HABITAT FOR HUMANITY OF OMAHA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)

bland™
& associates
beyond accounting

BlandCPA.com

Contents

bland & associates
beyond accounting
Certified Public Accountants

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, 2019, 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.

Independent Member of BKR International

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, 2019, 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 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 May 7, 2020 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
May 7, 2020

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 2018)

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,526,306	$ 3,694,811
Restricted Cash	761,908	449,596
Investments	2,944,817	2,660,876
Investments - Other	-	2,030,414
Current Portion of Unconditional Promises to Give	1,601,650	1,649,850
Current Portion of Mortgage Loans	605,736	574,872
Current Portion of Home Repair Loans	163,092	157,788
Other Receivables	1,233,074	594,883
Prepaid Expenses	21,107	41,919
Materials Inventory	132,762	131,751
Total Current Assets	9,990,452	11,986,760
PROPERTY AND EQUIPMENT		
Land	570,700	570,700
Buildings	5,395,574	5,284,828
Equipment and Furniture	946,397	822,809
Vehicles	300,933	263,807
	7,213,604	6,942,144
Less Accumulated Depreciation	(2,201,226)	(1,854,068)
Total Property and Equipment	5,012,378	5,088,076
OTHER ASSETS		
Unconditional Promises to Give, Less Current Portion	533,200	408,800
Other Receivables	356,895	356,895
Construction in Progress	7,607,727	5,150,608
Mortgage Loans, Less Current Portion	4,876,158	4,607,815
Home Repair Loans, Less Current Portion and Allowance for Doubtful Accounts of $60,000 and $50,000, Respectively	251,157	284,459
Investments in Joint Ventures	4,431,894	6,036,337
Note Receivable from Joint Venture	-	5,096,045
Total Other Assets	18,057,031	21,940,959
	$ 33,059,861	**$ 39,015,795**

	December 31, 2019	December 31, 2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 968,874	$ 584,348
Accrued Expenses	163,865	279,547
Accrued Payroll and Compensated Absences	712,814	604,489
Current Portion of Long-Term Debt	136,425	152,623
Total Current Liabilities	1,981,978	1,621,007
LONG-TERM LIABILITIES		
Long-Term Debt		
Principal Amount	7,130,123	15,194,973
Less Debt Issuance Costs	(329,042)	(422,531)
Total Long-Term Liabilities, Net of Current Portion and Debt Issuance Costs	6,801,081	14,772,442
Total Liabilities	8,783,059	16,393,449
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions		
Undesignated	18,423,433	15,105,311
Board Designated for Operating Reserve	2,432,499	2,153,927
Total Without Donor Restrictions	20,855,932	17,259,238
With Donor Restrictions		
Purpose Restrictions	1,523,570	4,597,308
Time Restricted for Future Periods	1,897,300	765,800
Total With Donor Restrictions	3,420,870	5,363,108
Total Net Assets	24,276,802	22,622,346
	$ 33,059,861	**$ 39,015,795**

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 2018)

