HABITAT FOR HUMANITY OF OMAHA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORTS

YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021)

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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, 2022, 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, 2022, 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.

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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 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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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 May 31, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Bland + Associates, P.C.

Omaha, Nebraska
May 31, 2023

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HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2021)

	December 31,	
ASSETS	**2022**	**2021**
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,717,167	$ 6,033,706
Restricted Cash	2,625,166	3,085,808
Investments	11,219,061	3,868,775
Current Portion of Unconditional Promises to Give	3,663,711	2,118,269
Current Portion of Mortgage Loans	855,082	718,269
Current Portion of Home Repair Loans	228,708	165,576
Other Receivables	1,032,595	729,244
Prepaid Expenses	48,568	17,073
Materials Inventory	198,830	188,184
Total Current Assets	23,588,888	16,924,904
PROPERTY AND EQUIPMENT		
Land	570,700	580,987
Buildings	5,722,155	5,447,446
Equipment and Furniture	1,279,490	1,126,474
Vehicles	554,895	482,031
	8,127,240	7,636,938
Less Accumulated Depreciation	(3,377,531)	(3,034,229)
Total Property and Equipment	4,749,709	4,602,709
OTHER ASSETS		
Unconditional Promises to Give, Less Current Portion, Net Discount	2,025,612	877,540
Other Receivables	296,895	296,895
Land Held for Development	7,603,639	1,802,229
Construction in Progress	5,306,415	3,885,220
Mortgage Loans, Less Current Portion	15,164,441	9,122,455
Home Repair Loans, Less Current Portion and Allowance for Doubtful Accounts of $90,000 and $80,000, Respectively	547,695	316,872
Investments in Joint Ventures	5,079,513	6,549,651
Total Other Assets	36,024,210	22,850,862
	$ 64,362,807	**$ 44,378,475**

	December 31,	
LIABILITIES AND NET ASSETS	**2022**	**2021**
CURRENT LIABILITIES		
Accounts Payable	$ 1,259,859	$ 426,065
Accrued Expenses	1,034,804	551,099
Accrued Payroll and Compensated Absences	916,421	792,884
Current Portion of Long-Term Debt	440,245	281,242
Total Current Liabilities	3,651,329	2,051,290
LONG-TERM LIABILITIES		
Long-Term Debt		
Principal Amount	20,072,565	14,508,479
Less Debt Issuance Costs	(380,919)	(498,028)
Total Long-Term Liabilities, Net of Current Portion and Debt Issuance Costs	19,691,646	14,010,451
Total Liabilities	23,342,975	16,061,741
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without Donor Restrictions		
Undesignated	29,712,869	19,647,547
Board Designated for Operating Reserve	2,463,534	2,813,431
Total Without Donor Restrictions	32,176,403	22,460,978
With Donor Restrictions		
Purpose Restrictions	7,317,068	4,072,305
Time Restricted for Future Periods	965,582	1,238,333
Restricted for Endowment	560,779	545,118
Total With Donor Restrictions	8,843,429	5,855,756
Total Net Assets	41,019,832	28,316,734
	$ 64,362,807	**$ 44,378,475**

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 2021)

	Years Ended December 31,			
	2022			2021
	Without Donor/Grantor Restrictions	With Donor/Grantor Restrictions	Total	Total
OPERATING REVENUES AND SUPPORT				
Contributions	$ 16,375,993	$ 6,463,314	$ 22,839,307	$ 8,254,012
Sales to Homeowners	8,142,548	-	8,142,548	6,704,077
Grants	3,266,718	-	3,266,718	4,060,826
ReStore Sales	2,758,500	-	2,758,500	2,168,984
In-Kind Contributions	905,591	-	905,591	1,058,480
Revenue from Homeowners - Home Repair	646,580	-	646,580	457,988
Event Income	555,907	8,000	563,907	393,488
Loan Discount Interest Income - Homeowner Sales	425,133	-	425,133	389,136
Other Revenue	637,305	-	637,305	355,794
Investment (Loss) Income	(43,577)	-	(43,577)	261,201
Discount Recovery on Sale of Mortgage Loans	-	-	-	169,037
Loan Discount Interest Income - Home Repair	54,839	-	54,839	54,535
Income from Joint Ventures	47,676	-	47,676	49,894
Income from Debt Extinguishment	702,647	-	702,647	-
Loss on Sale of Land, Property and Equipment	(53,571)	-	(53,571)	(57,338)
Satisfaction of Donor Restrictions	3,483,641	(3,483,641)	-	-
Total Operating Revenues and Support	37,905,930	2,987,673	40,893,603	24,320,114
OPERATING EXPENSES				
Program Services	25,453,079	-	25,453,079	20,041,220
Management and General	1,633,101	-	1,633,101	1,397,760
Fundraising	1,104,325	-	1,104,325	1,081,090
Total Operating Expenses	28,190,505	-	28,190,505	22,520,070
CHANGES IN NET ASSETS	9,715,425	2,987,673	12,703,098	1,800,044
NET ASSETS - BEGINNING OF YEAR	22,460,978	5,855,756	28,316,734	26,516,690
NET ASSETS - END OF YEAR	**$ 32,176,403**	**$ 8,843,429**	**$ 41,019,832**	**$ 28,316,734**

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022
(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2021)

