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

FORM 8-K/A

(Amendment No. 2)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): October 1, 2021

Dream Finders Homes, Inc.

(Exact name of registrant as specified in its charter)

(Exact name of registrant as specified in its charter)

Delaware	**001-39916**	**85-2983036**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

14701 Philips Highway, Suite 300 **Jacksonville, Florida**	**32256**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(904) 644-7670**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	DFH	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

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. ☐

EXPLANATORY NOTE

As previously reported on a Form 8-K filed on October 5, 2021 (the "Original Form 8-K"), on October 1, 2021, Dream Finders Homes, Inc. (the "Company") acquired certain assets, rights and properties, and assumed certain liabilities, comprising the following businesses (the "MHI Acquisition"): MHI Partnership, Ltd., a Texas limited partnership, MHI Models, Ltd., a Texas limited partnership, McGuyer Homebuilders, Inc., a Texas corporation, and FMR IP, LLC, a Texas limited liability (collectively, "MHI"). On December 14, 2021, the Company filed Amendment No. 1 to the Original Form 8-K to include an updated Item 9.01(a) Financial Statements of Business Acquired and Item 9.01(b) Pro Forma Financial information.

The Company is filing this Amendment No. 2 to the Original Form 8-K to file the following updated financial statements of MHI and pro forma information reflecting the MHI Acquisition:

(i) The unaudited combined balance sheet of MHI as of September 30, 2021 and the related unaudited combined statements of income, cash flows and changes in equity for the nine month periods ended September 30, 2021 and 2020, and the notes related thereto; and

(ii) The unaudited pro forma condensed combined statement of comprehensive income for the year ended December 31, 2021, and the related notes thereto, of the Company, after giving effect to the MHI Acquisition.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Number	Description
99.1	Unaudited combined balance sheet of MHI as of September 30, 2021 and the related unaudited combined statements of income, cash flows and changes in equity for the nine month periods ended September 30, 2021 and 2020, and the notes related thereto (filed herewith).
99.2	Unaudited pro forma condensed combined statement of comprehensive income for the year ended December 31, 2021, and the related notes thereto, of the Company, after giving effect to the MHI Acquisition (filed herewith).
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

SIGNATURE

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 hereunto duly authorized.

DREAM FINDERS HOMES, INC.

By: /s/ Robert E. Riva
Robert E. Riva
Vice President, General Counsel and Corporate Secretary

Date: March 16, 2022

Exhibit 99.1

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Combined Financial Statements

September 30, 2021

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

September 30, 2021

Table of Contents

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Combined Balance Sheets

	September 30, 2021	December 31, 2020
ASSETS		
CASH AND CASH EQUIVALENTS (including restricted cash of $571,091 and $570,765 respectively)	$ 18,649,067	$ 33,318,401
NOTES & ADVANCES RECEIVABLE—Affiliates	-	4,293,623
ACCOUNTS RECEIVABLE—Other	7,317,271	6,977,279
PREPAID EXPENSES AND OTHER ASSETS	50,265,393	40,839,610
RESIDENTIAL HOUSING AND OTHER INVENTORY	647,810,206	441,871,751
FURNITURE AND FIXTURES, net	3,163,142	4,142,039
TRADENAME, net	-	-
INVESTMENTS IN UNCONSOLIDATED ENTITIES	3,262,835	2,572,935
TOTAL ASSETS	$ 730,467,914	$ 534,015,638
LIABILITIES AND EQUITY		
LIABILITIES:		
Trade accounts payable	$ 41,466,362	$ 35,008,118
Accrued expenses and other liabilities	74,871,229	53,586,192
Unsecured debt	-	7,849,000
Secured debt agreements	372,690,768	220,732,776
Total liabilities	489,028,359	317,176,086
COMMITMENTS AND CONTINGENCIES, Notes 8 and 10		
EQUITY	241,439,555	216,839,552
Total equity	241,439,555	216,839,552
TOTAL LIABILITIES AND EQUITY	$ 730,467,914	$ 530,015,638

See notes to combined financial statements.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Combined Statements of Income

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
HOME SALES REVENUE	$ 596,759,573	$ 635,011,816
COST OF SALES—Homes:		
Direct costs	449,237,541	481,871,077
Indirect, selling, and closing costs	66,224,905	73,867,685
Total cost of sales—homes	515,462,446	555,738,762
GROSS PROFIT FROM HOME SALES	81,297,127	79,273,054
LAND SALES REVENUE	2,768,448	3,065,282
COST OF SALES—Land:		
Direct costs	1,263,779	1,787,808
Indirect, selling, and closing costs	2,498	16,978
Total cost of sales—land	1,266,277	1,804,786
GROSS PROFIT FROM LAND SALES	1,502,171	1,260,496
TOTAL GROSS PROFIT	82,799,298	80,533,550
OPERATING AND OTHER INCOME (EXPENSES):		
General and administrative	(35,285,334)	(33,529,971)
Marketing	(5,709,756)	(6,749,711)
Interest	(799,552)	(1,901,866)
Equity in earnings of unconsolidated entities	334,045	338,028
Interest income	107,264	93,590
Other income	9,196,247	652,554
Total operating and other expenses, net	(32,157,086)	(41,097,376)
OPERATING INCOME BEFORE INCOME TAXES	50,642,212	39,436,174
INCOME TAX EXPENSE	(773,604)	(742,375)
NET INCOME	$ 49,868,608	$ 38,693,799

