HABITAT FOR HUMANITY OF OMAHA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2019)

bland & associates
beyond accounting

BlandCPA.com

Contents

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Habitat for Humanity of Omaha, Inc.
Omaha, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Omaha, Inc. (the Organization), a Nebraska non-profit corporation, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

450 Regency Parkway, Suite 340 Omaha, NE 68114 • (402) 397.8822 • f(402) 397.8649 www.BlandCPA.com

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part *200, Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 information is 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 June 2, 2021 on our consideration of the Organization's 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 the Organization's 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 the Organization's internal control over financial reporting and compliance

Bland + Associates, P.C.

Omaha, Nebraska
June 2, 2021

450 Regency Parkway, Suite 340 Omaha, NE 68114 • (402) 397.8822 • f(402) 397.8649 www.BlandCPA.com

HABITAT FOR HUMANITY OF OMAHA, INC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2019)

	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 8,455,107	$ 2,526,306
Restricted Cash	1,045,510	761,908
Investments	3,374,768	2,944,817
Current Portion of Unconditional Promises to Give	517,119	1,601,650
Current Portion of Mortgage Loans	627,852	605,736
Current Portion of Home Repair Loans	147,708	163,092
Other Receivables	484,926	1,233,074
Prepaid Expenses	11,590	21,107
Materials Inventory	125,695	132,762
Total Current Assets	14,790,275	9,990,452
PROPERTY AND EQUIPMENT		
Land	580,987	570,700
Buildings	5,415,273	5,395,574
Equipment and Furniture	1,049,997	946,397
Vehicles	440,193	300,933
	7,486,450	7,213,604
Less Accumulated Depreciation	(2,630,214)	(2,201,226)
Total Property and Equipment	4,856,236	5,012,378
OTHER ASSETS		
Unconditional Promises to Give, Less Current Portion	517,834	533,200
Other Receivables	356,895	356,895
Construction in Progress	5,373,126	7,607,727
Mortgage Loans, Less Current Portion	4,693,848	4,876,158
Home Repair Loans, Less Current Portion and Allowance for Doubtful Accounts of $70,000 and $60,000, Respectively	159,900	251,157
Investments in Joint Ventures	4,431,887	4,431,894
Total Other Assets	15,533,490	18,057,031
	$ 35,180,001	**$ 33,059,861**

	December 31, 2020	December 31, 2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 549,624	$ 968,874
Accrued Expenses	355,649	163,865
Accrued Payroll and Compensated Absences	754,298	712,814
Current Portion of Long-Term Debt	147,624	136,425
Total Current Liabilities	1,807,195	1,981,978
LONG-TERM LIABILITIES		
Long-Term Debt		
Principal Amount	7,172,927	7,130,123
Less Debt Issuance Costs	(316,811)	(329,042)
Total Long-Term Liabilities, Net of Current Portion and Debt Issuance Costs	6,856,116	6,801,081
Total Liabilities	8,663,311	8,783,059
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions		
Undesignated	21,029,800	18,423,433
Board Designated for Operating Reserve	2,650,882	2,432,499
Total Without Donor Restrictions	23,680,682	20,855,932
With Donor Restrictions		
Purpose Restrictions	2,669,341	1,523,570
Time Restricted for Future Periods	166,667	1,897,300
Total With Donor Restrictions	2,836,008	3,420,870
Total Net Assets	26,516,690	24,276,802
	$ 35,180,001	**$ 33,059,861**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019)

	Years Ended December 31,			
	2020			2019
	Without Donor/Grantor Restrictions	With Donor/Grantor Restrictions	Total	Total
OPERATING REVENUES AND SUPPORT				
Sales to Homeowners	$ 7,405,010	$ -	$ 7,405,010	$ 5,074,110
Contributions	4,130,283	2,927,205	7,057,488	5,804,769
Grants	2,454,670	-	2,454,670	3,377,202
Discount Recovery on Sale of Mortgage Loans	2,306,744	-	2,306,744	126,159
ReStore Sales	1,748,912	-	1,748,912	2,161,554
Funds from Federal Paycheck Protection Program	1,166,438	-	1,166,438	-
In-Kind Contributions	1,066,354	-	1,066,354	1,228,809
Inherent Contribution of Net Assets of Habitat Affiliate	865,226	-	865,226	-
Loan Discount Interest Income - Homeowner Sales	407,248	-	407,248	487,019
Investment Income	251,679	-	251,679	389,640
Revenue from Homeowners - Home Repair	236,987	-	236,987	329,141
Other Revenue	230,968	-	230,968	124,403
Event Income	170,718	10,000	180,718	552,289
Loan Discount Interest Income - Home Repair	47,279	-	47,279	53,406
Income from Joint Ventures	44,510	-	44,510	44,512
Income from Debt Extinguishment	-	-	-	1,282,593
Loss on Sale of Land, Property and Equipment	(198,789)	-	(198,789)	(130,069)
Satisfaction of Donor Restrictions	3,522,067	(3,522,067)	-	-
Total Operating Revenues and Support	25,856,304	(584,862)	25,271,442	20,905,537
OPERATING EXPENSES				
Program Services	20,479,058	-	20,479,058	17,055,487
Management and General	1,382,890	-	1,382,890	1,332,411
Fundraising	1,169,606	-	1,169,606	863,183
Total Operating Expenses	23,031,554	-	23,031,554	19,251,081
CHANGES IN NET ASSETS	2,824,750	(584,862)	2,239,888	1,654,456
NET ASSETS - BEGINNING OF YEAR	20,855,932	3,420,870	24,276,802	22,622,346
NET ASSETS - END OF YEAR	**$ 23,680,682**	**$ 2,836,008**	**$ 26,516,690**	**$ 24,276,802**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019)