	Program Services				Supporting Services			Totals	
	Construction	Home Repair	ReStore	Total Program Services	Management and General	Fundraising and Developmental	Total Supporting Services	2022	2021
Cost of Homes Sold	$ 12,573,598	$ -	$ -	$ 12,573,598	$ -	$ -	$ -	$ 12,573,598	9,630,186
Salaries and Benefits	4,368,611	878,976	1,517,342	6,764,929	1,196,226	747,635	1,943,861	8,708,790	7,308,910
Building Costs and Call Backs	233,610	1,993,948	-	2,227,558	-	-	-	2,227,558	1,731,744
Information Technology	194,473	26,990	79,030	300,493	107,512	41,848	149,360	449,853	351,664
Demolition and Deconstruction Accomplished	85,195	-	303,716	388,911	-	-	-	388,911	511,650
Depreciation and Amortization	171,776	-	159,090	330,866	53,107	297	53,404	384,270	393,394
Interest	343,548	-	-	343,548	-	-	-	343,548	115,058
Merchandise Costs	-	-	334,555	334,555	-	-	-	334,555	221,400
Occupancy	143,656	11,370	118,949	273,975	24,249	7,871	32,120	306,095	161,533
Publicity	26,397	-	105,623	132,020	-	158,938	158,938	290,958	206,601
Professional Fees	133,858	10,033	12,004	155,895	121,396	10,651	132,047	287,942	222,959
Supplies	93,471	5,951	129,197	228,619	28,503	17,717	46,220	274,839	186,155
Vehicle Expense	130,543	30,378	35,490	196,411	2,671	3,674	6,345	202,756	136,770
Contract Labor	63,141	-	79,002	142,143	34,100	7,837	41,937	184,080	281,077
Tithe to Habitat for Humanity International	170,000	-	-	170,000	-	-	-	170,000	160,030
Mortgage Discounts - Home Repair	-	168,334	-	168,334	-	-	-	168,334	106,913
Training and Travel	36,930	28,457	4,083	69,470	39,346	14,290	53,636	123,106	82,864
Miscellaneous	9,799	75	85,134	95,008	6,567	13,189	19,756	114,764	81,584
Insurance	40,991	32,992	33,824	107,807	6,189	-	6,189	113,996	106,955
Printing and Postage	8,036	1,482	2,314	11,832	3,736	72,503	76,239	88,071	100,812
Family Partners and Public Education	86,995	-	-	86,995	-	812	812	87,807	135,777
Maintenance and Small Equipment	67,710	9,278	4,525	81,513	280	-	280	81,793	29,559
Telephone	24,019	3,850	11,351	39,220	7,219	7,063	14,282	53,502	56,849
Bad Debt Expense	-	13,499	-	13,499	-	-	-	13,499	6,002
Mortgage Assistance for Homeowners	6,632	-	-	6,632	-	-	-	6,632	11,960
Advocacy	6,125	-	-	6,125	-	-	-	6,125	1,361
International Build	700	-	-	700	-	-	-	700	-
	19,019,814	3,215,613	3,015,229	25,250,656	1,631,101	1,104,325	2,735,426	27,986,082	22,339,767
In-Kind Expense	145,761	56,662	-	202,423	2,000	-	2,000	204,423	180,303
TOTAL FUNCTIONAL EXPENSES	**$ 19,165,575**	**$ 3,272,275**	**$ 3,015,229**	**$ 25,453,079**	**$ 1,633,101**	**$ 1,104,325**	**$ 2,737,426**	**$ 28,190,505**	**$ 22,520,070**

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

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2021)

	Years Ended December 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 12,703,098	$ 1,800,044
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Sales to and Revenues from Homeowners	(9,093,200)	(7,129,693)
Loan Discount Interest Income - Homeowner Sales	(425,133)	(389,136)
Loan Discount Interest Income - Home Repair	(54,839)	(54,535)
Realized Gain on Investments	(43,052)	(99,665)
Unrealized Loss (Gain) on Investments	504,189	(17,676)
Income From Joint Ventures	(47,676)	(49,894)
(Increase) Decrease in Construction in Progress	(1,362,172)	706,712
Loss on Sale of Land, Property and Equipment	53,571	58,334
Depreciation and Amortization	384,270	393,394
Increase in Allowance for Doubtful Accounts	10,000	10,000
Imputed Interest on Debt Issuance Costs	117,110	17,189
Income from Debt Extinguishment	(702,647)	-
(Increase) Decrease in Assets:		
Unconditional Promises to Give	(2,693,514)	(1,960,856)
Other Receivables	(303,351)	(184,318)
Prepaid Expenses	(31,495)	(5,483)
Materials Inventory	(10,646)	(62,489)
Increase (Decrease) in Liabilities:		
Accounts Payable	833,797	(123,559)
Accrued Expenses	483,705	195,450
Accrued Payroll and Compensated Absences	123,537	38,587
Net Cash Provided By (Used In) Operating Activities	445,552	(6,857,594)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	798,031	1,036,906
Purchase of Investments	(8,609,455)	(1,413,573)
Purchase of Property and Equipment	(541,559)	(140,862)
Mortgage Loans Sold	1,876,121	1,911,326
Home Repair Loans Sold, Net	(3,612)	(7,967)
Mortgage Loans Payments Received	805,695	702,751
Home Repair Loans Payments Received	309,907	263,389
Investments in Joint Ventures	-	(2,128,409)
Cash Payments Received From Joint Ventures	63,063	60,539
Increase in Land Held for Development	(5,801,410)	(1,078,373)
Net Cash Used In Investing Activities	(11,103,219)	(794,273)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Loan Costs and Structuring Fees	-	(198,407)
Proceeds from Issuance of Long-Term Debt	8,225,437	7,677,728
Payments on Long-Term Debt	(344,951)	(208,557)
Net Cash Provided By Financing Activities	7,880,486	7,270,764
Net Decrease in Cash, Cash Equivalents and Restricted Cash	(2,777,181)	(381,103)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	9,119,514	9,500,617
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	**$ 6,342,333**	**$ 9,119,514**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Issuance of Mortgage Loans	$ 9,261,534	$ 7,067,570
Discount Related to Newly Originated Mortgage Loans	(168,334)	(106,913)
Discount Recovery on Sale of Mortgage Loans	-	169,036
Transfers to Homeowners Subject to Non-Interest/Below Market Interest Bearing Mortgage Loans	$ 9,093,200	$ 7,129,693
Real Property Received for Outstanding Mortgages	$ 102,307	$ -
Interest Paid	$ 343,548	$ 97,869

