property in accordance with certain provisions of the loan agreement.	$	28,512
Note payable to the City of Eureka Community Development Department bearing no interest. No payments are due under the note as long as Nation's Finest utilizes the collateral property as a transitional living facility for low income households. In the event, Nation's Finest sells the collateral property or uses it for another purpose, outstanding principal and a share of appreciation, determined to be 30%, will be due.		201,000
Note payable to the City of Redding incurring 1% interest. The note is secured by real property and requires VHDC to utilize the collateral property for affordable transitional housing purposes. The Residual Receipts Loan Promissory Note requires an residual receipts recognized from the property to be paid to the City for interest and principal amounts due. Payment in full of the remaining balance of principal and interest, if any, shall be due and payable on January 2, 2045.		355,000
Note payable to the City of Rancho Cordova with a $2,505,000 draw down bearing no interest and is to be forgiven if certain requirements are met on the 55th anniversary of the final date of occupancy of the collateral property. The loan is to be used primarily as permanent gap financing for the Mathers Veterans Village Phase 2 development project. This note is included in the forgivable notes payable balance on the consolidated statements of financial position.		2,175,000
Note payable to the City of Rancho Cordova for predevelopment portion of the above $2,505,000 loan; bearing no interest. This note is due in full and expected to be paid when the project receives permanent financing. This portion of the note payable will not be forgiven. The permanent financing is expected to be in place at the closing date for the Mather Veterans Village Phase 2 development project. The note is secured by real property and requires Nation's Finest to utilize the property in accordance with certain provisions of the loan agreement.		330,000
Note payable to the California Department of Housing and Community Development at 3% interest. The note is secured by real property and requires VHDC to utilize the property in accordance with certain provisions of the loan agreement. Partial interest payments of 0.42% per annum on the unpaid principal balance of the note are due annually for thirty years. Commencing on the thirtieth anniversary of the note, interest payments of 3% per annum of the unpaid principal balance become due. The entire unpaid principal balance of the note, along with all accrued and unpaid interest is due on April 23, 2076.		2,489,944

Note payable to the California Department of Housing and Community Development at 3% interest. The note is secured by real property and requires VHDC to utilize the property in accordance with certain provisions of the loan agreement. Partial interest payments of 0.42% per annum on the unpaid principal balance of the note are due annually for thirty years. Commencing on the thirtieth anniversary of the note, interest payments of 3% per annum of the unpaid principal balance become due. The entire unpaid principal balance of the note, along with all accrued and unpaid interest, is due on April 23, 2076.	2,500,000
Note payable to the City of Shasta Lake Housing Authority with no interest. The note is secured by the Shasta Lake Veteran's Village real property and requires VHDC to utilize the property in accordance with certain provisions of the loan agreement. The entire principal balance outstanding under the note shall be due and payable in one lump sum on the date of closing for construction financing for the project. The outstanding balance of the note shall be forgiven in full if all conditions are satisfied. This note is included in the forgivable notes payable balance on the consolidated statements of financial position.	100,000
Note payable to Exchange Bank at an interest rate of the Prime Rate plus 0.75% with a 5.50% floor (9.25% at December 31, 2023) with monthly interest payments due. The maturity date of the loan was extended to January 5, 2024. The note is secured by the Shasta Lake Veteran's Village real property and requires VHDC to utilize the property in accordance with certain provisions of the loan agreement.	516,745
Loan and security agreement for $2,000,000 to Commonspirit Health Operating Investment Pool, LLC at 3% interest. Loan matured and was due on June 30, 2023. This was not extended and is delinquent. Interest payments are due monthly. The note is secured by the Shasta Lake Veteran's Village real property and requires VHDC to utilize the property in accordance with loan provisions.	76,131
Note payable to a finance company due in monthly installments through March 2023, including interest at 0.9% per annum. This was not extended and is delinquent. The note is secured by the underlying vehicle.	954
Total notes payable	8,773,286
Outstanding line of credit (see footnote 4)	500,000
Less current portion	(6,093,802)
Long-term notes payable	$ 3,179,484

The future maturities of the notes payable are as follows:

Years Ending December 31,	
2024	$ 6,093,802
2025	112,328
2026	6,876
2027	-
2028	-
Thereafter	785,280
	$ 6,998,286

Forgivable loans – The Organization has $9,273,286 of loans outstanding as of December 31, 2023, to be used for the development of certain projects. Of these loans, $2,275,000 will be forgiven if the Organization has complied with certain terms and conditions of the loan agreement throughout the loan term. These conditions include, but are not limited to, the continued use of the property as transitional housing, veterans housing or other housing for needy individuals and families. If these conditions are not met, the funds would have to be repaid in full with accrued interest at varying interest rates. These loans will be accounted for as revenue if and when the debt is forgiven and all conditions on the debt are met.