	Program Services					Supporting Services			Totals	
	Construction	Home Repair	ReStore	Discounts on Mortgage Originations	Total Program Services	Management and General	Fundraising and Developmental	Total Supporting Services	2020	2019
Cost of Homes Sold	$ 10,032,089	$ -	$ -	$ -	$ 10,032,089	$ -	$ -	$ -	$ 10,032,089	$ 7,132,388
Salaries and Benefits	3,094,246	579,384	1,217,093	-	4,890,723	1,080,155	988,304	2,068,459	6,959,182	5,914,262
Mortgage Discounts	-	-	-	1,546,025	1,546,025	-	-	-	1,546,025	581,067
Building Costs and Call Backs	118,352	773,688	-	-	892,040	-	-	-	892,040	1,476,726
Mortgage Assistance for Homeowners	470,469	-	-	-	470,469	-	-	-	470,469	-
Depreciation and Amortization	140,909	-	185,318	-	326,227	67,467	-	67,467	393,694	363,890
Demolition and Deconstruction Accomplished	109,477	-	233,214	-	342,691	-	-	-	342,691	633,348
Professional Fees	106,802	9,325	29,115	-	145,242	96,564	47,613	144,177	289,419	340,760
Information Technology	104,339	14,502	28,421	-	147,262	58,194	43,932	102,126	249,388	211,551
Supplies	55,240	4,037	72,130	-	131,407	52,191	10,176	62,367	193,774	207,867
Tithe to Habitat for Humanity International	175,000	-	-	-	175,000	-	-	-	175,000	155,000
Family Partners and Public Education	154,157	16,806	-	-	170,963	-	223	223	171,186	184,003
Vehicle Expense	110,751	12,313	29,189	-	152,253	1,166	2,263	3,429	155,682	177,782
Maintenance and Small Equipment	145,431	7,434	1,035	-	153,900	122	-	122	154,022	92,665
Publicity	23,882	5,027	84,756	-	113,665	-	23,420	23,420	137,085	201,840
Occupancy	39,409	6,125	71,785	-	117,319	10,524	7,350	17,874	135,193	197,946
Merchandise Costs	-	-	110,350	-	110,350	-	-	-	110,350	173,995
Miscellaneous	40,092	657	51,046	-	91,795	(25,235)	13,933	(11,302)	80,493	122,385
Interest	68,267	-	-	-	68,267	-	-	-	68,267	228,535
Insurance and Taxes	34,156	21,790	27,308	-	83,254	(16,998)	-	(16,998)	66,256	104,449
Telephone	20,542	4,397	13,200	-	38,139	22,615	2,726	25,341	63,480	63,192
Mortgage Discounts - Home Repair	-	-	-	60,700	60,700	-	-	-	60,700	111,592
Training and Travel	15,591	10,216	3,474	-	29,281	20,990	6,886	27,876	57,157	142,338
Printing and Postage	15,458	1,107	353	-	16,918	2,665	22,780	25,445	42,363	40,115
VISTA/Americorps	6,600	-	2,200	-	8,800	4,757	-	4,757	13,557	32,959
Bad Debt Expense	-	10,000	-	-	10,000	-	-	-	10,000	39,446
Advocacy	2,511	-	-	-	2,511	-	-	-	2,511	6,251
International Build	1,903	-	-	-	1,903	-	-	-	1,903	80,696
	15,085,673	1,476,808	2,159,987	1,606,725	20,329,193	1,375,177	1,169,606	2,544,783	22,873,976	19,017,048
In-Kind Expense	90,119	58,823	923	-	149,865	7,713	-	7,713	157,578	234,033
TOTAL FUNCTIONAL EXPENSES	**$ 15,175,792**	**$ 1,535,631**	**$ 2,160,910**	**$ 1,606,725**	**$ 20,479,058**	**$ 1,382,890**	**$ 1,169,606**	**$ 2,552,496**	**$ 23,031,554**	**$ 19,251,081**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2019)

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 2,239,888	$ 1,654,456
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Sales to and Revenues from Homeowners	(4,509,809)	(1,195,246)
Loan Discount Interest Income - Homeowner Sales	(407,248)	(487,019)
Loan Discount Interest Income - Home Repair	(47,279)	(53,406)
Realized Gain on Investments	(29,993)	22,878
Unrealized Gain on Investments	(147,800)	(262,706)
Income From Joint Ventures	(44,510)	(44,512)
Decrease (Increase) in Construction in Progress	2,152,634	(2,267,148)
Gain on Sale of Land, Property and Equipment	199,734	130,069
Depreciation and Amortization	393,693	363,890
Increase in Allowance for Doubtful Accounts	10,000	10,000
Imputed Interest on Debt Issuance Costs	12,230	93,489
Income from Debt Extinguishment	-	(1,282,593)
Contribution of Net Assets from Habitat Affiliate, Net of Cash Received of $167,429	(697,797)	-
(Increase) Decrease in Assets:		
Unconditional Promises to Give	1,099,897	(76,200)
Other Receivables	872,937	(638,192)
Prepaid Expenses	11,662	20,814
Materials Inventory	7,067	(1,012)
Increase (Decrease) in Liabilities:		
Accounts Payable	(419,250)	384,525
Accrued Expenses	190,576	(115,682)
Accrued Payroll and Compensated Absences	41,484	108,325
Net Cash Provided By (Used In) Operating Activities	928,116	(3,635,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	1,014,679	2,639,275
Purchase of Investments	(1,266,839)	(652,971)
Purchase of Property and Equipment	(212,291)	(288,194)
Mortgage Loans Sold	4,634,421	72,485
Home Repair Loans Sold	178,166	100,690
Mortgage Loans Payments Received	732,576	634,358
Home Repair Loans Payments Received	221,165	326,887
Cash Payments Received From Joint Ventures	44,517	52,929
Net Cash Provided By Investing Activities	5,346,394	2,885,459
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	56,250	42,810
Payments on Long-Term Debt	(118,357)	(149,192)
Net Cash Used In Financing Activities	(62,107)	(106,382)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	6,212,403	(856,193)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	3,288,214	4,144,407
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	**$ 9,500,617**	**$ 3,288,214**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Issuance of Mortgage Loans	$ 3,809,790	$ 1,761,746
Discount Related to Newly Originated Mortgage Loans	(1,606,725)	(692,659)
Discount Recovery on Sale of Mortgage Loans	2,306,744	126,159
Transfers to Homeowners Subject to Non-Interest/Below Market Interest Bearing Mortgage Loans	$ 4,509,809	$ 1,195,246
Real Property Received for Outstanding Mortgages	$ 88,845	$ 320,041
Interest Paid	$ 56,036	$ 135,047
Investment in Joint Venture Effectively Exchanged in NMTC Dissolution Transaction (Note H)	$ -	$ 1,596,026
Note Receivable from Joint Venture Effectively Exchanged in NMTC Dissolution Transaction (Note H)	$ -	$ 5,096,045
Long-Term Debt Effectively Exchanged in NMTC Dissolution Transaction (Note H)	$ -	$ 7,974,665

The accompanying notes to consolidated financial statements
are an integral part of these statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Presentation

Habitat for Humanity of Omaha, Inc. (Habitat Omaha), a Nebraska non-profit corporation, was incorporated in 1984, and operates as an affiliate under the guidelines of Habitat for Humanity International, Inc. (Habitat International). Habitat International is a global non-profit housing organization working in local communities across all 50 states in the United States and in approximately 70 countries. Habitat International's vision is of a world where everyone has a decent place to live, working towards this vision by building strength, stability and self-reliance in partnership with families in need of decent and affordable housing. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat Omaha is primarily and directly responsible for its own operations.

The consolidated financial statements presented herein include the accounts of Habitat Omaha and the entities under Habitat Omaha's control (described below), which hereafter are all referred to collectively as Habitat. Intercompany transactions and accounts have been eliminated in the accompanying consolidated financial statements.