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Presentation

Habitat for Humanity of Omaha, Inc. (Habitat Omaha), a Nebraska non-profit corporation, was incorporated in 1984, and operates as an affiliate under the guidelines of Habitat for Humanity International, Inc. (Habitat International). Habitat International is a global non-profit housing organization working in local communities across all 50 states in the United States and in approximately 70 countries. Habitat International works together with families, local communities, volunteers, and partners from around the world so that more people are able to live in affordable and safe homes. Habitat International's advocacy efforts focus on policy reform to remove systemic barriers preventing low-income and historically underserved families from accessing adequate, affordable shelter. 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, which 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).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Controlled Entities (Continued)

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 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.

- Habitat Omaha Affordable Mortgage Solutions, Inc. (HOAMS), a Nebraska non-profit corporation, was incorporated in 2021. HOAMS was organized by Habitat Omaha 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.

  In January 2023, HOAMS received its designation as a certified Community Development Financial Institution (CDFI) from the U.S. Treasury. The CDFI certification is expected to enhance HOAMS' affordable financing offerings to the communities it serves.

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:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net Assets Without Donor/Grantor Restriction:

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

Net Assets With Donor/Grantor Restrictions:

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

Summary of Operations

Habitat's geographic service area for its various program services includes communities within the following counties in Nebraska: Burt, Cass, Douglas, Sarpy, and Washington. In addition, HOAMS provides its mortgage financing solutions to other Habitat for Humanity affiliates in a broader geographic service area to include several counties in and around Lincoln, Nebraska, and Council Bluffs, Iowa.

Since 1984, Habitat has worked to create affordable housing solutions through innovative homeownership opportunities and a holistic programming approach to neighborhood rehabilitation. Over its nearly 40 years of work, Habitat has built more than 800 homes, completed over 675 repairs on existing homes, and has served over 2,400 households across all of its programs. 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). The cost of construction generally consists of the following: (i) land and/or property acquisition and development 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). Home sales may also include one or more forms of down payment assistance, which are funded by grants and/or donations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Operations (Continued)

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.

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 interest rate for 2021 through the end of 2022 is 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 gross income, and total monthly debt payments (including monthly mortgage payments) are no greater than 42% of household gross income. Mortgage loans are also set with a maximum 105% Loan to Value. Mortgage loans are fully collateralized by the underlying property being financed. 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, furnace replacement, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Operations (Continued)

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.

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.

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

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, 2022 and 2021, Habitat has restricted cash of $2.6 million and $3.1 million for joint ventures (Note H) and other reserve commitments (see Note I), respectively. Certain joint venture agreements require Habitat to keep cash in separate accounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Other Receivables

Trade and other receivables are recorded at net realizable value. Habitat uses the allowance method to determine uncollectible receivables. As of January 1 2022, and 2021, accounts receivable was $1,026,139 and $841,821, respectively, and all receivables are considered fully collectible.

Land Held for Home Construction Activities

Habitat from time to time acquires land for use in its homeownership program. The cost to acquire the land, and any carrying costs and/or land development costs necessary to prepare the land for its intended use, are recorded at cost as incurred. Donated land is treated as an in kind contribution and is recorded at its estimated fair value when received.

Costs attributed to a specific piece of land are assigned to construction in progress when a home construction project begins. For determining the specific land costs within large land developments (see Note Q), the total land acquisition and development costs for the overall development are assigned to an individual lot on a proportionate basis, using the estimated fair value of each lot to be built upon in the development.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

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

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

Construction in Progress

Habitat carries the cost incurred in conjunction with home construction in construction in progress (CIP) until sold to homeowners. Homes purchased for the purpose of rehabilitation projects are included in CIP when purchased. CIP consists of in-kind donations and procured items and includes land costs (as discussed above), carrying and holding property costs, and construction and rehabilitation costs. When the corresponding homes are completed and sold to homeowners, these costs are expensed.

During 2022, Habitat purchased 20 low-income properties in Northeast Omaha for $2.5 million as part of its home rehabilitation program, with the expectation to remodel these homes and then eventually sell the homes to the existing residents once they qualify for an affordable mortgage, with the residents being allowed to rent these properties until they are able to purchase the home. During 2022, five (5) of these homes were sold to the resident families. The remaining 15 homes with an acquisition cost of $1.9 million are included in the December 31, 2022, CIP balance. Habitat is targeting these homes to be purchased by the residents by the end of 2024.

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.

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 toward the purchase of the home at the time the purchase contract is signed.

Habitat recognizes revenue on homebuilding activities upon the closing of the sale. Sales to homeowners are recorded at the gross first mortgage amount, plus contingent equity payments and certain forms of down payment assistance homebuyers receive as part of the home sale 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.