See notes to combined financial statements.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Combined Statements of Changes in Equity

Nine Months Ended September 30, 2021

BALANCE—December 31, 2020	$ 216,839,552
Distributions	(25,268,605)
Net income	49,868,608
BALANCE—September 30, 2021	$ 241,439,555

Nine Months Ended September 30, 2020

BALANCE—December 31, 2019	$ 200,404,139
Distributions	(41,008,327)
Net income	38,693,799
BALANCE—September 30, 2020	$ 198,089,611

See notes to combined financial statements.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Combined Statements of Cash Flows

	Nine Months Ended September 30, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 49,868,608	$ 38,693,799
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,227,807	1,865,685
(Gain)/Loss on disposition of fixed assets	(65,687)	(13,310)
Net equity in earnings of unconsolidated entities	110,104	(39,926)
Forgiveness of unsecured debt	(7,849,000)	-
Amortization of loan acquisition costs	1,398,817	1,372,721
Changes in operating assets and liabilities:		
Notes and advances receivable, affiliates	4,293,623	4,879,470
Accounts receivable, other	(339,992)	420,623
Prepaid expenses and other assets	(9,646,409)	(2,528,043)
Residential housing and other inventory, net	(204,915,987)	6,094,105
Trade accounts payable and accrued expenses	6,458,244	2,658,156
Accrued expenses and other liabilities	21,285,037	10,019,089
Net cash provided by (used in) operating activities	(138,174,835)	63,422,369
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to model home furniture and fixtures	(1,205,691)	(1,652,413)
Contributions to investment in unconsolidated entities	(800,004)	(627,104)
Net cash used in investing activities	(2,005,695)	(2,279,517)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt proceeds	319,035,507	190,168,569
Debt payments	(167,077,515)	(211,737,534)
Debt acquisition costs	(1,178,191)	(1,327,180)
Cash distributions to partners	(25,268,605)	(41,008,327)
Net cash provided by (used in) financing activities	125,511,196	(63,904,472)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,669,334)	(2,761,620)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH —Beginning of period	33,318,401	24,449,807
CASH, CASH EQUIVALENTS AND RESTRICTED CASH —End of period	$ 18,649,067	$ 21,688,187
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest—net of amounts capitalized	$ 604,898	$ 2,393,005
Cash paid for taxes	$ 1,139,905	$ 797,000

See notes to combined financial statements.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 1 - Organization and Description of Business

MHI Partnership, Ltd., MHI Models, Ltd., McGuyer Homebuilders, Inc., and FMR IP, LLC (collectively "MHI"), are commonly owned businesses engaged in constructing and selling single-family residential homes. MHI's product lines feature entry-level, move-up, and luxury homes, with a focus on the move-up market. During the nine months ended September 30, 2021 and 2020, MHI closed 1,255 and 1,441 homes, respectively. MHI's operations are in Texas, with principal markets in Houston, Dallas/Fort Worth, Austin, and San Antonio. To the extent there are positive or negative unforeseen economic or regulatory conditions affecting the Texas market, MHI's operations, cash flows, and financial position may be similarly affected.

During 2020, MHI consolidated its branding under the trade name Coventry in order to achieve better utilization of marketing and internet resources. It's other principal trade names, Plantation and Wilshire, are still owned by MHI, but are not currently active.

The COVID-19 pandemic has had a widespread impact to the Texas economy, but the demand for residential housing strengthened in 2020 for two primary reasons: (1) businesses are requiring or allowing employees to work from home, and (2) historically low interest rates on mortgage loans. Despite some disruption to operations from March to April 2020, MHI recovered strongly during the remainder of 2020. The U.S. Department of Homeland Security has classified residential construction as an essential business, and therefore MHI is not subject to shut down, stay-at-home orders or other significant restrictions. MHI was able to conduct normal operations during the remainder of the COVID-19 pandemic, but experienced shortages in materials and/or labor due to increased demand for residential housing.

Note 2 - Capital Structure

MHI's equity interests consist of a corporate general partner, McGuyer Homebuilders, Inc. ("INC"), and four limited partners. The following are the classes of ownership and their interest in earnings:

Class A - The profits and losses of MHI Partnership, Ltd. ("MHI Ltd."), Class A excluding Class C profits or losses, are to be allocated 0.50% to the general partner and 99.50% to the limited partners. The profits and losses of MHI Models, Ltd. ("MHI Models"), are allocated 0.485% to the general partner and 99.515% to the limited partners. INC is the general partner in both MHI Ltd. and MHI Models. The stockholder's equity of INC is included in Class A and voting interests in the statement of equity.

Class B - MHI's Class B interests were converted to Class A interests during 2013 and are no longer eligible for issuance.

Class C - The proceeds, including interest income and potential loss of principal, from 15% of the undivided interest in certain receivables due from related-party affiliates, are allocated to Class C members. Distributions are based solely upon the collection of principal and interest from these receivables but are subject to certain terms and conditions.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 3 - Summary of Significant Accounting Policies

Principles of consolidation

The combined financial statements include the accounts of MHI and MHI Ltd.'s wholly owned subsidiaries, Homeco Purchasing Company, Ltd., MHI (Nevada), LLC, Wilshire Homes, LLC and 2019 Sonoma, LLC. The combined financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), and all material intercompany accounts and transactions have been eliminated upon consolidation.