	Years Ended December 31,			
	2019			2018
	Without Donor/Grantor Restrictions	With Donor/Grantor Restrictions	Total	Total
OPERATING REVENUES AND SUPPORT				
Sales to Homeowners	$ 5,074,110	$ -	$ 5,074,110	$ 5,647,994
Contributions	2,980,669	2,824,100	5,804,769	4,773,312
Grants	3,377,202	-	3,377,202	2,316,643
ReStore Sales	2,161,554	-	2,161,554	2,241,040
In-Kind Contributions	1,228,809	-	1,228,809	1,193,412
Event Income	517,789	34,500	552,289	533,528
Loan Discount Interest Income - Homeowner Sales	487,019	-	487,019	401,573
Revenue from Homeowners - Home Repair	329,141	-	329,141	340,361
Discount Recovery on Sale of Mortgage Loans	126,159	-	126,159	225,437
Other Revenue	124,403	-	124,403	82,776
Income from Joint Ventures	44,512	-	44,512	80,662
Loan Discount Interest Income - Home Repair	53,406	-	53,406	56,225
Investment Income	389,640	-	389,640	44,477
(Loss) Gain on Sale of Land, Property and Equipment	(130,069)	-	(130,069)	15,927
Income from Debt Extinguishment	1,282,593	-	1,282,593	-
Satisfaction of Donor Restrictions	4,800,838	(4,800,838)	-	-
Total Operating Revenues and Support	22,847,775	(1,942,238)	20,905,537	17,953,367
OPERATING EXPENSES				
Program Services	17,055,487	-	17,055,487	16,691,333
Management and General	1,332,411	-	1,332,411	1,116,684
Fundraising	863,183	-	863,183	819,970
Total Operating Expenses	19,251,081	-	19,251,081	18,627,987
CHANGES IN NET ASSETS	3,596,694	(1,942,238)	1,654,456	(674,620)
NET ASSETS - BEGINNING OF YEAR	17,259,238	5,363,108	22,622,346	23,296,966
NET ASSETS - END OF YEAR	**$ 20,855,932**	**$ 3,420,870**	**$ 24,276,802**	**$ 22,622,346**

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018)

	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	2019	2018
Cost of Homes Sold	$ 7,132,388	$ -	$ -	$ -	$ 7,132,388	$ -	$ -	$ -	$ 7,132,388	$ 7,654,963
Salaries and Benefits	2,942,586	307,782	1,108,948	-	4,359,316	982,326	572,620	1,554,946	5,914,262	5,198,246
Building Costs and Call Backs	211,458	1,265,268	-	-	1,476,726	-	-	-	1,476,726	970,357
Demolition and Deconstruction Accomplished	392,997	-	240,351	-	633,348	-	-	-	633,348	733,455
Mortgage Discounts	-	-	-	581,067	581,067	-	-	-	581,067	926,232
Depreciation and Amortization	121,513	-	178,229	-	299,742	64,148	-	64,148	363,890	362,576
Professional Fees	127,528	4,658	26,308	-	158,494	74,733	107,533	182,266	340,760	213,859
Interest	228,535	-	-	-	228,535	-	-	-	228,535	216,505
Information Technology	93,548	12,153	33,475	-	139,176	52,181	20,194	72,375	211,551	234,410
Supplies	79,827	5,389	84,060	-	169,276	31,140	7,451	38,591	207,867	212,572
Publicity	24,280	2,400	96,958	-	123,638	-	78,202	78,202	201,840	201,212
Occupancy	50,456	6,383	120,468	-	177,307	11,348	9,291	20,639	197,946	205,935
Family Partners and Public Education	179,247	1,454	158	-	180,859	-	3,144	3,144	184,003	72,462
Vehicle Expense	114,924	5,766	51,066	-	171,756	1,883	4,143	6,026	177,782	147,827
Merchandise Costs	-	-	173,995	-	173,995	-	-	-	173,995	203,880
Tithe to Habitat for Humanity International	155,000	-	-	-	155,000	-	-	-	155,000	151,830
Training and Travel	57,301	22,822	8,049	-	88,172	39,637	14,529	54,166	142,338	147,427
Miscellaneous	45,845	1,098	46,972	-	93,915	14,184	14,286	28,470	122,385	131,237
Mortgage Discounts - Roof and Repair	-	-	-	111,592	111,592	-	-	-	111,592	83,625
Insurance and Taxes	35,370	15,314	24,562	-	75,246	29,203	-	29,203	104,449	56,774
Maintenance and Small Equipment	85,705	1,958	4,135	-	91,798	867	-	867	92,665	56,241
International Build	80,696	-	-	-	80,696	-	-	-	80,696	52,472
Telephone	21,183	4,177	13,925	-	39,285	21,757	2,150	23,907	63,192	55,830
Printing and Postage	8,255	1,565	2,721	-	12,541	714	26,860	27,574	40,115	32,403
Bad Debt Expense	-	39,446	-	-	39,446	-	-	-	39,446	62,499
VISTA/Americorps	17,779	-	7,040	-	24,819	8,140	-	8,140	32,959	19,800
Advocacy	6,251	-	-	-	6,251	-	-	-	6,251	-
	12,212,672	1,697,633	2,221,420	692,659	16,824,384	1,332,261	860,403	2,192,664	19,017,048	18,404,629
In-Kind Expense	177,366	52,912	825	-	231,103	150	2,780	2,930	234,033	223,358
TOTAL FUNCTIONAL EXPENSES	**$ 12,390,038**	**$ 1,750,545**	**$ 2,222,245**	**$ 692,659**	**$ 17,055,487**	**$ 1,332,411**	**$ 863,183**	**$ 2,195,594**	**$ 19,251,081**	**$ 18,627,987**

