

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED DECEMBER 31, 2021**  
**(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)**



BlandCPA.com

## Contents

|   | <u>Page</u> |
|---|-------------|
| <b>INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>  | 1-3         |
| <b>CONSOLIDATED FINANCIAL STATEMENTS</b>  |             |
| Consolidated Statements of Financial Position   | 4           |
| Consolidated Statements of Activities and Changes in Net Assets   | 5           |
| Consolidated Statements of Functional Expenses  | 6           |
| Consolidated Statements of Cash Flows   | 7           |
| Notes to Consolidated Financial Statements  | 8-35        |
| <b>SUPPLEMENTAL INFORMATION</b>   |             |
| Schedule of Expenditures of Federal Awards  | 36          |
| Notes to Schedule of Expenditures of Federal Awards   | 37-39       |
| <b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b> | 40-41       |
| <b>REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE</b>   | 42-44       |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>  | 45-46       |

**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 Audit of the Consolidated Financial Statements**

***Opinion***

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, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

**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 1, 2022 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 1, 2022

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2020)**

| <b>ASSETS</b>  | <b>December 31,</b>  |                      |
|--|----------------------|----------------------|
|  | <b>2021</b>          | <b>2020</b>          |
| <b>CURRENT ASSETS</b>  |                      |                      |
| Cash and Cash Equivalents  | \$ 6,033,706         | \$ 8,455,107         |
| Restricted Cash  | 3,085,808            | 1,045,510            |
| Investments  | 3,868,775            | 3,374,768            |
| Current Portion of Unconditional Promises to Give  | 2,118,269            | 517,119              |
| Current Portion of Mortgage Loans  | 718,269              | 627,852              |
| Current Portion of Home Repair Loans   | 165,576              | 147,708              |
| Other Receivables  | 729,244              | 484,926              |
| Prepaid Expenses   | 17,073               | 11,590               |
| Materials Inventory  | 188,184              | 125,695              |
| Total Current Assets   | 16,924,904           | 14,790,275           |
| <b>PROPERTY AND EQUIPMENT</b>  |                      |                      |
| Land   | 580,987              | 580,987              |
| Buildings  | 5,447,446            | 5,415,273            |
| Equipment and Furniture  | 1,126,474            | 1,049,997            |
| Vehicles   | 482,031              | 440,193              |
|  | 7,636,938            | 7,486,450            |
| Less Accumulated Depreciation  | (3,034,229)          | (2,630,214)          |
| Total Property and Equipment   | 4,602,709            | 4,856,236            |
| <b>OTHER ASSETS</b>  |                      |                      |
| Unconditional Promises to Give, Less Current Portion   | 877,540              | 517,834              |
| Other Receivables  | 296,895              | 356,895              |
| Construction in Progress   | 5,687,449            | 5,373,126            |
| Mortgage Loans, Less Current Portion   | 9,122,455            | 4,693,848            |
| Home Repair Loans, Less Current Portion and Allowance for Doubtful Accounts of \$80,000 and \$70,000, Respectively | 316,872              | 159,900              |
| Investments in Joint Ventures  | 6,549,651            | 4,431,887            |
| Total Other Assets   | 22,850,862           | 15,533,490           |
|  | <b>\$ 44,378,475</b> | <b>\$ 35,180,001</b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                      |                      |
|  | <b>2021</b>          | <b>2020</b>          |
| <b>CURRENT LIABILITIES</b>   |                      |                      |
| Accounts Payable   | \$ 426,065           | \$ 549,624           |
| Accrued Expenses   | 551,099              | 355,649              |
| Accrued Payroll and Compensated Absences   | 792,884              | 754,298              |
| Current Portion of Long-Term Debt  | 281,242              | 147,624              |
| Total Current Liabilities  | 2,051,290            | 1,807,195            |
| <b>LONG-TERM LIABILITIES</b>   |                      |                      |
| Long-Term Debt   |                      |                      |
| Principal Amount   | 14,508,479           | 7,172,927            |
| Less Debt Issuance Costs   | (498,028)            | (316,811)            |
| Total Long-Term Liabilities, Net of Current Portion and Debt Issuance Costs  | 14,010,451           | 6,856,116            |
| Total Liabilities  | 16,061,741           | 8,663,311            |
| <b>COMMITMENTS AND CONTINGENCIES</b>   | -                    | -                    |
| <b>NET ASSETS</b>  |                      |                      |
| Without Donor Restrictions   |                      |                      |
| Undesignated   | 19,647,547           | 21,029,800           |
| Board Designated for Operating Reserve   | 2,813,431            | 2,650,882            |
| Total Without Donor Restrictions   | 22,460,978           | 23,680,682           |
| With Donor Restrictions  |                      |                      |
| Purpose Restrictions   | 4,072,305            | 2,669,341            |
| Time Restricted for Future Periods   | 1,238,333            | 166,667              |
| Restricted for Endowment   | 545,118              | -                    |
| Total With Donor Restrictions  | 5,855,756            | 2,836,008            |
| Total Net Assets   | 28,316,734           | 26,516,690           |
|  | <b>\$ 44,378,475</b> | <b>\$ 35,180,001</b> |

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 COMPARATIVE FINANCIAL INFORMATION FOR 2020)**