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following:

	2023
Donor site restrictions	$ 495,941
Time restrictions	30,000
	$ 525,941

Net assets with donor restrictions released from restriction during the year were as follows:

Grant and contract restrictions	$ 31,041,467
Donor site restrictions	495,941
Time restrictions	-
	$ 31,537,408

The time restricted assets included in net assets with donor restrictions represents funds received from a funding agency that contributed financially towards the property acquisitions and rehabilitation related to the Sacramento Veterans Reintegration Project and stipulated that these properties be used for specified purposes through dates ranging from 2017 through 2026. The restrictions are being released over the period specified.

Note 7 – Defined Contribution Retirement Plan

The Organization established a defined contribution plan effective January 1, 2023. This plan allows all employees, excluding certain designated employees, with at least one year of service, to contribute through payroll deductions. Under this plan, the Organization provides a matching contribution of employee compensation up to 4%, plus a nonelective and discretionary employer contribution of 3% for all employees eligible for the plan. The Organization's contributions to the plan totaled $552,084 for the year ended December 31, 2023.

Note 8 – Commitments and Contingencies

The Organization is contingently liable in connection with claims, matters subject to arbitration, and contracts arising in the normal course of its activities. In addition, the Organization receives funds from federal government-funded programs which are subject to audit by cognizant governmental agencies. The Organization is dependent on grants from federal agencies, primarily the U.S. Department of Veterans Affairs (VA). If the level of these grants and support varies, there may be an adverse effect upon the level or types of activities and program services offered by the Organization. For the year ended December 31, 2023, 97% of revenue was comprised of federal government grants. All federal government grant revenue was from the VA. In addition, approximately 80% of grants receivable at December 31, 2023, were due from federal agencies.

The Organization's grant funding is subject to various risks, including potential changes in government policy and executive orders issued by federal, state, or local authorities. Such actions may lead to modifications, delays, or cancellations of grant programs, which could negatively affect the Organization's ability to meet its commitments under existing grants.

Note 9 – Leases

The scheduled minimum lease payments under the lease terms are as follows:

Years Ending December 31,	Operating	Finance	Total
2024	$ 555,974	$ 69,401	$ 625,375
2025	438,582	47,190	485,772
2026	361,277	30,151	391,428
2027	109,856	-	109,856
2028	12,000	-	12,000
Thereafter	12,000	-	12,000
Total undiscounted cash flows	1,489,689	146,742	1,636,431
Less: present value discount	(37,645)	(3,765)	(41,410)
Total lease liabilities	$ 1,452,044	$ 142,977	$ 1,595,021

Additional information related to leases is as follows:

Weighted-average remaining lease term in years for finance leases	2.36
Weighted-average remaining lease term in years for operating leases	3.04
Weighted-average discount rate for finance leases	2.05%
Weighted-average discount rate for operating leases	1.83%

The finance lease expense for the year ended December 31, 2023, was $54,370 and $3,374 for amortization of the ROU asset and interest, respectively. The operating lease expense for the year ended December 31, 2023 was $540,035. Rent expense for the year ended December 31, 2023 is included in building rents/leases on the consolidated statement of functional expenses.

Note 10 – Liquidity and Funds Available

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization utilizes cash and cash equivalents and accounts receivable that are considered current and will be collected from funders within the applicable period. The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets related to restricted contributions may not be available for general expenditure within one year. The Organization's cash balances related to VHDC include proceeds received under debt agreements to be used for development costs (see Note 11). These amounts have been excluded from the financial assets available for general expenditure within one year.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Financial assets	
Cash and cash equivalents	$ 1,225,783
Grants receivable	1,523,489
Loan receivable, net	67,149
Total financial assets	2,816,421
Less amounts unavailable for general expenditures within one year	
Any long-term portions of receivables	(67,149)
Donor-imposed restrictions for a specified purpose	(495,941)
Donor-imposed restrictions for a specified time	(30,000)
Total financial assets unavailable within one year	(593,090)
Total financial assets and liquidity resources available within one year	$ 2,223,331

The current economic climate presents significant challenges, and the Organization has reported a decrease in net assets and negative cash flows from operations for the year ended December 31, 2023. Management acknowledged the substantial difficulties in maintaining operational sustainability under these conditions.

The Organization is heavily reliant on federal funding and has encountered challenges securing funding due to delinquent submissions of required compliance requirements further caused by significant turnover in key personnel at the Organization. Noncompliance with certain debt covenants has caused note payable balances to be present as current liabilities as payments due become accelerated in circumstances of noncompliance.

Given these circumstances, management has determined that substantial doubt exists regarding the Organization's ability to continue as a going concern beyond one year from the date the consolidated financial statements were available to be issued. Consequently, the Organization may face challenges in realizing its assets and meeting its financial obligations through normal operational activities.

Note 11 – Development Projects

Mather Veterans Village – In April 2015, the Organization signed an agreement with the City of Rancho Cordova to be the developer of the project named Mather Veterans Village. The City will fund the development project through no-interest loans, to be forgiven on the 55th anniversary of the date of issuance of the final certificate of occupancy for the Project. The agreement also allows for various predevelopment short term no interest financing to be paid when the permanent financing is received.

