ANDREW ARROYO REAL ESTATE, Inc.

2021 Shareholder Letter

Andrew Arroyo Real Estate, Inc. Reports Full Year 2021 Results and 2022 Outlook
Generates 24% Revenue Growth, Achieves 45% Gross Profit Increase for Full Year 2021, and Provides Outlook for Full Year 2022 and Financial Targets for 2022-23

San Diego, CA – April 29, 2022 - Andrew Arroyo Real Estate Inc. (AARE), a mission-driven real estate and lending brokerage in the United States, announced today that revenue for the full year 2021 was $9.1 million, up 24% year-over-year. Gross profit for the full year was $1.4 million, an increase of 45% year-over-year. AARE's diversified service model contributed to year-over-year growth for the full year 2021.

Net loss was $48,625 for the full year 2021 compared to a net gain of $20,999 in 2020. The majority of the net losses in 2021 were driven by approximately $205,000 in one-time expenses related to the IPO (initial public offering).

The Company's cash position remains solid, with $540,000 in cash and an unused $75,000 credit line and $150,000 credit revolver available to invest in the growth of the business.

2021 Milestones & Q1 2022 Operational Updates

As of March 17, 2022, we surpassed the initial minimum raise of our Regulation A offering of $1,000,000. As a result, we accepted subscriptions from 94 investors who became new shareholders as of March 17, 2022.

On April 11, 2022, we appointed AST (American Stock Transfer) as our transfer agent to administrate our common stock. Simultaneously, we filed an application with OTC Markets to quote on the OTCQB. We are currently awaiting approval and a date for the quotation of our common stock to begin.

During the fourth quarter of 2021, we ceased our staging and moving operations. After careful consideration, we decided our time and resources could be better spent growing other divisions of the Company and developing other income streams with less liability and overhead costs. The demand for physical home staging services has slowed due to virtual staging services, and the costs of operating the moving division outweighed the income and potential liability. As a result, we sold our moving truck for $54,000, which is approximately 50% more than our purchase price (approximately $37,000) in 2017 because of the high demand for commercial box trucks and the shortage in inventory.

During the first quarter of 2022, we dissolved our joint venture partnership with Smart Real Estate Tools, LLC. This mutual decision of the partners was based on our agents' feedback, limited utilization, limited adoption, and the rising ongoing costs without growing profits. After careful consideration, we decided our goal of supporting our agents can be achieved by traditional methods of agent support rather than an emphasis on software tools. Andy Parker, the original developer of Smart Real Estate Tools, LLC, was offered a full-time employee position with us to oversee our Business Support department. Mr. Parker accepted the employment contract and is now directing our staff in that department.

Outlook

"We continue to achieve consistent, measurable revenue growth while improving profitability and reinvesting our net income and free cash flow into growing the business nationwide," said Andrew Arroyo, founder, chairman, and CEO of AARE. "Despite the many challenges we all faced in 2021, AARE had a record year with increases in revenue and gross profits."

Arroyo continued, "The economic and political landscape of 2022 is certainly dressing itself up to be much different than in recent years. After 25 years in the industry, I have learned how to prepare the agency ahead of these market cycles. To that end, we have systems in place that helped us through previous rising interest rate environments, recessions, and unusual market conditions. Our salesforce is ready to navigate a change in the market or a potential recession. We will continue to provide short-term guidance, financial outlooks, and long-term targets for our expected revenue, gross and net profits, and free cash flow. We want our shareholders to have clear visibility into our growth plans, strategies, and how we plan to navigate the landscape as economic and political events continue to unfold."

1Q-2Q 2022 and FY2022 Outlook:

FY2022:

FY2022 Revenue of $9.5 million to $12 million
FY2022 Gross Profit of $1.5 million to $1.8 million

1Q-2Q 2022:

1Q-2Q 2022 Revenue of $4.3 million to $5 million
1Q-2Q 2022 Gross Profit of $650,000 to $750,000

2022-23 Targets:

- Continued revenue growth between 20-40%
- Continued gross profit growth between 30-50%
- Continued reinvestment of net income and free cash flow to fuel our growth

Additional information can be found in the company's 1K SEC filing and presentation on the Investor Relations section of the AARE website at https://ir.aare.com***.***

Conference Call Information

Management will conduct a conference call to discuss the full year results as well as outlook at 11:00 a.m. PST on Monday, May 9, 2022. The conference call will be accessible via webcast and recorded. After the call is complete, you can access the recording on the AARE Investor Relations website at https://ir.aare.com/.