|  | Years Ended December 31,                 |                                       |                      |                      |
|--|--|---------------------------------------|----------------------|----------------------|
|  | 2021                                     |                                       |                      | 2020                 |
|  | Without<br>Donor/Grantor<br>Restrictions | With<br>Donor/Grantor<br>Restrictions | Total                | Total                |
| <b>OPERATING REVENUES AND SUPPORT</b>                      |  |                                       |                      |                      |
| Contributions  | \$ 4,363,840                             | \$ 3,890,172                          | \$ 8,254,012         | \$ 7,057,488         |
| Sales to Homeowners  | 6,704,077                                | -                                     | 6,704,077            | 7,405,010            |
| Grants   | 2,795,835                                | 1,235,421                             | 4,031,256            | 2,454,670            |
| ReStore Sales  | 2,168,984                                | -                                     | 2,168,984            | 1,748,912            |
| In-Kind Contributions                                      | 1,058,480                                | -                                     | 1,058,480            | 1,066,354            |
| Revenue from Homeowners - Home Repair                      | 457,988                                  | -                                     | 457,988              | 236,987              |
| Event Income   | 388,488                                  | 5,000                                 | 393,488              | 180,718              |
| Loan Discount Interest Income - Homeowner Sales            | 389,136                                  | -                                     | 389,136              | 407,248              |
| Other Revenue  | 385,364                                  | -                                     | 385,364              | 230,968              |
| Investment Income  | 261,201                                  | -                                     | 261,201              | 251,679              |
| Discount Recovery on Sale of Mortgage Loans                | 169,037                                  | -                                     | 169,037              | 2,306,744            |
| Loan Discount Interest Income - Home Repair                | 54,535                                   | -                                     | 54,535               | 47,279               |
| Income from Joint Ventures                                 | 49,894                                   | -                                     | 49,894               | 44,510               |
| Funds from Federal Paycheck Protection Program             | -  | -                                     | -                    | 1,166,438            |
| Inherent Contribution of Net Assets from Habitat Affiliate | -  | -                                     | -                    | 865,226              |
| Satisfaction of Donor Restrictions                         | 2,110,845                                | (2,110,845)                           | -                    | -                    |
| Loss on Sale of Land, Property and Equipment               | (57,338)                                 | -                                     | (57,338)             | (198,789)            |
| Total Operating Revenues and Support                       | 21,300,366                               | 3,019,748                             | 24,320,114           | 25,271,442           |
| <b>OPERATING EXPENSES</b>                                  |  |                                       |                      |                      |
| Program Services   | 20,041,220                               | -                                     | 20,041,220           | 20,479,058           |
| Management and General                                     | 1,397,760                                | -                                     | 1,397,760            | 1,382,890            |
| Fundraising  | 1,081,090                                | -                                     | 1,081,090            | 1,169,606            |
| Total Operating Expenses                                   | 22,520,070                               | -                                     | 22,520,070           | 23,031,554           |
| <b>CHANGES IN NET ASSETS</b>                               | (1,219,704)                              | 3,019,748                             | 1,800,044            | 2,239,888            |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                      | 23,680,682                               | 2,836,008                             | 26,516,690           | 24,276,802           |
| <b>NET ASSETS - END OF YEAR</b>                            | <u>\$ 22,460,978</u>                     | <u>\$ 5,855,756</u>                   | <u>\$ 28,316,734</u> | <u>\$ 26,516,690</u> |

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

## (WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2020)

In-Kind Expense

are an integral part of these statements



**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2020)**

|  | <b>Years Ended December 31,</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>2021</b>                     | <b>2020</b>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                 |                     |
| Changes in Net Assets  | \$ 1,800,044                    | \$ 2,239,888        |
| Adjustments to Reconcile Changes in Net Assets to Net Cash (Used In) Provided By Operating Activities: |                                 |                     |
| Sales to and Revenues from Homeowners  | (7,129,693)                     | (4,509,809)         |
| Loan Discount Interest Income - Homeowner Sales  | (389,136)                       | (407,248)           |
| Loan Discount Interest Income - Home Repair  | (54,535)                        | (47,279)            |
| Realized Gain on Investments   | (99,665)                        | (29,993)            |
| Unrealized Gain on Investments   | (17,676)                        | (147,800)           |
| Income From Joint Ventures   | (49,894)                        | (44,510)            |
| (Increase) Decrease in Construction in Progress  | (371,661)                       | 2,152,634           |
| Loss on Sale of Land, Property and Equipment   | 58,334                          | 199,734             |
| Depreciation and Amortization  | 393,394                         | 393,693             |
| Increase in Allowance for Doubtful Accounts  | 10,000                          | 10,000              |
| Imputed Interest on Debt Issuance Costs  | 17,189                          | 12,230              |
| Contribution of Net Assets from Habitat Affiliate, Net of Cash Received of \$167,429                   | -                               | (697,797)           |
| (Increase) Decrease in Assets:   |                                 |                     |
| Unconditional Promises to Give   | (1,960,856)                     | 1,099,897           |
| Other Receivables  | (184,318)                       | 872,937             |
| Prepaid Expenses   | (5,483)                         | 11,662              |
| Materials Inventory  | (62,489)                        | 7,067               |
| Increase (Decrease) in Liabilities:  |                                 |                     |
| Accounts Payable   | (123,559)                       | (419,250)           |
| Accrued Expenses   | 195,450                         | 190,576             |
| Accrued Payroll and Compensated Absences   | 38,587                          | 41,484              |
| Net Cash (Used In) Provided By Operating Activities  | (7,935,967)                     | 928,116             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                 |                     |
| Proceeds from Sale of Investments  | 1,036,906                       | 1,014,679           |
| Purchase of Investments  | (1,413,573)                     | (1,266,839)         |
| Purchase of Property and Equipment   | (140,862)                       | (212,291)           |
| Mortgage Loans Sold  | 1,911,326                       | 4,634,421           |
| Home Repair Loans Sold, Net  | (7,967)                         | 178,166             |
| Mortgage Loans Payments Received   | 702,751                         | 732,576             |
| Home Repair Loans Payments Received  | 263,389                         | 221,165             |
| Investments in Joint Ventures  | (2,128,409)                     | -                   |
| Cash Payments Received From Joint Ventures   | 60,539                          | 44,517              |
| Net Cash Provided By Investing Activities  | 284,100                         | 5,346,394           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                 |                     |
| Payment of Loan Costs and Structuring Fees   | (198,407)                       | -                   |
| Proceeds from Issuance of Long-Term Debt   | 7,677,728                       | 56,250              |
| Payments on Long-Term Debt   | (208,557)                       | (118,357)           |
| Net Cash Provided By (Used In) Financing Activities  | 7,270,764                       | (62,107)            |
| Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash                                  | (381,103)                       | 6,212,403           |
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR</b>                                  | <b>9,500,617</b>                | <b>3,288,214</b>    |
| <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>  | <b>\$ 9,119,514</b>             | <b>\$ 9,500,617</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>   |                                 |                     |
| Issuance of Mortgage Loans   | \$ 7,067,570                    | \$ 3,809,790        |
| Discount Related to Newly Originated Mortgage Loans  | (106,913)                       | (1,606,725)         |
| Discount Recovery on Sale of Mortgage Loans  | 169,036                         | 2,306,744           |
| Transfers to Homeowners Subject to Non-Interest/Below Market Interest Bearing Mortgage Loans           | \$ 7,129,693                    | \$ 4,509,809        |
| Real Property Received for Outstanding Mortgages   | \$ -                            | \$ 88,845           |
| Interest Paid  | \$ 97,869                       | \$ 56,036           |

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

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**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 is 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 through their respective organizational documents and ownership structure are 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 Note H). 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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**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 subsequent to the merger are included in Habitat's consolidated financial statements. See additional discussion of the Habitat Sarpy transaction in Note Q below.
- Habitat Omaha Affordable Mortgage Solutions, Inc. (HOAMS), a Nebraska non-profit corporation, was incorporated in 2021. HOAMS is a wholly-owned subsidiary of Habitat and is included within the consolidated financial statements. HOAMS was organized to provide affordable home mortgages to low- and moderate-income families who lack access to capital, with the purpose of providing services that expand homeownership opportunities to underserved individuals and families. HOAMS was formed as a "spin off" of Habitat Omaha's previous mortgage lending activities. The spin off included the legal assignment and transfer of Habitat Omaha's mortgage assets, debt obligations and certain operating contracts transacted during 2021 from Habitat Omaha to HOAMS effective August 1, 2021. Effective August 1 2021, HOAMS began its mortgage lending practices as a separate legal entity.