MHI uses the equity method of accounting for investments in which it has a significant equity interest, but not control of the majority interest. Under the equity method, MHI's share of earnings is accrued as additional investment in unconsolidated entities and reported in the combined statements of income under equity in earnings of unconsolidated entities.

MHI assesses the consolidation of entities in which it does not own a majority interest under the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810 *Consolidation*. Generally, these entities, referred to as variable interest entities ("VIEs"), are companies in which MHI contracted to purchase lots, but has no equity ownership. ASC 810 requires certain variable interest entities ("VIEs") to be consolidated by the primary beneficiary of the entity. See further financial information about MHI's VIEs in Note 8.

Use of estimates

The preparation of combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments

Management believes that the carrying amounts reported in the combined balance sheets for cash and cash equivalents, accounts receivables, and trade accounts payable approximate their fair values based on their short-term maturities. The fair value of secured debt is not believed to be materially different than the carrying value. The interest on secured debt is variable and believed to approximate market rates.

Concentration of credit risk

At September 30, 2021 and December 31, 2020, MHI had cash and cash equivalents and restricted cash deposited in certain financial institutions in excess of federally insured levels. Management regularly monitors the financial stability of these financial institutions and believes that MHI is not exposed to any significant credit risk in cash and cash equivalents. The Federal Deposit Insurance Corporation, or "FDIC," generally only insures limited amounts per depositor per insured bank. The standard coverage limit is $250,000 for most deposit categories.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 3 - Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Liquid investments with an initial maturity of three months or less are classified as cash equivalents. Amounts in transit from title companies for home closings of approximately $11.8 million and $16.3 million are included in cash and cash equivalents at September 30, 2021 and December 31, 2020, respectively.

Accounts receivable, other

Accounts receivable, other consist of reimbursable costs or accrued income as follows:

	September 30, 2021	December 31, 2020
Due under developer reimbursement agreements	$ 2,728,474	$ 2,469,838
Vendor rebates receivable	2,059,615	2,510,000
Other receivables	2,529,182	1,997,441
Total accounts receivable, other	$ 7,317,271	$ 6,977,279

Residential housing and other inventory, net

Residential housing and other inventory include completed and under-construction homes, as well as lots, land under development, and unimproved land. Completed homes and lots are stated at the lower of actual cost or net realizable value, less costs to sell. Capitalized costs include housing construction, land purchases, and development costs, as well as indirect costs, including interest on interim construction and development financing, allocated overhead, and taxes during the construction or development periods.

Completed homes, under-construction homes, improved residential lots and unimproved land are evaluated for impairment if potential impairment indicators are present. Housing inventory valuations are determined by comparing expected selling prices in the specific communities and selling prices in comparable surrounding communities, taking into consideration expected sales prices, cancellation rates, construction, and overhead costs. Residential lots are evaluated by comparing market prices in the specific and surrounding communities, along with calculating the expected profitability of the home constructed. When necessary, a valuation adjustment is recorded to reduce the asset to its estimated net realizable value, less costs to sell. For the nine months ended September 30, 2021 and 2020, MHI recorded no valuation adjustment on residential housing and other inventory.

Although management believes the valuation estimates reflected in MHI's combined financial statements are reasonable, there can be no assurances that MHI could ultimately realize these values. Given the uncertainty and volatility in the current economic environment, MHI may be required to take future impairment charges on its residential housing and other inventory.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 3 - Summary of Significant Accounting Policies (Continued)

Capitalized interest on home-building activities

Interest is capitalized on lots and building activities during the construction period. Such capitalized interest is included in cost of sales when revenue is recognized on the sale. Subsequent to substantial completion of construction, interest on homes is no longer capitalized, but is charged directly to expense as incurred and reported as interest expense.

A summary of interest capitalized during the nine months ended September 30, 2021 and 2020, is as follows:

	2021	2020
Capitalized in inventory—beginning of period	$ 8,146,925	$ 11,529,473
Incurred	8,030,893	9,394,799
Less amounts:		
Included in costs of sales	(6,141,684)	(9,591,416)
Included in operating expenses	(799,552)	(1,901,866)
Capitalized in inventory—end of period	$ 9,236,582	$ 9,430,990

Fixed Assets

Furniture and fixtures are recorded at cost. Depreciation expense for furniture and fixtures is calculated using the straight-line method over the expected useful life of three to five years. MHI owns its office facility in San Antonio and the building has an expected useful life of thirty-nine years. The costs of maintenance and repairs are charged to expense as incurred. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

Accumulated depreciation was $8,095,970 and $7,103,005 as of September 30, 2021 and December 31, 2020, respectively. Depreciation expense for the nine months ended September 30, 2021 and 2020, was $1,227,807 and $1,306,976, respectively, and is included in general and administrative expense in the combined statements of income.

