

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2021

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 001-39916

DREAM FINDERS HOMES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

14701 Philips Highway, Suite 300, Jacksonville, FL
(Address of principal executive offices)

85-2983036
(I.R.S. Employer Identification No.)

32256
(Zip code)

(904) 644-7670
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.01 per share	DFH	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 10, 2021, there were 32,295,329 shares of the registrant's Class A common stock, par value \$0.01 per share, issued and outstanding and 60,226,153 shares of the registrant's Class B common stock, par value \$0.01 per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. DREAM FINDERS HOMES CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)**

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Assets		
Cash and cash equivalents	\$ 6,154,320	\$ 35,495,595
Restricted cash (VIE amounts of \$5,946,424 and \$8,793,201)	46,936,952	49,715,553
Accounts receivable	51,021,302	24,927,903
Inventories:		
Construction in process and finished homes	537,758,853	396,630,945
Joint venture owned land and lots (VIE amounts of \$18,151,982 and \$40,900,552)	18,152,136	40,900,552
Company owned land and lots	75,083,602	46,839,616
Lot deposits	107,717,122	66,272,347
Equity method investments	7,453,783	4,545,349
Property and equipment, net	4,228,857	4,309,071
Operating lease right-of-use assets	12,788,540	14,219,248
Finance lease right-of-use assets	256,612	335,791
Intangible assets, net of amortization	2,161,250	2,660,003
Goodwill	30,360,997	28,566,232
Deferred tax asset	3,312,736	-
Other assets (VIE amounts of \$2,159,645 and \$1,288,359)	28,894,891	18,262,036
Total assets	<u>\$ 932,281,953</u>	<u>\$ 733,680,241</u>
Liabilities		
Accounts payable (VIE amounts of \$0 and \$1,315,582)	34,204,013	37,418,693
Accrued expenses (VIE amounts of \$8,571,439 and \$9,977,268)	65,908,878	67,401,055
Customer deposits	93,275,468	59,392,135
Construction lines of credit	365,000,000	289,878,716
Notes payable (VIE amounts of \$2,992,531 and \$8,821,282)	4,048,531	29,653,282
Operating lease liabilities	13,064,645	14,410,560
Finance lease liabilities	267,198	345,062
Contingent consideration	27,110,480	23,157,524
Total liabilities	<u>\$ 602,879,213</u>	<u>\$ 521,657,027</u>
<i>Commitments and contingencies (Note 6)</i>		
Mezzanine Equity		
Preferred mezzanine equity	6,703,460	55,638,450
Common mezzanine equity	-	20,593,001
Total mezzanine equity	<u>\$ 6,703,460</u>	<u>\$ 76,231,451</u>
Members' Equity		
Common members' equity	-	103,852,646
Total members' equity	<u>\$ -</u>	<u>\$ 103,852,646</u>
Stockholders' Equity - Dream Finders Homes, Inc.		
Class A common stock, \$0.01 per share, 289,000,000 authorized, 32,295,329 outstanding	322,953	-
Class B common stock, \$0.01 per share, 61,000,000 authorized, 60,226,153 outstanding	602,262	-
Additional paid-in capital	255,289,812	-
Retained earnings	45,610,738	-
Non-controlling interests	20,873,515	31,939,117
Total stockholders' and members' equity	<u>329,402,740</u>	<u>212,023,214</u>
Total liabilities, mezzanine equity, members' equity and stockholders' equity	<u>\$ 932,281,953</u>	<u>\$ 733,680,241</u>

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

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues	\$ 365,276,101	\$ 199,801,128	\$ 708,836,466	\$ 388,539,561
Cost of sales	303,589,420	171,236,637	594,626,181	334,982,320
Selling, general and administrative expense	28,686,162	17,062,297	55,652,375	34,581,082
Income from equity in earnings of unconsolidated entities	(1,125,001)	(1,926,702)	(2,857,394)	(3,286,090)
Loss/(Gain) on sale of assets	48,034	(200)	(17,483)	(34,295)
Loss on extinguishment of debt	-	-	697,423	-
Other Income				
Other	(1,668,263)	(785,153)	(2,150,482)	(919,214)
Paycheck Protection Program forgiveness	(7,219,794)	-	(7,219,794)	-
Other Expense				
Other	2,434,780	1,360,526	5,337,828	2,555,837
Contingent consideration revaluation	3,976,980	316,772	5,159,725	316,772
Interest expense	15,796	45,948	657,657	81,653
Income before taxes	<u>36,537,987</u>	<u>12,491,003</u>	<u>58,950,430</u>	<u>20,261,496</u>
Income tax expense	<u>(4,478,317)</u>	<u>-</u>	<u>(9,294,799)</u>	<u>-</u>
Net and comprehensive income	<u>\$ 32,059,670</u>	<u>\$ 12,491,003</u>	<u>\$ 49,655,631</u>	<u>\$ 20,261,496</u>
Net and comprehensive income attributable to non-controlling interests	<u>(3,485,789)</u>	<u>(766,902)</u>	<u>(4,961,107)</u>	<u>(1,957,361)</u>
Net and comprehensive income attributable to Dream Finders Homes, Inc.	<u>\$ 28,573,881</u>	<u>\$ 11,724,101</u>	<u>\$ 44,694,524</u>	<u>\$ 18,304,135</u>
Earnings per share⁽¹⁾				
Basic	\$ 0.31	\$ -	\$ 0.49	\$ -
Diluted	\$ 0.31	\$ -	\$ 0.49	\$ -
Weighted-average number of share				
Basic	92,521,482	-	92,521,482	-
Diluted	92,670,727	-	92,641,222	-

(1) The Company calculated earnings per share ("EPS") based on net income attributable to common stockholders for the period January 21, 2021 through June 30, 2021 over the weighted average diluted shares outstanding for the same period. EPS was calculated prospectively for the period subsequent to the Company's initial public offering and corporate reorganization as described in Note 1 – Nature of Business and Significant Accounting Policies, resulting in 92,521,482 shares of common stock outstanding as of the closing of the initial public offering. The total outstanding shares of common stock are made up of Class A common stock and Class B common stock, which participate equally in their ratable ownership share of the Company. For the six months ended June 30, 2021, the diluted shares of common stock outstanding were 92,641,222.

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

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY
(Unaudited)

	Redeemable Preferred Units Mezzanine		Redeemable Common Units Mezzanine		Common Units Members'		Total Non-Controlling Interests	Total Equity
	Units	Amount	Units	Amount	Units	Amount		
	Balance at March 31, 2020	49,549	\$ 53,435,881	7,010	\$ 16,701,798	76,655		
Unit compensation	-	-	-	-	-	223,750	-	223,750
Contributions	-	-	-	-	-	-	1,789,482	1,789,482
Contributions from non-controlling interests	-	-	-	-	-	-	-	-
Conversion of units	-	-	-	-	-	-	-	-
Redemptions	(1,000)	(1,000,000)	-	-	-	-	-	(1,000,000)
Distributions	-	(344,592)	-	-	-	(1,809,469)	(1,237,665)	(3,391,726)
Net income (loss)	-	1,943,190	-	817,339	-	8,963,572	766,902	12,491,003
Balance at June 30, 2020	48,549	\$ 54,034,479	7,010	\$ 17,519,137	76,655	\$ 68,854,097	\$ 31,409,923	\$ 171,817,636

	Redeemable Preferred Units Mezzanine		Redeemable Common Units Mezzanine		Common Units Members'		Total Non-Controlling Interests	Total Equity
	Units	Amount	Units	Amount	Units	Amount		
	Balance December 31, 2019	49,555	\$ 58,269,166	5,774	\$ 16,248,246	76,655		
Unit compensation	-	-	-	-	-	447,500	-	447,500
Contributions	-	-	1,236	-	-	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	3,558,328	3,558,328
Conversion of units	-	-	-	-	-	-	-	-
Redemptions	(1,006)	(7,000,000)	-	-	-	-	-	(7,000,000)
Distributions	-	(344,591)	-	-	-	(2,019,207)	(4,577,137)	(6,940,935)
Net income (loss)	-	3,109,904	-	1,270,891	-	13,923,340	1,957,361	20,261,496
Balance at June 30, 2020	48,549	\$ 54,034,479	7,010	\$ 17,519,137	76,655	\$ 68,854,097	\$ 31,409,923	\$ 171,817,636

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

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY
CONTINUED
(Unaudited)

	Redeemable Preferred Units		Redeemable Common Units		Common Units Members'		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Retained Earnings	Total Non-Controlling Interests	Total Equity	
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount					
Balance at March 31, 2021	7,143	\$ 6,515,415	-	\$ -	-	\$ -	-	32,295,329	\$ 322,953	60,226,153	\$ 602,262	\$ 253,837,981	\$ 17,224,902	\$ 21,696,487	\$ 300,200,000
Equity-based compensation	-	-	-	-	-	-	-	-	-	-	-	1,451,831	-	-	1,451,831
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,308,761)	(4,308,761)
Net income	-	188,045	-	-	-	-	-	-	-	-	-	-	28,385,836	3,485,789	32,059,670
Balance at June 30, 2021	7,143	\$ 6,703,460	-	\$ -	-	\$ -	-	32,295,329	\$ 322,953	60,226,153	\$ 602,262	\$ 255,289,812	\$ 45,610,738	\$ 20,873,515	\$ 329,402,740

	Redeemable Preferred Units		Redeemable Common Units		Common Units Members'		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Retained Earnings	Total Non-Controlling Interests	Total Equity	
	Units	Amount	Units	Amount	Units	Amount	Shares	Amount	Shares	Amount					
Balance December 31, 2020	48,543	\$ 55,638,450	7,010	\$ 20,593,001	76,655	\$ 103,852,646	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 31,939,117	\$ 212,023,214
Unit compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions	-	(3,617,390)	-	(1,274,690)	-	(18,384,243)	-	-	-	-	-	-	-	(3,476,258)	(26,752,581)
Net income (loss)	-	(157,451)	-	(91,043)	-	(995,588)	-	-	-	-	-	-	-	210,340	(1,033,742)
Balance at January 20, 2021 - prior to reorganization transactions and IPO	48,543	\$ 51,863,609	7,010	\$ 19,227,268	76,655	\$ 84,472,815	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ 28,673,199	\$ 184,236,891
Reorganization transactions	(15,400)	(19,957,513)	(7,010)	(19,227,268)	(76,655)	(84,472,815)	21,255,329	212,553	60,226,153	602,262	122,842,781	-	-	-	-
Issuance of common stock in IPO, net	-	-	-	-	-	-	11,040,000	110,400	-	-	129,886,962	-	-	-	129,997,362
Equity-based compensation	-	-	-	-	-	-	-	-	-	-	2,560,069	-	-	-	2,560,069
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of units	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemptions	(26,000)	(25,530,504)	-	-	-	-	-	-	-	-	-	-	-	-	(25,530,504)
Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,550,451)	(12,550,451)
Net income (loss)	-	327,868	-	-	-	-	-	-	-	-	-	-	45,610,738	4,750,767	50,689,373
Balance at June 30, 2021	7,143	\$ 6,703,460	-	\$ -	-	\$ -	-	32,295,329	\$ 322,953	60,226,153	\$ 602,262	\$ 255,289,812	\$ 45,610,738	\$ 20,873,515	\$ 329,402,740

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

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2021	2020
Cash Flows from Operating Activities		
Net income	\$ 49,655,631	\$ 20,261,496
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Depreciation	1,927,248	1,644,234
Loss on sale of property and equipment	17,483	(34,295)
Amortization of debt issuance costs	1,429,135	1,007,022
Amortization of right-of-use operating lease	1,694,652	1,652,188
Amortization of right-of-use financing lease	79,179	79,179
Payments of operating leases	(263,945)	-
Stock compensation expense	2,560,069	447,500
Income from Paycheck Protection Program	7,219,794	-
Income tax expense	9,294,799	-
Income from equity method investments, net of distributions received	(2,857,394)	(1,153,868)
Remeasurement of contingent consideration	5,159,725	316,772
Changes in Operating Assets and Liabilities		
Inventories	(117,314,953)	(44,451,745)
Lot deposits	(41,001,451)	(153,617)
Deferred tax asset	(3,312,736)	-
Other assets	(33,087,440)	(1,863,186)
Accounts payable and accrued expenses	(30,082,584)	(5,997,441)
Customer deposits	28,941,611	1,788,697
Operating lease liabilities	(1,345,915)	(1,542,667)
Net cash used in operating activities	(121,287,092)	(27,999,731)
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,277,667)	(1,899,210)
Proceeds from disposal of property and equipment	460,456	-
Investments in equity method investments	(600,000)	(1,151,330)
Return of investments from equity method investments	548,961	3,892,354
Business combinations, net of cash acquired	(22,616,862)	-
Net cash used in investing activities	(23,485,112)	841,814
Cash Flows from Financing Activities		
Proceeds from construction lines of credit	1,001,317,365	290,977,833
Principal payments on construction lines of credit	(926,702,546)	(261,002,424)
Proceeds from notes payable	2,420,323	3,963,930
Principal payments on notes payable	(24,378,019)	(7,610,584)
Payment of debt issue costs	(3,883,992)	(514,695)
Payments of equity issuance costs	(12,571,671)	-
Payments on financing leases	(77,864)	(75,873)
Payments on contingent consideration	(1,206,769)	-
Contributions from non-controlling interests	-	3,558,328
Distributions to non-controlling interests	(16,026,705)	(4,577,137)
Proceeds from stock issuance	142,569,035	-
Distributions	(23,276,323)	(2,233,849)
Redemptions	(25,530,506)	(7,000,000)
Contribution from conversion of converted LLC units	123,657,596	-
Conversion of LLC units	(123,657,596)	-
Net cash provided by (used in) financing activities	112,652,328	15,485,529
Net increase (decrease) in cash, cash equivalents and restricted cash	(32,119,876)	(11,672,388)
Cash, cash equivalents and restricted cash at beginning of period	85,211,148	68,728,414
Cash, cash equivalents and restricted cash at end of period	53,091,272	57,056,026
Non-cash Financing Activities		
Financed land payments to seller	8,916,211	-
Leased assets obtained in exchange for new operating lease liabilities	-	133,202
Accrued distributions	-	129,948
Equity issuance costs incurred	905,965	-
Non-cash Investing Activities		
Investment capital reallocation	(3,468,731)	-
Total non-cash financing and investing activities	6,353,445	263,150
Reconciliation of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	6,154,320	35,057,235
Restricted cash	46,936,952	21,998,791
Total cash, cash equivalents and restricted cash shown on the Consolidated Statements of Cash Flows	\$ 53,091,272	\$ 57,056,026

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

DREAM FINDERS HOMES, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business and Significant Accounting Policies

Nature of Business

Dream Finders Homes, Inc. (the “Company” or “DFH, Inc.”) was incorporated in the State of Delaware on September 11, 2020. The Company was formed for the purpose of completing an initial public offering (“IPO”) of its common stock and related transactions in order to carry on the business of Dream Finders Holdings LLC, a Florida limited liability company (“DFH LLC”), as a publicly-traded entity. Pursuant to a corporate reorganization and completion of the IPO on January 25, 2021, the Company became a holding company for DFH LLC and its subsidiaries.

In connection with the IPO, and pursuant to the terms of the Agreement and Plan of Merger by and among DFH, Inc., DFH LLC and DFH Merger Sub LLC, a Delaware limited liability company and direct, wholly owned subsidiary of DFH, Inc., DFH Merger Sub LLC merged with and into DFH LLC with DFH LLC as the surviving entity (the “Merger”). As a result of the Merger, all of the outstanding non-voting common units and Series A Preferred Units of DFH LLC converted into 21,255,329 shares of Class A common stock of DFH, Inc., all of the outstanding common units of DFH LLC converted into 60,226,153 shares of Class B common stock of DFH, Inc. and all of the outstanding Series B Preferred Units and Series C Preferred Units of DFH LLC remained outstanding as Series B Preferred Units and Series C Preferred Units of DFH LLC, as the surviving entity in the Merger. We refer to this and certain other related events and transactions, as the “Corporate Reorganization”.