**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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

*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 1,919 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.

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 are not able to afford the purchase and financing of a home through traditional means of homeownership. 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 275 hours of sweat equity, a small down payment, and the first mortgage amount (see additional discussion below on mortgage lending). Certain home sales are also partially funded by grants and/or donations.

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

*Mortgage Lending.* Habitat originates affordable residential home mortgage loans to eligible first-time, low- to moderate-income homebuyers. Eligible households typically use the Habitat mortgage loan to purchase a home built or rehabilitated by Habitat (as discussed directly above), or by an approved Habitat partner affiliate in the region, but can also be used to purchase any other eligible home in the Omaha Metro area on the open market.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Summary of Operations (Continued)**

Consistent with industry practices and the needs of its borrowers, Habitat evaluates the viability of mortgage applicants based on four general measures as follows: (i) financial means to take on a mortgage (e.g., income, employment history, savings, and monthly debt payments); (ii) workable cash flows reserved to manage their finances; (iii) credit and payment history; and (iv) mortgage loan collateral.

Habitat's current terms of its first mortgage loans are a 30-year, monthly amortizing loan, with a fixed interest rate set at the time of origination. The current interest rate for 2020 through the end of 2022 is set at 2.625% per annum. All first mortgage loans are sized so monthly payments (includes principal, interest, taxes, and insurance) are no greater than 30% of a household income, and total monthly debt payments (including monthly mortgage payments) are no greater than 42% of household income. Mortgage loans are also set with a maximum 105% Loan to Value. See Note I for additional discussion of Habitat's homeownership mortgage loans.

*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 \$10,000 to \$35,000. 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.

**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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2021 and 2020, Habitat has restricted cash of \$3,085,808 and \$1,045,510 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.

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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments and Investments in Joint Ventures (Continued)**

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, 2021, and 2020, 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:

|                         | <u>Years</u> |
|-------------------------|--------------|
| 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.

**Fair Value of Homeowner Loans**

Home mortgage loans and home improvement/repair loans that are originated, closed and held by Habitat are carried at their estimated fair value using a discounted cash flow method, determined at the inception date of the loan.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Homeowner Loans (Continued)**

The interest rate used to calculate the discounted cash flow value for each loan is determined based on various business and market factors, including the holding period of the loan, credit risk, market factors, and liquidity plans for the loans. The initial discount amount necessary to record an individual loan to its fair value is amortized over the life of the loan, utilizing a straight-line basis. See Note I for additional information regarding loan discounts, including key interest rate assumptions utilized in recognizing the initial discount amounts.

From time to time Habitat will sell mortgage loans 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.

**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.

**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**

Under *Revenue from Contracts with Customers* (Topic 606), 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 FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

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.

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 2021 and 2020, Habitat received various unconditional promises to give with payments due in the future but that were available for use in each of the respective years to support operations. These promises to give were released from restriction in 2021 and 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 is recognized, based on contractual agreement of expected project costs, 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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

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. Habitat's support comes primarily from individual and foundation donor contributions and grants which can vary in concentration at any time depending on the year.

Mortgage and Home Repair Loans receivable net of discount, at January 1, 2021 and 2020 totaled \$5,629,308 and \$5,896,143, respectively.

**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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 \$206,601 and \$137,085 for the years ended December 31, 2021 and 2020, respectively.

**Income Taxes**

Habitat Omaha, Habitat Sarpy, and HFHO REH have received exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not classified as private foundations. A request for similar tax exemption status for HOAMS is currently being prepared and expected to be filed during 2022. Habitat believes the approval of such exemption is highly likely based on HOAMS' mission to provide below cost mortgage loans to low- and moderate-income borrowers, and the exemption will be effective from the inception of HOAMS in 2021. 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, 2021, 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 2018 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, 2020, from which the summarized information was derived.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Subsequent Events**

Management has evaluated subsequent events through June 1, 2022, 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,:

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 6,033,706        | \$ 8,455,107        |
| Restricted cash   | 3,085,808           | 1,045,510           |
| Total cash, cash equivalents, and restricted cash shown in the statements of cash flows | <u>\$ 9,119,514</u> | <u>\$ 9,500,617</u> |

**NOTE C – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject Habitat to credit risk consist of cash, investments, receivables, mortgage loans, and unconditional promises to give. Habitat maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits. Habitat's credit risk related to its mortgage loans and related mortgage lending activities, including various recourse obligations, as described in Note I, is concentrated with low-income borrowers for homes financed within the greater Omaha metro area.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE D – UNCONDITIONAL PROMISES TO GIVE**

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

|                                      | 2021                | 2020                |
|--------------------------------------|---------------------|---------------------|
| Corporate and Foundation             | \$ 1,839,499        | \$ 367,167          |
| Other Donations                      | 1,156,310           | 667,786             |
| Total Unconditional Promises to Give | <u>\$ 2,995,809</u> | <u>\$ 1,034,953</u> |

The maturities of unconditional promises to give at December 31, 2021 are as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Receivable in Less than One Year     | \$ 2,118,269        |
| Receivable in One to Five Years      | 877,540             |
| Total Unconditional Promises to Give | <u>\$ 2,995,809</u> |

Habitat has also received \$2.9 million in conditional pledges that it has not recognized as revenue because the conditions have not been met by December 31, 2021, with such conditional pledges related to obtaining matching funds for future operations.

