

EXTENDED TO MAY 15, 2019

OMB No. 1545-0047

Form **990****Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2017

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.**A** For the 2017 calendar year, or tax year beginning **JUL 1, 2017** and ending **JUN 30, 2018**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization LANCASTER AREA HABITAT FOR HUMANITY, INC		D Employer identification number 23-2414585
	Doing business as		E Telephone number 717-392-8836
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	G Gross receipts \$ 2,452,414.
	443 FAIRVIEW AVENUE		
	City or town, state or province, country, and ZIP or foreign postal code LANCASTER, PA 17603		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
F Name and address of principal officer: ANDREW SZALAY SAME AS C ABOVE		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c)() (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: WWW.LANCASTERLEBANONHABITAT.ORG			
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶			L Year of formation: 1986 M State of legal domicile: PA

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: HABITAT FOR HUMANITY BRINGS PEOPLE TOGETHER TO BUILD HOMES, COMMUNITIES AND HOPE.		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	14
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	14
	5 Total number of individuals employed in calendar year 2017 (Part V, line 2a)	5	26
	6 Total number of volunteers (estimate if necessary)	6	1550
Revenue	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0.
	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,388,635.	1,051,417.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,159,008.	1,293,273.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	4,400.	-394.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	97,058.	96,487.
	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	2,649,101.	2,440,783.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	Expenses	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0.
16a Professional fundraising fees (Part IX, column (A), line 11e)		907,994.	846,647.
b Total fundraising expenses (Part IX, column (D), line 25)		0.	0.
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		1,808,026.	1,694,504.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)		2,716,020.	2,541,151.
19 Revenue less expenses. Subtract line 18 from line 12		-66,919.	-100,368.
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	4,297,419.	4,227,353.
	22 Net assets or fund balances. Subtract line 21 from line 20	1,438,938.	1,461,605.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer	Date	3/25/19
	ANDREW SZALAY, EXECUTIVE DIRECTOR Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date
	DANIEL T. MASSEY	<i>[Signature]</i>	02/07/19
	Firm's name ▶ WALZ GROUP	Firm's EIN ▶ 23-2489722	Check if self-employed <input type="checkbox"/> PTIN P00695866
	Firm's address ▶ PO BOX 5555 LANCASTER, PA 176065555	Phone no. 717-392-8200	

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response or note to any line in this Part III ☐

1 Briefly describe the organization's mission:

SEEKING TO PUT GOD'S LOVE INTO ACTION, LANCASTER AREA HABITAT FOR
HUMANITY BRINGS PEOPLE TOGETHER TO BUILD HOMES, COMMUNITIES AND HOPE.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses \$ 1,964,430. including grants of \$ 0.) (Revenue \$ 1,293,273.)

LANCASTER AREA HABITAT FOR HUMANITY IS A NON-DENOMINATIONAL CHRISTIAN
MINISTRY THAT MOBILIZES VOLUNTEERS TO BUILD COMMUNITY, REVITALIZE
NEIGHBORHOODS, AND TRANSFORM LIVES IN PARTNERSHIP WITH COMMUNITY
ORGANIZATIONS AND WORKING FAMILIES IN NEED OF SAFE, DECENT AFFORDABLE
HOMES IN LANCASTER AND LEBANON COUNTIES. EACH FAMILY COMPLETES HUNDREDS
OF HOURS OF SWEAT EQUITY BUILDING OR REPAIRING THEIR OWN HOMES, IN
ORDER TO LEARN SELF SUFFICIENCY THROUGH FINANCIAL COUNSELING. FAMILIES
ARE MATCHED TO A MENTOR FOR SUPPORT. AT COMPLETION, HABITAT HOMES AND
REPAIR SERVICES ARE SOLD AT COST AND FINANCED AFFORDABLY.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses 1,964,430.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 Is the organization required to complete Schedule B, Schedule of Contributors?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X	<input checked="" type="checkbox"/>	<input type="checkbox"/>
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional	<input type="checkbox"/>	<input checked="" type="checkbox"/>
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	<input type="checkbox"/>	<input checked="" type="checkbox"/>
14a Did the organization maintain an office, employees, or agents outside of the United States?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I	<input type="checkbox"/>	<input checked="" type="checkbox"/>
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Part IV Checklist of Required Schedules (continued)