DFH, Inc. successfully completed its IPO of 11,040,000 shares of Class A common stock (which included full exercise of the over-allotment option) at an IPO price of \$3.00 per share. Shares of the Company’s Class A common stock began trading on the NASDAQ Global Select Market under the ticker symbol “DFH” on January 21, 2021, and the IPO closed on January 25, 2021. The Company is the sole manager of DFH LLC and owns 100% of the voting membership interest in DFH LLC.

The accompanying statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for a complete set of financial statements. As such, the accompanying condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission on March 30, 2021.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of DFH LLC, its wholly owned subsidiaries and the Company’s investments that qualify for consolidation treatment (see Note 9). All intercompany accounts and transactions have been eliminated in consolidation. There are no other components of comprehensive income not already reflected in net and comprehensive income on our Condensed Consolidated Statements of Comprehensive Income.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include all adjustments that are of a normal recurring nature and necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the valuation and impairment of goodwill, impairment of inventories and business combination estimates. Actual results could differ materially from those estimates.

Accounts Receivable

Accounts receivable are included on the Condensed Consolidated Balance Sheets and consist primarily of closing proceeds in transit. Of the total \$51,021,302 balance, \$32,273,654 is related to proceeds in transit from various title companies. The accounts receivable balance is typically received in the first week of the subsequent month.

Other Assets

Other assets are included on the Condensed Consolidated Balance Sheets, and primarily consist of prepaid expenses, debt issuance costs and contract assets.

Contingent Consideration

In connection with the acquisition of Village Park Homes, LLC (“VPH”) in May 2019, the Company recorded contingent consideration based on estimated pre-tax income of the acquired entity for fiscal years 2019, 2020, 2021 and 2022. In connection with the acquisition H&H Constructors of Fayetteville, LLC (“H&H”) in October 2020 (Note 2), the Company recorded contingent consideration based on estimated pre-tax income of the acquired entity for the fourth quarter of 2020, fiscal years 2021, 2022, 2023 and the fourth quarter of 2024. The measurement of contingent consideration was based on projected cash flows such as revenues, gross margin, overhead expenses and pre-tax income and discounted back using the discounted cash flow method. The Company recorded the fair value of the contingent consideration as a liability on the respective acquisition dates. The estimated earn-out payments are subsequently remeasured to fair value at each reporting date based on the estimated future earnings of the acquired entities. The contingent consideration for each acquisition is scheduled to be paid out each year subsequent to the anniversary of the respective acquisition closing date.

As of June 30, 2021 and December 31, 2020, the Company remeasured contingent consideration related to the acquisition of VPH and adjusted the liability to \$7,308,764 and \$6,847,524, respectively, based on revised pre-tax income forecasts as of the balance sheet date. The Company recorded contingent consideration adjustments resulting in \$76,932 of expense and \$316,772 of income for the three months ended June 30, 2021 and 2020, and \$461,240 of expense and \$316,772 of income for the six months ended June 31, 2021 and 2020, respectively. These adjustments are included in other expenses related to contingent consideration revaluations on the Condensed Consolidated Statements of Comprehensive Income.

The Company measured contingent consideration related to the acquisition of H&H on October 5, 2020, which approximated the value at December 31, 2020. As of June 30, 2021 and December 31, 2020, the Company recorded contingent consideration for the H&H acquisition of \$19,801,716 and \$16,310,000, respectively. The Company recorded contingent consideration adjustments resulting in \$3,900,048 and \$0 of expense for the three months ended June 30, 2021 and 2020, and \$4,698,485 and \$0 of expense for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, total contingent consideration on the Consolidated Balance Sheets is \$27,110,480. The Company’s contingent consideration related to acquisition earn-out payments is based on a percentage of pre-tax net and comprehensive income achieved by the acquired entity, and as such, is revised accordingly. The payment of the H&H earn-out is subject to certain minimum earnings thresholds which must be met by H&H before an earn-out payment occurs.

Maximum potential exposure for contingent consideration is not estimable based on the contractual terms of the contingent consideration agreements, which allow for a percentage payout based on a potentially unlimited range of pre-tax income. In April 2021, the Company paid \$1,206,769 in contingent consideration to H&H. There were no other payments of contingent consideration for the six months ended June 30, 2021 and 2020, respectively.

Variable Interest Entities

The Company participates in joint ventures that conduct land acquisition, land development and/or other homebuilding activities in various markets where the Company’s homebuilding operations are located. The Company’s investments in these joint ventures may create a variable interest in a variable interest entity (“VIE”), depending on the contractual terms of the arrangement. Additionally, the Company, in the ordinary course of business, enters into contracts with third parties and unconsolidated entities for the ability to acquire rights to land for the construction of homes. Under these contracts, the Company typically makes a specified payment or earnest money deposit in consideration for the right to purchase land in the future, usually at a predetermined price. Consideration paid for these contracts is recorded as lot deposits on the Consolidated Balance Sheets.

Pursuant to Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 810 and subtopics related to the consolidation of variable interest entities, the Company analyzes its joint ventures under the variable interest model to determine if such are required to be consolidated in the Company’s condensed consolidated financial statements. The accounting standard requires a VIE to be consolidated by a company if that company is determined to be the primary beneficiary. The primary beneficiary is defined as the entity having both of the following characteristics: 1) the power to direct the activities that most significantly impact the VIE’s performance, and 2) the obligation to absorb losses and rights to receive the returns from the VIE that would be potentially significant to the VIE. See Note 9 for a description of the Company’s joint ventures, including those that were determined to be VIEs, and the related accounting treatment. Management determines whether the Company is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion continually. To make this determination, management considers factors such as whether the Company should direct finance, determine or limit the scope of the entity, sell or transfer property, direct development or direct other operating decisions.

Joint ventures for which the Company is not identified as the primary beneficiary are accounted for as equity method investments. The Company and its unconsolidated joint venture partners make initial and/or ongoing capital contributions to these unconsolidated joint ventures, typically on a pro rata basis, according to each party’s respective equity interests. The obligations to make capital contributions are governed by each such unconsolidated joint venture’s respective operating agreement and related governing documents. Partners in these unconsolidated joint ventures are unrelated homebuilders, land developers or other real estate entities.

For distributions received from these unconsolidated joint ventures, the Company has elected to use the cumulative earnings approach for the Condensed Consolidated Statements of Cash Flows. Under the cumulative earnings approach, distributions up to the amount of cumulative equity in earnings recognized are treated as returns on investment within operating cash flows and those in excess of that amount are treated as returns of investment within investing cash flows.

The Company typically has obtained options to acquire portions of the land held by the unconsolidated joint ventures in which the Company currently participates. When an unconsolidated joint venture sells land to the Company, the Company defers recognition of its share of such unconsolidated joint venture’s earnings (losses) until the Company recognizes revenues on the corresponding home sale. At that time, the Company accounts for the earnings (losses) as a reduction (increase) to the cost of purchasing the land from the unconsolidated joint venture.

The Company shares in the earnings (losses) of these unconsolidated joint ventures generally in accordance with its respective equity interests. In some instances, the Company recognizes earnings (losses) that differ from its equity interest in the unconsolidated joint venture. This typically arises from the Company’s deferral of the unconsolidated joint venture’s earnings (losses) from land sales to the Company.

Non-Controlling Interests

The equity interests in DFH Leyden LLC, DFH Amelia LLC, DFH Clover LLC, DFH Leyden II LLC, DFH MOF Eagle Landing LLC, DCE DFH JV LLC, DFH Capitol LLC, DFC Mandarin Estates LLC, DFC East Village LLC, DFC Wilford LLC, DFC Amelia Phase III LLC, DFC Sterling Ranch LLC and DFC Grand Landings LLC have been reflected as non-controlling interests in the Consolidated Balance Sheets. Income attributable to these non-controlling interests are presented in the Condensed Consolidated Statements of Comprehensive Income as net income attributable to non-controlling interests.

Income Taxes

We are a corporation subject to income taxes in the United States. Our proportional share of the Company's subsidiaries' provisions are included in our condensed consolidated financial statements. Our deferred income tax assets and liabilities are computed for differences between the asset and liability method and financial statement amounts that will result in taxable or deductible amounts in the future. We compute deferred balances based on enacted tax laws and applicable rates for the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized for deferred tax assets if it is more likely than not that some portion or all of the net deferred tax assets will not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine we would be able to realize our deferred tax assets for which a valuation allowance had been recorded, then we would adjust the deferred tax asset valuation allowance, which would reduce our provision for income taxes. We evaluate the tax positions taken on income tax returns that remain open and positions expected to be taken on the current year tax returns to identify uncertain tax positions. Unrecognized tax benefits on uncertain tax positions are recorded on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is more than 50 percent likely to be realized is recognized. Interest and penalties related to unrecognized tax benefits are recorded in income tax benefit. We have no uncertain tax positions that qualify for inclusion in our condensed consolidated financial statements. See "Note 10—Income Taxes."

Equity-Based Compensation

Certain individuals on our executive-level management team are eligible for equity-based compensation, which is awarded according to the terms of individual contracts with those managers. The Company records compensation cost for stock awarded to employees in return for employee service. The cost is measured at the grant-date fair value of the award and recognized as compensation expense over the employee service period, which is normally the vesting period. The Company does not estimate forfeitures. In the event of forfeitures, the compensation expense recognized would be adjusted.

Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Report (Topic 848)*, which provides practical expedients and exceptions for applying GAAP when modifying contracts and hedging relationships that use LIBOR as a reference rate. In addition, these amendments are not applicable to contract modifications made and hedging relationship entered into or evaluated after December 31, 2022. We do not anticipate a material increase in interest rates from our creditors as a result of the shift away from LIBOR as a reference rate, and we are currently evaluating the impact of the shift and this guidance on our financial statements and disclosures.

2. Business Acquisition

On October 5, 2020, the Company acquired 100% of the issued and outstanding membership interests in H&H, an operative homebuilder, for a purchase price of \$4,096,448, net of \$1,710,275 in purchase price reduction related to customary closing adjustments. To fund the acquisition, the Company obtained a \$20,000,000 bridge loan from Boston Omaha Corporation, LLC, with an interest rate of 14% per annum maturing on May 1, 2021, paid cash of \$9,496,723 and agreed to pay contingent consideration estimated in the amount of \$16,310,000 if H&H met certain financial metrics.

Accordingly, the Company recognized the excess purchase price over the fair value of the net assets acquired as goodwill of \$16,357,450. The goodwill arising from the acquisition consists largely of synergies and economies of scale from H&H's operating footprint, which includes owned properties, increased future revenue and earnings from organic growth, new business opportunities and strategic initiatives. Transaction costs were not material and were expensed as incurred.

The business combination was accounted for under the acquisition method, and the acquisition has been included in the Company's consolidated results of operations since the date of acquisition. The fair value of assets acquired includes cash of \$10,956,359, other assets of \$8,253,966, tradename of \$2,660,000, inventories of \$143,817,075 and liabilities assumed of \$137,949,737, including \$116,894,907 of construction lines of credit.

On January 31, 2021, the Company completed the acquisition of Century Homes from Tavistock Development Company. The Company paid \$35,500,000 to acquire 134 units under construction and 229 finished lots on which the Company expects to begin construction during 2021 and 2022. The Company evaluated the Century Homes acquisition for significance under SEC Rule 3-05, and determined the acquisition did not meet the significance threshold.

The following unaudited pro forma condensed consolidated results of operations are provided for illustrative purposes only and have been presented as if the H&H and Century Homes acquisitions had occurred on January 1, 2020. This unaudited pro forma information should not be relied upon as being indicative of the historical results that would have been obtained if the acquisition had occurred on that date, nor of the results that may be obtained in the future.

Unaudited Pro Forma	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Total revenue	\$ 365,276,101	\$ 275,723,212	715,419,060	\$ 522,924,452
Net and comprehensive income attributable to Dream Finders Homes, Inc.	\$ 28,573,881	\$ 15,034,154	45,016,495	\$ 22,312,843

3. Construction Lines of Credit

On January 25, 2021, the Company entered into a \$450,000,000 syndicated credit facility with Bank of America, N.A. (the "Credit Agreement"), and subsequently repaid \$40,000,000 in outstanding debt, including the \$20,000,000 bridge loan with Boston Omaha Corporation, LLC, and terminated all then-existing construction lines of credit. Under the Credit Agreement, the Company has the option to enter into Base Rate or LIBOR Rate contracts. The interest is payable based on the contract terms and is variable dependent on the Company's debt to capitalization ratio, and applicable interest rates in the market (LIBOR Rate, Prime Rate, etc.).

As of June 30, 2021, the cumulative maximum availability under the Credit Agreement was \$450,000,000, and the aggregate outstanding balance was \$365,000,000. As of December 31, 2020, the Company had 34 lines of credit with cumulative maximum availability of \$762,979,000, and an aggregate outstanding balance of \$289,878,716.

Our indebtedness as of December 31, 2020, was fully collateralized by homes under construction and, to a much smaller extent, finished lots. Under the Credit Agreement, the funds available are unsecured and availability under the borrowing base is calculated based on work-in-progress inventory.

The Credit Agreement and the Company's construction lines of credit consist of the following:

Renewal Date	Payment Terms	As of		As of	
		June 30,	2021	December 31,	2020
		2021	Effective Rate	2020	2020
					Effective Rate
January 25, 2024	Interest is payable based on the Applicable Rate per the Credit Agreement	365,000,000	3.97%	-	-
November 30, 2019	Interest is payable monthly, at the greater of Prime rate or 4.25%	-	-	545,350	4.25%
November 30, 2019	Interest is payable monthly at the greater of the Prime rate plus 1.00% or 5.50%	-	-	540,565	5.50%
February 9, 2021	Interest is payable monthly at 3.40% plus 30-day LIBOR	-	-	390,000	4.06%
March 31, 2021	Interest is payable monthly at 9.50%	-	-	269,030	10.33%
April 30, 2021	Interest is payable monthly at the greater of the Prime rate plus 0.50% or 3.75%	-	-	11,923,342	6.53%
April 30, 2021	Interest is payable monthly at the Prime rate plus 0.50%	-	-	3,521,203	3.93%
May 10, 2021	Interest is payable monthly at the greater of Prime rate plus 0.50% or 4.25%	-	-	7,391,080	6.39%
June 12, 2021	Interest is payable monthly at 3.00% plus 3-month LIBOR	-	-	14,457,573	3.96%
June 30, 2021	Interest is payable monthly at the greater of 3.50% plus 30-day LIBOR or 4.50%	-	-	17,290,107	4.80%
June 30, 2021	Interest is payable monthly at 3.75% + 1-month LIBOR	-	-	13,318,374	4.37%
August 25, 2021	Interest is payable monthly at the Prime rate plus 0.75%	-	-	1,486,800	3.81%
September 30, 2021	Interest is payable monthly at 3.00% plus 3-month LIBOR.	-	-	62,127,292	3.91%
October 1, 2021	Interest is payable monthly at the greater of 4.50% or 3.90% plus 1-month LIBOR.	-	-	11,863,043	6.42%
October 2, 2021	Interest is payable monthly at the greater of 4.00% or 3.75% plus 1-month LIBOR	-	-	4,361,201	7.75%
October 2, 2021	Interest is payable monthly at the greater of the Prime rate plus 1.00% or 5.00%	-	-	14,525,422	5.00%
October 5, 2021	Interest is payable monthly at 4.50% plus 1-month LIBOR	-	-	11,227,212	5.03%
October 25, 2021	Interest is payable monthly at the Prime rate plus 0.50%	-	-	861,909	4.77%
November 2, 2021	Interest is payable monthly at the greater of the Prime rate plus 0.75% or 4.50%	-	-	8,034,458	6.01%
December 15, 2021	Interest is payable monthly at the greater of the Prime rate plus 0.50% or 5.00%	-	-	2,205,715	4.24%
December 18, 2021	Interest is payable monthly at 3.00% plus 30-day LIBOR	-	-	8,468,565	4.17%
December 18, 2021	Interest is payable monthly at 3.95% plus 1-month LIBOR	-	-	9,558,836	6.00%
December 31, 2021	Interest is payable monthly at 9.00%	-	-	1,821,515	10.33%
December 31, 2021	Interest is payable monthly at 9.50%	-	-	259,157	10.33%
April 1, 2022	Interest is payable monthly at 9.50%	-	-	2,925,686	10.33%
April 20, 2022	Interest is payable monthly at 9.50%	-	-	639,437	10.33%
April 30, 2022	Interest is payable monthly at 9.50%	-	-	1,028,131	10.33%
October 5, 2022	Interest is payable monthly at the greater of the Prime rate plus 0.50% or 4.00%	-	-	5,828,931	4.00%
October 20, 2022	Interest is payable monthly at the greater of 4.00% or 2.75% plus 3-month LIBOR	-	-	11,289,202	4.51%
October 20, 2022	Interest is payable monthly at the greater of 4.50% or 3.90% plus 3-month LIBOR	-	-	13,408,970	6.62%
June 19, 2023	Interest is payable monthly at the greater of 4.00% or 2.75% plus 3-month LIBOR.	-	-	8,790,640	4.15%
June 19, 2023	Interest is payable monthly at the greater of 4.00% or the Prime rate plus 0.50%.	-	-	23,737,991	4.92%
November 6, 2023	Interest is payable monthly at the greater of the Prime rate plus 0.38% or 3.65%	-	-	4,043,089	4.64%
December 31, 2023	Interest is payable monthly at the greater of the Prime rate plus 0.50% or 4.00%	-	-	894,300	4.00%
Various	Interest is payable monthly at the greater of the Prime rate or 5.00%.	-	-	11,351,056	5.02%
Total lines of credit outstanding		\$ 365,000,000		\$ 290,385,182	
Less: Debt issuance costs from lines of credit		(3,883,992)		(506,466)	
Lines of credit, net		\$ 361,116,008		\$ 289,878,716	

The vertical lines of credit that were paid in full during 2021 (in connection with the Company entering into the Credit Agreement), are no longer active and the Company does not intend to renew these facilities. The outstanding balance in the vertical lines of credit were payable upon the delivery of the collateralized individual homes to end-home buyers.