Safe Harbor Statement

This press release includes forward-looking statements, which are statements other than statements of historical facts, and statements in the future tense. These statements include, but are not limited to, statements regarding our future performance, including expected financial results for the first quarter and full year of 2022, long-term financial targets for full year of 2025, and our continuous ability to achieve positive Adjusted EBITDA. Forward-looking statements are based upon various estimates and assumptions, as well as information known to us as of the date of this press release, and are subject to risks and uncertainties, including but not limited to: general economic conditions (including inflation and interest rates), the health of the U.S. real estate industry, and risks generally incident to the ownership of residential and commercial real estate, including seasonal and cyclical trends; our ability to continuously innovate, improve and expand our platform; our ability to attract new agents and retain current agents or increase agents' utilization of our platform; our ability to expand our brokerage and adjacent services businesses; our ability to offer additional adjacent services; our ability to achieve expected benefits from our mortgage business, Ensure; our rapid growth and rate of growth; our net losses and ability to achieve or sustain profitability in the future; any future impact of the ongoing COVID-19 pandemic on our business; our ability to compete successful in the markets in which we operate; the effect of monetary policies of the federal government and its agencies; any decreases in our gross commission income or the percentage of commissions that we collect; fluctuation of our quarterly results and other operating metrics; our ability to successfully complete acquisitions and integrate target companies; the effect of the claims, lawsuits, government investigations and other proceedings that we are subject to from time to time; our ability to protect our intellectual property rights; and other general market, political, economic, and business conditions. Additionally, these forward-looking statements, particularly our financial outlook and long-term targets, involve risks, uncertainties and assumptions, including those related to the impacts of COVID-19 and inflationary pressure on our clients' spending decisions. Significant variation from the assumptions underlying our forward-looking statements could cause our actual results to vary, and the impact could be significant. Accordingly, actual results could differ materially from those predicted or implied or such uncertainties could cause adverse effects on our results. Reported results should not be considered as an indication of future performance.

Additional risks and uncertainties that could affect our financial results are included under the caption "Risk Factors" in our Regulation A+ filing on Form 1-A qualified with the SEC on October 12, 2021, which is available on the Investor Relations page of our website at https://ir.aare.com/ and on the SEC website at www.sec.gov. Additional information will also be set forth in our Annual Report on Form 1-K for the year ended December 31, 2021 which was filed on April 26th, 2021 with the SEC. All forward-looking statements contained herein are based on information available to us as of the date hereof, and we do not assume any obligation to update these statements as a result of new information or future events. Undue reliance should not be placed on the forward-looking statements in this press release.

Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared in accordance with GAAP, from time to time, we may present Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin, which are non-GAAP financial measures, in this press release. Our use of non GAAP financial measures has limitations as an analytical tool, and these measures should not be considered in isolation or as a substitute for analysis of financial results as reported under GAAP.AARE uses Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin in conjunction with GAAP measures as part

of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance. We believe Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin are also helpful to investors, analysts and other interested parties because they can assist in providing a more consistent and comparable overview of our operations across our historical financial periods. Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin have limitations as analytical tools, therefore you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. Because of these limitations, you should consider Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin alongside other financial performance measures, including net loss, operating cash flows and our other GAAP results. In evaluating Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments reflected in this press release. Our presentation of Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin should not be construed to imply that our future results will be unaffected by the types of items excluded from the calculation of Adjusted EBITDA, adjusted EBITDA margin and Free Cash Flow margin. Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow margin are not presented in accordance with GAAP and the use of these terms varies from others in our industry. Non-GAAP financial measures were not used in this report.
Reconciliations, if any, of these non-GAAP measures have been provided in the financial statement tables included in this press release and investors are encouraged to review these reconciliations.

About AARE

Founded in 2004, AARE is a nationwide real estate brokerage firm licensed and operating in 24 states. The agency provides a variety of real estate services including residential, commercial, property management, syndication, financing, and business opportunities. AARE developed GENEROUS CAPITALISM®, an innovative business model that promotes the importance of corporate social responsibility through generous business practices. This model sets precedent for public corporations by making charitable contributions from top-line gross profits to positively impact local communities and global initiatives.

For more information, please visit www.AARE.com.

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Financial Statements

ANDREW ARROYO REAL ESTATE, INC.
DECEMBER 31, 2021 AND 2020

ANDREW ARROYO REAL ESTATE, INC.

DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ANDREW ARROYO REAL ESTATE, INC.
San Diego, CA 92130

We have audited the accompanying financial statements of ANDREW ARROYO REAL ESTATE, INC. a Delaware corporation which comprise the balance sheets as of December 31, 2020 and 2021 respectively and the related statements of income, retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ANDREW ARROYO REAL ESTATE, INC. as of December 31, 2020 and 2021 respectively, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Scott W. Smith, CPA's, Inc.
Murrieta, CA 92563
April 20, 2022

ANDREW ARROYO REAL ESTATE, INC.
BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 1)	$ 3,655	$ 38,701
Other Current Assets		
Other Current Assets	$ 314,179	$ 285,151
Total Current Assets	$ 317,833	$ 323,852
Property and equipment, net (Note 1)	$ 68,342	$ 69,422
Other Assets		
Total Other Assets	$ 123,625	$ -
TOTAL ASSETS	$ 509,801	$ 393,274
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 19,050	-
Credit Cards	$ 84,793	$ 83,415
Line of Credit (Note 6)	$ 55,408	$ 55,200
Current Portion of Long Term Debt	$ 11,737	$ 10,007
Other Current Liabilities	$ 280,670	$ 252,542
Total Current Liabilities	$ 451,658	$ 401,164
Long Term Liabilities		
Notes Payable (Note 6)	$ 172,988	$ 244,290
Total Liabilities	$ 624,646	$ 645,454
Equity		
Common Stock, $.001 par value 25,000,000 shares authorized, 3,000,000 issued and outstanding;	$ 1,000	$ 1,000
Preferred Stock, ($.001 par value; 3,000,000 shares authorized, no shares issued and outstanding as of December 31, 2021 and December 31, 2020).		
Series A Convertible Preferred Stock, ($.001 par value; 2,000,000 shares authorized, and outstanding as of December 31, 2021 and December 31, 2020) (Note 9)		
Additional paid-In capital	$ 583,514	$ 482,590
Shareholder Contribution/(Distribution)	$ (66,220)	$ (119,364)
Retained Earnings/(Deficit)	$ (633,139)	$ (616,406)
Total stockholders' equity	$ (114,845)	$ (252,180)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 509,801	$ 393,274

See accompanying notes to the financial statements.