**NOTE E – INVESTMENTS**

Habitat's investments at December 31, 2021 consist of the following:

|                                   | Carrying<br>Value   |
|-----------------------------------|---------------------|
| Cash Equivalents                  | \$ 1,203,529        |
| U.S. Treasury and Corporate Notes | 1,509,147           |
| Equity Mutual Funds               | 1,156,099           |
|                                   | <u>\$ 3,868,775</u> |

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

|                                   | Carrying<br>Value   |
|-----------------------------------|---------------------|
| Cash Equivalents                  | \$ 661,080          |
| U.S. Treasury and Corporate Notes | 1,658,402           |
| Equity Mutual Funds               | 1,055,286           |
|                                   | <u>\$ 3,374,768</u> |

In connection with the sale of certain mortgage loans, Habitat is required to pledge certain investments of its portfolio to another party as security for Habitat's recourse obligations related to the sale of the mortgage loans. Such security rights restrict the ability of Habitat to use such funds unless and until the associated mortgage loans are repaid. See Note I for additional discussion of these recourse obligations.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**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;
  - 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, 2021.

*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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, Habitat's assets at fair value as of December 31, 2021 and 2020.

| <b>Assets at Fair Value as of December 31, 2021</b> |                     |                |                |                     |
|---|---------------------|----------------|----------------|---------------------|
|   | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>        |
| Investments:  |                     |                |                |                     |
| Cash and Cash Equivalents                           | \$ 1,203,529        | \$ -           | \$ -           | \$ 1,203,529        |
| U.S. Treasury and Corporate Notes                   | 1,509,147           | -              | -              | 1,509,147           |
| Equity Mutual Funds                                 | 1,156,099           | -              | -              | 1,156,099           |
|   | <u>\$ 3,868,775</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 3,868,775</u> |
| <b>Assets at Fair Value as of December 31, 2020</b> |                     |                |                |                     |
|   | <b>Level 1</b>      | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>        |
| 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           |
| Total Assets at Fair Value                          | <u>\$ 3,374,768</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 3,374,768</u> |

There were no transfers in and out of Levels 1, 2, and 3 in years 2021 and 2020.

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 K.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE G – ENDOWMENTS (Continued)**

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 \$296,895 and \$356,895 are included in Other Assets as Other Receivables on the consolidated statements of financial position at December 31, 2021 and 2020, respectively.

*Habitat Endowment Fund.* Habitat's endowment ("the Fund") was established in 2021 to provide capital for long-term sustainability of Habitat to further its mission. The Fund consists of individual gifts established by donors to support annual funding for program services. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Habitat's Board of Directors has interpreted the Uniform Prudent Management of Institutions Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Investment Return Objectives, Risk Parameters and Strategies**

Habitat has adopted investment and spending policies, approved by the Board of Directors for endowment assets. The need to maintain the real purchasing power of the portfolios in perpetuity must be balanced against its current distribution needs to support its annual spending policy. The investment objective of the asset portfolio held in the endowment funds is to achieve a reasonable rate of return, without taking on undue risk. In order to achieve this objective, the Fund's goal is returning a real rate of return ahead of inflation. Habitat recognizes that returns can and will fluctuate on an annual basis and because of this, the returns of the funds will be analyzed on a 5-10-year basis. Endowment assets are invested in an interest-bearing account. As the Fund grows, the assets may be allocated in a combination of mutual funds, fixed income and short-term investments and will vary from time to time due to market conditions, manager strategies and asset availability.

**Spending Policy**

Since the expected investment returns from financial assets are not consistent and predictable, Habitat believes that annual support of the current programs must be consistent in dollar terms but must be flexible enough to endure periods of underperformance without excessive deterioration of real principal.



**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE G – ENDOWMENTS (Continued)**

**Spending Policy (Continued)**

The Finance Committee and Board of Directors authorize up to 5% of the total market value of the Fund on December 31<sup>st</sup> of the preceding year, or the total net income of the Fund, whichever is greater, to be spent annually on programs.

From time to time, the Fund may have a fair value less than the amount required to be maintained by Habitat or by law (underwater endowments). The Board of Directors of Habitat may approve withdrawal of a portion, or all of the principal, in extreme circumstances.

Endowment net assets composition by type of fund as of December 31, 2021:

|                  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|------------------|----------------------------------|----------------------------|-------------------|
| Donor-restricted | \$ -                             | \$ 545,118                 | \$ 545,118        |
| Board-designated | -                                | -                          | -                 |
|                  | <u>\$ -</u>                      | <u>\$ 545,118</u>          | <u>\$ 545,118</u> |

In accordance with the objectives and policies of the restricted endowment funds, Habitat's intent is to preserve the majority of original donor restricted assets of \$545,000 in order to provide for a steady stream of income in the future.

Changes in Endowment Net Assets for the years ended December 31 are as follows:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|---|-------------------------------|----------------------------|-------------------|
| Endowment Net Assets, December 31, 2020 | \$ -                          | \$ -                       | \$ -              |
| Endowment Contributions                 | -                             | 545,000                    | 545,000           |
| Investment Return, Net                  | -                             | 118                        | 118               |
| Appropriated for Expenditure            | -                             | -                          | -                 |
| Endowment Net Assets, December 31, 2021 | <u>\$ -</u>                   | <u>\$ 545,118</u>          | <u>\$ 545,118</u> |

As of December 31, 2021, the funds received and held for the Fund were \$338,618 in the cash and cash equivalents category of investments, and \$206,382 in pledges receivable related to the Fund, both of which are included in the consolidated financial statements.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE H – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES**

Habitat has participated in six 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. Habitat's qualifying NMTC investments consist primarily of homes built for low-income families. The tax credits produced by these transactions are subject to recapture if compliance requirements are not met over the seven-year transaction period.

NMTC transaction participation by Habitat includes the creation of a promissory note (see Note K) and an associated investment in, or associated loan made to, a qualified community development entity through a joint venture. The transactions are designed to unwind without the need for any material cash flows at the end of the seven-year term of each NMTC, at which time Habitat's investment in the joint venture, or the associated note receivable from the joint venture, are effectively exchanged for the related promissory notes. At that time, those exchanges result in gains on extinguishment of debt of which is recognized in the consolidated statements of activities and changes in net assets as income from debt extinguishment. Such gains on extinguishment of debt effectively represents the net cash benefit to Habitat from entering into the respective NMTC transactions. That cash benefit is actually received at the inception of the NMTC transaction, 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.