The Company capitalized \$4,806,661 and \$2,249,683 as of June 30, 2021 and December 31, 2020, respectively, and amortized \$518,388 and \$463,717 of debt issuance costs for the three months ended June 30, 2021 and 2020, and \$1,429,135 and \$1,007,022 of debt issuance costs for the six months ended June 30, 2021 and 2020, respectively. Debt issuance costs related to the Company's lines of credit and notes payable, net of amortization, were \$3,883,992 and \$506,466 as of June 30, 2021 and December 31, 2020, respectively, included in other assets on the Condensed Consolidated Balance Sheets.

The Credit Agreement contains restrictive covenants and financial covenants. The Company was in compliance with all debt covenants as of June 30, 2021 and December 31, 2020. The Company expects to remain in compliance with all debt covenants over the next twelve months.

4. Notes Payable

Notes payable consisted of the following as of June 30, 2021 and December 31, 2020:

Maturity Date	Payment Terms	As of June 30, 2021		As of December 31, 2020	
		2021	Effective Rate	2020	Effective Rate
May 1, 2021	Interest is payable monthly at 14.00%	\$ -	-	\$ 20,000,000	14.00%
February 28, 2022	(1) Non-interest bearing	1,056,000	0.00%	832,000	0.00%
April 1, 2022	(1) Interest is payable monthly at 12.50%	717,642	12.50%	1,735,161	12.50%
July 31, 2022	(1) Interest is payable monthly at 9.25%	2,274,889	9.25%	3,984,174	9.25%
March 25, 2023	(1) Interest is payable monthly at 5.00%	-	-	3,101,947	5.00%
Total notes payable		\$ 4,048,531		\$ 29,653,282	
Less: Debt issuance costs from notes payable		-		(15,444)	
Notes payable, net of discount		\$ 4,048,531		\$ 29,637,838	

(1) These notes payable relate to our consolidated joint ventures and are non-recourse to the Company.

Included within notes payable as of December 31, 2020, is a \$0,000,000 bridge loan from Boston Omaha Corporation, LLC, which was utilized to fund a portion of the purchase price of the H&H Homes acquisition (Note 2). This note was paid off in January 2021.

The principal balance on all notes payable is payable upon the sale of project specific collateral, and is collateralized by a real estate mortgage and a limited guarantee ensuring project completeness and the nonexistence of fraudulent acts.

During the six months ended June 30, 2021 and 2020, there were no material changes in the contractual maturities of our notes payable.

5. Inventories

Inventories consist of entitled raw land, finished lots, and construction in process ("CIP"), including capitalized interest. Raw land is purchased with the intent to develop such land into finished lots. Finished lots are held with the intent of building and selling a home. The asset is owned by the Company either as a result of developing purchased raw land or purchasing developed lots. CIP represents the homebuilding activity associated with both homes to be sold and speculative homes. CIP includes the cost of the developed lot as well as all of the direct costs incurred to build the home. The cost of the home is expensed on a specific identification basis when the home is closed to the end customer.

As mentioned in Note 9, the Company consolidated several joint ventures that own land and finished lots. The Company owns a percentage of these joint ventures but does not own the underlying assets. The table below shows the Company's owned real estate inventory and real estate inventory owned by the joint ventures.

	As of June 30, 2021	As of December 31, 2020
Construction in process	\$ 537,758,853	\$ 396,630,945
Finished lots and land	75,083,602	46,839,616
Inventories owned by the Company	612,842,455	443,470,561
Inventories owned by consolidated joint ventures	18,152,136	40,900,552
Total inventories	\$ 630,994,591	\$ 484,371,113
Percentage of inventories owned by the Company		
Construction in process	88%	89%
Finished lots and land	12%	11%

Interest is capitalized and included within each inventory category above. Capitalized interest activity is summarized in the table below for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Capitalized interest at the beginning of the period	\$ 18,841,743	\$ 26,348,739	\$ 21,091,298	\$ 25,335,924
Interest incurred	7,329,308	6,597,679	13,997,297	13,638,385
Interest expensed	(15,796)	(45,948)	(657,657)	(81,653)
Interest charged to cost of contract revenues earned	(7,364,594)	(5,806,327)	(15,640,277)	(11,798,513)
Capitalized interest at the end of the period	\$ 18,790,661	\$ 27,094,143	\$ 18,790,661	\$ 27,094,143

6. Commitments and Contingencies

In April 2020, the Company received proceeds from the Paycheck Protection Program ("PPP") in the amount \$7,220,207, which was classified in accrued expenses on the Consolidated Balance Sheets and accounted for as an in-substance grant as of March 31, 2021. The Company utilized all of the PPP proceeds to pay payroll and permissible operating expenses. On June 16, 2021, approximately the total amount of the PPP proceeds were forgiven by the Small Business Association ("SBA"). As such, the Company has included the PPP proceeds as other income on the condensed Consolidated Statements of Comprehensive Income for the six months ended June 30, 2021.

7. Members' Equity, Mezzanine Equity and Shareholders' Equity

Redeemable Common Units, Redeemable Preferred Units and Common Units

All of the Company's outstanding preferred units are classified in mezzanine equity as they can be redeemed in a deemed liquidation of the Company outside of the Company's control. Additionally, prior to the Corporate Reorganization, the Company had certain non-voting common units that could have been redeemed outside the Company's control, and therefore, were classified in mezzanine equity (the "Redeemable Common Units Mezzanine").

Pursuant to the Corporate Reorganization effective January 25, 2021, the Company is authorized to issue 350,000,000 shares of common stock, par value of \$0.01 per share, consisting of 289,000,000 shares of Class A common stock and 61,000,000 shares of Class B common stock. The Board of Directors of the Company (the "Board of Directors") has the authority to issue one or more series of preferred stock, par value \$0.01 per share, without stockholder approval.

As a result of the Corporate Reorganization, all of the outstanding non-voting common units and Series A Preferred Units of DFH LLC converted into 21,255,329 shares of the Company's Class A common stock, all of the outstanding common units of DFH LLC converted into 60,266,153 shares of the Company's Class B common stock and all of the outstanding Series B Preferred Units and Series C Preferred Units of DFH LLC remained outstanding as Series B Preferred Units and Series C Preferred Units of DFH LLC, as the surviving entity in the Merger.

Redeemable Series A Preferred Units

As a result of the Corporate Reorganization, all of the outstanding Series A Preferred Units of DFH LLC were converted into a total of 21,255,329 shares of the Company's Class A common stock.

Redeemable Series B Preferred Units

As of June 30, 2021 and December 31, 2020, the Company had 7,143 and 7,143, respectively, of Redeemable Series B Preferred Units ("Series B Preferred Units") issued and outstanding with a carrying value of \$6,703,460 and \$6,333,036, respectively. In the event of a liquidation, dissolution or winding up of DFH LLC, the Series B Preferred Units have a liquidation preference of \$1,000 per unit and are senior to common units. The Series B Preferred Units have an 8% annual cumulative preferred distribution on the liquidation preference that is payable if and when distributions are declared. The Series B Preferred units do not participate in discretionary distributions, and each unit has the right to one vote on any matter presented for a vote of the members of DFH LLC. As of June 30, 2021 and December 31, 2020, these units have an aggregate unpaid amount of cumulative preferred distributions of \$2,473,118 and \$2,102,692, respectively, which is \$346.23 and \$294.37, respectively, per unit.

The Series B Preferred Units can be redeemed at DFH LLC's option for \$1,000 per unit plus any accrued and unpaid preferred distributions per unit at any time prior to December 31, 2022. The units may also be redeemed at the option of the holder upon a sale of DFH LLC for \$1,000 per unit plus any accrued and unpaid preferred distributions. As the units are not currently probable of becoming redeemable outside the Company's control, no accretion has been recorded.

Redeemable Convertible Series C Preferred Units

In April 2020, the Company redeemed 1,000 Series C Preferred Units for \$1,000,000 plus accrued unpaid preferred distributions of \$62,500. On January 27, 2021, the Company redeemed all of the outstanding Series C Preferred Units for \$26,000,000, including \$500,000 of discounted costs, plus accrued unpaid preferred distributions of \$200,000.

8. Equity-Based Compensation

Dream Finders Homes, Inc.

On January 20, 2021, the Board of Directors approved and adopted the DFH, Inc. 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan is administered by the Compensation Committee of the Board of Directors, and authorizes the Company to grant incentive stock-based awards. The Company granted 759,709 restricted stock grants to certain executives and directors, which had a weighted-average grant date fair value of \$23.15 per share, in conjunction with the adoption of the 2021 Plan. These stock grants vest over a period of three years of continuous service, commencing on the date of the grant and vesting ratably in one third increments at the end of each quarter of a three year term. The fair value of these grants was derived by using the closing stock price on the date of the grant. Expense related to equity-based compensation under the 2021 Plan was \$1,451,831 and \$0 for the three months ended June 30, 2021 and 2020, and \$2,560,069 and \$0 for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and December 31, 2020, the total unrecognized compensation expense under the 2021 Plan was \$14,960,406 and \$0, which will be recognized over a weighted-average period of 2.8 years.

Dream Finders Holdings LLC

In January 2021, certain common non-voting units in DFH LLC were converted into shares of the Company's Class A common stock and Class B common stock. As a result, DFH LLC expensed the remaining unrecognized stock compensation expense associated with these units in the amount of \$0 for the three months ended June 30, 2021 and \$1,240,309 for the six months ended June 30, 2021. Expense related to equity-based compensation was \$447,500 for the six months ended June 30, 2020.

As of December 31, 2020, the Company had 3,532 non-vesting, non-common units issued to employees, valued at \$4,741,657, which converted into shares of the Company's Class A common stock on January 21, 2021.

9. Variable Interest Entities and Investments in Other Entities

The Company holds investments in certain limited partnerships and similar entities that conduct land acquisition, land development and/or other homebuilding activities in various markets where our homebuilding operations are located. The Company also has an interest in one unconsolidated VIE, Jet Home Loans LLC, where the primary activities include underwriting, originating and selling home mortgages. The Company's VIEs are funded by initial capital contributions from the Company, as well as its other partners and generally do not have significant debt. The primary risk of loss associated with the Company's involvement in these VIEs is limited to the Company's initial capital contributions due to bankruptcy or insolvency of the VIE; however, management has deemed the likelihood of this to be remote. The maximum exposure to loss related to the VIEs is disclosed below for both consolidated and unconsolidated VIEs, which equals the Company's capital investment in each entity.

In some cases, an unrelated third party is the general partner or managing member and in others, the general partner or managing member is a related party. Management analyzed the Company's investments first under the variable interest model to determine if they are VIEs and, if so, whether the Company is the primary beneficiary. Management consolidates the entity if the Company is the primary beneficiary or if a standalone primary beneficiary does not exist and the Company and its related parties collectively meet the definition of a primary beneficiary. If the joint venture does not qualify as a VIE under the variable interest model, management then evaluates the entity under the voting interest model to assess if consolidation is appropriate.

The assets of a VIE can only be used to satisfy the obligations of that specific VIE, even for assets that are included within the Consolidated Balance Sheets. The Company and its partners do not have an obligation to make capital contributions to the VIEs and there are no liquidity arrangements or other agreements that could require the Company to provide financial support to the VIEs. Furthermore, the creditors of the VIEs have no recourse to the Company's general credit.

Consolidated VIEs

For VIEs that the Company does consolidate, management has the power to direct the activities that most significantly impact the VIE's economic performance. The Company typically serves as the party with homebuilding expertise in the VIE. The Company does not guarantee the debts of the VIEs, and creditors of the VIEs have no recourse against the Company. There were no new consolidated VIEs during the six months ended June 30, 2021 or 2020.

The table below displays the carrying amounts of the assets and liabilities related to the consolidated VIEs:

	As of June 30, 2021	As of December 31, 2020
Consolidated		
Assets	\$ 26,258,051	\$ 50,982,111
Liabilities	\$ 11,563,970	\$ 20,114,132

Unconsolidated VIEs and Other Equity Method Investments

For VIEs that the Company does not consolidate, the power to direct the activities that most significantly impact the VIE's economic performance is held by a third party. These entities are accounted for as equity method investments. The Company's maximum exposure to loss is limited to its investment in the entities because the Company is not obligated to provide any additional capital to or guarantee any of the unconsolidated VIEs' debt.

The table below shows the Company's investment in the unconsolidated VIEs:

	As of June 30, 2021	As of December 31, 2020
Unconsolidated		
Jet Home Loans	6,729,483	3,872,089
Total investment in unconsolidated VIEs	\$ 6,729,483	\$ 3,872,089
Other equity method investments	724,300	673,260
Total equity method investments	\$ 7,453,783	\$ 4,545,349

Lot Option Contracts

The Company generally does not engage in the land development business. Instead, we employ an asset-light land financing strategy, providing us optionality to purchase lots on a "just-in-time" basis for construction and affording us flexibility to acquire lots at a rate that matches the expected sales pace in a given community at predetermined market prices from various land bank entities. We typically execute this strategy through the purchase of finished lot option and land bank option contracts, which require deposits in the form of cash or letters of credit.

We primarily employ two variations of our asset-light land financing strategy, finished lot option contracts and land bank option contracts, pursuant to which we secure the right to purchase finished lots at market prices from various land sellers and land bank partners, by paying deposits based on the aggregate purchase price of the finished lots (typically 10% or less in the case of finished lot option contracts and 15% or less in the case of land bank option contracts). These option contracts generally allow us, at our option, to forfeit our right to purchase the lots controlled for any reason, and our sole legal obligation and economic loss as a result of such forfeitures is limited to the amount of the deposits paid pursuant to such option contracts and, in the case of land bank option contracts, any related fees paid to the land bank partner.