ANDREW ARROYO REAL ESTATE, INC.
STATEMENT OF OPERATIONS
Years Ended December 31, 2021 and 2020

	2021	2020
Income from Operations	$ 9,119,970	$ 7,354,474
Cost of Sales:		
Charitable Contributions	$ 60,847	$ 218,193
Coaching Fees	$ 8,569	$ 11,238
Salaries & Wages	$ 60,983	$ 43,800
Cost of Sales - Agents	$ 6,896,003	$ 5,448,399
Cost of Sales - TC	$ 208,175	$ 201,369
Cost of Sales- Material/Supply	$ 54,306	$ 74,310
Property Management Fees Paid	$ 144,142	$ 100,412
Recruiting Bonuses	$ -	$ 1,500
Referral Fees	$ 281,767	$ 238,425
Staging & Moving Operations	$ 26,023	$ 66,381
Total Cost of Sales	$ 7,740,814	$ 6,404,027
Gross Profit	$ 1,379,155	$ 950,447
General and administrative expenses (Schedule 1)	$ 1,394,193	$ 904,133
Profit from Operations	$ (15,038)	$ 46,314
Other Income/(Expense) -(Schedule 2)	$ (31,740)	$ (24,515)
Profit /(Loss) before income tax benefit	$ (46,778)	$ 21,799
Income Tax Provision (Note 7)	$ 1,847	$ 800
Net Profit	$ (48,625)	$ 20,999

See accompanying notes to the financial statements.

ANDREW ARROYO REAL ESTATE, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2021 and 2020

	COMMON STOCK	PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance - December 31, 2019	$ 1,000	$ 482,590	$ (637,405)	$ (153,815)
Net Income / (Loss)	$ -	$ -	$ 20,999	$ 20,999
Stockholder Contributions / (Distributions)	$ -	$ -	$ (119,364)	$ (119,364)
Balance - December 31, 2020	$ 1,000	$ 482,590	$ (735,770)	$ (252,180)
Net Income / (Loss)	$ -	$ 100,924	$ (114,845)	$ (13,921)
Stockholder Contributions / (Distributions)	$ -	$ (583,514)	$ 735,770	$ 151,256
Balance - December 31, 2021	$ 0	$ 0	$ (114,845)	$ (114,845)

See accompanying notes to the financial statements.

ANDREW ARROYO REAL ESTATE, INC.
STATEMENT OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	(48,625)	20,999
Adjustments to reconcile net Income to net cash flows		
provided by operating activities:		
Deferred Income Taxes	3,582	
Depreciation & Amortization	26,052	3,539
Changes in assets and liabilities		
Changes in Other Receivables	-	-
Changes in prepaid expenses & other	(29,028)	(175,893)
Changes in accounts payable	19,050	-
Changes in Other Payables	33,470	98,904
Income Taxes Payable	-	-
Changes in accrued expenses	(55)	2,817
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	4,446	(49,634)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Net Purchases of property and equipment	(25,022)	(47,014)
Net Purchases of goodwill	(127,157)	-
Net cash flows provided by (used in) Investing activities:	(152,179)	(47,014)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Net proceeds (repayments) on borrowings	(73,481)	238,641
Changes in Line of Credit	208	(5,340)
Dividend Distribution	66,220	(119,364)
Loan from Shareholder	-	-
Proceeds (re-purchase) for Equity Investment	119,740	-
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:	112,637	113,937
Net Increase (Decrease) in cash and cash equivalents	(35,046)	17,289
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	38,701	21,412
CASH AND CASH EQUIVALENTS END OF YEAR	$ 3,655	$ 38,701

See accompanying notes to the financial statements.

(See Independent Auditor's Report)

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Andrew Arroyo Real Estate Inc. (the "Company") was incorporated on June 18, 2020, under the laws of the State of Delaware. A predecessor company that was merged with and into the Company effective July 31, 2021 was originally incorporated under the laws of the State of California on January 20, 2004, as Andrew Michael Arroyo Inc. and updated its name to Andrew Arroyo Real Estate Inc. on April 30, 2007. The trademark and d/b/a that is known in the marketplace is "AARE". The Company was formed to conduct real estate brokerage services. These services include assisting clients buy, sell, manage, and invest in residential and commercial properties as well as business opportunities. The Company's year-end is December 31. As a result of the above-referenced merger, all operations of the California corporation were assumed into the Company. As a result, the historical financial statements of the California corporation are the ones presented herein.

On July 29, 2021, the Company filed an amended and restated Certificate of Incorporation with the State of Delaware, which (i) increased the Company's authorized common stock from 1,000 shares of common stock to 25,000,000 shares of common stock, par value $0.001, and 5,000,000 shares of preferred stock, par value $0.001; and (ii) effected a 1-for-3,000 forward stock split of the Company's issued and outstanding common stock. The authorized preferred stock created, provides that the Board of Directors of the Company may fix the terms of any series of preferred stock created, including any dividend rights, dividend rates, conversion rights, voting rights, rights and terms of any redemption, redemption, redemption price or prices, and liquidation preferences, if any.