The development project consists of three phases.

- *Phase 1* is comprised of 50 rental units of permanent supportive housing and the rehabilitation of a portion of the existing building in Rancho Cordova, California. A VHDC- affiliated LLC is the administrative general partner in a limited partnership that developed and operates the project and has a 0.0015% interest. Phase 1 was completed in 2016. VHDC has the right of first refusal to purchase the property for $100 and assume any outstanding debt and taxes payable at the end of the 15-year tax credit period.

- *Phase 2* is comprised of up to 60 transitional beds and related facilities to be located within approximately 19,841 square feet of building space in Rancho Cordova, California. Phase 2 involves the rehabilitation and use of a portion of the ground floor of an existing building and the rehabilitation and use of the complete second floor area and exterior space associated with the existing building, in each case excluding the land and building area that comprise the Air Rights Parcel. The building was conveyed to the Phase 2 project by the City of Rancho Cordova. The land lease was assigned to the project by the City of Rancho Cordova and enables the project to utilize the land free of charge upon completion of the project.

The Phase 2 property shall be used for "Transitional Housing" whereby units (or beds) are configured as rental units, but operated under program requirements that may call for the termination of assistance and recirculation of residential units to other eligible program participants at some predetermined future point in time which shall typically be not less than six months, depending upon program requirements. Phase 2 construction was placed into service in June 2020 at which point the property received its certificate of occupancy. A VHDC-affiliated LLC is the sole owner of the project.

- *Phase 3* is comprised of a 50-unit permanent supportive housing project in Rancho Cordova, California. A VHDC-affiliated LLC is the administrative general partner in the limited partnership that developed and operates the project and has a 0.0025% interest. VHDC has the right of first refusal to purchase the property for $100 and assume any outstanding debt at the end of the 15-year tax credit period. The project was funded from loans and grants from the State of California, City of Rancho Cordova, Sacramento County, a 55-year interest only loan through the Veterans Housing and Homelessness Prevention Program (VHHP), and equity contributed by low-income housing tax credit investors. Mather Veterans Village Phase 3 completed construction in July 2019 and is in operation.

Shasta Lake Veterans Village – A 30-unit, permanent supportive housing project in the City of Shasta Lake. The project is currently funded through loans from the County of Shasta, a bank, and construction financing. Also, the project received a $3,787,170 loan commitment from the California Department of Housing and Community Development through the VHHP, which will replace the construction financing once the construction is completed, and the project receives a certificate of occupancy. Either a VHDC-affiliated LLC or a partnership in which such LLC serves as general partner will own the project.

Eureka Veterans Village – A 50-unit supportive housing project in Eureka, California. A VHDC-affiliated LLC is the managing general partner in the limited partnership that is developing the project and has a nominal percentage interest in the project. VHDC has the right of first refusal to purchase the property based on the terms of the limited partnership agreement. The Organization is the manager for resident services of the project. The project is operational and fully occupied.

A 12-unit housing project in Redding, California. VHDC is the sole owner of the project and the project has been placed in service.

Windsor Veterans Village – A limited partnership in which a VHDC-affiliated LLC serves as managing general partner developed a 60-unit permanent supportive housing project in Windsor, California. The project received a $9,900,000 loan commitment from the California Department of Housing and Community Development through the VHHP financing through the issuance of tax-exempt bonds and equity provided by a low-income housing tax credit investor. The Organization is managing the resident services of the project. Project is completed and occupied. VHDC has an option and right of first refusal to purchase the project at the end of the 15-year tax credit compliance period. The Windsor Veterans Village project closed construction financing and started construction on August 26, 2019.

Oroville Veterans Village – Oroville Veterans Village is a partnership between VHDC and a for-profit entity. Oroville Veterans Village Phase 2 is to develop a 52-unit permanent supportive housing project in Chico, California. The project received a commitment valued at approximately $5,772,000 from the Housing Authority of the County of Butte and an additional commitment of approximately $1,750,000 in rural development advance (RDA) predevelopment funding from the City of Oroville. The intent is for VHDC to manage the resident services of the project upon project completion and occupancy.

Oroville Veterans Village Phase 1 is a project to develop 5 rehabilitation houses and 12 new construction houses that will be owner occupied for veterans below 50% of the Area Median Income who had been displaced from their homes due to the Camp Fire. The project received its initial funding in 2019 through grant funds totaling $270,000. Construction financing for the project is expected to be completed through California Department of Veterans Affairs. As of December 31, 2023, VHDC finalized the completion of three houses which are occupied. Construction of the remaining houses is underway.