None of the creditors of any of the land bank entities with which we enter into lot option contracts have recourse to our general credit. We generally do not have any specific performance obligations to purchase a certain number or any of the lots or guarantee any of the land bankers' financial or other liabilities. We are not involved in the design or creation of the land bank entities from which we purchase lots under lot option contracts. The land bankers' equity holders have the power to direct 100% of the operating activities of the land bank entity. We have no voting rights in any of the land bank entities. The sole purpose of the land bank entity's activities is to generate positive cash flow returns for such entity's equity holders. Further, we do not share in any of the profit or loss generated by the project's development. The profits and losses are passed directly to the land banker's equity holders.

The deposit placed by us pursuant to the lot option contracts is deemed to be a variable interest in the respective land bank entities. Certain of those land bank entities are deemed to be VIEs. Therefore, the land bank entities with which we enter into lot option contracts are evaluated for possible consolidation by the Company.

We believe the activities that most significantly impact a land bank entity's economic performance are the operating activities of the land bank entity. In the case of development projects, unless and until a land bank entity delivers finished lots for sale, the land bank entity's equity investors bear the risk of land ownership and do not earn any revenues. The operating development activities are managed by the land bank entity's equity investors.

We possess no more than limited protective legal rights through the lot option contracts in the specific finished lots that we are purchasing, and we possess no participative rights in the land bank entities. Accordingly, we do not have the power to direct the activities of a land bank entity that most significantly impact its economic performance. For the aforementioned reasons, the Company concluded that it is not the primary beneficiary of the land bank entities with which it enters into lot option contracts, and therefore the Company does not consolidate any of these VIEs. The Company's total risk of loss related to lot option contracts was \$107,717,122 and \$66,272,347 as of June 30, 2021 and December 31, 2020, respectively.

10. Income Taxes

As a result of the IPO and the Corporate Reorganization completed in January 2021, we own all of the Common Units of DFH LLC, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, DFH LLC is generally not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by DFH LLC is passed through to and included in the taxable income or loss of its member, Dream Finders Homes, Inc., in accordance with the terms of the Operating Agreement. The Company is a corporation subject to U.S. federal income taxes, in addition to state and local income taxes, based on our share of DFH LLC's pass-through taxable income.

Deferred tax assets arise principally as a result of various accruals required for financial reporting purposes which are not currently deductible for tax return purposes.

Management believes that we will have sufficient future taxable income to make it more likely than not that the net deferred tax assets will be realized. As of June 30, 2021, the Company had no valuation allowance recorded against deferred tax assets. Taxable income is estimated to be approximately \$33,052,198 and \$0 for the three months ended June 30, 2021 and 2020, and \$53,989,325 and \$0 for the six months ended June 30, 2021 and 2020, as the Company did not exist at such time and DFH LLC was treated as a partnership for U.S. federal and most applicable state and local income tax purposes.

The Company's effective tax rate for the three months ended June 30, 2021 and 2020 is estimated to be 14% and 0%, respectively. The Company's effective tax rate for the six months ended June 30, 2021 and 2020 is estimated to be 17% and 0%, respectively. Prior to the IPO, the Company did not have any business operations and DFH LLC was treated as a partnership for U.S. federal and most applicable state and local income tax purposes. The income tax provision for the three and six months ended June 30, 2021 was different than the U.S. federal statutory income tax rate of 21% primarily attributable to the inclusion of the PPP income as a permanent difference which is not subject to taxation.

We file a consolidated U.S. federal income tax return, as well as state and local tax returns in all jurisdictions where we maintain operations.

11. Segment Reporting

The Company operates in the homebuilding business and is organized and reported by division. There are twelve operating segments and seven reportable segments: the Carolinas (H&H), Jacksonville, Orlando, Denver and Washington DC ("DC Metro"), the Company's homebuilding operations, and Jet Home Loans LLC ("Jet"), the Company's mortgage operations. The Company includes Century Homes data acquired within the Orlando segment. The revenues of each remaining operating segment are not material and will be combined into an "Other" category for the purposes of segment reporting. The corporate component of the Company's operations, which is not considered an operating segment, is also combined into the "Other" category.

In accordance with ASC Topic 280, Segment Reporting, operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-makers ("CODMs") in deciding how to allocate resources and in assessing performance. The Company's CODM primarily evaluates performance based on the number of homes closed, average sales price, and financial results. Segment profitability is measured by net and comprehensive income.

The Company's homebuilding operations employ an asset-light business model with a focus on the design, construction and sale of single-family entry-level and first-time move-up homes.

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The Company's mortgage operations are conducted through Jet, which is a licensed home mortgage broker that underwrites, originates and sells mortgages to FBC Mortgage LLC, an Orlando-based mortgage lender. The Company owns 49% of Jet, and FBC Mortgage, LLC owns the remaining 51%. Jet is accounted for as an equity method investment.

Operational results of each reportable segment are not necessarily indicative of the results that would have been achieved had the reportable segment been an independent, stand-alone entity during the periods presented.

The following tables summarize home sale revenues and net and comprehensive income by segment for the three months ended June 30, 2021 and 2020, and the six months ended June 30, 2021 and 2020:

Revenues:	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
The Carolinas (H&H)	94,829,329	-	193,332,768	-
Jacksonville	93,937,144	75,610,386	190,518,300	153,936,021
Orlando	60,181,690	27,725,351	124,617,284	35,567,171
Colorado	24,797,393	22,224,544	40,007,523	43,885,900
DC Metro	23,898,300	20,330,163	37,846,485	47,850,218
Jet Home Loans	5,825,841	8,595,000	12,845,294	15,362,000
Other	67,632,245	53,910,684	122,514,105	107,300,251
Total segment revenues	\$ 371,101,942	\$ 208,396,128	\$ 721,681,759	\$ 403,901,561
Reconciling items from equity method investments	(5,825,841)	(8,595,000)	(12,845,293)	(15,362,000)
Consolidated revenues	\$ 365,276,101	\$ 199,801,128	\$ 708,836,466	\$ 388,539,561

Net and comprehensive income:	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
The Carolinas (H&H)	1,073,553	-	5,223,943	-
Jacksonville	11,277,050	3,080,209	19,485,975	9,452,780
Orlando	5,111,017	2,005,808	10,439,504	1,379,160
Colorado	2,385,181	2,204,392	2,840,011	4,195,431
DC Metro	1,609,360	572,280	1,998,839	636,339
Jet Home Loans	2,215,732	3,932,023	5,048,017	6,706,150
Other	9,558,216	2,701,612	7,592,889	1,311,696
Total segment net and comprehensive income	\$ 33,230,109	\$ 14,496,324	\$ 52,629,178	\$ 23,681,556
Reconciling items from equity method investments	(1,170,439)	(2,005,321)	(2,973,547)	(3,420,060)
Consolidated net and comprehensive income	\$ 32,059,670	\$ 12,491,003	\$ 49,655,631	\$ 20,261,496

The following table summarizes Company assets by segment as of June 30, 2021 and December 31, 2020:

Assets:	As of	As of
	June 30,	December 31,
	2021	2020
The Carolinas (H&H)	188,548,107	161,242,384
Jacksonville	201,579,367	162,668,740
Orlando	121,424,408	77,299,028
Colorado	82,016,330	51,605,969
DC Metro	68,087,920	41,327,694
Jet Home Loans	59,901,657	38,696,793
Other ⁽¹⁾	263,584,401	235,664,336
Total segment assets	\$ 985,142,190	\$ 768,504,944
Reconciling items from equity method investments	(52,860,237)	(34,824,703)
Consolidated assets	\$ 932,281,953	\$ 733,680,241

(1) Other includes the Company's title operations, homebuilding operations in non-reportable segments, operations of the corporate component, and corporate assets such as cash and cash equivalents, cash held in trust, prepaid insurance, operating and financing leases, lot deposits, goodwill, as well as property and equipment.

12. Fair Value Disclosures

ASC 820, Fair Value Measurement, defines fair value as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date and requires assets and liabilities to be carried at fair value.

GAAP assigns a fair value hierarchy to the inputs used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets and liabilities. Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

Fair value measurements may be utilized on a nonrecurring basis, such as for purchase accounting, inventory, and the impairment of long-lived assets and goodwill. The fair value of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and construction lines of credit, approximate their carrying amounts due to the short-term nature of these instruments.

13. Related Party Transactions

During the six months ended June 30, 2021 and 2020, the Company entered into or participated in related party transactions. The majority of these transactions were entered into to control finished lots for homebuilding.

Consolidated Joint Ventures

The Company has entered into joint venture arrangements to acquire land, finished lots and build homes. Certain stockholders of DFH, Inc. and directors and members of management of the Company, have invested in these joint ventures and some are limited partners in these joint ventures. DFH Investors LLC (which owned 15,400 Series A Preferred Units, representing 11.65% of the membership interest in DFH LLC, prior to the Corporate Reorganization) is the managing member of certain of these joint ventures. The joint ventures are consolidated for accounting purposes. Details of each are included in Note 1.

DF Residential I, LP

DF Residential I, LP (Fund I) is a real estate investment vehicle, organized for the purpose of acquiring and developing finished lots. Dream Finders Homes, LLC, has entered into six joint ventures and ten land bank projects with Fund I since its formation in January 2017. DF Capital Management, LLC (“DF Capital”) is the investment manager in Fund I. The Company owns a 49% membership interest in DF Capital. DF Capital is controlled by unaffiliated parties. Certain directors and executive officers have made investments in Fund I as limited partners. In addition, certain members of management have made investments in Fund I. The total committed capital in Fund I was \$36,706,163 as of June 30, 2021 and December 31, 2020. Collectively, the Company’s directors, executive officers and members of management have invested \$8,725,000 or 23.77% of the total committed capital of Fund I as of June 30, 2021 and December 31, 2020.

The general partner of Fund I is DF Management GP, LLC (“DF Management”). Dream Finders Homes LLC is one of four members of DF Management with a 26.13% membership interest. Certain members of DFH Investors LLC, including one of the Company’s directors, have a 65.33% membership interest. Collectively, Dream Finders Homes LLC and DFH Investors LLC have invested \$1,400,000 in Fund I as of June 30, 2021 and December 31, 2020. This investment represents 3.81% of the total committed capital in Fund I of \$36,706,163.

DF Residential II, LP

DF Residential II, LP, a Delaware limited partnership (“Fund II”) initiated its first close on March 11, 2021. DF Management GP II, LLC, a Florida limited liability company, serves as the general partner of Fund II (the “General Partner”). Fund II has raised capital commitments of approximately \$149 million to date, and will remain open for a period of at least three months, seeking to raise a total of at least \$200 million in capital commitments. DF Capital is the investment manager of Fund II.

The Company indirectly owns 72% of the membership interests in the General Partner and receives 72% of the economic interests. The General Partner is controlled by unaffiliated parties. The Company’s investment commitment in Fund II is \$3 million or 1.5% of the total expected capital commitment of Fund II.

On March 11, 2021, the Company entered into land bank financing arrangements and a Memorandum of Right of First Offer with Fund II, under which Fund II has an exclusive right of first offer on any land bank financing projects up to \$20 million that meet its investment criteria and are undertaken by the Company during Fund II’s investment period.

Certain directors, executive officers and other officers have made investment commitments as limited partners in Fund II in an aggregate amount \$30.9 million and \$0 or 15.5% and 0.0%, as of June 30, 2021 and December 31, 2020, respectively, of the total expected capital commitment of Fund II.

Land Bank Transactions with DF Capital

After Fund I was fully committed, DF Capital provided land bank financing in a total of seven further projects and subsequently raised additional commitments from limited partners in Fund I as well as other parties. One of the Company’s officers, invested \$180,000 in one of these funds managed by DF Capital as a limited partner in 2019. As of June 30, 2021, funds managed by DF Capital (other than Fund I and Fund II) controlled an additional 411 lots as a result of these transactions outside of Fund I and Fund II. As of December 31, 2020, funds managed by DF Capital (other than Fund I and Fund II) controlled an additional 595 lots as a result of these transactions outside of Fund I and Fund II. During the three months ended June 30, 2021, the Company purchased 57 of these lots and the outstanding lot deposit balance in relation to these projects was \$3,970,286. During the six months ended June 30, 2021, the Company purchased 184 of these lots and the outstanding lot deposit balance in relation to these projects was \$3,970,286. In addition, the Company paid lot option fees related to these transactions of \$67,636 for the three months ended June 30, 2021, and \$246,416 for the six months ended June 30, 2021.

Varde Capital

Certain DF Capital joint ventures in which the Company is a member have entered into lending arrangements with the holders of the Series C Preferred Units in DFH LLC. The Varde Private Debt Opportunities Fund (On Shore), L.P. (Varde Capital) has a loan with a principal amount of \$18,000,000, whose borrowers are DFC East Village, LLC, DFC Seminole Crossing, LLC and DFC Sterling Ranch, LLC. These joint ventures are between Fund I and the Company. As of June 30, 2021 and December 31, 2020, the outstanding loan balance was \$717,642 and \$1,700,000, respectively.

In addition, DFH LLC and DF Capital are, individually and collectively, the “Guarantor” in favor of the Varde Private Debt Opportunities Fund (On Shore), L.P. in connection with this loan agreement. The DFH LLC guarantee provides additional assurance to Varde Capital, as they have recourse to the assets of the Company beyond the pledged collateral in the joint ventures to be made whole in instances of default. The Company believes an event of default is unlikely.

Jet Home Loans

Jet performs mortgage origination activities for the Company. Jet underwrites and originates home mortgages for Company customers and non-Company customers. The Company owns 49% of Jet, but is not the primary beneficiary. Jet is accounted for under the equity method and is a related party of the Company.

Guarantees

Dream Finders Homes LLC is a limited Guarantor in favor of Flagstar Bank (Lender), in connection with a loan of \$5,670,000 to DFC Seminole Crossing, LLC (Borrower) as of June 30, 2021 and December 31, 2020. The latter is a landbank between the Company and DF Capital. The guaranty is a Limited Recourse Carve-out (Guaranty). There was no consideration provided by DF Capital to the Company for this guaranty. The Dream Finders Holdings LLC guarantee provides additional assurance to Flagstar Bank, as they have recourse to the assets of the Company beyond the pledged collateral in the joint venture to be made whole in instances of default. The Company believes an event of default is unlikely.

14. Earnings per Share

The following weighted-average shares and share equivalents were used to calculate basic and diluted earnings per share for the three and six months ended June 30, 2021:

	For the Three Months Ended June 30, 2021	For the Six Months Ended June 30, 2021
Net and comprehensive income attributable to Dream Finders Homes, Inc.	28,573,881	44,694,524
Less: Preferred dividends	188,045	1,003,197
Add: Loss prior to reorganization attributable to DFH LLC members	-	(1,244,083)
Net and comprehensive income attributable to common stockholders	28,385,836	44,935,410
Weighted-average number of shares outstanding used to calculate basic EPS	92,521,482	92,521,482
<i>Dilutive securities:</i>		
Restricted stock	149,245	119,740
Weighted-average number of shares and share equivalents outstanding used to calculate diluted EPS	92,670,727	92,641,222

The Corporate Reorganization created the current capital structure of DFH, Inc. Therefore, the net income per share for DFH, Inc. is not shown for the fiscal years ended December 31, 2020. In addition, the basic and diluted net income per share only includes earnings subsequent to January 21, 2021, the date of the Corporate Reorganization.

Basic net income per share is calculated by dividing net income attributable to DFH, Inc. for the period subsequent to the Corporate Reorganization, by the weighted-average number of shares of Class A common stock and Class B common stock outstanding for the period. The total outstanding shares of common stock are made up of Class A common stock and Class B common stock, which participate equally in their ratable ownership share of the Company. Diluted net income per share has been calculated in a manner consistent with that of basic net income per share while giving effect to shares of potentially dilutive restricted stock grants outstanding during the period.