A summary of the six NMTC transactions Habitat has participated in is as follows:

- an investment of \$2,514,254 for its 22.58% ownership of the 1st joint venture in 2010 (which was unwound in 2017),
- an investment of \$1,448,867 for its 9.99% ownership of a 2<sup>nd</sup> joint venture in 2012 (which was unwound in 2019),
- a note receivable of \$5,096,045 from a 3<sup>rd</sup> joint venture in 2013 (which was unwound in 2019),
- an investment of \$1,471,654 for its 9.54% ownership of a 4<sup>th</sup> joint venture in 2015,
- an investment of \$2,980,055 for its 13.79% ownership of a 5<sup>th</sup> joint venture in 2017, and
- an investment of \$2,128,409 for its 34.34% ownership of a 6<sup>th</sup> joint venture in 2021.

As expected and described above, the 1st, 2<sup>nd</sup>, and 3<sup>rd</sup> NMTC transactions all unwound in previous years without any material cash flows. In the future (approximately 7 years from the inception of the last three 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.

After investment earnings and distributions, the investments in joint venture balance totaled \$6,549,651, and 4,431,887 as of December 31, 2021 and 2020, respectively.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE I – MORTGAGE LOANS**

**Traditional Homeownership Mortgage loans**

*Below-Market, Discounted Mortgage Loans.* Prior to 2018, Habitat financed its home sales with 30-year mortgage loans with no interest. Beginning in 2018, Habitat began charging 2.625% interest on its 30-year mortgages. Both of these were considered below-market interest rates, based mainly on credit risk levels of the borrowers and the expected 30-year payment stream of the mortgage. As a result, these loans were recorded at their estimated fair value at inception using a discount rate ranging from 7.4% to 9.0%, as estimated by Habitat International for similar market transactions.

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

From time to time, Habitat has sold some of this loan portfolio to financial institutions as a source of liquidity. Habitat has a recourse obligation to the purchaser for the remaining unpaid mortgage balance for any mortgage loan that ends up in default. Upon payment for a defaulted mortgage loan, Habitat receives full ownership rights of the mortgage loan, which helps mitigate Habitat's financial exposure related to these transactions.

At December 31, 2021 and 2020, Habitat had sold 375 loans and 371 loans of this portfolio for which Habitat had recourse obligations outstanding of approximately \$29.7 million and \$29.6 million, respectively. In connection with the sale of certain of these mortgage loans, Habitat is required to pledge certain investments of its portfolio to the purchaser as security for Habitat's recourse obligations. The amount of pledged investments subject to these security rights was approximately \$805,000 and \$700,000 of investments as of December 31, 2021 and 2020, respectively.

*Omaha 100 Arrangement.* From 2018 through the end of 2020, most of Habitat's mortgage loans were originated by a third-party community lending organization called Omaha 100 (O100), with a 30-year term and a 2.625% interest rate. Under this arrangement, O100 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, and no mortgage loan or related debt amounts are recorded in the accompanying consolidated financial statements.

The underlying Habitat-related mortgage loans held by O100 are intended to provide the cash flows necessary to service the corresponding debt obligations with O100's lenders. For any of these mortgage loans that end up in default, Habitat is required pay off the corresponding debt obligation of Omaha 100, at which time Habitat also then receives full ownership rights of the underlying mortgage loan. At December 31, 2021 and 2020, there were 88 and 89 number of loans outstanding under the O100 agreement, which had full recourse obligations for Habitat of approximately \$9.43 million and \$9.58 million, respectively.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE I – MORTGAGE LOANS (Continued)**

**Traditional Homeownership Mortgage loans (Continued)**

Habitat is required to maintain cash reserves for potential losses related to these recourse obligations. As of December 31, 2021, and 2020, Habitat had such reserves included in restricted cash of \$942,921 and \$910,776, respectively.

*At Market Mortgage Loans.* Beginning in 2021, Habitat ended its new mortgage lending relationship with O100, and instead, now originates all of its own mortgage lending internally. Habitat charged 2.625% interest on its 30-year mortgage loans originated in 2021. The total number of loans originated by Habitat during 2021 was 51, for a total of \$6.6 million.

To maximize the liquidity benefits from these mortgage loans, Habitat entered into contractual agreements to monetize these shortly after they were closed, as follows:

- First, Habitat directly sold 12 of the loans totaling \$1.507 million at 100% of the face value to a financial institution under a purchase agreement. The financial institution had agreed to purchase up to \$2 million of mortgage loans under the agreement for 2021.

Habitat has a recourse obligation to the purchaser for the remaining unpaid mortgage balance for any mortgage loan that ends up in default. As of December 31, 2021, the total recourse obligations for these sold mortgages totaled \$1.5 million. Habitat is not required to maintain cash reserves for potential losses related to this recourse obligation.

- Second, Habitat utilized the underlying mortgages to obtain debt from a consortium of lenders equal to 100% of the total mortgage values under two Loan Pool Participation Agreements (LPPA), which have a 2.0% interest rate payable to the lenders, for a 30-year period coterminous with the underlying mortgages. The monthly cash flows from the underlying mortgage loans are designed to be more than enough to service the monthly principal and interest payments of the associated debt. Under these contractual arrangements, Habitat utilized 35 of the 2021 originated mortgage loans to obtain debt proceeds of \$4.4 million during 2021.

Since the lenders provide their funding under the LPPA one month in arrears from the mortgage closing, the debt proceeds related to the remaining four (4) 2021 mortgages for \$0.7 million were received by Habitat in January 2022. This consortium of lenders had committed to provide up to \$6.6 million of debt funding under the LPPAs for 2021.

Because of the more immediate committed source of liquidity at 100% of the face amount of the mortgage loans provided under the above described LPPAs, management believes these mortgage loans are “at-market” and therefore, there is no need to record any discount on the loans at inception. The lenders participate in the LPPAs with a 2.0% return as part of their support for low-income lending in the region.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE I – MORTGAGE LOANS (Continued)**

**Traditional Homeownership Mortgage loans (Continued)**

While the cash flows from the mortgages are used to service the underlying LPPA debt, the LPPA debt is not secured by any individual mortgage loan. Habitat retains the real estate collateral position underlying the mortgage loan. For any of these mortgage loans that end up in default, Habitat is required pay off the corresponding debt obligation upon such default. Habitat is required to maintain cash reserves for potential losses due to defaulted mortgage loans. As of December 31, 2021, Habitat had such reserves included in restricted cash of approximately \$248,000.

The total mortgage loan balance related to this portfolio was \$5.0 million at December 31, 2021. The corresponding debt balance tied to these mortgage loans was \$4.3 million at December 31, 2021. The \$0.7 million difference between the mortgage loan amount and the corresponding debt balance relates to the timing of the lender funding, which is done one month in arrears from when the mortgages are closed, as noted above.