This summary of significant accounting policies of Habitat are presented to assist in understanding Habitat's consolidated financial statements. The consolidated financial statements and notes are representations of Habitat's management, who are responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

Controlled Entities

The entities under Habitat Omaha's control included in these consolidated financial statements are summarized as follows:

- 1701, LLC, a wholly-owned subsidiary of Habitat Omaha, was incorporated in 2012. 1701, LLC was organized to purchase the main warehouse and office facilities and aid Habitat in completing Tax Increment Financing arrangements.

- HFHO Real Estate Holdings, Inc. (HFHO REH), a Nebraska non-profit corporation, was incorporated in 2013. HFHO REH was organized to acquire and operate certain assets previously owned by Habitat Omaha, for the purpose of qualifying for the benefits of the New Market Tax Credit (NMTC) transaction that occurred in 2013 (See Notes H and I). As part of the 2013 NMTC transaction, HFHO REH purchased Habitat Omaha's ReStore retail stores and Habitat Omaha's main warehouse and office facilities, which are being leased back to Habitat Omaha.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Controlled Entities (Continued)

- Habitat for Humanity of Sarpy County, Inc. (Habitat Sarpy), a Nebraska non-profit corporation, was incorporated in 1994. Habitat Sarpy operated as an independent affiliate of Habitat International through June 30, 2020 in Sarpy County, Nebraska, which is the county adjacent to Habitat Omaha's geographic service area. Effective July 1, 2020, the Habitat Sarpy operations merged into Habitat Omaha through a restructuring agreement in which Habitat Sarpy's operations came under control of Habitat Omaha. As a result, Habitat Sarpy's assets, liabilities, net assets, and results of operations as of and for the six months ended December 31, 2020 are included in Habitat's consolidated financial statements. See additional discussion of the Habitat Sarpy transaction in Note R below.

Basis of Presentation

Habitat is required to provide consolidated financial statements, which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Habitat maintains its accounts on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor/Grantor Restriction:

- Net assets which are not subject to any donor/grantor-imposed restrictions.
- Income that is limited to specific uses by donor/grantor restrictions is reported as increases in net assets without donor/grantor restrictions if the restrictions are met in the same reporting period as the income is recognized.

Net Assets With Donor/Grantor Restrictions:

- Net assets subject to donor/grantor-imposed restrictions that may or will be met by actions of Habitat for a specific purpose and/or the passage of time.

Summary of Operations

Habitat's geographic service area includes communities within the following counties in Nebraska: Burt, Cass, Douglas, Sarpy and Washington. Since 1984, Habitat has partnered with more than 1,800 families and individuals to provide affordable homeownership and home improvement opportunities. Thousands of donors and volunteers have worked together with future homeowners to make these opportunities a reality, building stronger neighborhoods and effecting measurable change in the community.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Operations (Continued)

Habitat's operations consist mainly of the following activities:

Homeownership Program. Habitat's primary operating activity consists of building and selling new and remodeled homes to low-income families that would not typically qualify for a traditional home mortgage. The sales price of a home is generally based on its appraised value (which is generally below the total cost of construction), and the family's financing capacity. The cost of construction generally consists of the following: (i) land and/or property acquisition costs, (ii) various third-party construction costs, (iii) in kind donations of materials and labor by third parties, and/or (iv) Habitat resources at a cost estimated to approximate third-party construction costs.

The sales price consideration provided by the family for a home purchase typically consists of 350 hours of sweat equity, a small down payment, and a 30-year mortgage. Certain home sales are also partially funded by grants and/or donations. See Note J for a summary description of Habitat's homeownership mortgage offerings.

Habitat also provides various ancillary programs and services (e.g., mortgage readiness programs, home maintenance programs, financial literacy programs, etc.) to assist homeowners in both obtaining and maintaining the benefits of homeownership and is also a strong advocate for better homeownership and related laws and systems.

Home Improvement/Repair Program. Habitat undertakes various home improvement and repair projects (e.g., roof repair, new furnace, plumbing repairs, etc.) for low-income families that would not typically be able to afford such repairs without assistance. The projects are critical in maintaining the satisfactory living condition of a home, and typically are in the range of $5,000 to $15,000. These projects are financed with shorter-term mortgages with homeowners, and/or are funded by grants and/or donations.

Home Demolition. Habitat acquires land and blighted structures which require demolition for safety purposes and/or for significant esthetic improvements to neighborhoods. The residual land held after the demolition may be used for future construction or sold/transferred to outside parties for redevelopment opportunities. The demolition work is funded through grants and/or donations.

ReStore Operations. Habitat operates two retail stores (ReStores) designed to provide for the resale of primarily used home and office materials – keeping such materials out of landfills and providing low-cost construction materials to the general public. The operations of the ReStores generate a small net profit, which is used to help fund other programs and the general operations of Habitat.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

In the consolidated statements of activities and changes in net assets, Habitat includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, are recognized as operating support, revenues, gains, and losses.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, Habitat considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents in the consolidated statements of cash flows. Certain cash amounts are required to be kept in separate bank accounts under contractual arrangements with third parties.

Restricted Cash

Habitat has classified certain cash that is restricted for specific purposes as restricted cash. At December 31, 2020 and 2019, Habitat has restricted cash of $1,045,510 and $761,908 for joint ventures and other reserve commitments, respectively. Certain joint venture agreements require Habitat to keep cash in separate accounts.

Materials Inventory

Materials inventory is recorded using the average cost method, which is not an acceptable method in accordance with U.S. GAAP. Management estimates that this does not have a material impact to the consolidated financial statements.

Investments and Investments in Joint Ventures

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Any unrealized gains and losses are reported in the consolidated statements of activities and changes in net assets as a change in net assets without donor/grantor restrictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investments in Joint Ventures (Continued)

Investments in joint ventures, such as partnerships that are not consolidated, but over which Habitat exercises significant influence, are accounted for under the equity method of accounting. Whether or not Habitat exercises significant influence with respect to a specified investment depends on an evaluation of several factors including, among others, representation on the joint venture partnership's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the respective partnership.