15. Subsequent Events

The Company has evaluated subsequent events through August 10, 2021, the date the financial statements were issued, and no additional matters were identified requiring recognition or disclosure in the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated or the context requires, "DFH," "Dream Finders," the "Company," "we," "our" and "us" refer collectively to Dream Finders Homes, Inc. and its subsidiaries. On January 25, 2021, we completed an initial public offering (the "IPO") of 11,040,000 shares of our Class A common stock. As a result of the reorganization transactions in connection with the IPO, for accounting purposes, our historical results included herein present the combined assets, liabilities and results of operations of Dream Finders Homes, Inc. since the date of its formation and Dream Finders Holdings LLC, a Florida limited liability company ("DFH LLC") and its direct and indirect subsidiaries prior to the IPO.

Business Overview

We design, build and sell homes in high growth markets, including Charlotte, Raleigh, Jacksonville, Orlando, Denver, the Washington D.C. metropolitan area and Austin. We employ an asset-light lot acquisition strategy with a focus on the design, construction and sale of single-family entry-level, first-time move-up and second-time move-up homes. To fully serve our homebuyer customers and capture ancillary business opportunities, we also offer title insurance and mortgage banking solutions (our Jet Home Loans segment) through our mortgage banking joint venture, Jet Home Loans, LLC ("Jet LLC").

Our asset-light lot acquisition strategy enables us to generally purchase land in a "just-in-time" manner with reduced up-front capital commitments, which in turn has increased our inventory turnover rate, enhanced our strong returns on equity and contributed to our impressive growth.

We are engaged in the design, construction and sale of new homes in the following markets:

- Charlotte, NC, Fayetteville, NC, Raleigh, NC, Greensboro, NC, High Point, NC and Winston-Salem, NC ("The Carolinas" or "H&H Homes")
- Jacksonville, FL
- Orlando, FL
- Denver, CO
- Washington D.C. metropolitan area ("DC Metro")
- Austin, TX, Savannah, GA and Bluffton and Hilton Head, SC ("VPH") ("Other")

Since breaking ground on our first home on January 1, 2009 during an unprecedented downturn in the U.S. homebuilding industry, we have closed over 12,000 home sales through June 30, 2021 and have been profitable every year since inception. During the three months ended June 30, 2021, we received 1,521 net new orders, an increase of 729, or 92%, as compared to the 792 net new orders received for the three months ended June 30, 2020. For the three months ended June 30, 2021, we closed 996 homes, an increase of 474, or 91%, as compared to the 522 homes closed for the three months ended June 30, 2020. During the six months ended June 30, 2021, we received 3,531 net new orders, an increase of 1,890, or 115%, as compared to the 1,641 net new orders received for the six months ended June 30, 2020. For the six months ended June 30, 2021, we closed 1,998 homes, an increase of 961, or 93%, as compared to the 1,037 homes closed for the six months ended June 30, 2020. As of June 30, 2021, our backlog of sold homes was 4,137. In addition, as of June 30, 2021, we owned and controlled over 27,000 lots. Our owned and controlled lot supply is a critical input to the future revenue of our business. We sell homes under the Dream Finders Homes, DF Luxury, H&H Homes, Village Park Homes and Century Homes brands.

COVID-19 Impact

There is uncertainty regarding the extent and timing of the disruption to our business that may result from the COVID-19 pandemic and any related governmental actions. There is also uncertainty as to the effects of the COVID-19 pandemic and related economic relief efforts on the U.S. economy, unemployment, consumer confidence, demand for our homes and the mortgage market, including lending standards, interest rates and secondary mortgage markets. We are unable to predict the extent to which this will impact our operational and financial performance, including the impact of future developments such as the duration and spread of the COVID-19 virus, corresponding governmental actions and the impact of such developments and actions on our employees, customers and trade partners.

Our primary focus remains on doing everything we can to ensure the safety and well-being of our employees, customers and trade partners. In all markets where we are permitted to operate, we are operating in accordance with the guidelines issued by the Centers for Disease Control and Prevention, as well as state and local guidelines.

For more information, see *Item 1A. Risk Factors* in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Recent Developments

Initial Public Offering

On January 25, 2021, we completed the IPO of 11,040,000 shares of our Class A common stock at a price to the public of \$13.00 per share, which was conducted pursuant to our Registration Statement on Form S-1 (File No. 333-251612), as amended, that was declared effective on January 20, 2021. The IPO provided us with net proceeds of \$134 million. On January 25, 2021, we used the net proceeds from the IPO, cash on hand and borrowings under our Credit Agreement to repay (i) all borrowings under our then-existing 34 separate secured vertical construction lines of credit facilities totaling \$320 million and upon such repayment terminated such facilities and (ii) the bridge loan from Boston Omaha Corporation, LLC (the “BOMN Bridge Loan”) that was used to finance the acquisition of H&H Homes, totaling \$20 million, plus contractual interest of \$0.6 million.

Corporate Reorganization

In connection with the IPO and pursuant to the terms of the Agreement and Plan of Merger by and among the Company, DFH LLC and DFH Merger Sub LLC, a Delaware limited liability company and direct, wholly owned subsidiary of the Company, DFH Merger Sub LLC merged with and into DFH LLC with DFH LLC as the surviving entity (the “Merger”). As a result of the Merger, all of the outstanding non-voting common units and Series A preferred units of DFH LLC converted into 21,255,329 shares of Class A common stock of the Company, all of the outstanding common units of DFH LLC converted into 60,226,153 shares of Class B common stock of the Company and all of the outstanding Series B preferred units and Series C preferred units of DFH LLC remained outstanding as Series B preferred units and Series C preferred units of DFH LLC, as the surviving entity in the Merger. We refer to this and certain other related events and transactions, as the “Corporate Reorganization”. In connection with the Corporate Reorganization, we made distributions to the members of DFH LLC for estimated federal income taxes of approximately \$28.0 million on earnings of our predecessor, DFH LLC (which was a pass-through entity for tax purposes), for the period from January 1, 2020 through January 21, 2021 (the date of the Corporate Reorganization).

Immediately following the Corporate Reorganization, (1) the Company became a holding company and the sole manager of DFH LLC, with no material assets other than 100% of the voting membership interests in DFH LLC, (2) the holders of common units, non-voting common units and Series A preferred units of DFH LLC became stockholders of the Company, (3) the holders of the Series B preferred units of DFH LLC outstanding immediately prior to the Corporate Reorganization continued to hold all 7,143 of the outstanding Series B Preferred Units of DFH LLC, and (4) the holders of the Series C preferred units of DFH LLC outstanding immediately prior to the Corporate Reorganization continued to hold all 26,000 of the outstanding Series C preferred units of DFH LLC.

On January 27, 2021, we redeemed all 26,000 outstanding Series C preferred units of DFH LLC at a redemption price of \$26 million, plus accrued distributions and fees of \$0.2 million.

Century Acquisition

During the six months ended June 30, 2021, we increased our market presence in the Orlando, Florida market with our acquisition (the "Century Acquisition") of Century Homes Florida, LLC ("Century Homes"). Effective as of January 31, 2021, we consummated the first phase of the Century Acquisition of Orlando-based homebuilder Century Homes from Tavistock Development Company ("Tavistock"). We paid \$36 million to acquire 134 units under construction and 229 finished lots on which we expect to begin construction during 2021 and 2022. The Company funded the entire purchase price of the Century Acquisition with cash on hand and borrowings under our Credit Agreement.

Key Results

Key financial results as of and for the three months ended June 30, 2021, as compared to the three months ended June 30, 2020, were as follows:

- Revenues increased 83% to \$365 million from \$200 million.
- Net new orders increased 92% to 1,521 net new orders from 792 net new orders.
- Homes closed increased 91% to 996 homes from 522 homes.
- Backlog of sold homes increased 184% to 4,137 homes from 1,457 homes.
- Average sales price of homes closed decreased 2% to \$358,604 from \$366,704.
- Gross margin as a percentage of home sales revenues increased to 16.5% from 13.8%.
- Adjusted gross margin (non-GAAP) as a percentage of home sales revenues increased to 23.5% from 21.6%.
- Net and comprehensive income increased 157% to \$32 million from \$12 million.
- Net and comprehensive income attributable to Dream Finders Homes, Inc. increased 144% to \$29 million from \$12 million.
- EBITDA (non-GAAP) as a percentage of revenues increased to 11.6% from 9.7%.
- Active communities at June 30, 2021 increased to 117 from 86 at June 30, 2020.
- Return on equity was 44.3% for the trailing twelve months ended June 30, 2021, compared to 33.7% for the same period in the prior year.

Key financial results as of and for the six months ended June 30, 2021, as compared to the six months ended June 30, 2020, were as follows:

- Revenues increased 82% to \$709 million from \$389 million.
- Net new orders increased 115% to 3,531 net new orders from 1,641 net new orders.
- Homes closed increased 93% to 1,998 homes from 1,037 homes.
- Backlog of sold homes increased 184% to 4,137 homes from 1,457 homes.
- Average sales price of homes closed decreased 5% to \$347,261 from \$366,604.
- Gross margin as a percentage of home sales revenues increased to 15.8% from 13.3%.
- Adjusted gross margin (non-GAAP) as a percentage of home sales revenues increased to 22.6% from 21.2%.
- Net and comprehensive income increased 145% to \$50 million from \$20 million.
- Net and comprehensive income attributable to Dream Finders Homes, Inc. increased 144% to \$45 million from \$18 million.
- EBITDA (non-GAAP) as a percentage of revenues increased to 10.5% from 8.6%.

For reconciliations of the non-GAAP financial measures, adjusted gross margin, EBITDA and adjusted EBITDA to the most directly comparable GAAP financial measures, please see “—Non-GAAP Financial Measures.”

Results of Operations

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

The following table sets forth our results of operations for the periods indicated:

	For the Three Months Ended June 30, (unaudited)			
	2021	2020	Amount Change	% Change
Revenues	\$ 365,276,101	\$ 199,801,128	\$ 165,474,973	83%
Cost of sales	303,589,420	171,236,637	132,352,783	77%
Selling, general and administrative expense	28,686,162	17,062,297	11,623,865	68%
Income from equity in earnings of unconsolidated entities	(1,125,001)	(1,926,702)	801,701	-42%
Loss/(Gain) on sale of assets	48,034	(200)	48,234	-24117%
Loss on extinguishment of debt	-	-	-	100%
Other Income				
Other	(1,668,263)	(785,153)	(883,109)	100%
Paycheck Protection Program forgiveness	(7,219,794)	-	(7,219,794)	100%
Other Expense				
Other	2,434,780	1,360,526	1,074,253	79%
Contingent consideration revaluation	3,976,980	316,772	3,660,208	100%
Interest expense	15,796	45,948	(30,152)	-66%
Income before taxes	\$ 36,537,987	\$ 12,491,003	\$ 24,046,984	193%
Income tax expense	(4,478,317)	-	(4,478,317)	100%
Net and comprehensive income	\$ 32,059,670	\$ 12,491,003	\$ 19,568,667	157%
Net and comprehensive income attributable to non-controlling interests	(3,485,789)	(766,902)	(2,718,887)	355%
Net and comprehensive income attributable to Dream Finders Homes, Inc.	28,573,881	11,724,101	16,849,780	144%
Earnings per share⁽⁶⁾				
Basic	\$ 0.31	\$ -	\$ 0.31	100%
Diluted	\$ 0.31	\$ -	\$ 0.31	100%
Weighted-average number of shares				
Basic	92,521,482	-	92,521,482	100%
Diluted	92,670,727	-	92,670,727	100%
Consolidated Balance Sheets Data (at period end):				
Cash and cash equivalents	\$ 6,154,320	\$ 35,057,235	\$ (28,902,915)	-82%
Total assets	\$ 932,281,953	\$ 546,819,564	\$ 385,462,389	70%
Short-term debt, net	\$ 369,048,531	\$ 258,834,551	\$ 110,213,980	43%
Finance lease liabilities	\$ 267,198	\$ 422,818	\$ (155,620)	-37%
Preferred mezzanine equity	\$ 6,703,460	\$ 54,034,479	\$ (47,331,019)	-88%
Common mezzanine equity	-	\$ 17,519,137	\$ (17,519,137)	-100%
Common members' equity	-	\$ 68,854,097	\$ (68,854,097)	-100%
Common stock - Class A	\$ 322,953	-	\$ 322,953	100%
Common stock - Class B	\$ 602,262	-	\$ 602,262	100%
Additional paid-in capital	\$ 255,289,812	-	\$ 255,289,812	100%
Retained earnings	\$ 45,610,738	-	\$ 45,610,738	100%
Non-controlling interests	\$ 20,873,515	\$ 31,409,923	\$ (10,536,408)	-34%
Other Financial and Operating Data				
Active communities at end of period ⁽¹⁾	117	86	31	36%
Home closings	996	522	474	91%
Average sales price of homes closed ⁽⁷⁾	\$ 358,604	\$ 366,704	\$ (8,100)	-2%
Net new orders	1,521	792	729	92%
Cancellation rate	14.4%	18.0%	-3.6%	-20%
Backlog (at period end) - homes	4,137	1,457	2,680	184%
Backlog (at period end, in thousands) - value	\$ 1,646,725	\$ 539,856	\$ 1,106,869	205%
Gross margin (in thousands) ⁽²⁾	\$ 60,154	\$ 27,384	\$ 32,770	120%
Gross margin % ⁽³⁾	16.5%	13.8%	2.7%	20%
Net profit margin	7.8%	5.9%	1.9%	32%
Adjusted gross margin (in thousands) ⁽²⁾⁽⁴⁾	\$ 85,452	\$ 42,836	\$ 42,616	99%
Adjusted gross margin % ⁽³⁾	23.5%	21.6%	1.9%	9%
EBITDA (in thousands) ⁽⁴⁾	\$ 42,421	\$ 19,331	\$ 23,090	119%
EBITDA margin % ⁽³⁾⁽⁵⁾	11.6%	9.7%	1.9%	20%

(1) A community becomes active once the model is completed or the community has its fifth sale. A community becomes inactive when it has fewer than five units remaining to sell.

(2) Gross margin is home sales revenue less cost of sales.

(3) Calculated as a percentage of home sales revenue.

(4) Adjusted gross margin and EBITDA are non-GAAP financial measures. For definitions of adjusted gross margin and EBITDA and a reconciliation to our most directly comparable financial measures calculated and presented in accordance with GAAP, see “—Non-GAAP Financial Measures.”

(5) Calculated as a percentage of revenues.

(6) The Company calculated earnings per share (“EPS”) based on net income attributable to common stockholders for the period January 21, 2021 through June 30, 2021 over the weighted average diluted shares outstanding for the same period. The total outstanding shares of common stock are made up of Class A common stock and Class B common stock, which participate equally in their ratable ownership share of the Company. For the three months ended June 30, 2021, the diluted shares of common stock outstanding were 92,670,727.

(7) Average selling price of homes closed is calculated based on home sales revenue, excluding the impact of deposit forfeitures and percentage of completion revenues, over homes closed.

Revenues. Revenues for the three months ended June 30, 2021 were \$365 million, an increase of \$165 million, or 83%, from \$200 million for the three months ended June 30, 2020. The increase in revenues was primarily attributable to an increase in home closings of 474 homes, or 91%, during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Our October 2020 acquisition of the homebuilding business of H&H Constructors of Fayetteville, LLC (“H&H Homes”), a North Carolina limited liability company, contributed 315 home closings and \$87 million in homebuilding revenues for the three months ended June 30, 2021. The average sales price of homes closed for the three months ended June 30, 2021 was \$358,604, a decrease of \$8,100 or 2%, over an average sales price of homes closed \$366,704 for the three months ended June 30, 2020, primarily due to the lower average sales price of homes closed within the H&H Homes segment partially offset by price appreciation across the Company’s remaining segments.