On July 29, 2021, after filing the amended and restated Certificate of Incorporation, the Company filed a Certificate of Designation with the State of Delaware to create a series of preferred stock entitled "Series A Convertible Preferred Stock. The Series A Convertible Preferred Stock (i) has dividend rights on an equal basis with the Company's common stock, (ii) has preference in the event of a liquidation event, (iii) is convertible after 12 months into shares of the Company's common on a 1-for-1 basis, (iv) has three votes per share for any matter properly brought before the Company's shareholders for a vote, and (v) contains certain protective provisions.

On July 31, 2021, the Company "Andrew Arroyo Real Estate, Inc." a Delaware "C" Corporation merged with "Andrew Arroyo Real Estate, Inc." a California "S" Corporation. After the merger the California "S" Corporation was merged with and into the Company, which effectively ceased all operations of the California corporation and those operations were assumed by the Company (the surviving Delaware "C" Corporation). Effective with the merger, the Certificate of Incorporation of the Company stayed as the Company's Certificate of Incorporation, and the 1,000 shares owed by the sole shareholder of the California corporation, Mr. Andrew Arroyo, the Company's sole director and one of its executive officers, were exchanged for 2,000,000 shares of the Company's Series A Convertible Preferred Stock.

Basis of Presentation

The audited financial statements include the accounts of the Company under the accrual basis of accounting. The financial statements, included herein, have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to these rules and regulations, the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied.

Management's Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Company accounts for income taxes in accordance with FASB ASC 740, "Income Taxes," which requires that the Company recognize deferred tax liabilities and assets based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities, using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit (expense) results from the change in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all deferred tax assets will not be realized.

The Company has adopted the provisions of FASB ASC 740-10-05 Accounting for Uncertainty in Income Taxes. The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The ASC provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The company prior to merging operated as an S-Corporation which is a "Pass-through" entity for taxation purposes. In lieu of Federal company income taxes, the shareholders, are taxed on their proportionate share of the Company's taxable income.

The Shareholders were liable for their pro-rata share of the net income for payment of the tax liability incurred as a result of the pass-through income through the merger date of 7/30/2021. Therefore, no provision or liability for Federal income taxes has been included in the financial statements. For California Franchise tax a purpose, a flat tax of $800 or 1.5% is incurred for the benefit of operating a California based S-Corporation. Upon the merger the company was reorganized as a "C" Corp. As a C Corp. under current tax law the company is responsible for Federal Taxes equal to 21% of the Net Income of the company as well as various tax rates for the states they have operations in. For the year Ending 12/31/21 the company had a Net Operating Loss (NOL) of $101,078 as well as a Charitable Contribution Carryover the combination of which created a Deferred tax asset of as listed below.

The Company operates in 24 states throughout the U.S. Each State has an income tax and/or a franchise/commerce tax on the gross receipts of businesses based on total revenues in each state. The provision for income taxes includes state income taxes currently payable and deferred income taxes. Deferred income taxes represent the effects of items reported for tax purposes in periods different from those used for financial statement purposes. For the year's ended 12/31/21 and 12/31/20 there was a deferred tax asset of $27,238 and no provision for Deferred income taxes respectively.

Charitable giving policy is unique.
Giving and sharing are more than buzzwords at AARE. Up to twenty percent of the company's gross profit on every transaction goes to charity (after sales agent's commissions are paid). The Company believes that with success comes the responsibility to do what they can for those less fortunate. Toward that end, the Company funds non-profit organizations dedicated to helping those in need. They support numerous religious and secular charities worldwide. The Company has no intention of deviating from this policy or reducing the amount it gives to charity. The charitable giving policy has been written into the bylaws and certificate of incorporation. For the year's ending December 31, 2021 and 2020 the company donated $60,847 and $218,193 respectively. See the additional "Statement of Generous Capitalism" at the end of these notes to the financial statements. In addition, for the year ending 12/31/2021 Andrew Arroyo personally donated an additional $57,315 personally from his (at the time) S-Corporation pass through income.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
The Company considers all short-term securities purchased with maturity dates of three months or less to be cash. The Company from time to time during the years covered by these financial statements may have bank balances in excess of its insured limits. Management has deemed this as a normal business risk. Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. During the years ended 12/31/21 and 12/31/20, the Company had approximately $3,655 and $38,700 respectively deposited in two financial institutions. Of this amount, $3,655 and $38,700 respectively was insured by the Federal Deposit Insurance Corporation.

Concentration and Credit Risk
Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash, cash equivalents. The Company places its cash and temporary cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

Restricted Cash
Certain of the Company's cash positions are property management trust funds, which include security deposits and rents that belong to property owners. These cash amounts are reported as current assets on the balance sheets and liabilities based on when the cash will be contractually released to the owners or tenants of the properties. Total restricted cash was approximately $270,019 on 12/31/21 and $256,000 on 12/31/20, respectively.