If Habitat's carrying value in an equity method investment is reduced to zero, subsequent losses are not recorded in Habitat's consolidated financial statements unless Habitat guaranteed obligations of the joint venture partnership or has committed additional funding. If the joint venture partnership subsequently reports income, Habitat will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Other Receivables

Trade and other receivables are recorded at net realizable value. Habitat uses the allowance method to determine uncollectible receivables. As of December 31, 2020 and 2019, all receivables are considered fully collectible.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized, and expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets disposed, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following useful lives:

	Years
Buildings	5-40
Equipment and Furniture	3-15
Vehicles	5-10

Construction in Progress

Habitat carries the cost incurred in conjunction with home construction in construction in progress until sold to homeowners. Construction in progress consists of in-kind donations and the direct costs of acquiring land and property, holding costs, and construction and rehabilitation costs. When the corresponding homes are completed and sold to homeowners, these costs are expensed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Discount

Home improvement/repair and homeownership mortgage loans made by Habitat are either below-market or non-interest bearing and are payable in monthly installments over the life of the loan. All mortgage loans and most home improvement/repair loans are secured by real estate. Management determines the allowance for doubtful accounts by regularly evaluating the home improvement/repair and mortgage loan listing and considering prior years' experience and analysis of specific promises made. As of December 31, 2020 and 2019, the allowance for the home improvement/repair loan receivables was $70,000 and $60,000, respectively. Habitat considers all homeownership mortgage loans to be 100% collectible; therefore, no allowance for uncollectible accounts has been established.

Below-market and non-interest bearing loans have been discounted from their stated rates to 7.38% during 2020, 7.66% during 2019, and at various rates ranging from approximately 7.4% to 9.0% in prior years based upon prevailing market rates for low income housing at the inception of the loan. Utilizing a straight-line basis, this discount is amortized over the term of the loan.

From time to time Habitat will sell mortgages to financial institutions. If a loan is sold, the unamortized balance of the loan discount recorded at the inception of the loan is recorded as income in the consolidated financial statements as discount recovery on the sale of mortgage loans.

Habitat retains full recourse on these mortgages and continues to service and guarantee the mortgages. In many cases, Habitat retains the right to substitute similar mortgages in case of default by the homeowners to pay the mortgage.

Starting in 2018, most mortgage loans related to sales of new and remodeled homes are being made by a third-party community lending organization and include below-market interest rates. Such loans are also subject to full recourse with Habitat guaranteeing the loans.

At December 31, 2020 and 2019, the amount of loans subject to Habitat's full recourse guarantee still outstanding was approximately $29.6 million and $22.6 million, respectively. Certain contractual agreements require Habitat to maintain cash reserves for potential losses related to full recourse guarantees. As of December 31, 2020, and 2019, Habitat had such reserves included in restricted cash of $910,775 and $582,259, respectively.

Compensated Absences

Employees of Habitat are entitled to certain amounts of paid personal time off. In the event of termination, an employee is reimbursed for accumulated unused paid time off.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingent Equity and Sales to Homeowners

Habitat requires a $500 cash down payment (contingent equity) that is applied towards the purchase of the home at the time that the purchase contract is signed.

Sales to homeowners are recorded at the gross mortgage amount plus contingent equity payments and other grant homeowner subsidies that Habitat may receive as part of the home sales process.

Revenue Recognition

Revenue Recognition Policies Related to Contracts With Customers. Effective January 1, 2019, Habitat adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective transition method. This standard applies to all contracts with customers, except for customers that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Analysis of various provisions of this standard resulted in no significant changes in the way Habitat recognizes revenue, and therefore, no changes to the previously issued audited consolidated financial statements prior to January 1, 2019, were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Habitat recognizes revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration which Habitat expects to receive in exchange for those goods or services. To determine proper revenue recognition for arrangements, Habitat performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) Habitat satisfies the performance obligation. Habitat only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of Topic 606, Habitat assesses the goods or services promised within each contract and determines those that are performance obligations. Habitat then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Other Revenue Recognition Policies.

- Unconditional promises to give are recognized as revenues or gains in the period received, or when a notification of a beneficial interest is received, and as assets, decreases of liabilities, or expenses depending on the form of the consideration or benefits received.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Receipts of unconditional promises to give with payments due in future periods are reported as donor-restricted support unless donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended it to be used to support activities of the period received. In 2020, due to the COVID-19 pandemic, Habitat received various unconditional promises to give with payments due in the future but that were available for use in 2020 to support operations. These promises to give were released from restriction in 2020 even though payment will not occur until a future date.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management reports promises to give net of allowance for uncollectible promises in its consolidated financial statements. Habitat considers promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

- A significant portion of Habitat's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenues when Habitat has incurred expenditures in compliance with specific contract or grant provisions.

- Habitat recognizes revenue on homebuilding activities upon the closing of the sale. Revenue for home repairs are recognized once the repair is complete and Habitat is entitled to payment from the homeowner.

- ReStore Sales are recognized at the time the transaction occurs in the store.

- Habitat records event income as events are held.

Donor/Grantor Restrictions. All support and revenues are considered net assets without donor/grantor restrictions unless stipulated by the grantor. Net assets are released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donor/grantors. When the net assets are released, such net assets are reclassified within the applicable classes of net assets.

Contributions received and investment income with donor/grantor restrictions that are met in the same reporting period are reported as revenue and an increase in net assets without donor/grantor restrictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions and Donated Services

Contributions of gifts in-kind that can be used by Habitat are recorded at estimated fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services, which do not meet the above criteria. The value of this contributed time is not reflected in these consolidated financial statements since there is not an objective measure or valuation of these services.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, certain expenses required allocation on a reasonable basis that is consistently applied. Material expenses that are allocated include the following: (i) certain depreciation, which is allocated based on a square foot basis, (ii) certain occupancy, professional services, office/warehouse and information technology costs, which are allocated based on headcount, and (iii) certain management wages and benefits, which are allocated based on estimates of time and effort.

Program Services

Program services include construction, home repairs, Habitat's ReStore operations, the discount on mortgage originations, support of families, mortgage lending and servicing activities, and education of the general public. Program services also include the cost of homes sold to homeowners.

Advertising

Habitat uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was $137,085 and $201,840 for the years ended December 31, 2020 and 2019, respectively.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Habitat Omaha, Habitat Sarpy, and HFHO REH have received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations. As such, no provision for income taxes is reflected in the consolidated financial statements. 1701, LLC is a disregarded entity for income tax purposes, so it is considered a part of Habitat Omaha's tax exemption.

Habitat is required to file separate Form 990's, *Return of Organization Exempt from Income Tax*, for each of the three tax-exempt entities noted above. Habitat's returns are subject to review and examination by federal authorities.

As of December 31, 2020, Habitat is not aware of any uncertain tax positions that would qualify for either recognition or disclosure in the consolidated financial statements. Tax years subsequent to 2017 remain subject to examination by major tax jurisdictions.

Habitat has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Habitat's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Upcoming Accounting Standard Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organization. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires enhanced disclosures by category of gifts-in-kind. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The adoption of this ASU in fiscal 2022 is not expected to have a material impact on Habitat's consolidated financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through June 2, 2021, which is the date the consolidated financial statements were available to be issued.