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. At December 31, 2022, and 2021, Habitat considered its unconditional promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

- 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.

- 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.

- 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.

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.

In-Kind Contributions and Donated Services

During 2022, Habitat adopted 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 organizations. 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 were applied retrospectively. The adoption of this ASU in fiscal 2022, and 2021 retroactive requirements, did not have a material impact on Habitat‘s consolidated financial statements.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, certain expenses required allocation on a reasonable basis that is consistently applied.

Material expenses that are allocated include the following: (i) certain depreciation, which is allocated based on a square foot basis, (ii) certain occupancy, professional services, office/warehouse, and information technology costs, which are allocated based on headcount, and (iii) certain management wages and benefits, which are allocated based on estimates of time and effort.

Program Services

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

Advertising

Habitat uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was $0.3 million and $0.2 million for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

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

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

As of December 31, 2022, 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 2019 remain subject to examination by major tax jurisdictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2021, from which the summarized information was derived.

Upcoming Accounting Standard Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) (ASU 2016-13) and subsequently issued various corresponding updates that will update the impairment model for financial assets measured at amortized cost, known as the Current Expected Credit Loss (CECL) model. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowance for losses. For available-for-sale debt securities with unrealized losses, there will be no change to the measurement of credit losses, except that unrealized losses due to credit-related factors will be recognized as an allowance on the consolidated statement of financial position with a corresponding adjustment to earnings in the consolidated statement of activities. There are various transition methods available upon adoption. ASU 2016-13, as amended by ASU 2019-10, is effective for 2023 for Habitat. Habitat is currently assessing the impact of adopting this guidance in 2023 on its consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through May 31, 2023, 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,:

	2022	2021
Cash and cash equivalents	$ 3,717,167	$ 6,033,706
Restricted cash	2,625,166	3,085,808
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 6,342,333	$ 9,119,514

Included in cash and cash equivalent is $635k and $135k, respectively, for the years ended December 31, 2022 and 2021, restricted for the purpose of providing monetary aid for future lease payments on additional office space, needed to support the growing efforts of Habitat.

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 utilizes a distributed money-market sweep account to mitigate its exposure for certain deposits that would exceed federally insured limits without the use of the sweep account. 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.

NOTE D – UNCONDITIONAL PROMISES TO GIVE

Beginning in 2022, unconditional promises to give that have scheduled payments beyond one year are carried at their present value using an estimated fair market interest rate. The discount rate used for 2022 was 3.99% (the 3-year Treasury bill rate), which resulted in a total discount of $244,888 as of December 31, 2022. Unconditional promises to give are as follows at December 31,:

	2022	2021
Corporate and Foundation	$ 3,778,332	$ 1,839,499
Other Donations	2,155,879	1,156,310
Total Unconditional Promises to Give	5,934,211	2,995,809
Discount Amount	(244,888)	-
Net Carrying Amount	$ 5,689,323	$ 2,995,809

NOTE D – UNCONDITIONAL PROMISES TO GIVE (Continued)

The maturities of unconditional promises to give at December 31, 2022 are as follows:

Receivable in Less than One Year	$ 3,663,711
Receivable in One to Five Years	2,025,612
Total Unconditional Promises to Give	$ 5,689,323

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, 2022. The conditional pledges relate to obtaining matching funds for future operations ($1.4 million) and completion of a certain number of construction projects ($1.5 million).

As of December 31, 2022, there is a $1.5 million pledge included in the long-term portion of unconditional promises to give which is restricted for the purpose of providing monetary support for facilities expansion.

NOTE E – INVESTMENTS

Habitat's investments at December 31, 2022 consist of the following:

	Carrying Value
Cash Equivalents	$ 1,411,324
U.S. Treasury and Corporate Notes	8,888,080
Equity Mutual Funds	919,657
	$11,219,061

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

	Carrying Value
Cash Equivalents	$ 1,203,529
U.S. Treasury and Corporate Notes	1,509,147
Equity Mutual Funds	1,156,099
	$ 3,868,775

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.

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, 2022.

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.

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, 2022 and 2021.

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and Cash Equivalents	$ 1,411,324	$ -	$ -	$ 1,411,324
U.S. Treasury and Corporate Notes	8,888,080	-	-	8,888,080
Equity Mutual Funds	919,657	-	-	919,657
	$11,219,061	$ -	$ -	$11,219,061

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
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
Total Assets at Fair Value	$ 3,868,775	$ -	$ -	$ 3,868,775

There were no transfers in and out of Levels 1, 2, and 3 in years 2022 and 2021.

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

Habitat established a new endowment fund ("the Fund") in 2021 to provide capital for long-term sustainability of Habitat to further its mission. The Fund is managed and administered by an appointed Endowment Fund Committee (Fund Committee), under the guidelines of a Fund agreement (Fund Agreement), which is approved and controlled by Habitat's Board of Directors.

NOTE G – ENDOWMENTS (Continued)

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 has interpreted the Uniform Prudent Management of Institutions Act (UPMIFA) as requiring the assets of an endowment fund be donor-restricted until approved for spending, unless otherwise specifically stated by the donor. As a result of this interpretation, Habitat classifies net assets with donor restrictions as follows: (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.