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 2018)

	Years Ended December 31, 2019	Years Ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 1,654,456	$ (674,620)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used In Operating Activities:		
Sales to and Revenues from Homeowners	(1,195,246)	(1,064,465)
Loan Discount Interest Income - Homeowner Sales	(487,019)	(401,574)
Loan Discount Interest Income - Home Repair	(53,406)	(56,225)
Realized Gain on Investments	22,878	(44,434)
Unrealized (Gain) Loss on Investments	(262,706)	159,031
Income From Joint Ventures	(44,512)	(80,662)
(Increase) Decrease in Construction in Progress	(2,267,148)	858,749
(Loss) Gain on Sale of Land, Property and Equipment	130,069	(15,927)
Depreciation and Amortization	363,890	362,576
Increase in Allowance for Doubtful Accounts	10,000	10,000
Imputed Interest on Debt Issuance Costs	93,489	51,145
Income from Debt Extinguishment	(1,282,593)	-
(Increase) Decrease in Assets:		
Unconditional Promises to Give	(76,200)	467,744
Other Receivables	(638,192)	(444,602)
Prepaid Expenses	20,814	(20,795)
Materials Inventory	(1,012)	59,151
Increase (Decrease) in Liabilities:		
Accounts Payable	384,525	202,015
Accrued Expenses	(115,682)	(251,973)
Accrued Payroll and Compensated Absences	108,325	35,525
Net Cash Used In Operating Activities	(3,635,270)	(849,341)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments and Investments - Other	2,639,275	589,671
Purchase of Investments	(652,971)	(613,727)
Purchase of Investments - Other	-	(2,030,414)
Purchase of Property and Equipment	(288,194)	(154,513)
Mortgage Loans Sold	72,485	276,630
Home Repair Loans Sold	100,690	130,964
Mortgage Loans Payments Received	634,358	599,250
Home Repair Loans Payments Received	326,887	239,664
Cash Payments Received From Joint Ventures	52,929	59,006
Net Cash Provided By (Used In) Investing Activities	2,885,459	(903,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	42,810	643,007
Payments on Long-Term Debt	(149,192)	(441,785)
Net Cash (Used In) Provided By Financing Activities	(106,382)	201,222
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(856,193)	(1,551,588)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	4,144,407	5,695,995
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	**$ 3,288,214**	**$ 4,144,407**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Issuance of Mortgage Loans	$ 1,761,746	$ 1,848,885
Discount on Mortgage Loans	(566,500)	(784,420)
Transfers to Homeowners Subject to Non-Interest Bearing Mortgage Loans	$ 1,195,246	$ 1,064,465
Real Property Received for Outstanding Mortgages	$ 320,041	$ 104,104
Interest Paid	$ 135,047	$ 165,361
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

This summary of significant accounting policies of Habitat for Humanity of Omaha, Inc., HFHO Real Estate Holdings, Inc., and 1701, LLC (the Organization) is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization'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.