	Yes	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H		X
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J		X
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If "Yes," complete Schedule L, Part II		X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
b A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
29 Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M	X	
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
34 Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note. All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response or note to any line in this Part V ☐

		Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a 10		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b 0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	X	
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a 26		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	X	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a		X
b If "Yes," has it filed a Form 990-T for this year? If "No," to line 3b, provide an explanation in Schedule O	3b		
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		X
b If "Yes," enter the name of the foreign country: See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		X
c If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		X
b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		X
d If "Yes," indicate the number of Forms 8282 filed during the year	7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		X
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		X
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8 Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?	8		
9 Sponsoring organizations maintaining donor advised funds.			
a Did the sponsoring organization make any taxable distributions under section 4966?	9a		
b Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?	9b		
10 Section 501(c)(7) organizations. Enter:			
a Initiation fees and capital contributions included on Part VIII, line 12	10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b		
11 Section 501(c)(12) organizations. Enter:			
a Gross income from members or shareholders	11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b		
c Enter the amount of reserves on hand	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a		X
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

☒**Section A. Governing Body and Management**

	Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year 1a <u>14</u>		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
b Enter the number of voting members included in line 1a, above, who are independent 1b <u>14</u>		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee? 2		X
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? 3		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed? 4		X
5 Did the organization become aware during the year of a significant diversion of the organization's assets? 5		X
6 Did the organization have members or stockholders? 6		X
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body? 7a		X
b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body? 7b		X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body? 8a	X	
b Each committee with authority to act on behalf of the governing body? 8b	X	
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O 9		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
10a Did the organization have local chapters, branches, or affiliates? 10a	X	
b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? 10b	X	
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? 11a	X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a Did the organization have a written conflict of interest policy? If "No," go to line 13 12a	X	
b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts? 12b	X	
c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done 12c	X	
13 Did the organization have a written whistleblower policy? 13	X	
14 Did the organization have a written document retention and destruction policy? 14	X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a The organization's CEO, Executive Director, or top management official 15a	X	
b Other officers or key employees of the organization 15b	X	
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year? 16a		X
b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements? 16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed **PA**

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
☐ Own website ☒ Another's website ☐ Upon request ☐ Other (explain in Schedule O)

19 Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

20 State the name, address, and telephone number of the person who possesses the organization's books and records: **EXECUTIVE DIRECTOR - 717-392-8836**
443 FAIRVIEW AVENUE, LANCASTER, PA 17603

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response or note to any line in this Part VII ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) CHARLES YOHE PRESIDENT	2.00	X		X				0.	0.	0.
(2) LINDA DEMMI VICE PRESIDENT	2.00	X		X				0.	0.	0.
(3) BRANDON LEAMAN TREASURER	2.00	X		X				0.	0.	0.
(4) ADRIENNE SQUILLACE SECRETARY	2.00	X		X				0.	0.	0.
(5) DEE COOK DIRECTOR	1.00	X						0.	0.	0.
(6) NORMA FERDINAND DIRECTOR	1.00	X						0.	0.	0.
(7) GARY GAISSERT DIRECTOR	1.00	X						0.	0.	0.
(8) VICAR ANGELA HAMMER DIRECTOR	1.00	X						0.	0.	0.
(9) MARK LEIDEN DIRECTOR	1.00	X						0.	0.	0.
(10) MICHAEL MONTEIRO DIRECTOR	1.00	X						0.	0.	0.
(11) JIM RADDICK DIRECTOR	1.00	X						0.	0.	0.
(12) CHRISTIAN RECKNAGEL DIRECTOR	1.00	X						0.	0.	0.
(13) KURT SCHENCK DIRECTOR	1.00	X						0.	0.	0.
(14) CHERYL SMITH DIRECTOR	1.00	X						0.	0.	0.
(15) STACIE REIDENBAUGH EXECUTIVE DIRECTOR TIL JAN 2018	45.00			X				95,303.	0.	16,878.
(16) ANDREW SZALAY EXECUTIVE DIRECTOR AS OF MAY 2018	45.00			X				0.	0.	0.