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

The total number of the above-mentioned loans held, and the carrying value of these loans, as of December 31, 2021 and 2020, were as follows:

|                             | 2021                | 2020                |
|-----------------------------|---------------------|---------------------|
| Number of Loans Held        | 210                 | 180                 |
| Carrying Value:             |                     |                     |
| Below-Market Mortgage Loans | \$ 12,217,848       | \$ 13,287,932       |
| Loan Discount               | (7,408,060)         | (7,966,232)         |
| Subtotal                    | 4,809,788           | 5,321,700           |
| At Market Mortgage Loans    | 5,030,936           | -                   |
| Net Carrying Value          | <u>\$ 9,840,724</u> | <u>\$ 5,321,700</u> |

**Home Repair/Improvement Mortgage 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 7.23% to 7.8% at the inception of the mortgages, as determined by Habitat International for similar market transactions. Habitat held 146 and 127 of these loans outstanding at December 31, 2021 and 2020, respectively. As of December 31, 2021, and 2020, the allowance for the home repairs loans was \$80,000 and \$70,000, respectively.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE I – MORTGAGE LOANS (Continued)**

**Home Repair/Improvement Mortgage Loans (Continued)**

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

|                                 | 2021              | 2020              |
|---------------------------------|-------------------|-------------------|
| Home Repair Loans               | \$ 753,568        | \$ 516,350        |
| Loan Discount                   | (191,120)         | (138,742)         |
| Allowance for Doubtful Accounts | (80,000)          | (70,000)          |
| Basis in Loan                   | <u>\$ 482,448</u> | <u>\$ 307,608</u> |

**NOTE J – BANK REVOLVING LINE OF CREDIT**

At December 31, 2021 and 2020, Habitat had a bank revolving line of credit (LOC) in the amount of \$2,000,000, which was amended in 2021 to be payable on July 10, 2023, 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, 2021 was 3.5%. Habitat had no outstanding balance on the line of credit at December 31, 2021 and 2020.

During 2021, Habitat added a second bank revolving LOC in the amount of \$1,500,000, which was amended in 2022 to be payable on January 12, 2023, including interest at the national prime rate, with a minimum rate of 3.0%. The interest rate on the line of credit at December 31, 2021 was 3.25%. Habitat had no outstanding balance on the line of credit at December 31, 2021.

**NOTE K – LONG-TERM DEBT**

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

|   | 2021       | 2020       |
|---|------------|------------|
| 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 2027.  | \$ 265,879 | \$ 267,185 |
| 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 2022. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note H) | 2,157,398  | 2,157,398  |

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE K – LONG-TERM DEBT (Continued)**

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

|  | 2021                | 2020                |
|--|---------------------|---------------------|
| 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 HFHI NMTC Sub-CDE IV, LLC and HFHI NMTC Sub-CDE V, LLC, semi-annual interest only payments until 2028 at 0.74% and 0.79% respectively, then semi-annual payments in amounts sufficient to fully amortize the remaining balances by March 2051. The associated agreements include a put option feature that is exercisable in 2028. The notes are secured by substantially all assets acquired from the project loan proceeds. (See Note H). | 2,864,764           | -                   |
| 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.  | 107,887             | 113,369             |
| Notes payable under the LPPAs, monthly principal payments totaling \$98,867 for 2022, and increasing through the scheduled amortization of the note through its final maturity in 2051, reaching the highest annual payment level of \$206,019 in 2050, at 2.00%. The notes are unsecured, with principal and interest payments serviced by the cash flows from certain mortgage loans (See Note I).   | 4,370,434           | -                   |
| Notes payable to a fund of the OCF, quarterly payments of \$32,210 until June 2025, then \$21,500 until December 2025 and then \$12,300 until June 2028 at 0%. The notes are secured by an interest in certain home and home repair mortgages.   | 617,060             | 376,300             |
| Total Long-Term Debt   | 14,789,721          | 7,320,551           |
| Less Debt Issuance Costs   | (498,028)           | (316,811)           |
| Less Current Portion of Long-Term Debt   | (281,242)           | (147,624)           |
|  | <u>\$14,010,451</u> | <u>\$ 6,856,116</u> |

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE K – LONG-TERM DEBT (Continued)**

The aggregate maturities of long-term debt for the years ending after December 31, 2021 are as follows:

| Years Ending<br>December 31, |                      |
|------------------------------|----------------------|
| 2022                         | \$ 281,242           |
| 2023                         | 287,654              |
| 2024                         | 477,034              |
| 2025                         | 534,168              |
| 2026                         | 481,138              |
| Thereafter                   | 12,728,485           |
|                              | <u>\$ 14,789,721</u> |

**NOTE L – 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, 2021 and 2020, Habitat contributed \$160,030 and \$175,000 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 M – IN-KIND CONTRIBUTIONS**

Included in the consolidated financial statements are in-kind contributions and corresponding expenses, which consisted of the following during the years ended December 31, 2021 and 2020:

|                            | 2021                |                   | 2020                |                   |
|----------------------------|---------------------|-------------------|---------------------|-------------------|
|                            | Contribution        | Expense           | Contribution        | Expense           |
| Construction in Progress   | \$ 815,648          | \$ -              | \$ 778,121          | \$ -              |
| Professional Fees          | 130,444             | 130,444           | 139,368             | 139,368           |
| Inventory                  | 60,230              | -                 | 108,155             | -                 |
| Publicity                  | -                   | -                 | -                   | -                 |
| Miscellaneous              | 49,859              | 49,859            | 18,210              | 18,210            |
| Property and Equipment     | 2,299               | -                 | 22,500              | -                 |
| Total In-Kind Contribution | <u>\$ 1,058,480</u> | <u>\$ 180,303</u> | <u>\$ 1,066,354</u> | <u>\$ 157,578</u> |



**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE N – RETIREMENT PLAN**

Habitat participates in a 403(b) retirement savings plan covering substantially all employees. Habitat's contributions are discretionary. Habitat contributed \$117,676 and \$122,492 for the years ended December 31, 2021 and 2020, respectively.