Inventory
The Company does not currently carry any inventory. In the event in the future, the Company carries inventory, it will be conducted under the following method. Inventory will be stated at the lower of cost or market ("LCM") value. Cost is determined principally by the first-in, first-out ("FIFO") method. In valuing inventory, management is required to make assumptions regarding the level of reserves required to value potentially obsolete or over-valued

Items at the lower of cost or market. These assumptions require the Company to analyze the aging of and forecasted demand for its inventory, forecast future products sales prices, pricing trends and margins, and to make judgments and estimates regarding obsolete or excess inventory. Future product sales prices, pricing trends and margins are based on the best available information at that time including actual orders received; negotiations with the Company's customers for future orders, including their plans for expenditures; and market trends for similar products. The valuation of inventory taken in trade from customers requires the Company to use the best information available to determine the value of the inventory to potential customers. This value is subject to change based on numerous conditions. Inventory reserves are established taking into account age, frequency of use, or sale, and, in the case of repair parts, the installed base. While calculations are made involving these factors, significant management judgment regarding expectations of future events is involved. Future events that could significantly influence the Company's judgment and related estimates include general economic conditions in markets where the Company's products are sold; new price fluctuations; actions of the Company's competitors, including the introduction of new products and technological advances; as well as new products and design changes the Company introduces. The Company makes adjustments to its inventory reserve based on the identification of specific situations and increases its inventory reserves accordingly. As further changes in future economic or industry conditions occur, the Company will revise the estimates that were used to calculate its inventory reserves.

ANDREW ARROYO REAL ESTATE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(See Independent Auditor's Report)

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets include patented and unpatented technology, trade names, customer relationships and other specifically identifiable assets and are amortized on a straight-line basis over their respective estimated useful lives, which range from ten to twenty-five years. Intangible assets are reviewed for impairment when facts and circumstances indicate a potential impairment has occurred. As of December 31, 2021 the company merged with the predecessor S-Corporation which created the intangible asset of Goodwill in the amount of $127,157. For the year ending 2020 the company did not have any intangible assets.

Property, Plant and Equipment

Property and equipment are carried at cost. Expenditures for property and equipment are capitalized and depreciated over five to 31.5 years using the declining balance method. When assets are retired or sold, the related cost and accumulated depreciation are removed from the account and any gain or loss arising from such disposition is included as income or expense. Expenditures for repairs and maintenance are charged to expense as incurred. For the year ending 12/31/21 and 12/31/20 depreciation expense was $26,052 and $3,539 respectfully. Fixed assets consisted of:

	2021	2020
Fixed Assets:		
Auto & Transportation	$ 146,435	$ 94,697
Leasehold Improvements	$ 25,035	$ 25,035
Machinery & Equipment	$ -0-	$ 99,363
Advertising Equipment	$ 226,195	$ 172,448
Furniture & Fixtures	$ 41,841	$ 22,941
	$ 439,506	$ 414,484
Accumulated Depreciation	$ (371,164)	$ (345,062)
Net Fixed Assets	$ 68,342	$ 69,422

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets consist of Goodwill created upon the merger of the S-Corp into the C-Corp as follows:

	2021	2020
Intangible Assets:		
Goodwill	$ 127,157	$ 0
Accumulated Amortization	$ (3,532)	$ 0
Net Fixed Assets	$ 123,625	$ 0

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the allowance based on individual customer review and current economic conditions. The Company reviews its allowance for doubtful accounts at least quarterly. Individual balances exceeding a threshold amount that are more than 90 days past due are reviewed individually for collectability. All other balances are reviewed on a pooled basis by type of receivable. Account balances are charged off against the allowance when the Company determines it is probable the receivable will not be recovered. The balance of the allowance for doubtful accounts was $0 and $0 at December 31, 2021, and December 31, 2020, respectively.

Revenue Recognition

The Company has generated significant revenues in California. The Company has not, to date, generated significant revenues outside California. The Company recognizes revenue in accordance with Accounting Standards Codification subtopic 605-10, Revenue Recognition ("ASC 605-10") which requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

ASC 605-10 incorporates Accounting Standards Codification subtopic 605-25, *Multiple-Element Arraignments* ("ASC 605-25"). ASC 605-25 addresses accounting for arrangements that may involve the delivery or performance of multiple products, services and/or rights to use assets. The effect of implementing 605-25 on the Company's financial position and results of operations was not significant.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of New Accounting Standards

Management does not believe that any other recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," ("ASU 2014-09"). ASU 2014-09 provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, "Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), which clarifies how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements. In April 2016, the FASB issued Accounting Standards Update No. 2016-10, "Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing" ("ASU 2016-10"), which clarifies guidance related to identifying the performance obligations and licensing implementation guidance contained in the new revenue recognition standard. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, "Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which addresses narrow-scope improvements to the guidance on collectability, noncash consideration and completed contracts at transition as well as providing a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. In December 2016, the FASB issued ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers." ASU 2016-20 is intended to clarify and suggest improvements to the application of current standards under Topic 606 and other Topics amended by ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU 2014-09, ASU 2016-08, ASU 2016-10, ASU 2016-12 and ASU 016-20 are effective for reporting periods beginning after December 15, 2017, with early adoption permitted for reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of this standard on the Company's financial statements.