Part VIII Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1 a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d				
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	1,051,417.			
	g	Noncash contributions included in lines 1a-1f: \$		670,495.			
	h	Total. Add lines 1a-1f		1,051,417.			
Program Service Revenue	2 a	<u>RESTORE SALES</u>	Business Code 900099	687,987.	687,987.		
	b	<u>HOME FORECLOSURES</u>	900099	227,596.	227,596.		
	c	<u>MORTGAGE DISCOUNT AMOR</u>	900099	216,995.	216,995.		
	d	<u>TRANSFERS TO HOMEOWNER</u>	900099	160,695.	160,695.		
	e					
	f	All other program service revenue					
	g	Total. Add lines 2a-2f		1,293,273.			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)		26.		
4		Income from investment of tax-exempt bond proceeds					
5		Royalties					
6 a		Gross rents	(i) Real (ii) Personal				
b		Less: rental expenses					
c		Rental income or (loss)					
d		Net rental income or (loss)					
7 a		Gross amount from sales of assets other than inventory	(i) Securities (ii) Other				
b		Less: cost or other basis and sales expenses		420.			
c		Gain or (loss)		-420.			
d		Net gain or (loss)		-420.			-420.
8 a		Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18	a	105,558.			
b		Less: direct expenses	b	11,211.			
c		Net income or (loss) from fundraising events		94,347.			94,347.
9 a		Gross income from gaming activities. See Part IV, line 19	a				
b		Less: direct expenses	b				
c		Net income or (loss) from gaming activities					
10 a		Gross sales of inventory, less returns and allowances	a				
b	Less: cost of goods sold	b					
c	Net income or (loss) from sales of inventory						
Miscellaneous Revenue				Business Code			
11 a	<u>MISCELLANEOUS INCOME</u>	900099	2,140.			2,140.	
b						
c						
d	All other revenue						
e	Total. Add lines 11a-11d		2,140.				
12	Total revenue. See instructions.		2,440,783.	1,293,273.	0.	96,093.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	78,778.	46,811.	21,701.	10,266.
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	617,532.	365,091.	171,977.	80,464.
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
9 Other employee benefits	99,447.	60,653.	25,827.	12,967.
10 Payroll taxes	50,890.	29,635.	14,578.	6,677.
11 Fees for services (non-employees):				
a Management				
b Legal	13,030.	202.	12,828.	
c Accounting	66,350.		66,350.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	21,287.	4,659.	15,219.	1,409.
12 Advertising and promotion	43,518.	38,597.	3,548.	1,373.
13 Office expenses	49,549.	20,930.	18,367.	10,252.
14 Information technology	14,984.	3,309.	11,675.	
15 Royalties				
16 Occupancy	214,299.	186,656.	27,023.	620.
17 Travel	39,924.	27,810.	8,330.	3,784.
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	13,197.	7,467.	3,998.	1,732.
20 Interest	78,159.	78,159.		
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	20,290.	16,712.	3,578.	
23 Insurance	44,330.	25,039.	19,291.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a BUILDING CONSTRUCTION	1,011,948.	1,011,948.		
b DUES AND MEMBERSHIPS	24,454.	6,479.	17,460.	515.
c AMERICORPS	22,084.	22,084.		
d MISCELLANEOUS	11,814.	6,902.	500.	4,412.
e All other expenses	5,287.	5,287.		
25 Total functional expenses. Add lines 1 through 24e	2,541,151.	1,964,430.	442,250.	134,471.
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here ☐ if following SOP 98-2 (ASC 958-720)

Part X Balance SheetCheck if Schedule O contains a response or note to any line in this Part X ☐

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	158,682.	1	77,990.
	2 Savings and temporary cash investments		2	
	3 Pledges and grants receivable, net	191,311.	3	72,575.
	4 Accounts receivable, net		4	
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L		6	
	7 Notes and loans receivable, net	2,506,629.	7	2,276,588.
	8 Inventories for sale or use	684,288.	8	769,163.
	9 Prepaid expenses and deferred charges	8,641.	9	21,083.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 385,716.		
	b Less: accumulated depreciation	10b 233,940.	10c 168,210.	151,776.
	11 Investments - publicly traded securities		11	
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	579,658.	15	858,178.
16 Total assets. Add lines 1 through 15 (must equal line 34)	4,297,419.	16	4,227,353.	
Liabilities	17 Accounts payable and accrued expenses	87,201.	17	111,026.
	18 Grants payable		18	
	19 Deferred revenue	4,500.	19	0.
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	54,467.	21	33,623.
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties	819,484.	23	816,511.
	24 Unsecured notes and loans payable to unrelated third parties	220,487.	24	140,588.
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	252,799.	25	359,857.
	26 Total liabilities. Add lines 17 through 25	1,438,938.	26	1,461,605.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	2,646,055.	27	2,733,925.
	28 Temporarily restricted net assets	201,311.	28	18,890.
	29 Permanently restricted net assets	11,115.	29	12,933.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	2,858,481.	33	2,765,748.
	34 Total liabilities and net assets/fund balances	4,297,419.	34	4,227,353.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	2,440,783.
2	Total expenses (must equal Part IX, column (A), line 25)	2	2,541,151.
3	Revenue less expenses. Subtract line 2 from line 1	3	-100,368.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	2,858,481.
5	Net unrealized gains (losses) on investments	5	77.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	7,558.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	2,765,748.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