**NOTE O – 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 P – LIQUIDITY AND AVAILABILITY**

Habitat manages its liquidity needs to pay its obligations as they become due from its normal, annual operating cycle with funds from a combination of the following sources:

- from existing cash, cash equivalents, investments, accounts receivables, and mortgage loans currently held, and
- from current year liquidity sources related to its operating activities, consisting primarily of donations and grants. Also, as discussed in note I, Habitat's ability to monetize its mortgage loans shortly after they are closed currently provides an important source of current year liquidity for Habitat related to its house sales. Habitat has secured commitments from two financial institutions to purchase up to \$3.5 million of its mortgage loans during 2022. Habitat has also secured lending commitments under its two LPPAs for up to approximately \$10 million for 2022 mortgage transactions.
- Through these agreements, Habitat believes it will be able to monetize all of its 2022 mortgages shortly after they are closed.

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.

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 \$14.8 million at December 31, 2021, \$13.8 million of this debt has a direct funding source as follows:

- The debt service cash requirements associated with the NMTC loans of \$9.4 million (see Note H) are funded by the investment return on the associated investment in joint ventures.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE P – LIQUIDITY AND AVAILABILITY (Continued)**

- The debt service cash requirements associated with the LPPAs of \$4.4 million (see Note I) are directly funded from the cash flows from the corresponding mortgage loans underlying the debt.

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 \$2.8 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 20 years. These future cash inflows, which approximate \$10 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, 2021 and 2020, 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.

|  | 2021         | 2020         |
|--|--------------|--------------|
| Cash and cash equivalents  | \$ 6,033,706 | \$ 8,455,107 |
| Restricted cash  | 3,085,808    | 1,045,510    |
| Investments  | 3,868,775    | 3,374,768    |
| Current portion of unconditional promises to give                                      | 2,118,269    | 517,119      |
| Current portion of mortgage loans  | 718,269      | 627,852      |
| Current portion of home repair loans   | 165,576      | 147,708      |
| Other receivables  | 729,244      | 484,926      |
| Total financial assets   | 16,719,647   | 14,652,990   |
| 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                             | (5,855,756)  | (2,836,008)  |
| Cash restricted by contract  | (3,085,808)  | (1,045,510)  |
| Investments restricted for loan transactions   | (805,000)    | (700,000)    |
| Board designations:  |              |              |
| Operating reserves   | (2,813,431)  | (2,650,882)  |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 4,159,652 | \$ 7,420,590 |

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE Q – 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                | <u>\$ 865,226</u> |

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 are included in Habitat's consolidated financial statements since July 1, 2020 through the end of December 31, 2021. Habitat Omaha used the acquisition method of accounting to account for this transaction.

**NOTE R – 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.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE R – COVID 19 (Continued)**

The U.S. Federal government authorized various economic relief programs under the Coronavirus Aid Relief and Economic Security Act (CARES Act) in 2020, and under the American Rescue Plan Act (ARPA) in 2021. Habitat benefited from the CARES Act and ARPA during 2021 and 2020 as follows:

- During 2020, Habitat received \$1.2 million of relief funds under the CARES Act 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 for the year ended December 31, 2020.
- Habitat received mortgage assistance funds under the CARES Act of \$512,286 during 2020, of which \$470,469 was distributed in 2020, with the balance distributed in 2021. These funds provided direct assistance to over 300 qualifying Habitat homeowners. These funds were recorded as revenue when received in 2020, and expensed when disbursed to the families during 2021 and 2020.
- Under ARPA, Habitat received \$83,328 toward the Housing Stability Counseling Program (HSCP). This program is intended to address foreclosure and eviction protection counseling efforts to individuals and families facing housing instability. The program will be administered in 2022.

Habitat experienced significant disruptions to its operations during 2020, and to a much lesser degree during 2021, due to Covid, but was still able to substantially meet its operating and financial goals for 2021 and 2020, to include the benefit of the relief funds mentioned above. Recent reports indicate the major impacts of the virus have abated across the globe, including the USA, due to the success of several vaccines, natural immunities from previously infected individuals, and other actions taken to mitigate the impact of the virus and its variants. While Habitat has been able to successfully navigate the challenges of Covid to date, it is unknown whether there will be a resurgence of Covid through existing or new variants, and if so, how long those conditions could last, and what the potential operational and financial effect could be to Habitat in the future.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**Year Ended December 31, 2021**  
**(With Summarized Comparative Information For 2020)**

**NOTE S – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes or periods as of December 31, 2021 and 2020:

|   | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|
| Endowment funds   | \$ 545,118          | \$ -                |
| Contributions Receivable which are<br>unavailable for expenditure until due | 1,843,822           | 454,753             |
| Purpose restrictions:   |                     |                     |
| Homeowner Education & Support   | 304,915             | 68,919              |
| Construction & Neighborhood<br>Revitalization                               | 2,961,349           | 2,280,000           |
| Building fund – campus  | 135,000             | -                   |
| General Operations  | <u>65,552</u>       | <u>32,336</u>       |
| Net Assets with Donor Restrictions  | <u>\$ 5,855,756</u> | <u>\$ 2,836,008</u> |

As of December 31, 2021 and 2020, \$605,489 and \$288,086, respectively, of the time restricted net assets also have purpose restrictions and were included as contributions receivable at year-end and in the table above.

## **SUPPLEMENTAL INFORMATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2021**

| Federal Grantor/Pass Through Grantor/Program Title   | Assistance<br>Listing Number | Pass-Through Entity<br>Identifying Number | Total Federal<br>Expenditures |
|--|------------------------------|---|-------------------------------|
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>  |                              |   |                               |
| Passed through Habitat for Humanity International<br>Self-Help Homeownership Opportunity Program                       | 14.247                       | N/A                                       | \$ 244,786                    |
| Self-Help Homeownership Opportunity Program  | 14.247                       | N/A                                       | 267,186 *                     |
|  |                              |   | <u>511,972</u>                |
| Passed through Habitat for Humanity International<br>Community Development Block Grant                                 | 14.248                       | FR-6200-N-39                              | 15,738                        |
| Passed through NeighborWorks, Inc. to Credit Advisors<br>Foundation - Housing Stability Counseling Program             | 14.169                       | N/A                                       | 83,238                        |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |                              |   |                               |
| Passed through the Nebraska Department of Environment and Energy<br>Low Income Home Energy Assistance Program (LIHEAP) | 93.568                       | G-18B1NELIEA                              | 412,932                       |
| <b>U.S. DEPARTMENT OF ENERGY</b>   |                              |   |                               |
| Passed through the Nebraska Department of Environment and Energy<br>Low Income Weatherization Assistance Program (WAP) | 81.042 1/                    | DE-EE0007933                              | 405,184                       |
| <b>Total Expenditures of Federal Awards</b>  |                              |   | <u><u>\$ 1,429,064</u></u>    |