Reporting Entity

Habitat for Humanity of Omaha, Inc. (Habitat), a Nebraska non-profit company incorporated on January 1, 1984, is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Habitat International was organized for the purpose of creating decent, affordable housing with those in need and to make decent shelter a matter of conscience for all. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

1701, LLC, a wholly-owned subsidiary of Habitat, was incorporated on December 20, 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 RE), a Nebraska non-profit corporation, was incorporated on June 27, 2013. HFHO RE was organized to acquire and operate certain assets previously owned by Habitat, 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 RE purchased Habitat's ReStore retail stores and Habitat's main warehouse and office facilities which are being leased back to Habitat.

These entities whose financial statements are included in the consolidated financial statements are collectively referred to as the Organization.

Operations

Habitat builds and sells new and remodeled homes. The sales prices are based on appraised values which are typically at or below the total cost of construction. Prior to 2018, home sales were done in exchange for non-interest bearing mortgage loans provided by Habitat to the homeowner. Starting in 2018, while some mortgage loans are still provided by Habitat, 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. Certain home sales are also partially funded by grants and/or donations. Habitat also facilitates certain home repair and improvement projects.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations (Continued)

These projects are typically completed at either third-party cost or with Habitat resources at a cost estimated to approximate third-party cost. The projects are done in exchange for non-interest bearing mortgage loans provided by Habitat to the homeowner. Certain repair/improvement projects are also partially funded by grants and/or donations.

Habitat also raises and spends funds for acquiring land and blighted structures which are demolished. Such land may be used for future construction or sold to outside parties for redevelopment. Finally, HFHO RE operates two retail stores (ReStores) designed to provide for resale of primarily used home and office materials – keeping such materials out of landfills and providing low-cost construction materials to the general public.

Basis of Presentation

The Organization 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.

The Organization 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 the Organization for a specific purpose and/or the passage of time.

Principles of Consolidation

The consolidated financial statements include the accounts of Habitat for Humanity of Omaha, Inc., its affiliate, HFHO Real Estate Holdings, Inc., and its wholly-owned subsidiary, 1701, LLC. Intercompany transactions and accounts have been eliminated in the accompanying consolidated financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

In the consolidated statements of activities and changes in net assets, the Organization 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 accounting principles generally accepted in the United States of America 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, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor/grantor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the consolidated statements of cash flows. Certain cash amounts are required to be kept in separate bank accounts.

Restricted Cash

The Organization has classified certain cash that is restricted for specific purposes as restricted cash. At December 31, 2019 and 2018, the Organization has restricted $761,908 and $449,596 for joint venture and other reserve commitments, respectively. Certain joint venture agreements require the Organization to keep cash in separate accounts.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give 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. The Organization considers promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials Inventory

Materials inventory is recorded using the average cost method, which is not an acceptable method in accordance with accounting principles generally accepted in the United States of America. 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.

Investments in joint ventures such as partnerships that are not consolidated, but over which the Organization exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Organization 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 the Organization's carrying value in an equity method investment is reduced to zero, subsequent losses are not recorded in the Organization's consolidated financial statements unless the Organization guaranteed obligations of the joint venture partnership or has committed additional funding. If the joint venture partnership subsequently reports income, the Organization will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Investments – Other

Certificates of deposit with maturities greater than three months, are recorded at cost plus accrued interest, which approximates fair value and are included as "Investments – Other" on the consolidated statements of financial position.

Other Receivables

Trade and other receivables are recorded at net realizable value. The Organization uses the allowance method to determine uncollectible receivables. As of December 31, 2019 and 2018, all receivables are considered fully collectible.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; 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

The Organization 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 transferred to homeowners, these costs are expensed.

Loans and Discount

Home improvement/repair and mortgage loans made by the Organization 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, 2019 and 2018, the allowance for the home improvement/repair loan receivables was $60,000 and $50,000, respectively. The Organization considers all 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 7.66% during 2019, 7.57% during 2018, and at various rates ranging from 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 the Organization will sell mortgages to financial institutions. If the loan is sold, the unamortized balance of the loan discount recorded at the inception of the loan is

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and Discount (Continued)

recorded as income in the consolidated financial statements as discount recovery on the sale of mortgage loans.