NOTE B – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows for the years ended December 31,:

	2020	2019
Cash and cash equivalents	$ 8,455,107	$ 2,526,306
Restricted cash	1,045,510	761,908
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 9,500,617	$ 3,288,214

NOTE C – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Habitat to credit risk consist of cash, investments, receivables, and unconditional promises to give. Habitat maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at December 31,:

	2020	2019
Corporate and Foundation	$ 367,167	$ 1,693,800
Other Donations	667,786	441,050
Total Unconditional Promises to Give	$ 1,034,953	$ 2,134,850

The maturities of unconditional promises to give at December 31, 2020 are as follows:

Receivable in Less than One Year	$ 517,119
Receivable in One to Five Years	517,834
Total Unconditional Promises to Give	$ 1,034,953

Habitat has also received $400,000 in conditional pledges that it has not recognized as revenue because the conditions have not been met by December 31, 2020, with such conditional pledges related to obtaining matching funds for future operations.

NOTE E – INVESTMENTS

Habitat's investments at December 31, 2020 consist of the following:

	Carrying Value
Cash Equivalents	$ 661,080
U.S. Treasury and Corporate Notes	1,658,402
Equity Mutual Funds	1,055,286
	$ 3,374,768

Habitat's investments at December 31, 2019 consist of the following:

	Carrying Value
Cash Equivalents	$ 732,129
U.S. Treasury and Corporate Notes	1,292,482
Equity Mutual Funds	920,206
	$ 2,944,817

In connection with the sale of certain loans, Habitat has granted security interest rights in a portion of its investment portfolio to another party. Such rights restrict the ability of Habitat to use such funds unless and until the associated loans are repaid. The amount subject to these rights was approximately $700,000 and $500,000 of investments as of December 31, 2020 and 2019, respectively.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurement Policies. FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows.

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Habitat has the ability to access.

- Level 2 - Inputs to the valuation methodology include:

    - Quoted prices for similar assets or liabilities in active markets;

    - Quoted prices for identical or similar assets or liabilities in inactive markets;

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

  - Inputs other than quoted prices that are observable for the asset or liability;

  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

    If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

Common Stocks, Equity Mutual Funds, Corporate Bonds and U.S. Government Securities: Valued at the closing price reported on the active market on which the individual securities are traded. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Habitat believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, Habitat's assets at fair value as of December 31, 2020 and 2019.

	Assets at Fair Value as of December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and Cash Equivalents	$ 661,080	$ -	$ -	$ 661,080
U.S. Treasury and Corporate Notes	1,658,402	-	-	1,658,402
Equity Mutual Funds	1,055,286	-	-	1,055,286
	$ 3,374,768	$ -	$ -	$ 3,374,768

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 732,129	$ -	$ -	$ 732,219
U.S. Treasury and Corporate Notes	1,292,482	-	-	1,292482
Equity Mutual Funds	920,206	-	-	746,217
Total Assets at Fair Value	$ 2,944,817	$ -	$ -	$ 2,944,817

There were no transfers in and out of Levels 1, 2, and 3 in years 2020 and 2019.

Habitat uses the following methods and significant assumptions to estimate fair value:

Investments: The fair value of investments is determined by obtaining quoted market prices on nationally recognized securities exchanges.

NOTE G – ENDOWMENTS

OCF Endowment Fund. During 2018, Habitat ended its then sole endowment fund managed by the Omaha Community Foundation (OCF) and deposited the net residual proceeds from this fund of $17,195 into a separate program administered by OCF. That program involves funds provided to a special purpose vehicle (SPV) for donor-advised funds established by OCF. The purpose of this SPV is to provide 0% interest loans to Habitat to support its operations. Such loans are further described in Note L.

Certain amounts of the funds placed in the OCF program by donors, including the amounts previously invested in Habitat's Endowment fund, are also recorded as assets of Habitat because the donor has relinquished its donor-advisory powers to Habitat, making it virtually certain that Habitat will be the ultimate beneficiary of the funds. Such funds of $356,895 are included in Other Assets as Other Receivables on the consolidated statements of financial position at December 31, 2020 and 2019.

Habitat Endowment Fund. Effective December 30, 2020, the Board of Directors (the Board) of Habitat Omaha established a new endowment fund for Habitat (the Habitat Endowment Fund). The intent of the Habitat Endowment Fund is to accumulate donor contributions that can eventually provide a meaningful, recurring source of annual income from the invested principal balance and related investment returns to help fund Habitat's operations. The Board appointed the initial Habitat Endowment Fund Committee in February 2021 and expects to launch its fundraising activities related to the Habitat Endowment Fund during 2021. There were no assets in the Habitat Endowment Fund as of December 31, 2020.

NOTE H – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES

Habitat has participated in five New Market Tax Credit (NMTC) transactions. These transactions provide funds to eligible organizations for making qualified low-income community investments. Such funds are the result of outside investors who effectively purchase the tax credits associated with Habitat's community investment.

Transaction requirements for Habitat include the creation of a promissory note (see Note L) and an associated investment in, or associated loan made to, a qualified community development entity through a joint venture. The tax credits produced by the transactions are subject to recapture if compliance requirements are not met over a seven-year period.

In connection with these NMTC transactions, Habitat recorded:

- an investment of $2,514,254 for its 22.58% ownership of the first joint venture in 2010 (which was unwound in 2017),
- an investment of $1,448,867 for its 9.99% ownership of a 2nd joint venture in 2012 (which was unwound in 2019 as more fully described later in this footnote),
- a note receivable of $5,096,045 from a 3rd joint venture in 2013 (which was unwound in 2019 as more fully described in this footnote – and see Note I),
- an investment of $1,471,654 for its 9.54% ownership of a 4th joint venture in 2015, and
- an investment of $2,980,055 for its 13.79% ownership of a 5th joint venture in 2017.

After investment earnings and distributions, the investments in joint venture balance totaled $4,431,887, and $4,431,894 as of December 31, 2020 and 2019, respectively.

Like the first NMTC transaction that unwound in 2017, as expected, the 2012 and 2013 NMTC transactions were unwound without material cash flows in 2019. The result of those unwind transactions is that Habitat's investment in the 2nd joint venture and the note receivable from the 3rd joint venture were effectively exchanged for the related promissory notes (See Note L). Those exchanges resulted in gains on extinguishment of debt of $1,282,593 which are recognized in the consolidated statements of activities and changes in net assets as income from debt extinguishment. The gains on extinguishment of debt effectively represents the net cash benefit to Habitat from entering into the NMTC transactions. That cash benefit was actually received at the inception of the NMTC transaction in 2012 and 2013 but is not recognized in the consolidated statements of activities and changes in net assets until the benefit becomes certain with the unwinding of the structures.

In the future (approximately 7 years from the inception of the last two NMTC transactions described in this footnote), the entities that are the effective owners of Habitat's promissory notes are expected to exercise put options whereby the promissory notes will become the property of the associated joint venture. Similar to the unwinding of the transactions described above, the exercise of the put options will effectively allow Habitat to extinguish the outstanding debt and realize its joint venture investments without further material cash flow activity.