Warranties

MHI provides a limited warranty to each homebuyer at the time of sale. MHI's warranty exposure is generally limited to one year for most costs. A third-party limited warranty is also provided to each homebuyer. The third-party warranty generally provides coverage in the event of major structural defects for a period of up to 10 years. MHI accrues for estimated warranty costs at the time of each home sale based on historical and anticipated warranty costs. MHI periodically assesses the adequacy of its recorded warranty liability and adjusts the accrued amount as necessary.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 3 - Summary of Significant Accounting Policies (Continued)

Warranties (continued)

The following summarizes MHI's accrued warranty activity during the nine months ended September 30, 2021 and 2020:

	2021	2020
Accrued warranty liability—beginning of period	$ 7,059,094	$ 4,501,195
Warranty accrual for home sales	2,712,857	4,033,415
Warranty payments made during the period	(3,757,381)	(3,659,087)
Accrued warranty liability—end of period	$ 6,014,570	$ 4,875,523

Advertising costs

MHI expenses advertising costs as they are incurred. Advertising costs included in marketing expenses totaled $1,577,398 and $1,998,365 for the nine months ended September 30, 2021 and 2020, respectively.

The salaries of commissioned sales employees and commissions paid to outside real estate agents are included in cost of sales. Commission advances that are recoverable from a specific home sale are capitalized until the home is closed, otherwise sales commissions are expensed as incurred. Commission advances are included in prepaid expenses and other assets on the combined balance sheets.

Income taxes

MHI Ltd. and MHI Models are organized as limited partnerships. FMR IP, LLC is organized as a limited liability company. McGuyer Homebuilders, Inc. is organized as a corporation, but taxed as an S-Corp. No provision for federal income taxes is included in the accompanying combined financial statements since such liability, if any, is the individual liability of the respective partners or members. MHI does not believe it has any uncertain tax positions or unrecognized tax benefits requiring disclosure.

MHI is subject to a state margin tax. Because the margin tax is based on revenue and expenses of MHI, it is considered an income tax and is accounted for in accordance with the provisions of FASB ASC 740, *Income Taxes*. Income tax expense was $773,604 and $742,375 for the nine months ended September 30, 2021 and 2020, respectively. As of September 30, 2021 and December 31, 2020, MHI had no significant temporary differences, tax credits, or net operating loss carryforwards.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 3 - Summary of Significant Accounting Policies (Continued)

Trade name

In conjunction with an acquisition in 2011, MHI acquired the Wilshire Homes trade name and allocated $2,425,712 of the purchase price to this asset. The trade name was fully amortized as of September 30, 2021 and December 31, 2020, respectively. During the nine months ended September 30, 2021 and 2020, MHI recorded amortization of $0 and $558,709, respectively.

Revenue recognition

Revenues from homes sales are recognized when MHI has satisfied its performance obligation and control has transferred to the customer. For production homes, this occurs at a point in time, which is the closing date. On this date, title passes to the new homeowner and MHI is entitled to payment. For homes built on a customer's lot, referred to as the Build on Your Own Lot program ("BOYL"), MHI's performance obligation and the transfer of control occurs over time, as the construction in process has no alternative use to MHI and it's then entitled to all payments received as well as payment for work completed to date. Therefore, MHI uses the input method in determining the amount of revenue that is recognizable.

Disaggregated revenues from home sales during the nine months ended September 30, 2021 and 2020 are as follows:

	2021	**2020**
Production home sales	$ 582,292,137	$ 616,867,157
BOYL home sales	14,467,436	18,144,659
Home sales revenue	$ 596,759,573	$ 635,011,816

Revenues from sales of land are recognized at a point in time, which is the closing date. On this date, title passes to the customer and MHI is entitled to payment.

Contract liabilities related to production homes are recorded as customer deposits within accrued expenses and other liabilities on the combined balance sheets. See Note 5.

Leases

In February 2016, the FASB issued ASU 2016-02, which changes how leases are reported in financial statements. ASU 2016-02 primarily impacts off-balance sheet operating leases and will require such leases, with the exception of leases with a term of one year or less, to be recorded on the balance sheet. Under ASU 2016-02, an intangible asset is recorded for the lessee's right-of-use, and is amortized over the lease term. The lessee also records an offsetting lease obligation at the inception of a lease for the present value of future lease payments that will be amortized as lease payments are made.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 4 - Residential Housing and Other Inventory, Net

Residential housing and other inventory at September 30, 2021 and December 31, 2020, consists of the following:

	2021	2020
Under contract:		
Homes completed	$ 13,944,523	$ 17,351,826
Homes under construction	382,974,649	164,092,027
Lots owned	23,677,537	49,492,445
Total inventory under contract	420,596,709	230,936,298
Speculative units:		
Homes completed	5,956,010	9,997,845
Homes under construction	50,960,670	33,612,822
Lots owned	100,587,094	113,625,589
Total speculative units	157,503,774	157,236,256
Model homes:		
Completed	46,989,849	48,832,863
Under construction	3,469,240	2,309,473
Total model homes	50,459,089	51,142,336
Land:		
Land under development	-	1,643,199
Unimproved land	19,250,634	913,662
Total land	19,250,634	2,556,861
Total residential housing and other inventory	$ 647,810,206	$ 441,871,751

Residential housing and other inventory include accumulated valuation adjustments of $774,000 and $1,016,095 at September 30, 2021 and December 31, 2020, respectively.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 5 - Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consist of the following:

	September 30, 2021	December 31, 2020
Warranty and legal	$ 6,630,606	$ 8,378,938
Property taxes	4,713,960	4,501,845
Salaries, wages and bonuses	13,654,134	12,001,178
Customer deposits	37,772,026	20,818,016
Interest	765,813	571,159
Other	11,334,690	7,315,056
Total accrued and other liabilities	$ 74,871,229	$ 53,586,192