In April 2015, the FASB issued ASU 2015-03, "Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs," ("ASU 2015-03"). ASU 2015-03 requires debt issuance costs related to borrowings be presented in the balance sheet as a direct deduction from the carrying amount of the borrowing, consistent with debt discounts. The ASU does not affect the amount or timing of expenses for debt issuance costs. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," which amends, ASC 835-30, "Interest – Imputation of Interest." The ASU clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be presented as an asset and amortized ratably over the term of the line of credit arrangement, regardless of whether there are outstanding borrowings on the arrangement. The Company adopted ASU 2015-03 and ASU 2015-15 as of January 1, 2016, on a retrospective basis, by recasting all prior periods shown to reflect the effect of adoption.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," ("ASU 2015-11"). ASU 2015-11 simplifies the subsequent measurement of inventory by using only the lower of cost or net realizable value.

The ASU defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The effective date will be the first quarter of fiscal year 2017 with early adoption permitted and is not expected to have a material impact on the Company's financial statements. ASU 2015-11 should be applied prospectively.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," ("ASU 2016-01"). The amendments in ASU 2016-01, among other things, require equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; require public business entities to use the exit price notion when measuring fair value of financial instruments for disclosure purposes; require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); and eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate fair value that is required to be disclosed for financial instruments measured at amortized cost. The effective date will be the first quarter of fiscal year 2018.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize on the balance sheet the assets and liabilities associated with the rights and obligations created by those leases. The guidance for lessors is largely unchanged from current U.S. GAAP. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The effective date will be the first quarter of fiscal year 2019, with early adoption permitted. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which includes multiple amendments intended to simplify aspects of share-based payment accounting. Amendments to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, and forfeitures will be applied using a modified retrospective transition method through a cumulative-effect adjustment to equity as of the beginning of the period of adoption. Amendments to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement will be applied retrospectively, and amendments requiring the recognition of excess tax benefits and tax deficiencies in the income statement are to be applied prospectively. ASU 2016-09 will be effective for annual reporting periods beginning after December 15, 2016, with early adoption permitted and is not expected to have a material impact on the Company's financial statements.

In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments (Topic 230): Statement of Cash Flows" ("ASU 2016-15"), which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017. The Company is currently evaluating the impact that this standard will have on its financial statements.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326)*, which modifies the measurement of credit losses on financial instruments. This standard requires the use of an expected loss impairment model for instruments measured at amortized cost based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. This guidance is effective for public companies with fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The Company adopted this standard as of January 1, 2021 on a modified retrospective basis Which resulted in a $0 in the Company's overall allowance for credit losses related to the Company's receivables, with a corresponding no impact to the Company's accumulated deficit.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*. The guidance eliminates, amends and adds certain disclosure requirements for fair value measurements. The new standard is effective for all public entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted this standard as of January 1, 2021, and the adoption did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)*. The guidance on the accounting for implementation, setup and other upfront costs (collectively referred to as implementation costs) applies to entities that are a customer in a hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The new standard is effective for public companies with fiscal years beginning after December 15, 2019, including interim periods within that fiscal year and should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption and early adoption is permitted. The Company adopted this standard prospectively as of January 1, 2021, and the adoption did not have a material impact on the Company's consolidated financial statements.

In November 2019, the FASB issued ASU No. 2019-08, *Compensation — Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements — Share-Based Consideration Payable to a Customer*. The ASU simplifies and increases comparability of accounting for nonemployee stock-based payments, specifically those made to customers. Under the new guidance, such awards will be accounted for as a reduction of the transaction price in revenue, but should be measured and classified following the stock compensation guidance in ASC 718, *Compensation — Stock Compensation.* The new standard is effective for public companies with fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and can be applied retrospectively or on a modified retrospective basis through a cumulative-effect adjustment to retained earnings upon adoption. The Company adopted this standard on a modified retrospective basis as of January 1, 2021, and the adoption did not have an impact on the Company's consolidated financial statements.

NOTE 1 – THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The ASU is part of the FASB's simplification initiative; and it is expected to reduce cost and complexity related to accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740, *Income Taxes* related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The new standard will become effective for public companies with fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this guidance on January 1, 2021 and the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

New Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. An update was also issued expanding the scope of this guidance. The guidance provides optional expedients and exceptions for applying GAAP to contracts or other transactions affected by reference rate reform if certain criteria are met. The guidance was issued on March 12, 2020 and may be applied prospectively through December 31, 2022. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The guidance amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendment is effective for public companies with fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendment should be applied prospectively to business combinations occurring on or after the effective date. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In December 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)," which requires that amounts described as restricted cash or cash equivalents must be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective in fiscal year 2019 and must be applied retrospectively to all periods presented. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which simplifies the measurement of goodwill impairment by eliminating the requirement of performing a hypothetical purchase price allocation. Instead, impairment will be measured using the difference between the carrying amount and fair value of the reporting unit. The amended guidance also eliminates the requirement for any reporting unit with a zero or a negative carrying amount to perform a qualitative assessment and will require disclosure of the amount of goodwill allocated to each reporting unit with a zero or a negative carrying amount of net assets. This standard will be effective beginning in the first quarter of fiscal year 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The standard is to be applied prospectively. The Company is evaluating the impact that adoption of this new standard will have on its financial statements.