Cost of Sales and Gross Margin. Cost of sales for the three months ended June 30, 2021 was \$304 million, an increase of \$133 million, or 77%, from \$171 million for the three months ended June 30, 2020. The increase in the cost of sales is primarily due to the increase in home closings for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020. Gross margin for the three months ended June 30, 2021 was \$60 million, an increase of \$33 million, or 120%, from \$27 million for the three months ended June 30, 2020. Gross margin as a percentage of home sales revenue was 16.5% for the three months ended June 30, 2021, an increase of 270 basis points, or 20%, from 13.8% for the three months ended June 30, 2020. The increase in gross margin percentage is largely attributable to price appreciation outpacing cost inflation as well as lower cost of funds.

Adjusted Gross Margin. Adjusted gross margin for the three months ended June 30, 2021 was \$85 million, an increase of \$42 million, or 99%, from \$43 million for the three months ended June 30, 2020. Adjusted gross margin as a percentage of home sales revenue for the three months ended June 30, 2021 was 23.5%, an increase of 190 basis points, or 9%, as compared to 21.6% for the three months ended June 30, 2020. The increases in adjusted gross margin and adjusted gross margin percentage is attributable to price appreciation outpacing cost inflation as well as lower cost of funds. Adjusted gross margin is a non-GAAP financial measure. For the definition of adjusted gross margin and a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, see “—Non-GAAP Financial Measures.”

Selling, General and Administrative Expense. Selling, general and administrative expense for the three months ended June 30, 2021 was \$29 million, an increase of \$12 million, or 65%, from \$17 million for the three months ended June 30, 2020. The increase in selling, general and administrative expense was primarily due to the inclusion of \$8 million in expenses for the operations of H&H Homes for the three months ended June 30, 2021. Selling, general and administrative expense as a percentage of revenue was 7.9% for the three months ended June 30, 2021, compared to 8.5% for the three months ended June 30, 2020. The decrease of 60 basis points is attributable to the Company achieving improved scale in certain segments.

Other Income – Paycheck Protection Program Forgiveness. Other income related to the forgiveness of the PPP grant for the three months ended June 30, 2021 was \$7 million as compared to \$0 for the three months ended June 30, 2020. The increase is attributable to the SBA forgiving the Company's PPP grant in full, during the second quarter of 2021.

Other Expense – Contingent Consideration. Contingent consideration expense for the three months ended June 30, 2021 was \$4 million, as compared to \$0 for the three months ended June 30, 2020. The increase in contingent consideration expense is due to fair value adjustments of future expected earnout payments from the acquisition of H&H Homes. Based on our current projections, we expect the H&H segment to earn higher pre-tax income for the remainder of the earnout period, when compared to our initial estimates.

Net and Comprehensive Income. Net and comprehensive income for the three months ended June 30, 2021 was \$32 million, an increase of \$20 million, or 174%, from \$12 million for the three months ended June 30, 2020. The increase in net and comprehensive income was primarily attributable to an increase in gross margin on homes closed of \$33 million, or 120%, for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

Net and Comprehensive Income Attributable to Dream Finders Homes, Inc. Net and comprehensive income attributable to Dream Finders for the three months ended June 30, 2021 was \$29 million, an increase of \$17 million, or 144%, from \$12 million for the three months ended June 30, 2020. The increase was primarily attributable to a significant increase in home closings and gross margin. The change in net and comprehensive income attributable to Dream Finders Homes, Inc. is reduced by \$5 million in income tax expense for the three months ended June 30, 2021, which was not applicable to DFH LLC.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

The following table sets forth our results of operations for the periods indicated:

	For the Six Months Ended June 30, (unaudited)			
	2021	2020	Amount Change	% Change
Revenues	\$ 708,836,466	\$ 388,539,561	\$ 320,296,905	82%
Cost of sales	594,626,181	334,982,320	259,643,861	78%
Selling, general and administrative expense	55,652,375	34,581,082	21,071,293	61%
Income from equity in earnings of unconsolidated entities	(2,857,394)	(3,286,090)	428,696	-13%
Loss/(Gain) on sale of assets	(17,483)	(34,295)	16,812	-49%
Loss on extinguishment of debt	697,423	-	697,423	100%
Other Income				
Other	(2,150,482)	(919,214)	(1,231,268)	134%
Paycheck Protection Program forgiveness	(7,219,794)	-	(7,219,794)	100%
Other Expense				
Other	5,337,828	2,555,837	2,781,991	109%
Contingent consideration revaluation	5,159,725	316,772	4,842,953	1529%
Interest expense	657,657	81,653	576,004	705%
Income before taxes	\$ 58,950,430	\$ 20,261,496	\$ 38,688,934	191%
Income tax expense	(9,294,799)	-	(9,294,799)	100%
Net and comprehensive income	\$ 49,655,631	\$ 20,261,496	\$ 29,394,135	145%
Net and comprehensive income attributable to non-controlling interests	(4,961,107)	(1,957,361)	(3,003,746)	153%
Net and comprehensive income attributable to Dream Finders Homes, Inc.	44,694,524	18,304,135	26,390,389	144%
Earnings per share⁽⁶⁾				
Basic	\$ 0.49	\$ -	\$ 0.49	100%
Diluted	\$ 0.49	\$ -	\$ 0.49	100%
Weighted-average number of shares				
Basic	92,521,482	-	92,521,482	100%
Diluted	92,641,222	-	92,641,222	100%
Consolidated Balance Sheets Data (at period end):				
Cash and cash equivalents	\$ 6,154,320	\$ 35,057,235	\$ (28,902,915)	-82%
Total assets	\$ 932,281,953	\$ 546,819,564	\$ 385,462,389	70%
Short-term debt, net	\$ 369,048,531	\$ 258,834,551	\$ 110,213,980	43%
Finance lease liabilities	\$ 267,198	\$ 422,818	\$ (155,620)	-37%
Preferred mezzanine equity	\$ 6,703,460	\$ 54,034,479	\$ (47,331,019)	-88%
Common mezzanine equity	\$ -	\$ 17,519,137	\$ (17,519,137)	-100%
Common members' equity	\$ -	\$ 68,854,097	\$ (68,854,097)	-100%
Common stock - Class A	\$ 322,953	\$ -	\$ 322,953	100%
Common stock - Class B	\$ 602,262	\$ -	\$ 602,262	100%
Additional paid-in capital	\$ 255,289,812	\$ -	\$ 255,289,812	100%
Retained earnings	\$ 45,610,738	\$ -	\$ 45,610,738	100%
Non-controlling interests	\$ 20,873,515	\$ 31,409,923	\$ (10,536,408)	-34%
Other Financial and Operating Data				
Active communities at end of period ⁽¹⁾	117	86	31	36%
Home closings	1,998	1,037	961	93%
Average sales price of homes closed ⁽⁷⁾	\$ 347,261	\$ 366,604	\$ (19,343)	-5%
Net new orders	3,531	1,641	1,890	115%
Cancellation rate	10.9%	14.9%	-4.0%	-27%
Backlog (at period end) - homes	4,137	1,457	2,680	184%
Backlog (at period end, in thousands) - value	\$ 1,646,725	\$ 539,856	\$ 1,106,869	205%
Gross margin (in thousands) ⁽²⁾	\$ 111,284	\$ 51,413	\$ 59,871	116%
Gross margin % ⁽³⁾	15.8%	13.3%	2.5%	18%
Net profit margin	6.3%	4.7%	1.6%	34%
Adjusted gross margin (in thousands) ⁽²⁾⁽⁴⁾	\$ 159,683	\$ 81,842	\$ 77,841	95%
Adjusted gross margin % ⁽³⁾	22.6%	21.2%	1.4%	7%
EBITDA (in thousands) ⁽⁴⁾	\$ 74,621	\$ 33,454	\$ 41,167	123%
EBITDA margin % ⁽³⁾⁽⁵⁾	10.5%	8.6%	1.9%	22%

(1) A community becomes active once the model is completed or the community has its fifth sale. A community becomes inactive when it has fewer than five units remaining to sell.

(2) Gross margin is home sales revenue less cost of sales.

(3) Calculated as a percentage of home sales revenue.

(4) Adjusted gross margin and EBITDA are non-GAAP financial measures. For definitions of adjusted gross margin and EBITDA and a reconciliation to our most directly comparable financial measures calculated and presented in accordance with GAAP, see "—Non-GAAP Financial Measures."

(5) Calculated as a percentage of revenues.

(6) The Company calculated earnings per share ("EPS") based on net income attributable to common stockholders for the period January 21, 2021 through June 30, 2021 over the weighted average diluted shares outstanding for the same period. EPS was calculated prospectively for the period subsequent to the IPO and Corporate Reorganization as described in Note 1 – Nature of Business and Significant Accounting Policies, resulting in 92,521,482 shares of common stock outstanding as of the closing of the IPO. For the six months ended June 30, 2021, the diluted shares of common stock outstanding were 92,641,222. The total outstanding shares of common stock are made up of Class A common stock and Class B common stock, which participate equally in their ratable ownership share of the Company.

(7) Average selling price of homes closed is calculated based on home sales revenue, excluding the impact of deposit forfeitures and percentage of completion revenues, over homes closed.

Revenues. Revenues for the six months ended June 30, 2021 were \$709 million, an increase of \$320 million, or 82%, from \$389 million for the six months ended June 30, 2020. The increase in revenues was primarily attributable to an increase in home closings of 961 homes, or 93%, during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Our October 2020 acquisition of the homebuilding business of H&H Homes, contributed 658 home closings and \$180 million in homebuilding revenues for the six months ended June 30, 2021. The average sales price of homes closed for the six months ended June 30, 2021 was \$347,261, a decrease of \$19,343 or 5%, over the average sales price of homes closed of \$366,604 for the six months ended June 30, 2020, primarily due to the lower average sales price of homes closed within the H&H Homes segment.

Cost of Sales and Gross Margin. Cost of sales for the six months ended June 30, 2021 was \$595 million, an increase of \$260 million, or 78%, from \$335 million for the six months ended June 30, 2020. The increase in the cost of sales is primarily due to the increase in home closings for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. Gross margin for the six months ended June 30, 2021 was \$111 million, an increase of \$60 million, or 116%, from \$51 million for the six months ended June 30, 2020. Gross margin as a percentage of home sales revenue was 15.8% for the six months ended June 30, 2021, an increase of 250 basis points, or 18%, from 13.3% for the six months ended June 30, 2020. The increase in gross margin percentage is largely attributable to price appreciation outpacing cost inflation as well as lower cost of funds.

Adjusted Gross Margin. Adjusted gross margin for the six months ended June 30, 2021 was \$160 million, an increase of \$78 million, or 95%, from \$82 million for the six months ended June 30, 2020. Adjusted gross margin as a percentage of home sales revenue for the six months ended June 30, 2021 was 22.6%, an increase of 140 basis points, or 7%, as compared to 21.2% for the six months ended June 30, 2020. The increases in adjusted gross margin and adjusted gross margin percentage is attributable to price appreciation outpacing cost inflation as well as lower cost of funds. Adjusted gross margin is a non-GAAP financial measure. For the definition of adjusted gross margin and a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, see “—Non-GAAP Financial Measures.”

Selling, General and Administrative Expense. Selling, general and administrative expense for the six months ended June 30, 2021 was \$56 million, an increase of \$21 million, or 61%, from \$35 million for the six months ended June 30, 2020. The increase in selling, general and administrative expense was primarily due to the inclusion of \$15 million in expenses for the operations of H&H Homes for the six months ended June 30, 2021. Selling, general and administrative expense as a percentage of revenue was 7.9% for the six months ended June 30, 2021, compared to 8.9% for the six months ended June 30, 2020. The decrease of 100 basis points is attributable to the Company achieving improved scale in certain segments.

Other Income – Paycheck Protection Program Forgiveness. Other income related to the forgiveness of the PPP grant for the six months ended June 30, 2021 was \$7 million, as compared to \$0 for the six months ended June 30, 2020. The increase is attributable to the SBA forgiving the Company’s PPP grant in full, during the second quarter of 2021.

Other Expense. Other expense for the six months ended June 30, 2021 was \$5 million, an increase of \$2 million, or 109%, as compared to \$3 million for the six months ended June 30, 2020. The increase in other expenses is primarily attributable to the acceleration of stock compensation expense as a result of the Corporate Reorganization.

Other Expense – Contingent Consideration. Contingent consideration expense for the six months ended June 30, 2021 was \$5 million, an increase of \$5 million, as compared to \$0 for the six months ended June 30, 2020. The increase in contingent consideration expense is due to fair value adjustments of future expected earnout payments from the acquisition of H&H Homes. The increase in contingent consideration was due to H&H Homes exceeding initial projections

Net and Comprehensive Income. Net and comprehensive income for the six months ended June 30, 2021 was \$50 million, an increase of \$30 million, or 145%, from \$20 million for the six months ended June 30, 2020. The increase in net and comprehensive income was primarily attributable to an increase in gross margin on homes closed of \$60 million, or 116%, for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

Net and Comprehensive Income Attributable to Dream Finders Homes, Inc. Net and comprehensive income attributable to Dream Finders for the six months ended June 30, 2021 was \$45 million, an increase of \$27 million, or 144%, from \$18 million for the six months ended June 30, 2020. The increase was primarily attributable to a significant increase in home closings and gross margin. The change in net and comprehensive income attributable to Dream Finders Homes, Inc. is reduced by \$9 million in income tax expense for the six months ended June 30, 2021, which was not applicable to DFH LLC.

Backlog. Backlog at June 30, 2021 was 4,137 homes valued at approximately \$1,647 million, an increase of 2,680 homes and \$1,107 million, respectively, or 184% and 205%, respectively, as compared to 1,457 homes valued at approximately \$540 million at June 30, 2020. The increase in backlog was primarily attributable to an increase in active communities to 117 for the six months ended June 30, 2021, an increase of 31 communities or 36%, as compared to 86 for the six months ended June 30, 2020. The average monthly sales per community for the six months ended June 30, 2021 were 4.3, an increase of 1.2, or 39%, from 3.1 average monthly sales per community during the six months ended June 30, 2020.

Non-GAAP Financial Measures

Adjusted Gross Margin

Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define adjusted gross margin as gross margin excluding the effects of capitalized interest, amortization included in the cost of sales (including adjustments resulting from the application of purchase accounting in connection with acquisitions) and commission expense. Our management believes this information is meaningful because it isolates the impact that capitalized interest, amortization (including purchase accounting adjustments) and commission expense have on gross margin. However, because adjusted gross margin information excludes capitalized interest, amortization (including purchase accounting adjustments) and commission expense, which have real economic effects and could impact our results of operations, the utility of adjusted gross margin information as a measure of our operating performance may be limited. We include commission expense in cost of sales, not selling, general and administrative expense, and therefore commission expense is taken into account in gross margin. As a result, in order to provide a meaningful comparison to the public company homebuilders that include commission expense below the gross margin line in selling, general and administrative expense, we have excluded commission expense from adjusted gross margin. In addition, other companies may not calculate adjusted gross margin information in the same manner that we do. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of our performance.

The following table presents a reconciliation of adjusted gross margin to the GAAP financial measure of gross margin for each of the periods indicated (unaudited and in thousands, except percentages).

	For the Three Months Ended			
	June 30,			
	2021	As a % of Home Sales Revenue	2020	As a % of Home Sales Revenue
Revenues	\$ 365,276		\$ 199,801	
Other revenue	1,533		1,180	
Home sales revenue	363,743		198,621	
Cost of sales	303,589	83.5%	171,237	86.2%
Gross Margin ⁽¹⁾	60,154	16.5%	27,384	13.8%
Interest expense in cost of sales	7,365	2.0%	5,807	2.9%
Amortization in cost of sales ⁽³⁾	2,072	0.6%	1,065	0.5%
Commission expense	15,861	4.4%	8,580	4.3%
Adjusted gross margin	85,452	23.5%	42,836	21.6%
Gross margin % ⁽²⁾	16.5%		13.8%	
Adjusted gross margin % ⁽²⁾	23.5%		21.6%	

	For the Six Months Ended			
	June 30,			
	2021	As a % of Home Sales Revenue	2020	As a % of Home Sales Revenue
Revenues	\$ 708,836		\$ 388,540	
Other revenue	2,926		2,145	
Home sales revenue	705,910		386,395	
Cost of sales	594,626	84.2%	334,982	86.7%
Gross Margin ⁽¹⁾	111,284	15.8%	51,413	13.3%
Interest expense in cost of sales	15,640	2.2%	11,799	3.1%
Amortization in cost of sales ⁽³⁾	1,624	0.2%	1,658	0.4%
Commission expense	31,135	4.4%	16,972	4.4%
Adjusted gross margin	159,683	22.6%	81,842	21.2%
Gross margin % ⁽²⁾	15.8%		13.3%	
Adjusted gross margin % ⁽²⁾	22.6%		21.2%	

- (1) Gross margin is home sales revenue less cost of sales.
(2) Calculated as a percentage of home sales revenues.
(3) Includes purchase accounting adjustment, as applicable.