Supplementary Information

Nation's Finest
Consolidating Statement of Financial Position
December 31, 2023

	Nation's Finest	Veterans Housing Development Corporation	Eliminating Entries	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 855,824	$ 369,959	$ -	$ 1,225,783
Cash - trust account	4,165	-	-	4,165
Grants receivable	1,523,489	-	-	1,523,489
Due from related party	1,692,369	-	(1,692,369)	-
Prepaid expenses	126,348	-	-	126,348
Other current assets	60	-	-	60
Total current assets	4,202,255	369,959	(1,692,369)	2,879,845
NONCURRENT ASSETS				
Deposits	58,426	-	-	58,426
Loan receivable	-	67,149	-	67,149
Operating lease right-of-use assets	1,411,616	-	-	1,411,616
Finance lease right-of-use assets	139,317	-	-	139,317
Property and equipment, net	2,316,659	10,367,469	-	12,684,128
Total noncurrent assets	3,926,018	10,434,618	-	14,360,636
Total assets	$ 8,128,273	$ 10,804,577	$ (1,692,369)	$ 17,240,481
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 139,454	$ 26,914	$ -	$ 166,368
Accrued liabilities	1,151,628	384,178	-	1,535,806
Due to related party	-	1,692,369	(1,692,369)	-
Deferred revenue	928,317	-	-	928,317
Trust account payable	23,075	-	-	23,075
Related party loan payable, current portion	-	100,000	-	100,000
Notes payable, current portion	510,982	5,582,820	-	6,093,802
Operating lease liabilities, current portion	535,089	-	-	535,089
Finance lease liabilities, current portion	67,099	-	-	67,099
Total current liabilities	3,355,644	7,786,281	(1,692,369)	9,449,556
LONG-TERM LIABILITIES				
Forgivable notes payable	-	2,275,000	-	2,275,000
Related party loan payable, net of current portion	-	125,000	-	125,000
Notes payable, net of current portion	549,484	355,000	-	904,484
Operating lease liabilities, net of current portion	916,955	-	-	916,955
Finance lease liabilities, net of current portion	75,878	-	-	75,878
Total long-term liabilities	1,542,317	2,755,000	-	4,297,317
Total liabilities	4,897,961	10,541,281	(1,692,369)	13,746,873
NET ASSETS				
Without donor restrictions	2,764,371	203,296	-	2,967,667
With donor restrictions	465,941	60,000	-	525,941
Total net assets	3,230,312	263,296	-	3,493,608
Total liabilities and net assets	$ 8,128,273	$ 10,804,577	$ (1,692,369)	$ 17,240,481

Nation's Finest
Consolidating Statement of Activities
Year Ended December 31, 2023

	Nation's Finest	Veterans Housing Development Corporation	Eliminating Entries	Consolidated
REVENUES AND SUPPORT				
Grants and awards	$ 31,397,295	$ -	$ -	$ 31,397,295
Program income	102,013	-	-	102,013
Contributions	304,908	96	-	305,004
In-kind contributions- non-financial	408,997	-	-	408,997
Other revenue	27,627	185,258	-	212,885
Total revenues and support	32,240,840	185,354	-	32,426,194
FUNCTIONAL EXPENSES				
Program services	29,899,816	1,356,760	-	31,256,576
Management and general	3,395,034	-	-	3,395,034
Fundraising	557,451	-	-	557,451
Total functional expenses	33,852,301	1,356,760	-	35,209,061
CHANGE IN NET ASSETS	(1,611,461)	(1,171,406)	-	(2,782,867)
NET ASSETS, beginning of year	4,841,773	1,434,702	-	6,276,475
NET ASSETS, end of year	$ 3,230,312	$ 263,296	$ -	$ 3,493,608

Nation's Finest
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures
U.S. Department of Veterans Affairs		
VA Homeless Providers Grant and Per Diem Program		
Direct awards		
Homeless Provider Grant and Per Diem Program - San Francisco	64.024	$ 806,872
Homeless Provider Grant and Per Diem Program - Northern California	64.024	2,109,543
Homeless Provider Grant and Per Diem Program - Special Need Grant (Sacramento)	64.024	40,308
Homeless Provider Grant and Per Diem Program - Case Management Grant - Eureka	64.024	88,025
Homeless Provider Grant and Per Diem Program - Case Management Grant - Sacramento	64.024	273,945
Total VA Homeless Providers Grant and Per Diem Program		3,318,693
Veterans Rehabilitation - Alcohol and Drug Dependence		
Direct awards		
VA/Health Care Homeless Veterans - Eureka	64.U01	413,409
VA/Health Care Homeless Veterans - Sacramento	64.U01	238,310
VA/Health Care Homeless Veterans - Santa Rosa	64.U01	427,051
VA/Health Care Homeless Veterans - Reno	64.U01	588,108
Total Veterans Rehabilitation - Alcohol and Drug Dependence		1,666,878
VA Supportive Services for Veteran Families Program		
Direct awards		
Supportive Services for Veteran Families - CA	64.033	11,687,226
Supportive Services for Veteran Families - Nevada	64.033	3,171,699
Supportive Services for Veteran Families - Arizona	64.033	3,281,184
Supportive Services for Veteran Families Shallow Subsidy - California	64.033	2,571,586
Supportive Services for Veteran Families Shallow Subsidy - Nevada	64.033	1,069,651
Supportive Services for Veteran Families Shallow Subsidy - Arizona	64.033	725,724
Supportive Services for Veteran Families Housing Locator - Arizona	64.033	231,396
Supportive Services for Veteran Families Housing Locator - California	64.033	436,359
Supportive Services for Veteran Families Housing Locator - Nevada	64.033	196,878
Supportive Services for Veteran Families Landlord Tenant - California	64.033	823,660
Supportive Services for Veteran Families Landlord Tenant - Nevada	64.033	123,394
Total VA Supportive Services for Veteran Families Program		24,318,757
VA Suicide Prevention Program		
Direct awards		
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	592,275
Total VA Suicide Prevention Program		592,275
Total U.S. Department of Veterans Affairs		29,896,603
U.S. Department of Labor		
Veterans' Employment and Training Service		
Direct awards		
Homeless Veteran Reintegration Project	17.805	93,167
Homeless Veteran Reintegration Project	17.805	40,183
Total Veterans' Employment and Training Service		133,350
Total U.S. Department of Labor		133,350
Total Expenditures of Federal Awards		$ 30,029,953