The investment and spending policies for endowment assets are managed in accordance with the Fund Agreement. The Fund Committee is currently in the process of implementing a formal investment policy for the Fund, and selecting a professional asset manager. While the Fund Committee finalizes its longer-term investment approach, the current Fund's liquid assets are being held mainly in interest-bearing accounts. In establishing its permanent policy, the Fund Committee will determine the desired balance between maintenance of the real purchasing power of the Fund assets in perpetuity against its current distribution needs to support its annual spending policy. The planned investment objective of the Fund will be to achieve a reasonable rate of return, without incurring undue risk. In order to achieve this objective, the planned Fund's goal will be to return a real rate of return ahead of inflation, with periodic evaluations based on current and expected market conditions.

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.

The Fund Agreement allows up to 5% of the total market value of the Fund on December 31st 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.

NOTE G – ENDOWMENTS (Continued)

Endowment net assets composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 560,779	$ 560,779
Board-designated	-	-	-
	$ -	$ 560,779	$ 560,779

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 545,118	$ 545,118
Board-designated	-	-	-
	$ -	$ 545,118	$ 545,118

At this time, 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 $559,618 in order to provide for a steady stream of income in the future.

Changes in Endowment Net Assets for the year ended December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2021	$ -	$ 545,118	$ 545,118
Endowment Contributions	-	14,618	14,618
Investment Return, Net	-	1,043	1,043
Endowment Net Assets, December 31, 2022	$ -	$ 560,779	$ 560,779

Changes in Endowment Net Assets for the year ended December 31,2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2020	$ -	$ -	$ -
Endowment Contributions	-	545,000	545,000
Investment Return, Net	-	118	118
Endowment Net Assets, December 31, 2021	$ -	$ 545,118	$ 545,118

NOTE G – ENDOWMENTS (Continued)

As of December 31, 2022, and 2021, respectively, the funds received and held for the Fund were $506,779 and $338,736 in the cash and cash equivalents category of investments, and $54,000 and $206,382 in pledges receivable related to the Fund, both of which are included in the consolidated financial statements.

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 2nd joint venture in 2012 (which was unwound in 2019),
- a note receivable of $5,096,045 from a 3rd joint venture in 2013 (which was unwound in 2019),
- an investment of $1,471,654 for its 9.54% ownership of a 4th joint venture in 2015 (which was unwound in 2022),
- an investment of $2,980,055 for its 13.79% ownership of a 5th joint venture in 2017, and
- an investment of $2,128,409 for its 34.34% ownership of a 6th joint venture in 2021.

NOTE H – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES (Continued)

As expected and described above, the 1st, 2nd, 3rd, and 4th NMTC transactions all unwound without any material cash flows. Habitat recognized income from the extinguishment of debt of $0.7 million in 2022 related to the end of the 4th NMTC transaction in 2022. In the future (approximately 7 years from the inception of the last two NMTC transactions described in this footnote), the entities that are the effective owners of Habitat's promissory notes are expected to exercise put options whereby the promissory notes will become the property of the associated joint venture. Similar to the unwinding of the transactions described above, the exercise of the put options will effectively allow Habitat to extinguish the outstanding debt and realize its joint venture investments without further material cash flow activity.

After investment earnings and distributions, the investments in joint venture balance totaled $5.0 million and $6.5 million as of December 31, 2022, and 2021, respectively.

NOTE I – MORTGAGE LOANS

Traditional Homeownership Mortgage loans

Recent Mortgage Lending Activities: During 2022 and 2021, respectively, Habitat closed 62 and 51 mortgages related to its homeownership program totaling $8.5 million and $6.6 million. These loans were originated primarily with low- to moderate-income families as a 30-year, fully amortizing loan, with a 2.625% fixed interest rate, which is fully collateralized by the underlying property being financed.

Mortgages Held. Home mortgage 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.

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. At the time, 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 below-market 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.

Beginning in 2021 and 2022, Habitat implemented various mortgage monetization programs (discussed below) through various loan and purchase agreements with third parties allowing for liquidity of the mortgage balance shortly after closing. Because of this immediate committed source of liquidity at 100% of the face amount of these mortgage loans held, management believes these mortgage loans are at-market and therefore, there is no need to record any discount on the loans at inception.

NOTE I – MORTGAGE LOANS

Traditional Homeownership Mortgage loans (Continued)

The total number of the above-mentioned loans held, and the carrying value of these loans, as of December 31, 2022 and 2021, were as follows:

	2022	2021
Number of Loans Held:		
Below-Market Mortgage Loans	170	172
At-Market Mortgage Loans	86	38
Total Mortgage Loans	256	210
Carrying Value:		
Below-Market Mortgage Loans	$ 11,815,915	$ 12,217,848
Loan Discount	(6,982,927)	(7,408,060)
Subtotal	4,832,988	4,809,788
At Market Mortgage Loans	11,186,535	5,030,936
Net Carrying Value	$ 16,019,523	$ 9,840,724

Management believes no provision for loan losses is required for this loan portfolio because: (i) Habitat has historically experienced a very low default rate on its mortgage portfolio, (ii) Habitat is not aware of any factors that exist that may cause any material defaults on the existing portfolio, and (ii) Habitat is a secured creditor and the fair market value of the homes is typically in excess of the related mortgage note balance.

Mortgage Monetization Programs. As a means to provide greater and near-term liquidity from its mortgage portfolio to allow for reinvestment back into its programs, Habitat has utilized the following approaches:

- *Mortgages Sold.* From time to time, Habitat has sold some of this loan portfolio to financial institutions as a source of liquidity. There are no carrying amounts in Habitat's consolidated financial statements for mortgage loans sold. However, Habitat has a contingent 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.