EBITDA and Adjusted EBITDA

EBITDA and adjusted EBITDA are not measures of net income as determined by GAAP. EBITDA and adjusted EBITDA are supplemental non-GAAP financial measures used by management and external users of our condensed consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. We define EBITDA as net income before (i) interest income, (ii) capitalized interest expensed in cost of sales, (iii) interest expense, (iv) income tax expense and (v) depreciation and amortization. We define adjusted EBITDA as EBITDA before stock-based compensation expense.

Management believes EBITDA and adjusted EBITDA are useful because they allow management to more effectively evaluate our operating performance and compare our results of operations from period to period without regard to our financing methods or capital structure or other items that impact comparability of financial results from period to period. EBITDA and adjusted EBITDA should not be considered as alternatives to, or more meaningful than, net income or any other measure as determined in accordance with GAAP. Our computations of EBITDA and adjusted EBITDA may not be comparable to EBITDA or adjusted EBITDA of other companies. We present EBITDA and adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to the GAAP financial measure of net income for each of the periods indicated (unaudited and in thousands, except percentages).

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income	\$ 28,574	\$ 11,724	\$ 44,695	\$ 18,304
Interest income	-	(2)	(4)	(34)
Interest expensed in cost of sales	7,365	5,807	15,640	11,799
Interest expense	16	46	658	82
Income tax expense	4,478	-	9,295	-
Depreciation and amortization	1,988	1,756	4,337	3,303
EBITDA	\$ 42,421	\$ 19,331	\$ 74,621	\$ 33,454
Stock-based compensation expense	1,452	-	3,800	224
Adjusted EBITDA	\$ 43,873	\$ 19,331	\$ 78,421	\$ 33,678
EBITDA margin % ⁽¹⁾	11.6%	9.7%	10.5%	8.6%
Adjusted EBITDA margin % ⁽¹⁾	12.0%	9.7%	10.8%	8.7%

(1) Calculated as a percentage of revenues.

Backlog, Sales and Closings

A new order (or new sale) is reported when a customer has received preliminary mortgage approval and the sales contract has been signed by the customer, approved by us and secured by a deposit, typically approximately 1-3% of the purchase price of the home. These deposits are typically not refundable, but each customer situation is evaluated individually.

Net new orders are new orders or sales (gross) for the purchase of homes during the period, less cancellations of existing purchase contracts during the period. Sales to investors that intend to lease the homes are recognized when the Company has received a nonrefundable deposit. Our cancellation rate for a given period is calculated as the total number of new (gross) sales purchase contracts canceled during the period divided by the total number of new (gross) sales contracts entered into during the period. Our cancellation rate for the three months ended June 30, 2021 was 14.4%, a decrease of 360 basis points when compared to the 18.0% cancellation rate for the three months ended June 30, 2020. Our cancellation rate for the six months ended June 30, 2021 was 10.9% a decrease of 400 basis points when compared to the 14.9% cancellation rate for the six months ended June 30, 2020.

The following tables present information concerning our new home sales, starts and closings in each of our markets for the three and six months ended June 30, 2021 and 2020.

Market	For the Three Months Ended June 30,									Period Over Period Percent Change			
	2021 ⁽¹⁾			2020									
	Sales	Starts	Closings	Sales	Starts	Closings	Sales	Starts	Closings	Sales	Starts	Closings	
The Carolinas (H&H Homes)	499	584	315	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Jacksonville	307	379	265	388	361	247	-21%			5%		7%	
Orlando ⁽¹⁾	328	166	147	105	102	72	212%			63%		104%	
Colorado	27	108	47	50	56	50	-46%			93%		-6%	
DC Metro	20	49	35	45	60	37	-56%			-18%		-5%	
Other ⁽²⁾	340	297	187	204	116	116	67%			156%		61%	
Grand Total	1,521	1,583	996	792	695	522	92%			128%		91%	

Market	For the Six Months Ended June 30,									Period Over Period Percent Change			
	2021 ⁽¹⁾			2020									
	Sales	Starts	Closings	Sales	Starts	Closings	Sales	Starts	Closings	Sales	Starts	Closings	
The Carolinas (H&H Homes)	1,146	997	658	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Jacksonville	867	783	560	802	646	513	8%			21%		9%	
Orlando ⁽¹⁾	609	338	308	233	199	98	161%			70%		214%	
Colorado	166	182	81	144	129	97	15%			41%		-16%	
DC Metro	72	81	59	112	108	88	-36%			-25%		-33%	
Other ⁽²⁾	671	586	332	350	262	241	92%			124%		38%	
Grand Total	3,531	2,967	1,998	1,641	1,344	1,037	115%			121%		93%	

(1) Includes sales, starts and closings for Century Homes from the acquisition date of January 31, 2021.

(2) Austin, Savannah, Village Park Homes, Active Adult and Custom Homes.

Our "backlog" consists of homes under a purchase contract that are signed by homebuyers who have met the preliminary criteria to obtain mortgage financing but such home sales to end buyers have not yet closed. Ending backlog represents the number of homes in backlog from the previous period plus the number of net new orders generated during the current period minus the number of homes closed during the current period. Our backlog at any given time will be affected by cancellations and the number of our active communities. Homes in backlog are generally closed within one to six months, although we may experience cancellations of purchase contracts at any time prior to such home closings. Certain sales to investors that intend to lease the homes may be delivered over a longer duration. It is important to note that net new orders, backlog and cancellation metrics are operational, rather than accounting, data and should be used only as a general gauge to evaluate performance. Backlog may be impacted by customer cancellations for various reasons that are beyond our control, and, in light of our minimal required deposit, there is little negative impact to the potential homebuyer from the cancellation of the purchase contract.

The following table presents information concerning our new orders, cancellation rate and ending backlog for the periods (and at the end of the period) set forth below.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net New Orders	1,521	792	3,531	1,641
Cancellation Rate	14.4%	18.0%	10.9%	14.9%
			June 30,	
			2021	2020
Ending Backlog - Homes			4,137	1,457
Ending Backlog - Value (in thousands)			\$ 1,646,725	\$ 539,856

Land Acquisition Strategy and Development Process

We operate an asset-light and capital efficient lot acquisition strategy and, in contrast to many other homebuilders, generally seek to avoid engaging in land development, which requires significant capital expenditures and can take several years to realize returns on the investment. Our strategy is intended to avoid the financial commitments and risks associated with direct land ownership and land development by allowing us to control a significant number of lots for a relatively low capital cost. We primarily employ two variations of our asset-light land financing strategy, finished lot option contracts and land bank option contracts, pursuant to which we secure the right to purchase finished lots at market prices, by paying deposits based on the aggregate purchase price of the finished lots (typically 10% or less in the case of finished lot option contracts and 15% or less in the case of land bank option contracts) and, in the case of land bank option contracts, any related fees paid to the land bank partner.

As of June 30, 2021, our lot deposits and investments in finished lot option and land bank contracts were \$108 million, of which \$5 million was refundable at our option. As of June 30, 2021, we controlled 22,923 lots under lot option and land bank option contracts.

Owned and Controlled Lots

The following table presents our owned or controlled lots by market and active adult and custom home divisions as of June 30, 2021 and December 31, 2020.

Division	As of June 30, 2021			As of December 31, 2020			% Change of Total
	Owned	Controlled	Total	Owned	Controlled	Total	
The Carolinas (H&H Homes)	1,431	4,945	6,376	1,348	4,107	5,455	17%
Jacksonville	1,135	5,125	6,260	715	4,445	5,160	21%
Orlando	520	3,413	3,933	256	2,504	2,760	43%
Colorado	166	5,107	5,273	106	4,145	4,251	24%
DC Metro	124	719	843	77	566	643	31%
Other ⁽¹⁾	904	3,614	4,518	629	3,509	4,138	9%
Grand Total	4,280	22,923	27,203	3,131	19,276	22,407	21%

- (1) Includes owned and controlled lots for Century Homes from the acquisition date of January 31, 2021.
 (2) Austin, Savannah, Village Park Homes, Active Adult and Custom Homes.

Owned Real Estate Inventory Status

The following table presents our owned real estate inventory status as of June 30, 2021 and 2020.

Owned Real Estate Inventory Status ⁽¹⁾	As of June 30, 2021	As of December 31, 2020
	% of Owned Real Estate Inventory	% of Owned Real Estate Inventory
Construction in progress and finished homes	87.7%	88.8%
Finished lots and land under development	12.3%	11.2%
Total	100%	100%

- (1) Represents our owned homes under construction, finished lots and capitalized costs related to land under development. Land and lots from consolidated joint ventures are excluded.

Our Active Communities

We define an active community as a community where we have recorded five net new orders or a model home is currently open to customers. A community is no longer active when we have less than five home sites to sell to customers. Active community count is an important metric to forecast future net new orders for our business. As of June 30, 2021, we had 117 active communities, an increase of 31 communities, or 36%, when compared to our 86 active communities at June 30, 2020. Our active community count excludes communities under the Company's build for rent contracts, as all sales to investors occur at one point in time and these communities would have no home sites remaining to sell. As of June 30, 2021, the Company had five communities under construction for build for rent contracts.

Our Mortgage Banking Business

For the three months ended June 30, 2021, our mortgage banking joint venture, Jet LLC, originated and funded 540 home loans with an aggregate principal amount of approximately \$173 million as compared to 563 home loans with an aggregate principal amount of approximately \$157 million for the three months ended June 30, 2020. For the six months ended June 30, 2021, our mortgage banking joint venture, Jet LLC, originated and funded 1,011 home loans with an aggregate principal amount of approximately \$319 million as compared to 993 home loans with an aggregate principal amount of approximately \$279 million for the six months ended June 30, 2020. For the three months ended June 30, 2021 and 2020, respectively, Jet LLC had net income of approximately \$2 million and \$4 million. For the six months ended June 30, 2021 and 2020, respectively, Jet LLC had net income of approximately \$6 million and \$7 million. Our interest in Jet LLC is accounted for under the equity investment method and is not consolidated in our condensed consolidated financial statements, as we do not control, and are not deemed the primary beneficiary of, the variable interest entity ("VIE"). See "Note 9. Variable Interest Entities and Investments in Other Entities" to our condensed consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 for a description of our joint ventures, including those that were determined to be VIEs, and the related accounting treatment.

Costs of Building Materials and Labor

Our cost of sales includes the acquisition and finance costs of home sites or lots, municipality fees, the costs associated with obtaining building permits, materials and labor to construct the home, interest rates for construction loans, internal and external realtor commissions and other miscellaneous closing costs. Home site costs range from 20-25% of the average cost of a home. Building materials range from 40-50% of the average cost to build the home, labor ranges from 30-40% of the average cost to build the home and interest, commissions and closing costs range from 4-10% of the average cost to build the home.

In general, the cost of building materials fluctuates with overall trends in the underlying prices of raw materials. The cost of certain of our building materials, such as lumber and oil-based products, fluctuates with market-based pricing curves. We often obtain volume discounts and/or rebates with certain suppliers of our building materials, which in turn reduces our cost of sales.

However, increases in the cost of building materials may reduce gross margin to the extent that market conditions prevent the recovery of increased costs through higher home sales prices. The price changes that most significantly influence our operations are price increases in commodities, including lumber. Significant price increases of these materials may negatively impact our cost of sales and, in turn, our net income.

Seasonality

In all of our markets, we have historically experienced similar variability in our results of operations and capital requirements from quarter to quarter due to the seasonal nature of the homebuilding industry. We generally sell more homes in the first and second quarters and close more homes in our third and fourth quarters. As a result, our revenue may fluctuate on a quarterly basis and we may have higher capital requirements in our second, third and fourth quarters in order to maintain our inventory levels. As a result of seasonal activity, our quarterly results of operations and financial position at the end of a particular quarter, especially our first quarter, are not necessarily representative of the results we expect at year end. We expect this seasonal pattern to continue in the long term.

Liquidity and Capital Resources

Overview

As of June 30, 2021, we had \$6 million in cash and cash equivalents (excluding \$47 million of restricted cash), a decrease of \$29 million, or 83%, from \$36 million as of December 31, 2020. Additionally, the Company has \$76 million of availability under the Credit Agreement and \$32 million of closing proceeds in transit, for a total of \$114 million in liquidity. We generate cash from the sale of our inventory and we intend to re-deploy the net cash generated from the sale of inventory to acquire and control land and further grow our operations year over year. We believe that our sources of liquidity are sufficient to satisfy our current commitments.

Immediately following the closing of our IPO, we replaced all of our secured vertical construction lines of credit facilities with our credit agreement (the "Credit Agreement") with a syndicate of lenders and Bank of America, N.A, as administrative agent, providing for a senior unsecured revolving credit facility which has an initial aggregate commitment of up to \$450 million and an accordion feature that allows the facility to expand to a borrowing base of up to \$750 million (our "Credit Facility"). We believe that the consolidation of our indebtedness into a single credit facility will reduce our financing costs, create operating efficiencies and enhance returns.

Our principal uses of capital are lot deposits and purchases, vertical home construction, operating expenses and the payment of routine liabilities. During the six months ended June 30, 2021, we also used cash in hand to make non-recurring payments in relation to the IPO.

Cash flows generated by our projects can differ materially from our results of operations, as these depend upon the stage in the life cycle of each project. The majority of our projects begin at the land acquisition stage when we enter into finished lot option contracts by placing a deposit with a land seller or developer. Our lot deposits are an asset on our balance sheets, and these cash outflows are not recognized in our results of operations. Early stages in our communities require material cash outflows relating to finished rolling option lot purchases, entitlements and permitting, construction and furnishing of model homes, roads, utilities, general landscaping and other amenities, as well as ongoing association fees and property taxes. These costs are capitalized within our real estate inventory and are not recognized in our operating income until a home sale closes. As such, we incur significant cash outflows prior to the recognition of earnings. In later stages of the life cycle of a community, cash inflows could significantly exceed our results of operations, as the cash outflows associated with land purchase and home construction and other expenses were previously incurred.

We actively enter into finished lot option contracts by placing deposits with land sellers of typically 10% or less of the aggregate purchase price of the finished lots. When entering into these contracts, we also agree to purchase finished lots at pre-determined time frames and quantities that match our expected selling pace in the community. For the three months ended June 30, 2021, the majority of these future lot purchases were financed by the Credit Agreement.