The Organization retains full recourse on these mortgages and continues to service and guarantee the mortgages. The Organization 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 the Organization guaranteeing the loans. At December 31, 2019 the amount of loans subject to the Organization's guarantee still outstanding was approximately $22.6 million.

Compensated Absences

Employees of the Organization 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.

Contingent Equity and Sales to Homeowners

Habitat International 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 received.

Revenue Recognition

Effective January 1, 2019, the Organization 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. Under Topic 606, the Organization recognizes revenue when a customer obtains controls of promised goods or services, in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Organization determines are within the scope of Topic 606, the Organization 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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

contract; and (v) recognize revenue when (or as) the Organization satisfies the performance obligation. The Organization 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, the Organization assesses the goods or services promised within each contract and determines those that are performance obligations. The Organization 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.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A significant portion of the Organization'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 the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Besides contribution and grant income, which is outside the scope of Topic 606, the Organization recognizes other operating revenues and support on the consolidated statements of activities and changes in net assets at a point in time, as described in more detail below for the Organization's significant revenue streams.

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

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

The Organization records event income as events are held.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

In-Kind Contributions and Donated Services

Contributions of gifts in-kind that can be used by the Organization 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 the Organization'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 certain depreciation, which is allocated on a square foot basis, as well as certain occupancy, professional services, office/warehouse and information technology costs which are allocated based on headcount, and certain management salaries and wages and benefits which are allocated based on estimates of time and effort.

Program Services

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was $201,840 and $201,212 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

Habitat and HFHO RE 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's tax exemption.

The Organization files two Form 990's, *Return of Organization Exempt from Income Tax*. The Organization's returns are subject to review and examination by federal authorities. As of December 31, 2019, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Tax years subsequent to 2016 remain subject to examination by major tax jurisdictions.

The Organization 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 the Organization's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard was issued in order to clarify and improve the scope and the accounting guidance for contributions received and made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and distinguishing between conditional and unconditional contributions. The Organization implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation.

The Organization adopted FASB ASU No. 2016-18, *Statement of Cash Flows*, which addresses the diversity of classification and presentation of changes in restricted cash on the consolidated statements of cash flows. The amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. As a result of the retroactive application of the standard, the consolidated statements of cash flows have been revised to explain the change during the period in the total of cash, cash and cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents for all periods presented. The effect of this change had no material impact on the Organization‘s results of operations or financial condition.

Subsequent Events

Management has evaluated subsequent events through May 7, 2020, 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,:

	2019	2018
Cash and cash equivalents	$ 2,526,306	$ 3,694,811
Restricted cash	761,908	449,596
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 3,288,214	$ 4,144,407

NOTE C – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash, investments, receivables, and unconditional promises to give. The Organization 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,:

	2019	2018
Corporate and Foundation	$ 1,693,800	$ 1,836,100
Other Donations	441,050	222,550
Total Unconditional Promises to Give	$ 2,134,850	$ 2,058,650

The maturities of unconditional promises to give at December 31, 2019 are as follows:

Receivable in Less than One Year	$ 1,601,650
Receivable in One to Five Years	533,200
Total Unconditional Promises to Give	$ 2,134,850

The Organization has also received approximately $1.3 million in conditional pledges that it has not recognized as revenue because the conditions have not been met by December 31, 2019. Such conditional pledges include $0.5 million related to acquiring and completing rehabilitation of a specified number of homes previously owned by the Omaha Housing Authority, $0.4 million related to obtaining matching funds for future operations and $0.4 million related to securing financial commitments and the completion of certain construction activity in a specific neighborhood.

NOTE E – INVESTMENTS

The Organization'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

The Organization's investments at December 31, 2018 consist of the following:

	Carrying Value
Cash Equivalents	$ 619,791
U.S. Treasury and Corporate Notes	1,294,868
Equity Mutual Funds	746,217
	$ 2,660,876

NOTE E – INVESTMENTS (Continued)

In connection with the sale of certain loans, the Organization has granted security interest rights in a portion of its investment portfolio to another party. Such rights restrict the ability of the Organization to use such funds unless and until the associated loans are repaid. The amount subject to these rights was approximately $500,000 of investments as of December 31, 2019 and 2018, respectively.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS

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 the Organization 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;

    - 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, 2019.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019 and 2018.

Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 732,129	$ -	$ -	$ 732,129
U.S. Treasury and Corporate Notes	1,292,482	-	-	1,292,482
Equity Mutual Funds	920,206	-	-	920,206
	$ 2,944,817	$ -	$ -	$ 2,944,817

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	$ 619,791	$ -	$ -	$ 619,791
U.S. Treasury and Corporate Notes	1,294,868	-	-	1,294,868
Equity Mutual Funds	746,217	-	-	746,217
Total Assets at Fair Value	$ 2,660,876	$ -	$ -	$ 2,660,876

There were no transfers in and out of Levels 1, 2, and 3 in years 2019 and 2018.

The Organization 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.

Beneficial interest in net assets held by the Omaha Community Foundation: The fair value of the beneficial interests was determined based on the investments in the underlying portfolio.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of the investments in the underlying portfolio was determined by the Omaha Community Foundation based on quoted market prices from nationally recognized securities exchanges.

The assets held by Omaha Community Foundation were measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The beneficial interest in net assets held by the Omaha Community Foundation as of and for the year ended December 31, 2018 is included in Note G.

NOTE G – ENDOWMENTS

The Organization's endowment consisted of a designated endowment managed by the Omaha Community Foundation (OCF). As required by U.S. GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of restrictions.

Changes in Endowment Net Assets Without Donor Restrictions for the year ended December 31, 2018 was as follows:

Endowment Net Assets, January 1	$	17,468
Total Gains or Losses (realized/unrealized)		(411)
Interest and Dividends		168
Contributions and Distributions, Net		(17,195)
Endowment Net Assets, December 31	$	-

During 2018, the Organization directed its endowment to be distributed 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 the Organization 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 the Organization's Endowment fund, are also recorded as assets of the Organization because the donor has relinquished its donor-advisory powers to the Organization, making it virtually certain that the Organization 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, 2019 and 2018.

Investment expense for the now-closed endowment was $300 for the year ended December 31, 2018.

NOTE H – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES

The Organization 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 the Organization's community investment.

Transaction requirements for the Organization 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, the Organization 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 $4,431,894 and $6,036,337 as of December 31, 2019 and 2018, 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 the Organization'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 the Organization 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 the Organization'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 the Organization 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 the Organization 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. The balance of the receivable was $5,096,045 at December 31, 2018.

The Organization 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 Home Loans

Prior to 2018, the Organization sold homes to program participants in exchange for mortgage loans with no interest. Starting in 2018, while some mortgage loans were still provided by the Organization, most mortgage loans related to sales of new and remodeled homes have been made by a third-party community lending organization and include below-market interest rates. Home sales involving the third-party originated loans effectively provide cash at closing to the Organization therefore, no Habitat-originated loan accounting is required. The Organization plans to continue to originate certain non-interest and/or below-market interest bearing loans in the future in certain circumstances where the third-party may be unable to make a loan.

For all home sales involving a Habitat-originated loan, such loans are payable to the Organization, and are shown on the consolidated statements of financial position discounted from their stated rates to various rates ranging from 7.4% to 9.0% at the inception of the mortgages, as dictated by Habitat International. The Organization had 143 and 139 loans outstanding at December 31, 2019 and 2018, respectively. Management feels no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is typically in excess of the related mortgage loan balance.

The Organization 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 the Organization and are shown on the consolidated statement of financial position discounted from their stated rates to various rates ranging from 7.4% to 7.6% at the inception of the mortgages, as dictated by Habitat International. The Organization had 28 and 32 loans outstanding at December 31, 2019 and 2018, respectively.