Note 6 - Debt Agreements

MHI's debt agreements are summarized as follows:

	September 30, 2021	December 31, 2020
Revolving credit	$ 343,467,078	$ 188,670,805
Working capital ($5,000,000 maximum)	-	5,000,000
Unsecured debt	-	7,849,000
Development loans	7,364,614	-
Model homes	21,859,076	27,061,971
Total outstanding loans	$ 372,690,768	$ 228,581,776
Revolving credit:		
Credit line maximum	$ 700,000,000	$ 630,349,000
Committed loans	$ 699,572,990	$ 450,676,339
Revolving credit loan availability	$ 426,287,671	$ 278,189,478
Outstanding balances:		
Revolving credit	(343,467,078)	(188,670,805)
Letters-of-credit outstanding & limitations	(1,770,794)	(1,836,025)
Revolving credit available borrowing	$ 81,049,799	$ 87,682,648
Interest rates as of September 30	2.58%–4.25%	1.00%–4.50%

Interest rates on loan facilities are based on the London InterBank Offering Rate ("LIBOR") or lender-based US "Prime" interest rates, plus an applicable margin.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 6 - Debt Agreements (Continued)

Revolving credit agreements for residential construction are secured by residential construction units and lots. For each lot or residential unit, MHI may initially borrow the lesser of the following: 70%-100% of cost or 70%-95% of appraised value. Initial advance rates are subject to 5%-10% annual reduction, depending on the age of inventory. Borrowing availability ends after the lot or residential unit has aged 12-48 months, depending on the loan facility. MHI's working capital loan is cross-collateralized with a revolving credit agreement from the same lender. Additionally, certain revolving credit agreements allow for land development construction within the revolving credit facility, as described below.

Land development construction loans ("Development Loans") are secured by land, related improvements, and residential lots upon completion. Prospective land development projects must receive lender pre-approval, and borrowings are limited to an itemized budget for each project. Development Loans are repaid as lots are sold or converted to residential construction loan facilities based on a minimum release price (per lot) as determined by the lender.

Model home loans are secured by completed model homes. Prospective model home loans must receive lender preapproval, and borrowings are generally limited to 75% of the appraised value. The initial loan is subject to annual reductions of approximately 5%-10% based on the age of the model and subsequent appraisal. Additionally, the model home term loans contain significant financial covenants regarding interest coverage and leverage.

MHI's loan facilities contain significant restrictive financial covenants. The most rigorous of these covenants are as follows:

	September 30, 2021	December 31, 2020
Liquidity test (cash and available borrowing)	$ 20,000,000	$ 20,000,000
Interest coverage ratio	2.00-2.25 to 1.00	2.00-2.25 to 1.00
Leverage ratio	2.75-3.50 to 1.00	2.75-3.50 to 1.00
Tangible net worth, excluding intercompany	$ 120,000,000	$ 119,000,000
Maximum investment in land and lots owned	$ 264,595,876	$ 247,394,706

To the extent that distributions do not cause the violation of a financial covenant, MHI's loan agreements allow for unlimited distributions to partners. MHI is also subject to inventory sublimit covenants as follows: (1) maintain speculative/model home ratio of less than 55% of all homes for the first three calendar quarters and less than 60% for the fourth quarter; and (2) speculative homes over one year old are not allowed to be greater than 20% of the total number of homes owned by MHI. Loan covenants are tested by all lenders at the end of each calendar quarter. As of September 30, 2021, MHI believes it was in compliance with all covenants.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 6 - Debt Agreements (Continued)

Maturities of MHI's debt, as revised for subsequent events as applicable, are as follows:

Year Ending December 31,	
2021	$ 9,576,945
2022	128,985,258
2023	175,922,584
2024	24,663,651
2025	33,542,329
Total	$ 372,690,767

During the nine months ended September 30, 2021 and 2020, MHI incurred debt acquisition costs of $1,178,191 and $1,327,180, respectively. Debt acquisition costs are amortized over the loan term as a component of interest expense or written off on termination of the related loan facility.

Note 7 - Investment in Unconsolidated Entities

MHI Ltd. owns a 31% interest in WKMM, LLC, a Texas limited liability company, whose sole purpose is the ownership of a 49% interest in Prosperity Title, LLC, located in Austin, Texas. During 2020 MHI Ltd.'s interest increased to 60%. Additionally, MHI owns a 50% interest in Felder MHI-Blackhawk, LLC ("Felder MHI"). Felder MHI is developing land in the Austin market to sell as residential lots back to the members. Summarized financial information (unaudited) is as follows:

	September 30, 2021	**December 31, 2020**
Assets	$ 11,658,996	$ 12,644,020
Liabilities	5,152,427	7,728,800
Revenues	10,203,063	8,380,969
Expenses	9,646,629	7,116,080

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 8 - Lot Purchase Contracts and Variable Interest Entities

MHI enters into purchase agreements with residential lot developers for lots in the normal course of business as a homebuilder. Typically, these agreements require a non-refundable earnest money deposit and provide for the quarterly acquisition of lots in quantities that approximate the demand for new homes. Should the lot developer be unable to fulfill its commitment to deliver lots, the earnest money may be refundable. The lots generally have a fixed purchase price, plus an annual escalation rate, however, a small number of agreements are based on a percentage of MHI's home selling price.