(See Independent Auditor's Report)

NOTE 2 – SECURITIES: Net Gain/Loss Per Share, basic and diluted

The Company's financial instruments include short-term investments in commodities, currencies, futures, stocks and bonds. Basic gain/loss per share has been computed by dividing net gain/loss available to common shareholders by the weighted average number of common shares outstanding for the period. Shares issuable upon the exercise of any warrants or stock options, have been excluded as a Common Stock equivalent in the diluted loss per share because their effect is anti-dilutive.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments, as defined by Accounting Standard Codification subtopic 825-10, *Financial Instrument* ("ASC 825-10"), include cash, accounts payable and convertible note payable. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2020 and 2019 respectively.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Company's derivative is valued at Level 3.

NOTE 4 – STOCK BASED COMPENSATION

The Company follows Accounting Standards Codification subtopic 718-10, *Compensation* ("ASC 718-10"), which requires that all share-based payments to both employees and non-employees be recognized in the income statement based on their fair values.

As of 12/31/21, the Company does not have any issued or outstanding stock-based compensation through any qualified or non-qualified stock-based compensation plan. After the registration of these shares with the SEC, the Company will establish a broad-based employee stock purchase plan and an omnibus stock compensation plan to issue and award restricted stock units, restricted stock, options or a combination of these award types based on service and performance. These awards will be offered to both employees and non-employees. Investors will be provided a copy of this plan once the plan becomes effective, and Form S-8 will be filed with the SEC.

The issuance of Common Stock for other than cash is recorded by the Company at market values.

ANDREW ARROYO REAL ESTATE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(See Independent Auditor's Report)

NOTE 5 – RELATED PARTY TRANSACTIONS

Related entities:

1.) The Company Formed "Smart Real estate tools, LLC" in May 2021 as a joint venture. It is a membership software program for Real Estate Agents. It provides tools to Real Estate agents in a proprietary manner. The company owns 50% along with the software developer.
2.) The Company president, Andrew Arroyo is the 100% owner of "Andrew Arroyo Investments, LLC." The company performs Investment management services.
3.) Andrew and Megan Arroyo have a minority interest in "Neighborhood Investment Network, LLC." The company uses retirement Funds for investing in Real estate. Andrew and Megan own 24% via one of their retirement accounts.

NOTE 6 – DEBT

The Company has a $75,000 business Line of Credit (LOC) through Wells Fargo Bank that renews annually. The LOC carries an interest rate of 9.25% and 10.75% as of 12/31/21 and 12/31/20 respectfully. The company obtained two Covid -19 related loans: One a Paycheck Protection Program (PPP) loan at zero interest rate for $50,555. This is a forgivable loan if the company met the criteria for forgiveness. This loan was forgiven in March of 2021. The company also took out an "Economic Injury Disaster Loan (EIDL) in the amount of $149,900. This loan carries a 3.75% interest rate payable over 30 years with a deferred start date until April 29, 2021. On December 26, 2020 the company also took out a vehicle loan for a Lexus RX in the amount of $46,014. The loan is for a period of 5 years at 1.99% interest rate. The Debt schedule for the years ending December 31, 2021 and December 31, 2020 were as follows:

	2021	2020
Other Current Liabilities		
Accounts Payable	$ 19,050	-
Credit Cards Payable	$ 84,793	$ 83,415
PPP Loan	$ -0-	$ 50,555
Short-term Loan	$ -	$ -
Wells Fargo Credit Line	$ 55,408	$ 55,200
Other Current Liabilities	$ 280,670	$ 252,542
Current Portion of Long Term Debt	$ 11,737	$ 10,007
	$ 451,658	$ 451,719
Long Term Debt:		
EIDL Loan (net of current portion)	$ 144,905	$ 149,900
Lexus Payable (Net of current portion)	$ 28,034	$ 43,835
Total Long Term Debt	$ 172,988	$ 193,735

ANDREW ARROYO REAL ESTATE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

(See Independent Auditor's Report)

NOTE 7 – INCOME TAXES

Income taxes for the year ended 12/31/21 and 12/31/20 consists of the following:

State income tax provision:		**12/31/2021**		**12/31/2020**
Deferred Tax Asset	$	3,582	$	-
State Income Tax Provision				
Current	$	1,847	$	800
Deferred		(-0-)		(-0-)
Net deferred tax asset/liability	$	1,735	$	(800)

NOTE 8 – CONTENGENCIES

The real estate business is known as a litigious industry, especially in certain states like California where the Company conducts business. Buyers and sellers often bring claims against one another and usually attempt to involve the real estate agents and brokers in the claim or the suit seeking financial damages. In determining whether liabilities should be recorded for pending litigation claims, one must assess the allegations and the likelihood that we will successfully defend the claim. When we believe it is probable that we will not prevail in a particular matter, we will then record an estimate of the amount of liability based, in part, on advice of outside legal counsel. Currently, there is one outstanding claim that is being arbitrated in San Diego, California, where a buyer desires for the sale to be rescinded and the seller to reclaim the home. The Company maintains a $1 million dollar Errors and Omission policy that covers the Company all the way back to June 9, 2009. In the event the Company incurs any financial liability from this claim, it will be covered under the Errors and Omissions policy up to $1 million, per occurrence.

Outside of this one claim, the Company is not involved in any proceedings, including product or service liability, general liability, workers' compensation liability, employment, or commercial and intellectual property litigation, which have arisen in the normal course of operations. The Company is insured for professional liability insurance, general liability, workers' compensation, employer's liability, property damage and other insurable risk required by law or contract, with retained liability or deductibles. The Company has recorded and maintains an estimated liability in the amount of management's estimate of the Company's aggregate exposure for such retained liabilities and deductibles. For such retained liabilities and deductibles, the Company determines its exposure based on probable loss estimations, which requires such losses to be both probable and the amount or range of probable loss to be estimable. The Company believes it has made appropriate and adequate reserves and accruals for its current contingencies.