☒

	Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other		
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
2a Were the organization's financial statements compiled or reviewed by an independent accountant?		X
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:		
<input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		
b Were the organization's financial statements audited by an independent accountant?	X	
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:		
<input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		
c If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	X	
If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.		
3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

Form 990 (2017)

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support
Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
▶ Attach to Form 990 or Form 990-EZ.
▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2017

Open to Public
Inspection

Name of the organization

LANCASTER AREA HABITAT FOR HUMANITY, INC

Employer identification number

23-2414585

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 ☐ A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 ☒ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**. Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
- a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
- b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
- c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
- d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
- e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
- f Enter the number of supported organizations: _____
- g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
Total						

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")	1,500,102.	1,077,774.	1,797,585.	1,388,635.	1,051,417.	6,815,513.
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge ...						
4 Total. Add lines 1 through 3	1,500,102.	1,077,774.	1,797,585.	1,388,635.	1,051,417.	6,815,513.
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4.						6,815,513.

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
7 Amounts from line 4	1,500,102.	1,077,774.	1,797,585.	1,388,635.	1,051,417.	6,815,513.
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources ...	239.	353,797.	370.	439.	26.	354,871.
9 Net income from unrelated business activities, whether or not the business is regularly carried on ...						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)	1,571.	450.	5,265.	12,000.	2,140.	21,426.
11 Total support. Add lines 7 through 10						7,191,810.
12 Gross receipts from related activities, etc. (see instructions)					12	6,286,632.
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2017 (line 6, column (f) divided by line 11, column (f))	14	94.77 %
15 Public support percentage from 2016 Schedule A, Part II, line 14	15	94.27 %
16a 33 1/3% support test - 2017. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input checked="" type="checkbox"/>
b 33 1/3% support test - 2016. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2017. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2016. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions		<input type="checkbox"/>

Schedule A (Form 990 or 990-EZ) 2017

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2017 (line 8, column (f) divided by line 13, column (f)) **15** %

16 Public support percentage from 2016 Schedule A, Part III, line 15 **16** %

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2017 (line 10c, column (f) divided by line 13, column (f)) **17** %

18 Investment income percentage from 2016 Schedule A, Part III, line 17 **18** %

19a **33 1/3% support tests - 2017.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ☐

b **33 1/3% support tests - 2016.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

- 1 Are all of the organization's supported organizations listed by name in the organization's governing documents? If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.
- 2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).
- 3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? If "Yes," answer (b) and (c) below.
- b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? If "Yes," describe in Part VI when and how the organization made the determination.
- c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? If "Yes," explain in Part VI what controls the organization put in place to ensure such use.
- 4a Was any supported organization not organized in the United States ("foreign supported organization")? If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.
- b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.
- c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.
- 5a Did the organization add, substitute, or remove any supported organizations during the tax year? If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).
- b **Type I or Type II only.** Was any added or substituted supported organization part of a class already designated in the organization's organizing document?
- c **Substitutions only.** Was the substitution the result of an event beyond the organization's control?
- 6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? If "Yes," provide detail in Part VI.
- 7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).
- 8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).
- 9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2)? If "Yes," provide detail in Part VI.
- b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? If "Yes," provide detail in Part VI.
- c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? If "Yes," provide detail in Part VI.
- 10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? If "Yes," answer 10b below.
- b Did the organization have any excess business holdings in the tax year? (Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)