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, 2021**

**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, 2021.

**NOTE C – MAJOR PROGRAM**

| <u>CFDA<br/>Number</u> | <u>Program Name</u>                          |
|------------------------|--|
| 81.042                 | Low Income Weatherization Assistance Program |

**NOTE D – SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM**

The United States Department of Housing and Urban Development's (HUD) 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, 2021:

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended December 31, 2021**

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

| <u>Pass-Through Grantor</u> | <u>Identifying Number</u>           | <u>Expenditures</u> |
|-----------------------------|-------------------------------------|---------------------|
| Habitat International       | SHOP 2010 (174009)- Existing Loans  | \$ 1,515*           |
| Habitat International       | SHOP 2011 (182032)- Existing Loans  | 4,709*              |
| Habitat International       | SHOP 2011 (183020)- Existing Loans  | 396*                |
| Habitat International       | SHOP 2011 (184010)- Existing Loans  | 1,429*              |
| Habitat International       | SHOP 2012 (193009)- Existing Loans  | 1,295*              |
| Habitat International       | SHOP 2013 (201016)- Existing Loans  | 1,149*              |
| Habitat International       | SHOP 2013 (202018)- Existing Loans  | 12,750*             |
| Habitat International       | SHOP 2013 (203014)- Existing Loans  | 15,876*             |
| Habitat International       | SHOP 2014 (211035)- Existing Loans  | 21,149*             |
| Habitat International       | SHOP 2015 (221001)- Existing Loans  | 23,496*             |
| Habitat International       | SHOP 2015 (222007)- Existing Loans  | 18,113*             |
| Habitat International       | SHOP 2016 (231040)- Existing Loans  | 66,250*             |
| Habitat International       | SHOP 2016 (232017)- Existing Loans  | 42,809*             |
| Habitat International       | SHOP 2017 (241032)- Existing Loans  | 56,250*             |
| Habitat International       | SHOP 2018 (251026)- New Loans (25%) | 10,058              |
| Habitat International       | SHOP 2018 (252011)- New Loans (25%) | 16,763              |
| Habitat International       | SHOP 2019 (261015)- New Loans (25%) | 27,500              |
| Habitat International       | SHOP 2019 (262004)- New Loans (25%) | 6,875               |
|                             |                                     | <u>\$ 328,382</u>   |

\*Represents the balance of a loan from a previous year that the federal government imposes the continuing compliance requirements totaling \$267,186.

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended December 31, 2021**

**NOTE E – LOAN BALANCES**

| <b>CFDA<br/>Number</b> | <b>Identifying Number</b> | <b>Balance at<br/>January 1,<br/>2021</b> | <b>New<br/>Loans</b> | <b>Payments</b>    | <b>Balance at<br/>December<br/>31, 2021</b> |
|------------------------|---------------------------|---|----------------------|--------------------|---|
| 14.247                 | SHOP 2010 - Loans         | \$ 1,515                                  | \$ -                 | \$ (1,515)         | \$ -  |
| 14.247                 | SHOP 2011 - Loans         | 4,709                                     | -                    | (4,709)            | -   |
| 14.247                 | SHOP 2011 - Loans         | 396                                       | -                    | (396)              | -   |
| 14.247                 | SHOP 2011 - Loans         | 1,429                                     | -                    | (1,429)            | -   |
| 14.247                 | SHOP 2012 - Loans         | 1,295                                     | -                    | (672)              | 623   |
| 14.247                 | SHOP 2013 - Loans         | 1,149                                     | -                    | (1,149)            | -   |
| 14.247                 | SHOP 2013 - Loans         | 12,750                                    | -                    | (8,977)            | 3,774                                       |
| 14.247                 | SHOP 2013 - Loans         | 15,876                                    | -                    | (6,552)            | 9,324                                       |
| 14.247                 | SHOP 2014 - Loans         | 21,149                                    | -                    | (8,748)            | 12,401                                      |
| 14.247                 | SHOP 2015 - Loans         | 23,496                                    | -                    | (6,864)            | 16,632                                      |
| 14.247                 | SHOP 2015 - Loans         | 18,113                                    | -                    | (4,932)            | 13,181                                      |
| 14.247                 | SHOP 2016 - Loans         | 66,250                                    | -                    | (16,560)           | 49,690                                      |
| 14.247                 | SHOP 2016 - Loans         | 42,809                                    | -                    | -                  | 42,809                                      |
| 14.247                 | SHOP 2017 - Loans         | 56,250                                    | -                    | -                  | 56,250                                      |
| 14.247                 | SHOP 2018 - Loans         | -   | 10,058               | -                  | 10,058                                      |
| 14.247                 | SHOP 2018 - Loans         | -   | 16,763               | -                  | 16,763                                      |
| 14.247                 | SHOP 2019 - Loans         | -   | 27,500               | -                  | 27,500                                      |
| 14.247                 | SHOP 2019 - Loans         | -   | 6,875                | -                  | 6,875                                       |
|                        |                           | <u>\$ 267,186</u>                         | <u>\$ 61,196</u>     | <u>\$ (62,503)</u> | <u>\$ 265,879</u>                           |

**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, 2021, 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 1, 2022.

**Report on 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.

**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)**

**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 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 1, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Habitat for Humanity of Omaha's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2021. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

***Basis for Opinion on the Major Federal Program***

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.



**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (Continued)**

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities of the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (Continued)**

***Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
June 1, 2022

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**A. SUMMARY OF AUDITORS' RESULTS**

**CONSOLIDATED FINANCIAL STATEMENTS AUDIT**

|   |                   |                 |
|---|-------------------|-----------------|
| Type of auditors' report issued:  | <b>Unmodified</b> |                 |
| Internal control over financial reporting:  |                   |                 |
| Material weakness(es) identified?:  | Yes _____         | No <u>  X  </u> |
| Significant deficiency(ies) identified that are not considered to be material weakness (es)?: | Yes _____         | No <u>  X  </u> |
| Noncompliance material to the financial statements noted?:                                    | Yes _____         | No <u>  X  </u> |

**MAJOR FEDERAL AWARDS PROGRAM AUDIT**

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

**HABITAT FOR HUMANITY OF OMAHA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended December 31, 2021**

**A. SUMMARY OF AUDITORS' RESULTS (Continued)**

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

|  | <u><b>CFDA No.</b></u>            |
|--|-----------------------------------|
| 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 <u>  X  </u> No <u>      </u> |

**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.