The provisions of these agreements usually create a VIE with the lot developer under the provisions of ASC 810, *Consolidation*. If the Partnership is considered the primary beneficiary of the agreement, the Partnership would consolidate the lot developer. To consolidate a VIE, the Partnership must assess whether it controls the activities of the VIE that most significantly impact economic performance as well as whether it is expected to absorb losses or receive benefits from the VIE.

In most cases, MHI's maximum exposure to loss is limited to the non-refundable earnest money, and the VIE's creditors have no recourse against MHI. As described in Note 10, MHI has irrevocable standby letters of credit for the benefit of one affiliate, however, this does not create significant additional exposure risk. MHI did not consolidate any VIEs in 2021 or 2020. Except for the portion of the purchase price represented by the non-refundable earnest money deposit, MHI's lots under purchase agreements are not recorded in the combined financial statements.

MHI's lot purchase agreements are summarized as follows for September 30, 2021:

	Lots	Purchase Price	Earnest Money
Third parties	3,138	$ 263,187,641	$ 29,017,947
Related parties	1,487	115,161,325	11,366,046
	4,625	$ 378,348,966	$ 40,383,993

MHI's lot purchase agreements are summarized as follows for December 31, 2020:

	Lots	Purchase Price	Earnest Money
Third parties	2,212	$ 192,984,238	$ 26,051,956
Related parties	1,225	87,884,161	10,761,268
	3,437	$ 280,868,399	$ 36,813,224

Earnest money deposits are included in these combined financial statements under prepaid expenses and other assets.

Note 9 - Related Party Transactions

7676 Woodway, Ltd.

MHI leases its administrative offices in Houston from a limited partnership that is commonly owned by the owners in MHI. For the nine months ended September 30, 2021 and 2020, MHI paid rent of $645,118 each period. The lease agreement requires fixed monthly payments of $71,680 and expires December 31, 2021.

Adam Property & Casualty Company

MHI contracted for insurance coverage through an affiliate ("Adam"), that is commonly owned by the owners of MHI. The policy with Adam was not renewed in 2021. During the nine months ended September 30, 2020, MHI paid Adam $325,122 for liability insurance coverage. MHI was also indebted to Adam in the amount of $0 and $3,220,593 as of September 30, 2021 and December 31, 2020, respectively (See Note 6). MHI paid interest on this loan on a monthly basis. Under the terms of the loan agreement, Adam has a second lien on certain model homes owned by MHI. The loan was paid off in February 2021.

Land affiliates

MHI purchases lots from various land developers and lot resellers ("Land Affiliates") which are commonly owned by MHI's partners. For the nine months ended September 30, 2021 and 2020, MHI purchased $29,807,601 (389 lots) and $29,499,670 (418 lots), respectively, from Land Affiliates. As of September 30, 2021 and December 31, 2020, MHI has outstanding non-refundable earnest money deposits and lot purchase contracts with Land Affiliates (See Note 8).

MHI receives reimbursement of personnel costs and operating expenses from Land Affiliates that are reported as a reduction of general and administrative expenses. For the nine months ended September 30, 2021 and 2020, MHI received reimbursements of $975,000 each period.

MHI periodically provides unsecured advances to Land Affiliates. As of September 30, 2021 and December 31, 2020, balances due from such advances were $0 and $4,293,623, respectively. For the nine months ended September 30, 2021 and 2020, MHI accrued interest income from Land Affiliates of $23,629 and $39,508, respectively. The advances were paid in full by the affiliates as of September 30, 2021.

Note 10 - Commitments and Contingencies

Litigation

MHI is engaged in various claims and litigation arising from ordinary business operations. Uninsured losses, if any, resulting from these matters are not expected to have a material adverse impact on the combined financial statements of MHI.

MHI Partnership, Ltd.
MHI Models, Ltd.
McGuyer Homebuilders, Inc.
FMR IP, LLC

Notes to Combined Financial Statements

September 30, 2021

Note 10 - Commitments and Contingencies (Continued)

Operating leases

MHI leases division office facilities under non-cancelable operating leases that expire through 2026. Total rent expense incurred under office facility operating lease agreements for the nine months ended September 30, 2021 and 2020 was approximately $1,028,000 and $984,000, respectively.

The following is a summary of future expected minimum payments under non-cancelable lease terms as of September 30, 2021:

Year Ending December 31,		
2021	$	306,352
2022		366,123
2023		336,043
2024		271,538
2025		265,624
Thereafter		78,224
Total	$	1,623,904

Guarantees

As of September 30, 2021, and December 31, 2020, MHI has guaranteed up to $945,000 and $945,000, respectively, of bank debt owed by an unconsolidated entity, Felder MHI-Blackhawk, LLC (see Note 7). A guarantee liability has not been recorded as the probability of required performance is remote.

Letters of credit

As of September 30, 2021 and December 31, 2020, MHI has irrevocable standby letters of credit in the amount of $1,770,794 and $1,836,025, respectively, outstanding for the benefit of land development affiliates that may be used in the event of a loan default by the affiliates. MHI currently believes that the likelihood of performing under these agreements is remote.