See accompanying notes to schedule of expenditures of federal awards.

Nation's Finest
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Nation's Finest and Subsidiaries (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the cost principles contained in the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, functional expenses, changes in net assets, or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Federal Assistance Listing numbers and pass-through entity identification numbers are presented where available.

Note 3 – Indirect Cost Rate

The Organization has elected to use the 10% de minimis indirect cost rate for federal awards allowed under the Uniform Guidance.

Note 4 – Subrecipients

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2023.

Report of Independent Auditors 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*

The Board of Directors
Nation's Finest and Subsidiaries

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 Nation's Finest and Subsidiaries, which comprise the consolidated statement of financial position as of and for the year ended December 31, 2023, and the related consolidated statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated January 29, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Nation's Finest and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nation's Finest and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Nation's Finest and Subsidiaries' 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nation's Finest and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-002.

Nation's Finest and Subsidiaries' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Nation's Finest and Subsidiaries' responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Nation's Finest and Subsidiaries' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Baker Tilly US, LLP

San Francisco, California
January 29, 2026

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Nation's Finest and Subsidiaries

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Nation's Finest and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Nation's Finest and Subsidiaries' major federal program for the year ended December 31, 2023. Nation's Finest and Subsidiaries' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Nation's Finest and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Nation's Finest and Subsidiaries and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of Nation's Finest and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Nation's Finest and Subsidiaries' federal programs.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Nation's Finest and Subsidiaries' compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Nation's Finest and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Nation's Finest and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Nation's Finest and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Nation's Finest and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-004, and 2023-005, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Nation's Finest and Subsidiaries' responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Nation's Finest and Subsidiaries' responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
January 29, 2026

Nation's Finest
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ Yes ☐ No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for Major Federal Programs

ALN Numbers	*Name of Major Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
64.033	VA Supportive Services for Veteran Families Program	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $900,899

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II – Financial Statement Findings

FINDING 2023-001 – Financial Close and Reporting and Delay in Reporting – Material Weakness in Internal Control

Criteria – The Organization's management is responsible for establishing and maintaining internal controls over proper recording of the Organization's transactions and reconciliation and review of the Organization's account balances. Additionally, per Title 2, Appendix VII, the data collection form should be submitted within a nine-month period subsequent to December 31, 2023.

Condition/context – During the audit fieldwork, deficiencies were identified in the Organization's financial statement close and reporting processes that resulted in numerous audit adjustments and the inability of management to timely provide accurate, complete, and reconciled financial information. The financial statement closing process experienced delays due to certain turnover in management. Management did not consistently perform or document controls to ensure that significant account balances were reconciled to the general ledger, journal entries were reviewed, and all required accounting activity was recorded prior to closing the financial statements. Additionally, the Organization did not maintain a complete and organized file of signed contracts which resulted in certain required disclosures about commitments to be missing from the consolidated financial statements..

Significant issues noted included, but were not limited to:

- Incomplete and inaccurate fixed asset records, including unrecorded depreciation, assets remaining on the books after disposition, and schedules that did not reconcile to the general ledger;
- Errors in the accounting for construction in progress, including inaccurate capitalization of costs and unreconciled balances;
- Failure to record and maintain right-of-use assets and lease-related activity in accordance with applicable accounting standards;
- Lack of an allowance for uncollectible receivables until identified and proposed by the auditors;
- Improper classification and elimination of intercompany activity and receivable balances;
- Inadequate review of journal entries and period-end account balances; and
- Incomplete cash controls, including lack of access to bank accounts due to key personnel turnover and the inability to provide bank statements or perform timely bank reconciliations.

Cause – Management did not have sufficient internal controls in their review of the year-end close process. Additionally, turnover of key financial personnel caused delays in work and review performance.