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

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

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

	2019	2018
Mortgage Home Loans	$ 13,542,616	$ 13,226,205
Loan Discount	(8,060,722)	(8,043,518)
Basis in Loan	$ 5,481,894	$ 5,182,687

Home Repair/Improvement Loans

The Organization funds certain home repair/improvements for program participants in exchange for mortgage loans with no interest. These notes are all payable to the Organization and are shown on the consolidated statements of financial position discounted at various rates ranging from 7.4% to 7.8% at the inception of the mortgages, as dictated by Habitat International. The Organization had 142 and 135 loans outstanding at December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the allowance for the home repairs loan receivables was $60,000 and $50,000, respectively.

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

	2019	2018
Home Repair Loans	$ 653,818	$ 662,943
Loan Discount	(179,569)	(170,696)
Allowance for Doubtful Accounts	(60,000)	(50,000)
Basis in Loan	$ 414,249	$ 442,247

NOTE K – BANK REVOLVING LINE OF CREDIT

At December 31, 2019 and 2018, the Organization had a bank revolving line of credit in the amount of $2,000,000, which was amended in 2018 to be payable on July 6, 2020, including interest at .25% below the national prime rate. The interest rate on the line of credit at December 31, 2019 was 4.5%. The Organization had no outstanding balance on the line of credit at December 31, 2019 and 2018.

NOTE L – LONG-TERM DEBT

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

	2019	2018
Interest-free promissory notes payable to Habitat International. Monthly payments range from $7 to $1,380 and due dates range from January 2019 to June 2024.	$ 246,911	$ 273,654
Note payable to CCM Community Development XVII, LLC, semi-annual interest only payments until November 2019 at 0.77%, then semi-annual payments of $121,386, until due April 2028. The note had a put option feature that was exercised in 2019. The note was secured by substantially all assets acquired from the project loan proceeds. (See Note H)	-	1,880,000
Note payable to Stonehenge Community Development LXXXVIII, LLC, quarterly interest only payments until January 1, 2020 at 1.606%, then quarterly payments of $64,628, until due October 23, 2043. The note had a put option feature that was exercised in 2019. The note was secured by substantially all the assets of HFHO RE. (See Note H)	-	5,095,045
Note payable to Stonehenge Community Development LXXXVIII, LLC, quarterly interest only payments until January 1, 2020 at 1.606%, then quarterly payments of $12,664, until due October 23, 2043. The note had a put option feature that was exercised in 2019. The note is secured by substantially all the assets of HFHO RE. (See Note H)	-	999,620
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 L – LONG TERM DEBT (Continued)

	2019	2018
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 fund of the Omaha Community Foundation, 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.	455,940	535,580
Total Long-Term Debt	7,266,548	15,347,596
Less Debt Issuance Costs	(329,042)	(422,531)
Less Current Portion of Long-Term Debt	(136,425)	(152,623)
	$ 6,801,081	$ 14,772,442

The aggregate maturities of long-term debt for the years ending after December 31, 2019 are as follows:

Years Ending December 31,	
2020	$ 136,425
2021	122,232
2022	129,035
2023	118,732
2024	296,404
Thereafter	6,463,720
	$ 7,266,548

NOTE M – TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization 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, 2019 and 2018, the Organization contributed $155,000 and $151,830 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 – OPERATING LEASES

The Organization leases a vehicle under an operating lease agreement that expires December 2020. The future minimum lease payments required under that lease as of December 31, 2019 are $16,567.

NOTE O – IN-KIND CONTRIBUTIONS

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

	2019		2018	
	Contribution	Expense	Contribution	Expense
Construction in Progress	$ 943,481	$ -	$ 923,085	$ -
Professional Fees	160,959	160,959	127,549	127,549
Inventory	51,295	-	21,969	-
Publicity	12,354	12,354	35,550	35,550
Miscellaneous	60,720	60,720	60,259	60,259
Property and Equipment	-	-	25,000	-
Total In-Kind Contribution	$ 1,228,809	$ 234,033	$ 1,193,412	$ 223,358

NOTE P – RETIREMENT PLAN

The Organization participates in a 403(b) retirement savings plan covering substantially all employees. The Organization's contributions are discretionary. The Organization contributed $106,487 and $91,872 for the years ended December 31, 2019 and 2018, respectively.