Note 11 - Employee Benefit Plan

MHI participates in a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees who meet specified service requirements. Under the plan, a discretionary match may be made equal to 25% of each participant's contribution up to a maximum of $1,800 each year. MHI contributed approximately $573,000 and $539,000 related to the plan for the nine months ended September 30, 2021 and 2020, respectively.

Note 12 - Subsequent Events

Sale to Dream Finders Homes, Inc.

In September, 2021 MHI entered into a final agreement with Dream Finders Homes, Inc. ("DFH") to sell substantially all its assets at cost as recorded in the financial statements at the closing date plus a premium of $50,000,000. Additionally, DFH assumed certain trade payables and accrued liabilities. The sale closed on October 1, 2021. At closing, MHI and DFH also entered into a lot purchase contract in which MHI retained approximately $109,000,000 of lot inventory that DFH may subsequently purchase. The lot purchase contract has no fixed takedown requirements and allows DFH to purchase lots as needed at MHI's cost, plus price escalation at the annual rate of ten percent (10%), computed on a daily basis. The proceeds from the sale have been used for debt reduction and to pay distributions and dividends of $120,000,000 to partners and stockholders in 2022.

Management has reviewed for subsequent events through March 7, 2022, which was the date the combined financial statements were available to be issued, and determined that no other events have occurred which require disclosure.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME

On October 1, 2021, Dream Finders Homes, Inc.'s ("the Company" or "DFH"), through its subsidiaries Dream Finders Holdings LLC, a Florida limited liability company, and DFH Coventry, LLC, a Florida limited liability company, completed the acquisition of certain assets, rights and properties, and assumed certain liabilities, of MHI Partnership, Ltd., a Texas limited partnership, MHI Models, Ltd., a Texas limited partnership, McGuyer Homebuilders, Inc., a Texas corporation, and FMR IP, LLC, a Texas limited liability company ("MHI").

The acquired assets and liabilities primarily include inventory home sites completed and under construction, approximately 5,500 lots under control in the Houston, Austin, Dallas, and San Antonio, Texas metropolitan areas, trade payables and other accruals. The assets and liabilities not acquired primarily consist of cash and cash equivalents, and debt obligations.

The unaudited pro forma condensed combined financial information presented below is based on, and should be read in conjunction with (i) Dream Finders Homes, Inc.'s historical consolidated financial statements, and the related notes thereto, included in our Annual Report on Form 10-K for the year ended December 31, 2021 and (ii) MHI's unaudited combined statement of income for the nine months ended September 30, 2021 included in the Company's Form 8-K/A filed with the Securities and Exchange Commission (SEC) on March 16, 2022 in Exhibit 99.1. The unaudited pro forma condensed combined statement of comprehensive income is presented as if the MHI acquisition had occurred on January 1, 2020 and combines the historical results of operations of MHI and the Company for the year ended December 31, 2021. An unaudited pro forma condensed combined balance sheet as of December 31, 2021 is not included as the financial position of MHI is already included in the Company's consolidated balance sheet as of December 31, 2021.

The MHI acquisition was accounted for by applying the guidance under the Financial Accounting Standards Board's Accounting Standards Codification 805, *Business Combinations* ("ASC 805"). In accordance with ASC 805, the acquired assets and liabilities will be recorded by the Company at estimated fair values as of October 1, 2021, the date the acquisition was completed. The following unaudited pro forma condensed combined financial information and related notes present the pro forma impact of the MHI acquisition on the Company's historical results of operations for the year ended December 31, 2021. The unaudited pro forma financial information has been prepared in accordance with Article 11 of Regulation S-X. The acquisition method of accounting is dependent upon certain valuations and other procedures that have not been completed; therefore, there is not sufficient information to determine the final measurement. The pro forma adjustments are based on currently available information and certain estimates and assumptions. Management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transaction accounting adjustments, as contemplated, and the pro forma adjustments give appropriate effect to those assumptions. The pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final purchase accounting will occur during 2022 and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future results of operations and financial position.

We derived the unaudited pro forma condensed combined financial information by applying pro forma adjustments to the audited consolidated statement of comprehensive income for the Company for the year ended December 31, 2021 and the unaudited combined statement of income of MHI for the nine month period ended September 30, 2021. We considered the effect of the one day stub-period between the date of the unaudited combined statement of income for the nine month period ended September 30, 2021 and the October 1, 2021 acquisition date, noting the impact to the unaudited pro forma condensed combined financial information is not material. The unaudited pro forma condensed combined financial information does not reflect any revenue enhancements or any cost savings from operating efficiencies, synergies or other restructurings that could result from the acquisition. The unaudited pro forma condensed combined statement of comprehensive income for the year ended December 31, 2021 gives pro forma effect to the MHI acquisition, as if the acquisition had been completed on January 1, 2020.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and should not be considered indicative of actual results of operations that would have been achieved had the acquisition of MHI been consummated on the dates indicated, and do not purport to be indicative of the financial condition or results of operations as of any future date or for any future period. There were no material transactions between the Company and MHI during the periods presented in the unaudited pro forma condensed combined financial information that would need to be eliminated. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying footnotes. In addition, the unaudited pro forma condensed combined financial information was based on and should be read in conjunction with the following historical consolidated financial statements and accompanying notes of the Company and MHI for the applicable periods:

- historical financial statements of the Company and the related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 16, 2022;
- historical financial statements of MHI as of and for the years ended December 31, 2020 and 2019, included in the Company's Form 8-K/A filed with the SEC on December 14, 2021; and
- the unaudited financial statements of MHI as of and for the nine month period ended September 30, 2021, included in the Company's Form 8-K/A filed with the SEC on March 16, 2022.