Effect – There were multiple proposed adjustments required to appropriately reflect balances in the consolidated statement of financial positions and consolidated statement of activities. The errors and turnover caused the Organization to miss key financial reporting deadlines and data collection submission.

Section II – Financial Statement Findings

FINDING 2023-001 – Financial Close and Reporting and Delay in Reporting – Material Weakness in Internal Control(continued)

Repeat finding – This is not a repeat finding.

Recommendation – We recommend the Organization develop and implement procedures for reviewing and recording all year-end adjustments and accruals. Formal accounting policies and procedures to guide the financial close process should include clearly defined roles and responsibilities related to year-end closing tasks.

Views of responsible officials and planned corrective actions – Management agrees with the recommendation and has developed a corrective action plan to address the finding.

FINDING 2023-002 –Debt Management– Material Weakness in Internal Control

Criteria – The Organization's management is responsible for establishing and maintaining internal controls to ensure that all long-term debt agreements are properly documented, retained, and monitored. This includes ensuring that debt-related obligations, such as payment terms, reporting requirements, and financial covenants, are actively tracked and complied with. Effective controls should provide continuity during personnel transitions and support timely and accurate financial reporting.

Condition/context – The Organization lacks effective documentation retention practices for long-term contracts and agreements, which created challenges in the timely testing and review of long-term debt during the audit. Management did not have complete visibility into existing debt obligations or clear points of contact for active long-term arrangements. Our review of loan agreements identified terms related to payment schedules and reporting requirements that were not being actively tracked or monitored. Additionally, financial covenants outlined in the agreements were not reviewed on an ongoing basis.

Cause – Management did not have sufficient internal controls in place to ensure long-term debt was tracked and managed during periods of change in personnel.

Effect – The failure to monitor covenants increase the risk of noncompliance, which could lead to adverse consequences or missed opportunities to address violations proactively.

Repeat finding – This is not a repeat finding.

Recommendation – We recommend the Organization establish a centralized system for maintaining and reviewing all long-term debt agreements and implement procedures to ensure regular monitoring of key terms, including covenant compliance and reporting deadlines. We recommend that procedures be developed for the timely remittance of reports to comply with any loan requirements.

Views of responsible officials and planned corrective actions – Management agrees with the recommendation and has developed a corrective action plan to address the finding.

Section III – Federal Award Findings and Questioned Costs

FINDING 2023-003 – Reporting: Significant Deficiency over Internal Controls over Compliance

Federal Assistance Listing Number	*Federal Agency/Pass-through Entity – Program Name*	*Award Year*	*Questioned Costs*
64.033	VA Supportive Services for Veteran Families Program	2023	$0

***Criteria*:** The 2 CFR section 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards. The VA Data Guide (the Guide) and the contract agreements provide instruction on the frequency and data requirements due during the award period.

Condition/Context: In a representative sample of monthly, quarterly, and annual reports due during the year ended December 31, 2023, auditors noted six of the six tested annual financial reports did not agree to the underlying profit and loss detail for the related grants. In addition, the certified authorized official was not an employee of the Organization and there was a lack of documentation for how the certifying official was deemed appropriate. In the sample of quarterly reports, the Organization had contradicting responses related to whether reimbursement requests reflect actual spending of designated Supportive Services for Veteran Families (SSVF) funding.

Effect: Reporting requirements of the awards were not accurate for certain line items.

Cause: There was turnover in the Organization which caused the inability to produce or find supporting documentation on how values were created or how certifying officials outside the Organization were provided authority to certify such reports submitted.

Repeat finding: This is not a repeat finding.

Recommendation: The Organization should have knowledgeable personnel review and approve reports for completeness and accuracy, including comparing to source documentation and any reconciliations between source data to final reporting.

Views of responsible officials and planned corrective actions: Management agrees with the recommendation and has developed a corrective action plan to address the finding.

Section III – Federal Award Findings and Questioned Costs

FINDING 2023-004 – Cash Management: Significant Deficiency over Internal Controls over Compliance

Assistance Listing Number	*Federal Agency/Pass-through Entity – Program Name*	*Award Year*	*Questioned Costs*
64.033	VA Supportive Services for Veteran Families Program	2023	$0

***Criteria*:** Regulations at 31 CFR Part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.). Non-federal entities must establish written procedures to implement the requirements of 2 CFR section 200.305 ((2 CFR section 200.302(b)(6)). Non-federal entities must minimize the time elapsing between the transfer of funds from the US Treasury or pass-through entity and disbursement by the non-federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR section 200.305(b)). The reimbursement payment method is the preferred payment method if (a) the non-federal entity cannot the meet the requirements in 2 CFR section 200.305(b)(1) for advance payment, (b) the federal awarding agency sets a specific condition for use of the reimbursement or (c) if requested by the non-federal entity (2 CFR sections 200.305(b)(3) and 200.208).