NOTE Q – COMMITMENTS AND CONTINGENCIES

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

NOTE R – LIQUIDITY AND AVAILABILITY

The Organization 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.

NOTE R – LIQUIDITY AND AVAILABILITY (Continued)

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/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 the Organization's annual operating cycle.

The Organization has relatively small cash flow needs for anything other than its current operational purposes. While the Organization has total long term debt in excess of $7 million at December 31, 2019, 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 flow requirement for the Organization's debt service.

To help manage unanticipated liquidity needs, the Organization has a cancellable line of credit in the amount of $2 million, which it could draw upon, and it maintains the Board designated operating reserve fund of approximately $2.4 million. Lastly, the Organization has entered into a number of Tax Increment Financing agreements with local governmental agencies that are expected to provide cash inflow to the Organization from certain property taxes (from homes sold or to be sold by the Organization) over the next 15 years. These future cash inflows, which approximate $3.0 million on an undiscounted basis, could be used as collateral to obtain loans if needed for unanticipated liquidity needs.

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, 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.

	2019	2018
Cash and cash equivalents	$ 2,526,306	$ 3,694,811
Restricted cash	761,908	449,596
Investments	2,944,817	2,660,876
Investments – other	-	2,030,414
Current portion of unconditional promises to give	1,601,650	1,649,850
Current portion of mortgage loans	605,736	574,872
Current portion of home repair loans	163,092	157,788
Other receivables	1,233,074	594,883
Total financial assets	9,836,583	11,813,090

NOTE R – LIQUIDITY AND AVAILABILITY (Continued)

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	(3,420,870)	(5,363,108)
Cash restricted by contract	(761,908)	(449,596)
Investments restricted for loan transactions	(500,000)	(500,000)
Board designations:		
Operating reserves	(2,432,499)	(2,153,927)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,721,306	$ 3,346,459

NOTE S – SUBSEQUENT EVENT

On March 10, 2020 the World Health Organization declared the coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is experiencing disruption in daily activities.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

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				
Self-Help Homeownership Opportunity Program	14.247			$ 171,235
PASS-THROUGH PROGRAM FROM THE CITY OF OMAHA				
Community Development Block Grant	14.218			98,717
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Nebraska Departement of Environment and Energy Low Income Weatherization Assistance Program (LIHEAP)	93.568	1/	G-18B1NELIEA	399,246
U.S. DEPARTMENT OF ENERGY				
Passed through the Nebraska Departement of Environment and Energy Low Income Weatherization Assistance Program (WAP)	81.042		DE-EE0007933	313,858
Total Expenditures of Federal Awards				**$ 983,056**

1/ Major program tested

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, 2019

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 not 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, 2019.

NOTE C – MAJOR PROGRAM

CFDA Number	Program Name
93.568	Low Income Weatherization Assistance Program

NOTE D – LOANS OUTSTANDING

The following expenditures presented in the schedule of federal awards represent loans outstanding for the Self-Help Homeownership Opportunity Program as of December 31, 2019.

Program Title	**CFDA Number**	**Expenditures**
Self-Help Homeownership Opportunity Program	14.247	$ 42,809

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*

bland™
& associates
beyond accounting
Certified Public Accountants

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, 2019, 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 May 7, 2020.

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) to determine the 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

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

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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
May 7, 2020

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

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

bland & associates
beyond accounting
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE 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 the 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 program for the year ended December 31, 2019. The Organization's major federal program is 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 program 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 program. However, our audit does not provide a legal determination on the Organization's compliance.

Independent Member of BKR INTERNATIONAL

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE 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 its major federal program for the year ended December 31, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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
May 7, 2020

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, 2019

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 program:		
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, 2019

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

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

	CFDA No.
U.S. Department of Energy and LIHEAP - Weatherization	93.568

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.