- The unaudited pro forma condensed combined financial information reflects the application of purchase accounting and the respective financing transaction in relation to the MHI acquisition as discussed below.
  - o The trade name “Coventry Homes” was valued at $8.9 million. The amortization of these adjustments is reflected in the unaudited pro forma statement of comprehensive income for the year ended December 31, 2021.
  - o Income tax adjustments to MHI as if it were a taxable entity as of the beginning of the period assuming the 21% Federal tax rate applicable to C Corporations, partially offset by a 1.5% 45L New Energy Efficient Home Tax Credit, plus a 5.5% State tax rate.
  - o Additional income from ownership interests in three joint ventures acquired by DFH from the former principal of MHI for the nine months ended September 31, 2021.
  - o An additional $10.4 million preferred dividend associated with the Convertible Preferred Stock (as defined below), as if the issuance had occurred on January 1, 2020.
  - o Issuance of 150,000 shares of newly-created Series A Convertible Preferred Stock with an initial liquidation preference of $1,000 per share and a par value $0.01 per share (the “Convertible Preferred Stock”), for an aggregate purchase price of $150 million. The Company used the net proceeds of $148 million from the sale of the Convertible Preferred Stock to fund a portion of the MHI Acquisition. The dividend rate on this issuance is 9%. See impact of preferred stock on diluted earnings per share within the pro forma financial information below in footnote (f).

DREAM FINDERS HOMES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF COMPREHENSIVE INCOME
For The YEAR ENDED DECEMBER 31, 2021

	Dream Finders Homes, Inc. For the year ended December 31, 2021 (As reported)	MHI For the nine months ended September 30, 2021 (As reported)	Transaction Accounting Adjustments For the nine months ended September 30, 2021		Dream Finders Homes, Inc. Pro Forma Combined
Revenues	$ 1,923,909,806	$ 599,528,023	$ -		$ 2,523,437,829
Cost of sales	1,610,331,738	516,728,723	(17,634,402)	(a)	2,109,426,059
Selling, general and administrative expense	154,404,500	40,995,094	18,727,650	(a),(b)	214,127,244
Income from equity in earnings of unconsolidated entities	(9,427,868)	(334,046)	(4,043,538)	(c)	(13,805,452)
Gain on sale of assets	(87,023)	-	-		(87,023)
Loss on extinguishment of debt	711,485	-	-		711,485
Other Income					
Other	(7,827,391)	(1,454,512)	-		(9,281,903)
Paycheck Protection Program forgiveness (g)	(7,219,794)	(7,849,000)	-		(15,068,794)
Other Expense					
Other	12,770,698	-	-		12,770,698
Contingent consideration revaluation	7,532,830	-	6,446,332	(d)	13,979,162
Interest expense	672,172	799,552	-		1,471,724
Income before taxes	$ 162,048,459	$ 50,642,212	$ (3,496,042)		$ 209,194,630
Income tax expense	(27,454,642)	(773,604)	(11,171,705)	(e)	(39,399,951)
Net and comprehensive income	$ 134,593,817	$ 49,868,608	$ (14,667,747)		$ 169,794,678
Net and comprehensive income attributable to non-controlling interests	(13,461,317)	-	-		(13,461,317)
Net and comprehensive income attributable to Dream Finders Homes, Inc.	$ 121,132,500	$ 49,868,608	$ (14,667,747)		$ 156,333,361
Earnings per share					
Basic	$ 1.27				$ 1.54
Diluted (f)	$ 1.27				$ 1.51
Weighted-average number of shares					
Basic	92,521,482				92,521,482
Diluted	95,313,593				103,296,558

(a) Reflects re-classifications between MHI's financial statement line items in order to comply with DFH's accounting policies, including $17.6 million of indirect costs capitalized, and subsequently expensed through cost of sales for MHI's Financial Statements, which were reclassified from cost of sales to selling, general and administrative expense on DFH's pro forma Financial Statements.

(b) Gives effect to the amortization of intangible asset of $1.1 million related to the trade name "Coventry Homes" included in the acquisition. The trade name is amortized over a five-year period.

(c) Represents the $4.0 million of additional income associated with ownership interests in three equity method joint ventures relating to mortgage and title services acquired by DFH from the former principal of MHI.

(d) Represents accretion of $6.4 million of contingent consideration, assuming contingent consideration had been applied as of January 1, 2020.

(e) Income tax adjustments to MHI as if it were a taxable entity as of the beginning of the period, assuming the 21% Federal tax rate applicable to C Corporations, partially offset by a 1.5% 45L New Energy Efficient Home Tax Credit, plus a 5.5% State tax rate.

(f) Gives effect of 10.8 million of preferred shares converted into common stock and the exclusion of the associated preferred dividends of $10.4 million in the diluted earnings per share calculation using the "If converted" method.

(g) The Payroll Protection Program forgiveness was included in other income in the unaudited combined statement of income for the nine month period ended September 30, 2021.