NOTE I – MORTGAGE LOANS

Traditional Homeownership Mortgage loans (Continued)

At December 31, 2022 and 2021, Habitat had sold a total of 295 loans and 287 loans of its portfolio for which Habitat had recourse obligations outstanding of approximately $20.9 million and $20.2 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 $0.8 million as of both December 31, 2022 and 2021.

- *Loan Pool Purchase Agreements (LPPAs).* Habitat has leveraged certain mortgages held to obtain debt from a consortium of lenders equal to 100% of the total mortgage values under two LPPAs, 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 used to service the monthly principal and interest payments of the associated debt.

  Habitat utilized 41 and 35 held mortgage loans to obtain debt of $5.7 million and $4.4 million during 2022 and 2021, respectively.

  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, 2022, and 2021, respectively, Habitat had such reserves included in restricted cash of approximately $0.5 million and $0.2 million.

  See Note K for additional discussion of the LLPA funding arrangements.

- *Other Mortgage Monetization Debt*. Habitat entered into a 15-year note debt agreement with a nonprofit organization that would provide up to $1 million of debt proceeds as a liquidity source for mortgages originated and held by Habitat. During 2022, Habitat originated and held two (2) loans totaling $0.4 million associated with this liquidity approach. See Note K for discussion this debt arrangement.

NOTE I – MORTGAGE LOANS

Traditional Homeownership Mortgage loans (Continued)

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 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 to pay off the corresponding debt obligation of O100, at which time Habitat also then receives full ownership rights of the underlying mortgage loan, which helps mitigate Habitat's financial exposure related to these transactions. At both December 31, 2022 and 2021, there were 88 mortgage loans of approximately $9.1 million and $9.4 million, respectively, held by O100 related to this relationship with Habitat. Habitat is required to maintain cash reserves for potential losses related to these recourse obligations. As of both December 31, 2022, and 2021, Habitat had such reserves included in restricted cash of approximately $0.9 million. Beginning in 2021, Habitat ended its new mortgage lending relationship with O100, and instead, now originates all of its own mortgage lending internally mainly through HOAMS.

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 206 and 146 of these loans outstanding at December 31, 2022 and 2021, respectively. As of December 31, 2022, and 2021, the allowance for the home repairs loans was $90,000 and $80,000, respectively.

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

	2021	2020
Home Repair Loans	$ 1,171,018	$ 753,568
Loan Discount	(304,615)	(191,120)
Allowance for Doubtful Accounts	(90,000)	(80,000)
Net carrying amount	$ 776,403	$ 482,448

NOTE J – BANK REVOLVING LINE OF CREDIT

At December 31, 2022 and 2021, Habitat had two bank revolving line of credit (LOC) agreements as follows:

- Total available amount of $2,000,000, which was amended in 2022 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, 2022 was 7.25%. Habitat had no outstanding balance on the line of credit at December 31, 2022 and 2021.

- Total available amount of $1,500,000, which was amended in 2023 to be payable on January 12, 2024, 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, 2022 was 7.50%. Habitat had no outstanding balance on the line of credit at December 31, 2022.

NOTE K – LONG-TERM DEBT

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

	2022	2021
Interest-free promissory notes payable to Habitat International. Monthly payments range from $56 to $1,390 and due dates range from June 2023 to June 2026.	$ 212,480	$ 265,879
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 had a put option feature that was exercised in 2022. The note was secured by substantially all assets acquired from the project loan proceeds. (See Note H)	-	2,157,398
Note payable to HFHI NMTC SUB-CDE II, LLC, semi-annual interest only payments until May 2024 at 0.68%, then semi-annual payments in an amount sufficient to fully amortize the remaining balance by July 2047. The associated agreements include a put option feature that is exercisable in 2024. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note H)	4,406,299	4,406,299

NOTE K– LONG-TERM DEBT (Continued)

	2022	2021
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	$ 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.	102,405	107,887
A 15-year, $5 million note payable to a nonprofit organization, of which $2.5 million had been drawn upon as of December 31, 2022. The full amount of the note can be drawn upon any time before the end of 2023. The proceeds can be used to cover up to $4 million of land development costs related to Habitat's Bluestem Prairie home development project (see Note Q), with the balance available for mortgage capital (see Note I). Quarterly interest payments at 2% beginning in 2022, with annual principal payments of $185,000 beginning 2026 through 2036, with the remaining unpaid principal balance of $465,000 due upon maturity in 2037. Other key debt agreement provisions: (i) the debt is unsecured, (ii) subject to annual liquidity and debt service coverage ratios, and (iii) principal prepayments are allowed without penalty. Habitat was in compliance with the debt agreement as of December 31, 2022.	2,500,000	-
Notes payable under the LPPAs, monthly principal payments totaling $0.3 million for 2023, and increasing through the scheduled amortization of the note through its final maturity in 2052, reaching the highest annual payment level of $0.5 million 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).	9,938,642	4,370,434

NOTE K– LONG-TERM DEBT (Continued)

	2022	2021
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.	\$ 488,220	\$ 617,060
Total Long-Term Debt	20,512,810	14,789,721
Less Debt Issuance Costs	(380,919)	(498,028)
Less Current Portion of Long-Term Debt	(440,245)	(281,242)
	\$ 19,691,646	\$ 14,010,451

The aggregate maturities of long-term debt for the years ending after December 31, 2022 are as follows:

Years Ending December 31,	
2023	\$ 440,245
2024	532,100
2025	777,590
2026	728,099
2027	707,038
Thereafter	17,327,738
	\$ 20,512,810

During the first quarter of 2023, Habitat drew upon the remaining \$2.5 million balance available under the 15-year note payable mentioned in the above table, bringing the total outstanding balance to \$5 million.