NOTE I – NOTE RECEIVABLES

As discussed in Note H, during 2013 Habitat recorded a note receivable and a promissory note (see note L) in connection with a NMTC transaction. The receivable accrued interest at 1.6% per year, payable each quarter, and was due in full January 1, 2042. During 2019, the note receivable was exchanged for the related NMTC debt and extinguished.

Habitat entered into a note receivable financing agreement resulting from the sale of a building. The note required monthly cash receipts of $1,221 plus interest at 5% with final payment received in 2019.

NOTE J – NON-INTEREST/BELOW MARKET INTEREST BEARING LOANS

Traditional Homeownership Loans

Habitat's mortgage offerings to finance the purchase of new and remodeled homes consist mainly of the following:

- Prior to 2018, Habitat sold homes to program participants in exchange for 30-year mortgage loans with no interest, which were originated by Habitat.
- Starting in 2018 and ending in December 2020, while a small number of mortgage loans were still originated by Habitat, most mortgage loans were originated by a third-party community lending organization, with a 30-year term and below-market interest rates. Under this arrangement, the third party monetized the mortgages through a lending arrangement with a consortium of lenders, and then provided the mortgage proceeds upon closing to Habitat. As a result, no Habitat-originated loan accounting is required for these transactions.
- Beginning in 2021, Habitat plans to originate 30-year term mortgage loans with below-market interest rates to its homebuyers and plans to effectively monetize certain of those mortgages through a lending arrangement with a consortium of lenders or through direct sales of certain of the mortgage loans to a financial institution. Habitat has secured funding commitments from these sources of approximately $8 million for its 2021 mortgage activities.

For all home sales involving a Habitat-originated and held loan, such loans are payable to Habitat, and are shown on the consolidated statements of financial position discounted from their stated rates to various rates ranging from approximately 7.4% to 9.0% at the inception of the mortgages, as determined by Habitat International. Habitat held 156 and 143 loans outstanding at December 31, 2020 and 2019, respectively. Management feels no provision for loan losses is required because Habitat is a secured creditor and the fair market value of the homes is typically in excess of the related mortgage loan balance.

NOTE J – NON-INTEREST/BELOW MARKET INTEREST BEARING LOANS (Continued)

Traditional Homeownership Loans (Continued)

Habitat also sells homes to program participants under the NMTC programs in exchange for cash if the third-party community lending organization makes the home loan or for Habitat-originated mortgage notes with no, or below-market, interest rates. The Habitat-originated notes are payable to Habitat and are shown on the consolidated statement of financial position discounted from their stated rates to various rates ranging from approximately 7.4% to 7.6% at the inception of the mortgages, as determined by Habitat International. Habitat had 24 and 28 loans outstanding at December 31, 2020 and 2019, respectively.

Management feels no provision for loan losses is required because Habitat is a secured creditor and the fair market value of the homes is typically in excess of the related mortgage note balance.

Habitat's mortgage home loans are as follows at December 31,:

	2020	2019
Mortgage Home Loans	$ 13,287,932	$ 13,542,616
Loan Discount	(7,966,232)	(8,060,722)
Basis in Loan	$ 5,321,700	$ 5,481,894

Home Repair/Improvement Loans

Habitat undertakes certain home improvements/repairs for program participants in exchange for mortgage loans with no interest. These notes are all payable to Habitat and are shown on the consolidated statements of financial position discounted at various rates ranging from 7.38% to 7.8% at the inception of the mortgages, as determined by Habitat International. Habitat held 127 and 142 loans outstanding at December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the allowance for the home repairs loan receivables was $70,000 and $60,000, respectively.

Habitat's home repair loans are as follows at December 31,:

	2020	2019
Home Repair Loans	$ 516,350	$ 653,818
Loan Discount	(138,742)	(179,569)
Allowance for Doubtful Accounts	(70,000)	(60,000)
Basis in Loan	$ 307,608	$ 414,249

NOTE K – BANK REVOLVING LINE OF CREDIT

At December 31, 2020 and 2019, Habitat had a bank revolving line of credit (LOC) in the amount of $2,000,000, which was amended in 2020 to be payable on July 6, 2021, including interest at 0.25% below the national prime rate, with a minimum rate of 3.5%. The interest rate on the line of credit at December 31, 2020 was 3.5%. Habitat had no outstanding balance on the line of credit at December 31, 2020 and 2019.

In January 2021, Habitat entered into a second LOC in the amount of $1,500,000, which expires on January 12, 2022, including interest at the national prime rate.

NOTE L – LONG-TERM DEBT

Long-term debt consists of the following at December 31,:

	2020	2019
Interest-free promissory notes payable to Habitat International. Monthly payments range from $56 to $1,390 and due dates range from April 2021 to June 2026.	$ 267,185	$ 246,911
Note payable to HFHI NMTC SUB CDE I, LLC, semi-annual interest only payments until November 2023 at 0.68% then semi-annual payments in an amount sufficient to fully amortize the remaining balance by December 2044. The associated agreements include a put option feature that is exercisable in 2023. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note H)	2,157,398	2,157,398
Note payable to HFHI NMTC SUB-CDE II, LLC, semi-annual interest only payments until May 2024 at 0.68%, then semi-annual payments in an amount sufficient to fully amortize the remaining balance by July 2047. The associated agreements include a put option feature that is exercisable in 2024. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note H)	4,406,299	4,406,299
Notes payable to a financial institution, monthly payments of $457 until March 2040, and then $203 through September 2042 at 0%. The notes are secured by an interest in certain home mortgage loans.	113,369	-

NOTE L – LONG-TERM DEBT (Continued)

	2020	2019
Notes payable to a fund of the OCF, quarterly payments of $19,910 until June 2025 and then $9,200 until December 2025 at 0%. The notes are secured by an interest in certain home and home repair mortgages.	$ 376,300	$ 455,940
Total Long-Term Debt	7,320,551	7,266,548
Less Debt Issuance Costs	(316,811)	(329,042)
Less Current Portion of Long-Term Debt	(147,624)	(136,425)
	$ 6,856,116	$ 6,801,081

The aggregate maturities of long-term debt for the years ending after December 31, 2020 are as follows:

Years Ending December 31,	
2021	$ 147,624
2022	145,547
2023	144,647
2024	308,368
2025	362,734
Thereafter	6,211,631
	$ 7,320,551

NOTE M – TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended December 31, 2020 and 2019, Habitat contributed $175,000 and $155,000 to Habitat International, respectively. This amount is included in the program services expense in the consolidated statements of activities and changes in net assets.