	Yes	No
1		
2		
3a		
3b		
3c		
4a		
4b		
4c		
5a		
5b		
5c		
6		
7		
8		
9a		
9b		
9c		
10a		
10b		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?	11a	
b A family member of a person described in (a) above?	11b	
c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI.	11c	

Section B. Type I Supporting Organizations

	Yes	No
1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.	1	
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.	2	

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).	1	

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?	1	
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).	2	
3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.	3	

Section E. Type III Functionally Integrated Supporting Organizations

	Yes	No
1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).		
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.		
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.		
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).		
2 Activities Test. Answer (a) and (b) below.		
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.	2a	
b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.	2b	
3 Parent of Supported Organizations. Answer (a) and (b) below.		
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI.	3a	
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.	3b	

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

- 1 ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI.) See instructions. All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d	3	
4	Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions)	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by .035	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount		Current Year	
1	Adjusted net income for prior year (from Section A, line 8, Column A)	1	
2	Enter 85% of line 1	2	
3	Minimum asset amount for prior year (from Section B, line 8, Column A)	3	
4	Enter greater of line 2 or line 3	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions			Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes		
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity		
3	Administrative expenses paid to accomplish exempt purposes of supported organizations		
4	Amounts paid to acquire exempt-use assets		
5	Qualified set-aside amounts (prior IRS approval required)		
6	Other distributions (describe in Part VI). See instructions.		
7	Total annual distributions. Add lines 1 through 6.		
8	Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.		
9	Distributable amount for 2017 from Section C, line 6		
10	Line 8 amount divided by line 9 amount		

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2017	(iii) Distributable Amount for 2017
1 Distributable amount for 2017 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2017 (reasonable cause required- explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2017			
a			
b From 2013			
c From 2014			
d From 2015			
e From 2016			
f Total of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2017 distributable amount			
i Carryover from 2012 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2017 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2017 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4.			
5 Remaining underdistributions for years prior to 2017, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2017. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2018. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2013			
b Excess from 2014			
c Excess from 2015			
d Excess from 2016			
e Excess from 2017			

(See instructions.)

Schedule B(Form 990, 990-EZ,
or 990-PF)Department of the Treasury
Internal Revenue Service**Schedule of Contributors**

- ▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.
▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2017

Name of the organization

Employer identification number

LANCASTER AREA HABITAT FOR HUMANITY, INC

23-2414585

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

☒ 501(c)(3) (enter number) organization☐ 4947(a)(1) nonexempt charitable trust not treated as a private foundation☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation☐ 501(c)(3) taxable private foundationCheck if your organization is covered by the **General Rule** or a **Special Rule**.**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.**General Rule**

- ☐ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

- ☒ For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000; or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2017)

Name of organization

Employer identification number

LANCASTER AREA HABITAT FOR HUMANITY, INC**23-2414585****Part I Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	S. DALE HIGH FOUNDATION 1853 WILLIAM PENN WAY LANCASTER, PA 17601	\$ 100,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	MARION Z & J WILBER BRUBAKER ENDOWMENT DONOR ADVISED FUND 393 N STRICKLER ROAD MANHEIM, PA 17545	\$ 31,028.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization

Employer identification number

LANCASTER AREA HABITAT FOR HUMANITY, INC**23-2414585****Part II Noncash Property** (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	

Name of organization

Employer identification number

LANCASTER AREA HABITAT FOR HUMANITY, INC**23-2414585****Part III**

Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this info. once.) ► \$

Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990.
▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2017

Open to Public
Inspection

Name of the organization

LANCASTER AREA HABITAT FOR HUMANITY, INC

Employer identification number

23-2414585

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate value of contributions to (during year)		
3 Aggregate value of grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Part II Conservation Easements. Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of a historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 7/25/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶

4 Number of states where property subject to conservation easement is located ▶

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ \$

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenue included on Form 990, Part VIII, line 1

(ii) Assets included in Form 990, Part X

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenue included on Form 990, Part VIII, line 1

b Assets included in Form 990, Part X

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a ☐ Public exhibition
 b ☐ Scholarly research
 c ☐ Preservation for future generations

- d ☐ Loan or exchange programs
 e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☒ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
c Beginning balance	54,467.
d Additions during the year	
e Distributions during the year	20,844.
f Ending balance	33,623.