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, 2022 and 2021, Habitat contributed \$170,000 and \$160,030 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, 2022 and 2021:

	2022		2021	
	Contribution	Expense	Contribution	Expense
Construction in Progress	$ 668,457	$ -	$ 815,548	$ -
Professional Fees	56,391	56,391	130,444	130,444
Inventory	12,094	-	60,230	-
Publicity	5,000	5,000	-	-
Miscellaneous	143,032	143,032	49,959	49,859
Property and Equipment	20,617	-	2,299	-
Total In-Kind Contribution	$ 905,591	$ 204,423	$ 1,058,480	$ 180,303

In valuing in-kind contributions, Habitat estimated the fair value at the wholesale prices of identical or similar products purchased in the area, along with current rates for similar services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

NOTE N – RETIREMENT PLAN

Habitat participates in a 403(b) retirement savings plan covering substantially all employees. Habitat's contributions are discretionary. Habitat contributed $126,888 and $117,676 for the years ended December 31, 2022 and 2021, 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 secured commitments from third parties to purchase up to approximately $3.5 million and $5 million of its mortgage loans for 2022, and 2023, respectively. Habitat secured lending commitments under its two LPPAs for up to approximately $ 9.5 million and $11.5 million for 2022 and 2023, respectively. Through these agreements, Habitat believes it will be able to monetize all of its 2023 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 $19.6 million at December 31, 2022, $17.1 million of this debt has a direct funding source as follows:

- The debt service cash requirements associated with the NMTC loans of $7.2 million (see Note H) are funded by the investment return on the associated investment in joint ventures.

- The debt service cash requirements associated with the LPPAs of $9.9 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 $2.5 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 $4.1 million on an undiscounted basis, could be used as collateral to obtain loans if needed for unanticipated liquidity needs.

NOTE P – LIQUIDITY AND AVAILABILITY (Continued)

The following reflects Habitat's financial assets as of December 31, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	$ 3,717,167	$ 6,033,706
Restricted cash	2,625,166	3,085,808
Investments	11,219,061	3,868,775
Current portion of unconditional promises to give	3,663,711	2,118,269
Current portion of mortgage loans	855,082	718,269
Current portion of home repair loans	228,708	165,576
Other receivables	1,032,595	729,244
Total financial assets	23,341,490	16,719,647
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	(8,843,429)	(5,855,756)
Cash restricted by contract	(2,625,166)	(3,085,808)
Investments restricted for loan transactions	(788,847)	(805,000)
Board designations:		
Operating reserves	(2,463,534)	(2,813,431)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,620,514	$ 4,159,652

NOTE Q – LAND HELD FOR CONSTRUCTION ACTIVITIES

Individual Lots Available for Construction Use. Habitat owns various individual properties within the greater-Omaha area which can be built upon at Habitat's discretion. As of December 31, 2022, and 2021, respectively, Habitat held 241 and 260 individual lots of land available for construction use with a carrying value of approximately $1.0 million at both December 31, 2022 and 2021.

Land Development Projects. As of December 31, 2022 and 2021, Land Held for Home Construction Activities included several items related to Habitat's planned expansion of its homeownership program over the next several years as follows:

NOTE Q – LAND HELD FOR CONSTRUCTION ACTIVITIES (Continued)

- Land acquisition and development costs (e.g., engineering work, land grading, streets, sewer installation, etc.) of $3.2 million and $0.3 million as of December 31, 2022 and 2021, respectively, related to the work on Habitat's 19-acre development project in Northeast Omaha called Bluestem Prairie. Land acquisition and development efforts are expected to be completed in mid-2023 for an estimated total project cost of approximately $4.5 million, with the construction of the first of 85 planned homes to begin in 2023.
- Land acquisition costs of $1.7 million as of December 31, 2022 related to 26 acres of undeveloped land in Northeast Omaha, which is located adjacent to the Bluestem Prairie development mentioned above. Land development efforts have commenced in 2023 and, at this time, are expected to be completed in the 2024-2025 time-frame at a total cost of approximately $10 million, with the construction of the first of 112 planned homes expected to begin in 2025-2026 time-frame.
- Land acquisition costs of $0.6 million as of December 31, 2022 related to the purchase of 10 "shovel-ready" lots in Washington County, which Habitat expects to utilize for house construction over the next 4-5 years.
- Land acquisition costs of $0.4 million as of December 31, 2022 related to the purchase of 11 "shovel-ready" lots in Western Douglas County, Nebraska, which Habitat expects to utilize for house construction in 2024 or 2025.
- Land acquisition costs of $0.7 million and $0.5 million as of December 31, 2022 and 2021, respectively, related to 14 acres of undeveloped land located in Sarpy County, Nebraska. The timing and estimated costs of any development on this land are currently in the planning stage.

In addition to the land acquisition and development activities noted above, in February 2023, Habitat entered into an agreement to purchase 26 acres of undeveloped land located in Northeast Omaha for approximately $1.6 million, with $1.3 million of this purchase price due in late 2023. This land is located in close proximity to the Bluestem Prairie development mentioned above. The timing and estimated costs of any development on this land are currently in the planning stage.