NOTE N – IN-KIND CONTRIBUTIONS

Included in the consolidated financial statements are in-kind contributions and corresponding expenses, which consisted of the following at December 31, 2020:

	2020		2019	
	Contribution	Expense	Contribution	Expense
Construction in Progress	$ 778,121	$ -	$ 943,481	$ -
Professional Fees	139,368	139,368	160,959	160,959
Inventory	108,155	-	51,295	-
Publicity	-	-	12,354	12,354
Miscellaneous	18,210	18,210	60,720	60,720
Property and Equipment	22,500	-	-	-
Total In-Kind Contribution	$ 1,066,354	$ 157,578	$ 1,228,809	$ 234,033

NOTE O – RETIREMENT PLAN

Habitat participates in a 403(b) retirement savings plan covering substantially all employees. Habitat's contributions are discretionary. Habitat contributed $122,492 and $106,487 for the years ended December 31, 2020 and 2019, respectively.

NOTE P – COMMITMENTS AND CONTINGENCIES

Habitat is subject to possible monitoring reviews by federal and state authorities that determine compliance with terms, conditions, laws, and regulations governing grants given to Habitat in the current and prior years. Habitat believes any disallowed or unexpended claims, which would require return of funds to the grantor agency, to be immaterial.

NOTE Q – LIQUIDITY AND AVAILABILITY

Habitat manages liquidity in its normal operating cycle with current year donations, grants and amounts received from house sales expected to provide the substantial majority of funds needed to pay its obligations as they come due.

The current restrictions imposed by donors with time or purpose restrictions are, in all material respects, for normal annual operating purposes such as the acquisition, demolition, building, or remodeling of homes in certain neighborhoods and/or acquisition of properties from certain owners. Therefore, those restricted funds are effectively expected to be used for normal operating purposes in Habitat's annual operating cycle.

NOTE Q – LIQUIDITY AND AVAILABILITY (Continued)

Habitat has relatively small cash flows needs for anything other than its current operational purposes. While Habitat has total long-term debt in excess of $7 million at December 31, 2020, the debt service cash requirements associated with the substantial majority of that debt (the New Market Tax Credit loans) are funded by the investment return on the associated investment in joint ventures. In effect, there is no material net cash flows requirement for Habitat's debt service.

To help manage unanticipated liquidity needs, Habitat has two lines of credit in the amount of $3.5 million, which it could draw upon, and it maintains the Board designated operating reserve fund of approximately $2.7 million. Lastly, Habitat has entered into a number of Tax Increment Financing agreements with local governmental agencies that are expected to provide cash inflow to Habitat from certain property taxes (from homes sold or to be sold by Habitat) over the next 15 years. These future cash inflows, which approximate $3 million on an undiscounted basis, could be used as collateral to obtain loans if needed for unanticipated liquidity needs.

The following reflects Habitat's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year of those dates because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating reserve that could be drawn upon if the Board approves that action.

	2020	2019
Cash and cash equivalents	$ 8,455,107	$ 2,526,306
Restricted cash	1,045,510	761,908
Investments	3,374,768	2,944,817
Current portion of unconditional promises to give	517,119	1,601,650
Current portion of mortgage loans	627,852	605,736
Current portion of home repair loans	147,708	163,092
Other receivables	484,926	1,233,074
Total financial assets	14,652,990	9,836,583
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Cash restricted by donor with time or purpose restrictions	(2,836,008)	(3,420,870)
Cash restricted by contract	(1,045,510)	(761,908)
Investments restricted for loan transactions	(700,000)	(500,000)
Board designations:		
Operating reserves	(2,650,882)	(2,432,499)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,420,590	$ 2,721,306

NOTE R – HABITAT SARPY TRANSACTION

During early 2020, the respective Board of Directors of Habitat Omaha and Habitat Sarpy mutually agreed to merge Habitat Sarpy's net assets and operations with that of Habitat Omaha, without any required financial consideration from Habitat Omaha. The respective Boards believed the combination of the two entities would better serve the combined geographic service areas, allowing for more efficient and effective operations as a combined unit, and thus, leveraging the capabilities of each organization to increase the number of families served in the greater-Omaha area. As a result of this merger, Habitat now serves the five county area in and around Omaha, Nebraska, which includes the Nebraska counties of Burt, Cass, Douglas, Sarpy and Washington.

The legal form of the combination of Habitat Omaha and Habitat Sarpy operations was done through a restructuring of Habitat Sarpy's corporate structure. This was accomplished by amending Habitat Sarpy's corporate documents to appoint Habitat Omaha corporate officers as Habitat Sarpy's new Board and corporate officers, thus transferring control of Habitat Sarpy's net assets and operations to Habitat Omaha effective July 1, 2020.

The estimated fair value of the Habitat Sarpy assets received and the (liabilities assumed) as of July 1, 2020 are as follows:

Cash	$ 167,429
Accounts Receivable	143,333
Property and Equipment, Net	26,203
Mortgage Loans	634,000
All Other Assets	30,124
Accounts Payable and Accrued Expenses	(19,753)
Notes Payable	(116,110)
Net Assets Contributed	$ 865,226

The net asset amount was recognized as revenue in the accompanying Habitat consolidated financial statements upon the July 1, 2020 effective date of the transaction. Habitat Sarpy's assets, liabilities, and results of operations as of and for the six months ended December 31, 2020 are included in Habitat's consolidated financial statements. Habitat Omaha used the acquisition method of accounting to account for this transaction.

NOTE S – COVID 19

On March 10, 2020, the World Health Organization declared the coronavirus, or otherwise known as the COVID-19 virus (Covid), outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of Covid have included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses.

During early 2020, the U.S. Federal government authorized various economic relief programs under the Coronavirus Aid Relief and Economic Security Act (CARES Act). Habitat benefited from the CARES Act during 2020 as follows:

NOTE S – COVID 19 (Continued)

- Habitat received $1.2 million of relief funds under the Paycheck Protection Plan (PPP) loan program. Habitat received full forgiveness of its PPP loan in December 2020. As a result, the PPP funds are recorded as revenue in the accompanying consolidated financial statements.
- Habitat was able to secure mortgage assistance funds of $512,286 during 2020, of which $470,469 has been distributed to date directly to 283 qualifying Habitat homeowners. The amount of these funds were recorded as revenue when received, and expensed when disbursed to the families, during 2020.