NOTE 9 – SUBSEQUENT EVENTS

During the fourth quarter of 2021, the Company ceased its staging and moving operations. As a result, the Company sold its moving truck for $54,000, As of March 22, 2022, the Company has paid off its credit card debt and Wells Fargo credit line. During the first quarter of 2022, the Company dissolved its joint venture partnership with Smart Real Estate Tools, LLC. This was a mutual decision of the partners. As of March 17, 2022, the Company surpassed the initial minimum raise of its Regulation A offering of $1,000,000. As a result, the Company accepted subscriptions from 94 investors who became new shareholders as of March 17, 2022. As of April 20, 2022, the Company has raised a total of $1,088,500 in their Regulation A offering from 94 investors.

ANDREW ARROYO REAL ESTATE, INC.
SCHEDULE 1
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021	2020
General and administrative expenses (Schedule 1)		
Advertising	$ 85,480	$ 63,709
Automobile Expense	$ 16,215	$ 14,373
Bank and Credit Card Fees	$ 26,525	$ 23,978
Benefit Plan Expenses	$ 2,855	$ -
Business Gifts	$ 163	$ 1,427
Business Licenses and Permits	$ 24,194	$ 23,948
Company Events/Training	$ -0-	$ 11,612
Computer and Internet Expenses	$ -0-	$ 10,459
Consulting Fees	$ 26,250	$ -
Continuing Education	$ 312	$ 60
Dues and Subscriptions	$ 73,788	$ 11,460
Insurance Expense	$ 54,277	$ 54,263
Interest Expense	$ -0-	$ 27,670
Laundry & Dry Cleaning	$ -0-	$ 868
Legal & Professional Fees	$ 94,063	$ 28,924
Marketing	$ 167,526	$ 139,049
Meals and Entertainment	$ 4,195	$ 6,056
Medical Benefits	$ -0-	$ 13,983
Office Expenses	$ 61,331	$ 67,133
Other Employee Benefits	$ 29,419	$ 13,825
Officer Wages	$ 194,981	$ 25,769
Payroll Expenses	$ -0-	$ 33,143
Payroll Taxes	$ 42,804	$ 25,956
Photography Expenses	$ -0-	$ 636
Postage and Delivery	$ 2,309	$ 1,118
Profit Sharing – 401k Safe Harbor	$ 12,291	$ 10,903
Reconciliation Discrepancies	$ -0-	$ 10
Registered Agent Fees	$ 2,183	$ -
Rent Expense	$ 158,205	$ 219,328
Repairs and Maintenance	$ -0-	$ 3,411
Salaries & Wages (Payroll)	$ 243,576	$ 138,472
Small Tools & Equipment	18,276	-
Technology/Electronics	$ 3,448	$ 1,881
Telecommunications	$ 33,016	$ 18,028
Travel	$ 14,739	$ 8,063
Utilities	$ 1,771	$ 1,859
Total Expense	$ 1,394,193	$ 975,603

See accompanying notes to the financial statements.

ANDREW ARROYO REAL ESTATE, INC.
SCHEDULE 2
OTHER INCOME (EXPENSE)
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

		2021		2020
Interest Expense	$	(4,828)		(27,670)
Gain on Sale	$	-		806
Non Taxable Income	$	-		10,000
Depreciation & Amortization Expense	$	(26,052)		(3,539)
Non-Deductible	$	(859)		(4,112)
Total Other Expense	$	(31,740)	$	(24,515)

See accompanying notes to the financial statements.

ANDREW ARROYO REAL ESTATE, INC.
SCHEDULE 3
STATEMENT OF GENEROUS CAPITALISM
Years Ended December 31, 2021 and 2020

	2021	2020
Income from Operations	$ 9,119,969	$ 7,354,474
Cost of Sales:		
Coaching Fees	$ 8,569	$ 11,238
Cost of Sales – Salaries & Wages	$ 60,983	$ 43,800
Cost of Sales - Agents	$ 6,896,003	$ 5,448,399
Cost of Sales - Transaction Coordinators	$ 208,175	$ 201,369
Cost of Sales- Material/Supply	$ 54,305	$ 74,310
Property Management Fees Paid	$ 144,142	$ 100,412
Recruiting Bonuses	$ -0-	$ 1,500
Referral Fees	$ 281,767	$ 238,425
Staging & Moving Operations	$ 26,023	$ 66,381
Total Cost of Sales	$ 7,679,968	$ 6,185,834
Gross Profit	$ 1,440,002	$ 1,168,640
Generous Capitalism - Charitable Contributions	***$ 60,847***	***$ 218,193***
General and administrative expenses (Schedule 1)	$ 1,394,193	$ 904,133
Profit from Operations	$ (15,038)	$ 46,314
Other Income/(Expense) -(Schedule 2)	$ (31,740)	$ (24,515)
Profit /(Loss) before income tax benefit	$ (46,778)	$ 21,799
Income Tax Provision (Note 7)	$ 1,847	$ 800
Net Profit	$ (48,625)	$ 20,999

See accompanying notes to the financial statements.