Condition/Context: The Organization draws down funds based on a profit and loss report to signify the excess expenses incurred over the grant revenue. The Organization operates on a reimbursement basis. The request for reimbursements are not reviewed to ensure amounts have been paid with the Organization's funds prior to the reimbursement request because certain expense codes do not relate to expenses paid but rather expenses incurred. Additionally, the frequency of draws during mid-months creates potential for errors when the reporting period has not been reconciled and therefore coded expenses are subject to change.

Effect: Certain expenses included on the draw down total have not been paid for with Organization funds prior to the request or within 3 days of receipt of federal fund.

Cause: There is no review to ensure the total only included expenses paid.

Repeat finding: This is not a repeat finding.

Recommendation: The Organization should reconcile program expenditures and requests for federal funds to ensure the total draw down is not in excess of disbursements paid by the Organization. Management should implement a review and approval process for reimbursement requests to verify that amounts drawn are supported by paid expenditures and appropriate documentation.

Section III – Federal Award Findings and Questioned Costs

FINDING 2023-004 – Cash Management: Significant Deficiency over Internal Controls over Compliance (continued)

Views of responsible officials and planned corrective actions: Management agrees with the recommendation and has developed a corrective action plan to address the finding.

FINDING 2023-005 – Allowable Costs: Significant Deficiency over Internal Controls over Compliance

Assistance Listing Number	*Federal Agency/Pass-through Entity – Program Name*	*Award Year*	*Questioned Costs*
64.033	VA Supportive Services for Veteran Families Program	2023	$0

***Criteria*:** The time and effort reporting or compensation of personal services 2 CFR section 200.430 notes a non-federal entity must have written policies surrounding time and effort reporting that are consistently applied to both federal and non-federal activities. The actual percentage of employees' time must be recorded and documented per funding source and not by budgets. Documentation must be maintained to support allocations for non-payroll and payroll disbursements charged to the grant. 2 CFR section 200.405 relates to allocable costs. A cost is allocable to a federal award if the goods and services involved are chargeable to that award in accordance with relative benefits received. Costs are allocable if they:

- Are incurred specifically for the federal award
- Benefit both the federal award and other work of the non-federal entity and can be distributed in reasonable proportion to the benefits received; or
- Are necessary to the overall operation of the non-federal entity and are assignable in part to the federal award.

Condition/Context: In a sample of 25 payroll disbursements, 11 salaried employees lacked adequate documentation to support the allocation of time and effort to federal programs. Additionally, 4 out of 25 non-payroll disbursements lacked a documented methodology or supporting evidence to justify the allocation of costs between programs.

Effect: Expenses charged to the grant are not supported by records.

Cause: There was turnover in the Organization which caused the inability to produce or find supporting documentation on how allocations are created inside the system.

Repeat finding: This is not a repeat finding.

Recommendation: The Organization should have written policies surrounding time and effort reporting and ensure the methodology is supported by source documents for all transactions.

Section III – Federal Award Findings and Questioned Costs

FINDING 2023-005 – Allowable Costs: Significant Deficiency over Internal Controls over Compliance (continued)

Views of responsible officials and planned corrective actions: Management agrees with the recommendation and has developed a corrective action plan to address the finding.

Nation's Finest
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2023

There were no prior audit findings reported.

Nation's Finest and Subsidiaries
Corrective Action Plan
For the Fiscal Year Ended December 31, 2023

FINDING 2023-001 – Financial Close and Reporting and Delay in Reporting – Material Weakness in Internal Controls

Condition/context – During the audit fieldwork, deficiencies were identified in the Organization's financial statement close and reporting processes that resulted in numerous audit adjustments and the inability of management to timely provide accurate, complete, and reconciled financial information. Specifically, management did not consistently perform or document controls to ensure that significant account balances were reconciled to the general ledger, journal entries were reviewed, and all required accounting activity was recorded prior to closing the financial statements. Additionally, the Organization did not maintain complete and organized file of signed contracts which resulted in certain required disclosures about commitments to be missing from the consolidated financial statements.

Corrective Action Plan:

- Implement a documented monthly and year-end financial close checklist to ensure accounting records are accurate, complete, and current.
- Perform and document monthly reconciliations of significant balance sheet accounts to the general ledger, with supervisory review
- Establish and document journal entry review and approval controls to ensure all transactions are properly authorized and recorded prior to closing.
- Conduct a documented pre-close cutoff review to confirm all required accounting activity is recorded before financial statements are issued.
- Require documented management review of financial statements and supporting schedules prior to issuance to ensure accuracy and completeness.

Name of Contact Person:

Chris Flaherty, Chief Executive Officer
707.890.6491

Laura Williams, Chief Financial Officer
707.335.0010

Projected Completion Date: December 31, 2026

FINDING 2023-002 – Debt Management – Material Weakness in Internal Control

Condition/context – The Organization lacks effective documentation retention practices for long-term contracts and agreements, which created challenges in the timely testing and review of long-term debt during the audit. Management did not have complete visibility into existing debt obligations or clear points of contact for active long-term arrangements. The auditor review of loan agreements identified terms related to payment schedules and reporting requirements that were not being actively tracked or monitored. Additionally, financial covenants outlined in the agreements were not reviewed on an ongoing basis.