Habitat experienced disruptions in its operations during 2020 due to Covid but was still able to substantially meet its operating and financial goals for 2020, to include the benefit of the PPP funds mentioned above. While several vaccines are available across the globe, the impacts of Covid and the actions needed to mitigate the virus are expected to continue adversely impacting the economies and financial markets of many countries well into 2021 (and possibly into 2022), including the geographical areas in which Habitat operates. While Habitat has been able to successfully navigate the challenges of Covid to date, it is unknown how long these conditions will last and what the complete operational and financial effect will be to Habitat going forward.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number		Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Habitat for Humanity International				
Self-Help Homeownership Opportunity Program	14.247			$ 225,000
Self-Help Homeownership Opportunity Program	14.247			246,911 *
				471,911
Passed through Habitat for Humanity International				
Community Development Block Grant	14.248		FR-6200-N-39	9,733
PASS-THROUGH PROGRAM FROM THE CITY OF OMAHA				
Community Development Block Grant	14.218			57,700
U.S. DEPARTMENT OF TREASURY				
Passed through the State of Nebraska and United Way of the Midlands				
Coronavirus Relief Fund	21.019		UWM-20200929-220707	380,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Nebraska Department of Environment and Energy				
Low Income Home Energy Assistance Program (LIHEAP)	93.568	1/	G-18B1NELIEA	283,532
U.S. DEPARTMENT OF ENERGY				
Passed through the Nebraska Department of Environment and Energy				
Low Income Weatherization Assistance Program (WAP)	81.042	1/	DE-EE0007933	380,579
Total Expenditures of Federal Awards				**$ 1,583,455**

1/ Major program tested
* This represents the balance of loans from a previous year which the federal government imposes the continuing compliance requirements

The accompanying notes to Schedule of Expenditures
of Federal Awards are an integral part of this schedule

HABITAT FOR HUMANITY OF OMAHA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Habitat for Humanity of Omaha and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part *200, Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*).* Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements. The entity has elected to use the 10% de minimis indirect cost rate, as allowed under the Uniform Guidance.

NOTE B – TYPE A PROGRAM THRESHOLD

The threshold of Type A and Type B programs was $750,000 for the year ended December 31, 2020.

NOTE C – MAJOR PROGRAM

CFDA Number	Program Name
93.568	Low Income Weatherization Assistance Program
81.042	Low Income Weatherization Assistance Program

NOTE D – SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

HUD's Self-Help Homeownership Opportunity Program (SHOP) grants and loans were passed through to the Organization by Habitat for Humanity International, Inc. (Habitat International). The SHOP Agreement stipulates that 75% of each sub-grant from Habitat International to the affiliate is in the form of a grant and 25% is in the form of a loan. The awards provided under CFDA 14.247 for SHOP were as follows for the year ended December 31, 2020:

HABITAT FOR HUMANITY OF OMAHA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended December 31, 2020

NOTE D – SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM (Continued)

Pass-Through Grantor	Identifying Number	Expenditures
Habitat International	SHOP 2010 (172030)- Existing Loans	$ 2,370*
Habitat International	SHOP 2010 (174009)- Existing Loans	4,252*
Habitat International	SHOP 2011 (182032)- Existing Loans	11,268*
Habitat International	SHOP 2011 (183020)- Existing Loans	942*
Habitat International	SHOP 2011 (184010)- Existing Loans	3,424*
Habitat International	SHOP 2012 (193009)- Existing Loans	1,687*
Habitat International	SHOP 2013 (201016)- Existing Loans	2,717*
Habitat International	SHOP 2013 (202018)- Existing Loans	17,985*
Habitat International	SHOP 2013 (203014)- Existing Loans	19,698*
Habitat International	SHOP 2014 (211035)- Existing Loans	26,252*
Habitat International	SHOP 2015 (221011)- Existing Loans	27,500*
Habitat International	SHOP 2015 (222007)- Existing Loans	19,757*
Habitat International	SHOP 2016 (231040)- Existing Loans	66,250*
Habitat International	SHOP 2016 (232017)- Existing Loans	42,809*
Habitat International	SHOP 2017 (241032)- New Loans (25%)	56,250
		$ 303,161

*Represents the balance of a loan from a previous year that the federal government imposes the continuing compliance requirements totaling $246,911

NOTE E – LOAN BALANCES

CFDA Number	Identifying Number	Balance at January 1, 2020	New Loans	Payments	Balance at December 31, 2020
14.247	SHOP 2010 - Loans	$ 2,370	$ -	$ (2,370)	$ -
14.247	SHOP 2010 - Loans	4,252	-	(2,737)	1,515
14.247	SHOP 2011 - Loans	11,268	-	(6,559)	4,709
14.247	SHOP 2011 - Loans	942	-	(546)	396
14.247	SHOP 2011 - Loans	3,424	-	(1,995)	1,429
14.247	SHOP 2012 - Loans	1,687	-	(392)	1,295
14.247	SHOP 2013 - Loans	2,717	-	(1,568)	1,149
14.247	SHOP 2013 - Loans	17,985	-	(5,235)	12,750
14.247	SHOP 2013 - Loans	19,698	-	(3,822)	15,876
14.247	SHOP 2014 - Loans	26,252	-	(5,103)	21,149
14.247	SHOP 2015 - Loans	27,500	-	(4,004)	23,496
14.247	SHOP 2015 - Loans	19,757	-	(1,645)	18,112
14.247	SHOP 2016 - Loans	66,250	-	-	66,250
14.247	SHOP 2016 - Loans	42,809	-	-	42,809
14.247	SHOP 2017 - Loans	-	56,250	-	56,250
		$ 246,911	$ 56,250	(35,976)	$ 267,185

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

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

To the Board of Directors
Habitat for Humanity of Omaha
Omaha, Nebraska

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 Habitat for Humanity of Omaha (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements 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 June 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's 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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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.

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
June 2, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

To the Board of Directors
Habitat for Humanity of Omaha
Omaha, Nebraska

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity of Omaha's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part *200, Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards* (Uniform Guidance*)*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination on the Organization's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE (Continued)

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the Organization's internal control over compliance.

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 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal 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.

Bland + Associates, P.C.

Omaha, Nebraska
June 2, 2021

450 Regency Parkway, Suite 340 Omaha, NE 68114 • (402) 397.8822 • f(402) 397.8649 www.BlandCPA.com

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020

A. SUMMARY OF AUDITOR'S RESULTS

CONSOLIDATED FINANCIAL STATEMENTS AUDIT

Type of auditors' report issued:	**Unmodified**	
Internal control over financial reporting:		
Material weakness(es) identified?:	Yes ____	No X
Significant deficiency(ies) identified that are not considered to be material weakness (es)?:	Yes ____	No X
Noncompliance material to the financial statements noted?:	Yes ____	No X

MAJOR FEDERAL AWARDS PROGRAM AUDIT

Internal control over major federal programs:		
Material weakness(es) identified?:	Yes ____	No X
Significant deficiency(ies) identified?:	Yes ____	No X
Type of auditors' report issued on compliance for major program:	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?:	Yes ____	No X

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2020

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

Programs considered to be a major program of the Organization include:

	CFDA No.
Low Income Weatherization Assistance Program	93.568
Low Income Weatherization Assistance Program	81.042

Threshold used for distinguishing between Type A and B programs: $750,000

Is the Organization considered to be a low-risk auditee?: Yes_______ No__X__

B. FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT

No findings that apply to the consolidated financial statement audit were noted.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAM AUDIT

No findings that apply to the federal award program audit were noted.