From time to time, we also enter into land development arrangements with land sellers, land developers and land bankers. We typically provide a lot deposit of 10% or less, or 15% or less in the case of land bank option contracts, of the total investment required to develop lots that we will have the option to acquire in the future. In these transactions, we also incur lot option fees that have historically been 15% or less of the outstanding capital balance held by the land banker. The initial investment and lot option fees require our ability to allocate liquidity resources to projects that will be not materialize into cash inflows or operating income in the near term. The above cash strategies are designed to allow us to maintain adequate lot supply in our existing markets and support ongoing growth and profitability. As we continue to operate in a low interest rate environment, with consistent increase in the demand for new homes and constrained lot supply compared to population and job growth trends, we intend to continue to re-invest our earnings into our business and focus on expanding our operations. In addition, as the opportunity to purchase finished lots in desired locations becomes increasingly more limited and competitive, we are committed to allocating additional liquidity to land-bank deposits on land development projects, as this strategy mitigates the risks associated with holding undeveloped land on our balance sheet, while allowing us to control adequate lot supply in our key markets to support forecasted growth. As of June 30, 2021, our lot deposits and investments related to finished lot option contracts and land bank option contracts were \$108 million, including \$5 million of refundable lot deposits. For the six months ended June 30, 2021, we closed 1,998 homes, acquired 3,025 lots and started construction on 2,967 homes.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	For the Six Months Ended June 30,	
	2021	2020
Net cash provided by (used in) operating activities	\$ (121,287)	\$ (28,000)
Net cash provided by (used in) investing activities	(23,485)	842
Net cash provided by (used in) financing activities	112,652	15,486

Net cash used in operating activities was \$121 million for the six months ended June 30, 2021, an increase of \$93 million, as compared to \$28 million of net cash used in operating activities for the six months ended June 30, 2020. The increase in net cash used in operating activities was driven by an increase of \$117 million in inventories and an increase in lot deposits of \$41 million as the Company deploys its available cash from the Credit Agreement into future growth, partially offset by higher deposits of \$29 million received from customers and the increase in net income generated on home closings.

Net cash used in investing activities was \$23 million for the six months ended June 30, 2021, an increase of \$24 million, as compared to \$1 million of cash provided by investing activities for the six months ended June 30, 2020. The increase in net cash used in investing activities was primarily attributable to the acquisition of Century Homes during the first quarter of 2021.

Net cash provided by financing activities was \$113 million for the six months ended June 30, 2021, an increase of \$97 million, as compared to \$15 million of cash provided by financing activities for the six months ended June 30, 2020. The increase in net cash provided in financing activities was primarily attributable to the Corporate Reorganization, which was partially offset by the redemption of the Series C preferred units of DFH LLC of \$26 million, and payments to terminate the Company's historical vertical construction lines of credit and notes payable, including the \$20 million bridge loan utilized in funding the H&H Acquisition, in connection with the new unsecured Credit Agreement.

Credit Facilities and Financial Guarantees

As of June 30, 2021, under our Credit Facility we had a maximum availability of \$450 million and an outstanding balance of \$365 million. As of December 31, 2020, we had 34 vertical construction lines of credit facilities with a cumulative maximum availability of \$763 million and an aggregate outstanding balance of \$290 million. Historically, our vertical construction lines of credit facilities were fully collateralized by finished lots and homes under construction.

Series C Preferred Units

On January 27, 2021, we redeemed all 26,000 outstanding Series C preferred units of DFH LLC at a redemption price of \$26 million, plus accrued distributions and fees of \$0.2 million.

Off-Balance Sheet Arrangements

Asset-Light Lot Acquisition Strategy

We operate an asset-light and capital efficient lot acquisition strategy and generally seek to avoid engaging in land development. We primarily employ two variations of our asset-light land financing strategy, finished lot option contracts and land bank option contracts, pursuant to which we secure the right to purchase finished lots at market prices from various land sellers and land bank partners, by paying deposits based on the aggregate purchase price of the finished lots. The deposits required are typically 10% or less in the case of finished lot option contracts and 15% or less in the case of land bank option contracts.

As of June 30, 2021, we owned and controlled 27,203 lots through finished lot option contracts and land bank option contracts. Our entire risk of loss pertaining to the aggregate purchase price of contractual commitments resulting from our non-performance under our finished lot option contracts and land bank option contracts is limited to approximately \$108 million in deposits and investments made as of June 30, 2021—\$108 million of lot deposits, including \$5 million of refundable lot deposits pertaining to deals that are still in the due diligence inspection period.

Surety Bonds and Letters of Credit

We enter into letter of credit and surety bond arrangements with local municipalities, government agencies and land developers. These arrangements relate to certain performance-related obligations and serve as security for certain land option agreements. At June 30, 2021, we had outstanding letters of credit and surety bonds totaling \$12 million and \$37 million, respectively. We believe we will fulfill our obligations under the related arrangements and do not anticipate any material losses under these letters of credit or surety bonds.

Contractual Obligations

As of June 30, 2021, there have been no material changes to our contractual obligations appearing in the “Contractual Obligations, Commitments and Contingencies” section of *Management’s Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Critical Accounting Policies

We prepare our condensed consolidated financial statements in accordance with GAAP. Our critical accounting policies are those that we believe have the most significant impact to the presentation of our financial position and results of operations and that require the most difficult, subjective or complex judgments. In many cases, the accounting treatment of a transaction is specifically dictated by GAAP without the need for the application of judgment.

In certain circumstances, however, the preparation of condensed consolidated financial statements in conformity with GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period.

We believe that there have been no significant changes to our critical accounting policies during the six months ended June 30, 2021 as compared to those disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Cautionary Statement about Forward-Looking Statements

The information in this Quarterly Report on Form 10-Q includes "forward-looking statements." Many statements included in this Quarterly Report on Form 10-Q are not statements of historical fact, including statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "predict," "projection," "should" or "will" or the negative thereof or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our market opportunity and the potential growth of that market;
- the expected impact of the COVID-19 pandemic;
- our strategy, expected outcomes and growth prospects;
- trends in our operations, industry and markets;
- our future profitability, indebtedness, liquidity, access to capital and financial condition; and
- our integration of H&H Homes' and Century Homes' operations.

We have based these forward-looking statements on our current expectations and assumptions about future events based on information available to our management at the time the statements were made. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements. The following factors, among others, may cause actual results to differ materially from those expressed or implied in our forward-looking statements:

- adverse effects of the COVID-19 pandemic on our business, financial conditions and results of operations and our suppliers and trade partners;
- adverse effects of the COVID-19 pandemic and other economic changes either nationally or in the markets in which we operate, including, among other things, increases in unemployment, volatility of mortgage interest rates and inflation and decreases in housing prices;
- a slowdown in the homebuilding industry or changes in population growth rates in our markets;
- volatility and uncertainty in the credit markets and broader financial markets;
- the cyclical and seasonal nature of our business;

- our future operating results and financial condition;
- our business operations;
- changes in our business and investment strategy;
- the success of our operations in recently opened new markets and our ability to expand into additional new markets;
- our ability to continue to leverage our asset-light and capital efficient lot acquisition strategy;
- our ability to develop our projects successfully or within expected timeframes;
- our ability to identify potential acquisition targets and close such acquisitions;
- our ability to successfully integrate H&H Homes, Century Homes and any future acquired businesses with our existing operations;
- availability of land to acquire and our ability to acquire such land on favorable terms, or at all;
- availability, terms and deployment of capital and ability to meet our ongoing liquidity needs;
- restrictions in our debt agreements that limit our flexibility in operating our business;
- disruption in the terms or availability of mortgage financing or an increase in the number of foreclosures in our markets;
- decline in the market value of our inventory or controlled lot positions;
- shortages of, or increased prices for, labor, land or raw materials used in land development and housing construction, including due to changes in trade policies;
- delays in land development or home construction resulting from natural disasters, adverse weather conditions or other events outside our control;
- uninsured losses in excess of insurance limits;
- the cost and availability of insurance and surety bonds;
- changes in (including as a result of the change in the U.S. presidential administration), liabilities under, or the failure or inability to comply with, governmental laws and regulations, including environmental laws and regulations;
- the timing of receipt of regulatory approvals and the opening of projects;
- the degree and nature of our competition;
- decline in the financial performance of our joint ventures, our lack of sole decision-making authority thereof and maintenance of relationships with our joint venture partners;
- negative publicity or poor relations with the residents of our projects;
- existing and future warranty and liability claims;
- existing and future litigation, arbitration or other claims;
- availability of qualified personnel and third-party contractors and subcontractors;
- information system failures, cyber incidents or breaches in security;

- our ability to retain our key personnel;
- our ability to maintain an effective system of internal control and produce timely and accurate financial statements or comply with applicable regulations;
- our leverage and future debt service obligations;
- the impact on our business of any future government shutdown;
- the impact on our business of acts of war or terrorism;
- our reliance on dividends, distributions and other payments from our subsidiaries to meet our obligations;
- other risks and uncertainties inherent in our business;
- other factors we discuss under the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations;” and
- the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the operation of our business. These risks include, but are not limited to, the risks described under “*Risk Factors*” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Should one or more of the risks or uncertainties described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our operations are interest rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in interest rates may negatively affect the ability of homebuyers to secure adequate financing. Higher interest rates could adversely affect our revenues, gross margins and net income. We do not enter into, nor do we intend to enter into in the future, derivative financial instruments for trading or speculative purposes to hedge against interest rate fluctuations.

Quantitative and Qualitative Disclosures About Interest Rate Risk

Market risk is the risk of loss arising from adverse changes in market prices and interest rates. Our market risk arises from interest rate risk inherent in our financial instruments and debt obligations. Interest rate risk results from the possibility that changes in interest rates will cause unfavorable changes in net income or in the value of interest rate-sensitive assets, liabilities and commitments. Lower interest rates tend to increase demand for mortgage loans for home purchasers, while higher interest rates make it more difficult for potential borrowers to purchase residential properties and to qualify for mortgage loans. We have no market rate sensitive instruments held for speculative or trading purposes.

On January 25, 2021, we entered into the Credit Agreement, providing for a senior unsecured revolving credit facility, which has an initial aggregate commitment of up to \$450.0 million. As of June 30, 2021, we had \$365 million of indebtedness outstanding under our Credit Facility. The Credit Agreement includes provisions for any existing lender to, at the Company's request, increase its revolving commitment under the Credit Agreement, add new revolving loan tranches under the Credit Agreement or add new term loan tranches under the Credit Agreement, in all cases not to exceed an aggregate of \$300.0 million. The Credit Agreement provides for interest rate options on advances at rates equal to either: (a) in the case of base rate advances, the highest of (1) Bank of America, N.A.'s announced "prime rate", (2) the federal funds rate plus 0.5%, and (3) the one-month LIBOR plus 1.0%, in each case not to be less than 1.5%; or (b) in the case of Eurodollar rate advances, the reserve adjusted LIBOR, not to be less than 0.5%. Borrowings under the Credit Agreement bear interest at the interest rate option plus an applicable margin ranging from (i) 2.00% to 2.75% per annum for base rate advances and (ii) 3.00% to 3.75% per annum for Eurodollar rate advances. The applicable margin will vary depending on the Company's debt to capitalization ratio.

Interest on base rate advances borrowed under the Credit Agreement is payable in arrears on a monthly basis. Interest on each Eurodollar rate advance borrowed under the Credit Agreement is payable in arrears at the end of the interest period applicable to such advance, or, if less than such interest period, three months after the beginning of such interest period. The Company pays the lenders a commitment fee on the amount of the unused commitments on a quarterly basis at a rate per annum that will vary from 0.20% to 0.30% depending on the Company's net debt to net capitalization ratio.

Outstanding borrowings under the Credit Agreement are subject to, among other things, a borrowing base. The borrowing base includes, among other things, (a) 90% of the net book value of presold housing units, (b) 85% of the net book value of model housing units, (c) 85% of the net book value of speculative housing units and (d) 70% of the net book value of finished lots, in each case subject to certain exceptions and limitations set forth in the Credit Agreement.

Our mortgage banking joint venture, Jet LLC, is exposed to interest rate risk as it relates to its lending activities. Jet LLC underwrites and originates mortgage loans, which are sold through either optional or mandatory forward delivery contracts into the secondary markets. All of the mortgage banking segment's loan portfolio is held for sale and subject to forward sale commitments. Jet LLC also sells all of its mortgages held for sale on a servicing released basis.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) as of December 31, 2020. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer identified three material weaknesses in our internal control over financial reporting. We did not document the design or operation of an effective control environment commensurate with the financial reporting requirements of an SEC registrant. Specifically, we did not design and maintain adequate formal documentation of certain policies and procedures, controls over the segregation and duties within our financial reporting function and the preparation and review of journal entries. In addition, we did not design or maintain effective control activities that contributed to the following additional material weaknesses; we did not design control activities to adequately address identified risks, evidence of performance, or operate at a sufficient level of precision that would identify material misstatements to our financial statements and we did not design and maintain effective controls over certain IT general controls for information systems that are relevant to the preparation of our financial statements. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. See "*Risk Factors—We have identified material weaknesses in our internal control over financial reporting. If our remediation of these material weaknesses is not effective, or if we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal control, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our Class A common stock*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Each of the material weaknesses described above involve control deficiencies that could result in a misstatement of one or more account balances or disclosures that would result in a material misstatement to our annual or interim condensed consolidated financial statements that would not be prevented or detected, and, accordingly, we determined that these control deficiencies constitute material weaknesses.

We are currently in the process of implementing measures and taking steps to address the underlying causes of these material weaknesses. Our efforts to date have included the following:

- Formalization of our remediation plan and timelines to fully address the individual control deficiencies and segregation of duties issues.
- Development of formal policies around general computer controls, including scheduled formal trainings prior to implementation of an IT general controls framework that addresses risks associated with user access and security and application change management and IT operations to help sustain effective control operations and comprehensive remediation efforts relating to segregation of duties to strengthen user access controls and security.

While we believe these efforts will improve our internal control over financial reporting and address the underlying causes of the material weaknesses, such material weaknesses will not be remediated until our remediation plan has been fully implemented, and we have concluded that our controls are operating effectively for a sufficient period of time. As of June 30, 2021, disclosure controls and procedures were not effective.

We cannot be certain that the steps we are taking will be sufficient to remediate the control deficiencies that led to our material weaknesses in our internal control over financial reporting or prevent future material weaknesses or control deficiencies from occurring. In addition, we cannot be certain that we have identified all material weaknesses in our internal control over financial reporting or that in the future we will not have additional material weaknesses in our internal control over financial reporting.

Changes in Internal Controls

There was no change in our internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f) occurred during the six months ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

There have been no material changes to the Company's legal proceedings. You should carefully read and consider the legal proceedings set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which contains descriptions of significant legal proceedings that may affect our business.

ITEM 1A. RISK FACTORS

There are numerous factors that affect our business and results of operations, many of which are beyond our control. You should carefully read and consider the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which contains descriptions of significant risks that have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 25, 2021, we completed the IPO of 11,040,000 shares of our Class A common stock at a price to the public of \$13.00 per share, which was conducted pursuant to our Registration Statement on Form S-1 (File No. 333-251612), as amended, that was declared effective on January 20, 2021. The IPO provided us with net proceeds of \$134 million. On January 25, 2021, we used the net proceeds from the IPO, cash on hand and borrowings under our Credit Agreement to repay (i) all borrowings under our then-existing 34 separate secured vertical construction lines of credit facilities totaling \$319 million and upon such repayment terminated such facilities and (ii) the BOMN Bridge Loan was used to finance the acquisition of H&H Homes, totaling \$20 million, plus contractual interest of \$0.6 million. The representatives of the underwriters of the IPO were BofA Securities, Inc., RBC Capital Markets, LLC and BTIG, LLC.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1*	CEO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	CFO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS [∞]	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH [∞]	Inline XBRL Taxonomy Extension Schema Document.
101.CAL [∞]	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF [∞]	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB [∞]	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE [∞]	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

† Management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

+ Certain schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant undertakes to furnish supplemental copies of any of the omitted schedules upon request by the SEC.

[∞] XBRL information is deemed not filed or a part of a registration statement or Annual Report for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	August 10, 2021	Dream Finders Homes, Inc. /s/ Patrick O. Zalupski _____ Patrick O. Zalupski President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
	August 10, 2021	/s/ Rick A. Moyer _____ Rick A. Moyer Senior Vice President and Chief Financial Officer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dream Finders Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick O. Zalupski, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2021

/s/ Patrick O. Zalupski

Patrick O. Zalupski
President, Chief Executive Officer and Chairman of
the Board of Directors

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dream Finders Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rick A. Moyer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 10, 2021

/s/ Rick A. Moyer

Rick A. Moyer

Senior Vice President and Chief Financial Officer