Corrective Action Plan:

- A debt reduction strategy is being evaluated for the Nation's Finest GL, including the liquidation of non-essential fixed assets and paydown schedule for BofA lines of credit and contract renegotiations with VHDC funders.
- Regular covenant compliance monitoring procedures are being strengthened at the operational level concerning spending limits for each site by funder
- Establish a centralized debt management system or repository for all loan agreements, amendments, and related correspondence.
- Re-organize the Director and Program Management responsibilities for debt oversight to a specific staff member or department, ensuring that this person is aware of all reporting and compliance requirements.
- Develop and implement a debt compliance calendar to track payment due dates, reporting deadlines, and financial covenant tests.
- Conduct an annual review of all active debt obligations to confirm compliance with terms and conditions and to proactively identify any potential issues.

Name of Contact Person:

Chris Flaherty, Chief Executive Officer
707.890.6491

Laura Williams, Chief Financial Officer
707.335.0010

Projected Completion Date: We cannot alleviate within 12 months

FINDING 2023-003 – Reporting: Significant Deficiency over Internal Controls over Compliance

Condition/context – In a representative sample of monthly, quarterly, and annual reports due during the year ended December 31, 2023, auditors noted six of the six tested annual financial reports (SF-425) did not agree to the underlying profit and loss detail from the Organization's General Ledger(s) for the related grants. In addition, the certified authorized official was not an employee of the Organization and there was a lack of documentation for how the certifying official was deemed appropriate. In the sample quarterly reports, the Organization had contradicting responses related to whether reimbursement requests reflect actual spending of designated Supportive Services for Veteran Families (SSVF) funding.

Corrective Action Plan:

- Internal Controls are being evaluated and addressed with the Board of Directors on clarity of Financial Policy and Procedures
- Implement a formal reconciliation process to ensure all grant financial reports agree to the underlying general ledger and profit and loss statements.
- Establish a documented policy identifying employees authorized to certify grant reports, ensuring these individuals are employees of the Organization and appropriately trained.
- Conduct regular training and internal reviews to confirm consistent understanding of grant-specific reporting requirements, particularly those related to reimbursement-based funding such as SSVF.
- Develop a standard operating procedure (SOP) for reviewing and approving financial reports before submission to funders. Prior to sending to funder/portal. Must have reconciliation to numbers prior to next period reporting.
- Site Review of reporting will have oversight of Financial Dept and reconciliation communication.

Name of Contact Person:

Chris Flaherty, Chief Executive Officer
707.890.6491

Laura Williams, Chief Financial Officer
707.335.0010

Projected Completion Date: We cannot alleviate within 12 months

FINDING 2023-004 – Cash Management: Significant Deficiency over Internal Controls over Compliance

Condition/context – The Organization draws down funds based on a profit and loss report to signify the excess expenses incurred over the grant revenue. The Organization identifies themselves as on the reimbursement method. The request for reimbursements are not reviewed to ensure amounts have been paid with the Organization's funds prior to the reimbursement request because certain expense codes do not relate to expenses paid but rather expenses incurred. Additionally, the frequency of draws during mid-months creates potential for errors when the reporting period has not been reconciled and therefore coded expenses are subject to change.

Corrective Action Plan:

Policy & Procedure adjustments within Cash Management:

- Reimbursement requests will be based solely on expenditures that have been paid using the Organization's funds.
- Financial reports used to prepare draw requests are reconciled to ensure expense coding accuracy.
- Expense codes distinguish clearly between paid and accrued expenditures.
- Mid-month draws are avoided or subject to additional reconciliation controls prior to submission.

Name of Contact Person:

Chris Flaherty, Chief Executive Officer
707.890.6491

Laura Williams, Chief Financial Officer
707.335.0010

Projected Completion Date: December 31, 2026

FINDING 2023-005 – Allowable Costs: Significant Deficiency over Internal Controls over Compliance

Condition/context – In a sample of 25 payroll disbursements and 25 non-payroll disbursements, it was found that time and effort for 11 salaried employees were not supported by documentation for the allocation. The sample of non-payroll disbursements had 4 transactions without the documented methodology or support for the allocation between programs.

Corrective Action Plan:

- Implemented a formal time and effort reporting process (Allocation Method) for all employees whose salaries are charged to more than one funding source, in compliance with federal requirements.
- Developing and enforcing a standardized cost allocation methodology for shared non-payroll expenses, ensuring documentation is retained for all allocation decisions.
- Training program and finance staff on allowability and allocation requirements under 2 CFR Part 200.
- Periodically reviewing cost allocations to ensure continued reasonableness and compliance with applicable grant terms.
- Policy and Procedures updated/Staff Training on new Timesheet processes

Name of Contact Person:

Chris Flaherty, Chief Executive Officer
707.890.6491

Laura Williams, Chief Financial Officer
707.335.0010

Projected Completion Date: Corrected: September 2025

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