Any forward-looking statements regarding future estimates and timing of activities noted above are based on Habitat's current planning activities and estimates. The actual activities and amounts are dependent upon many factors, including Habitat's operational capabilities, contractual commitments, and access to funding sources. Thus, these time frames and estimates are likely to change as Habitat continues to modify and execute against its multi-year operational plan.

NOTE Q – LAND HELD FOR CONSTRUCTION ACTIVITIES (Continued)

Major Contribution and Its Impact. During 2022, Habitat received a one-time, $11 million unrestricted contribution from a private, national foundation which is reflected in 2022 contribution revenues, effectively more than doubling Habitat's normal contribution revenues during 2022. These incremental funds helped Habitat pursue the above-mentioned land acquisition and development activities on a more accelerated basis, allowing Habitat to secure several properties to help facilitate its planned future construction growth for its homeownership program over the next 5-8 years.

NOTE R – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of December 31, 2022 and 2021:

	2022	2021
Endowment funds	$ 560,779	$ 545,118
Contributions Receivable which are unavailable for expenditure until due	5,697,911	1,843,822
Purpose restrictions:		
Homeowner Education & Support	530,380	304,915
Construction & Neighborhood Revitalization	1,407,574	2,961,349
Building fund – campus	635,000	135,000
General Operations	11,785	65,552
Net Assets with Donor Restrictions	$ 8,843,429	$ 5,855,756

As of December 31, 2022, and 2021, $4,759,829 and $605,489, 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, 2022

Federal Grantor/Pass Through Grantor/Program Title	Assistance Listing Number		Pass-Through Entity Identifying Number	Total Federal Expenditures	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Habitat for Humanity International					
Self-Help Homeownership Opportunity Program	14.247		N/A	$ 265,879	*
Passed through City of Bellevue					
Community Development Block Grant	14.218		B-19-MC-31-003	22,000	
Community Development Block Grant	14.218		B-21-MC-31-003	45,000	
				67,000	
Passed through Habitat for Humanity International					
Veterans Housing Rehabilitation and Modification Program	14.278		FR-6200-N-39	33,996	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through the Nebraska Department of Environment and Energy					
Low Income Home Energy Assistance Program (LIHEAP)	93.568	1/	G-18B1NELIEA	535,476	
U.S. DEPARTMENT OF ENERGY					
Passed through the Nebraska Department of Environment and Energy					
Low Income Weatherization Assistance Program (WAP)	81.042		DE-EE0007933	281,530	
Total Expenditures of Federal Awards				**$ 1,183,881**	

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, 2022

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, 2022.

NOTE C – MAJOR PROGRAM

CFDA Number	Program Name
93.568	Low Income Home Energy Assistance Program (LIHEAP)

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, 2022:

HABITAT FOR HUMANITY OF OMAHA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended December 31, 2022

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

Pass-Through Grantor	Identifying Number	Expenditures
Habitat International	SHOP 2012 (193009)- Existing Loans	$ 623*
Habitat International	SHOP 2013 (202018)- Existing Loans	3,774*
Habitat International	SHOP 2013 (203014)- Existing Loans	9,324*
Habitat International	SHOP 2014 (211035)- Existing Loans	12,401*
Habitat International	SHOP 2015 (221001)- Existing Loans	16,632*
Habitat International	SHOP 2015 (222007)- Existing Loans	13,181*
Habitat International	SHOP 2016 (231040)- Existing Loans	49,690*
Habitat International	SHOP 2016 (232017)- Existing Loans	42,808*
Habitat International	SHOP 2017 (241032)- Existing Loans	56,250*
Habitat International	SHOP 2018 (251026)- Existing Loans	10,058*
Habitat International	SHOP 2018 (252011)- Existing Loans	16,763*
Habitat International	SHOP 2019 (261015)- Existing Loans	27,500*
Habitat International	SHOP 2019 (262004)- Existing Loans	6,875*
		$ 265,879

*Represents the balance of a loan from a previous year that the federal government imposes the continuing compliance requirements totaling $265,879.

HABITAT FOR HUMANITY OF OMAHA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended December 31, 2022

NOTE E – LOAN BALANCES

CFDA Number	Identifying Number	Balance at January 1, 2022	New Loans	Payments	Balance at December 31, 2022
14.247	SHOP 2012 - Loans	$ 623	-	$ (623)	$ -
14.247	SHOP 2013 - Loans	3,774	-	(3,774)	-
14.247	SHOP 2013 - Loans	9,324	-	(6,552)	2,772
14.247	SHOP 2014 - Loans	12,401	-	(8,748)	3,653
14.247	SHOP 2015 - Loans	16,632	-	(6,864)	9,768
14.247	SHOP 2015 - Loans	13,181	-	(4,932)	8,249
14.247	SHOP 2016 - Loans	49,690	-	(16,560)	33,130
14.247	SHOP 2016 - Loans	42,808	-	(5,346)	37,462
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
		$ 265,879	$ -	$ (53,399)	$ 212,480

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, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 31, 2023.

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
May 31, 2023

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

bland & associates
beyond accounting
Certified Public Accountants

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, 2022. 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, 2022.

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.

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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.

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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
May 31, 2023

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

A. SUMMARY OF AUDITORS' RESULTS

CONSOLIDATED FINANCIAL STATEMENTS AUDIT

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

MAJOR FEDERAL AWARDS PROGRAM AUDIT

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

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

A. SUMMARY OF AUDITORS' RESULTS (Continued)

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

	CFDA No.
Low Income Home Energy Assistance Program	93.568

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

Is the Organization considered to be a low-risk auditee?: Yes__X__ No______

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.