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☒ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII ☒

Part V Endowment Funds. Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	11,115.	10,975.	10,850.	10,945.	10,361.
b Contributions					
c Net investment earnings, gains, and losses	1,818.	140.	125.	-95.	584.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	12,933.	11,115.	10,975.	10,850.	10,945.

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment ☐ .00 %
 b Permanent endowment ☒ 100.00 %
 c Temporarily restricted endowment ☐ .00 %

The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations
 (ii) related organizations

	Yes	No
3a(i)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3a(ii)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3b	<input type="checkbox"/>	<input type="checkbox"/>

b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		184,957.	76,662.	108,295.
c Leasehold improvements		12,023.	8,965.	3,058.
d Equipment		37,179.	37,179.	0.
e Other		151,557.	111,134.	40,423.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				151,776.

Schedule D (Form 990) 2017

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) REAL ESTATE AND CIP	838,995.
(2) BENEFICIAL INTEREST IN COMMUNITY FOUNDATION	12,933.
(3) SECURITY DEPOSITS	6,250.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	858,178.

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) LINE OF CREDIT	359,857.
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	359,857.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII ☒

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	2,459,629.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains (losses) on investments	2a	77.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	18,769.
e	Add lines 2a through 2d	2e	18,846.
3	Subtract line 2e from line 1	3	2,440,783.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b	4c	0.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	2,440,783.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	2,552,362.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d	11,211.
e	Add lines 2a through 2d	2e	11,211.
3	Subtract line 2e from line 1	3	2,541,151.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b	4c	0.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	2,541,151.

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

PART IV, LINE 1B:

ORGANIZATION HOLDS ESCROW ACCOUNTS FOR INDIVIDUAL HOME OWNERS.

PART IV, LINE 2B:

PRE-QUALIFIED HOMEBUYERS DEPOSIT PAYMENTS TOWARD THEIR REQUIRED 1% DOWN PAYMENT ON THEIR HOME, WHICH IS APPLIED AT SETTLEMENT FOR THE HOME. IN SOME CASES, THE ORGANIZATION ENTERS A LEASE PURCHASE AGREEMENT WITH THE HOMEBUYER, AND THEIR MONTHLY RENTAL PAYMENTS ARE HELD IN ESCROW AND APPLIED TOWARD THE PURCHASE OF THEIR HOME AT SETTLEMENT.

PART V, LINE 4:

THE FUNDS ARE HELD IN PERMANENT ENDOWMENT. THE COMMUNITY FOUNDATION MAKES

Part XIII Supplemental Information (continued)

DISTRIBUTIONS ESTIMATED AT 4-7% AVAILABLE ANNUALLY.

PART X, LINE 2:

THE ORGANIZATION FOLLOWS THE STANDARDS FOR ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES ACCORDING TO THE PRINCIPLES OF ASC 740, INCOME TAXES, WHICH PRESCRIBES A RECOGNITION THRESHOLD AND MEASUREMENT ATTRIBUTE FOR THE FINANCIAL STATEMENT RECOGNITION AND MEASUREMENT OF A TAX POSITION TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE ORGANIZATION INCLUDING WHETHER THE ENTITY IS EXEMPT FROM INCOME TAXES. MANAGEMENT EVALUATED THE TAX POSITIONS TAKEN AND CONCLUDED THAT THE ORGANIZATION HAD TAKEN NO UNCERTAIN TAX POSITIONS THAT REQUIRE RECOGNITION OR DISCLOSURE IN THE CONSOLIDATED FINANCIAL STATEMENTS. THEREFORE, NO PROVISION OR LIABILITY FOR INCOME TAXES HAS BEEN INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS. WITH FEW EXCEPTIONS, THE ORGANIZATION IS NO LONGER SUBJECT TO INCOME TAX EXAMINATIONS BY THE U.S. FEDERAL, STATE, OR LOCAL AUTHORITIES FOR YEARS ENDING BEFORE 2015.

PART XI, LINE 2D - OTHER ADJUSTMENTS:

CHANGE IN VALUE OF BENEFICIAL INTEREST	1,818.
DIRECT FUNDRAISING EXPENSES	11,211.
BAD DEBT RECEIVED	5,740.
TOTAL TO SCHEDULE D, PART XI, LINE 2D	18,769.

PART XII, LINE 2D - OTHER ADJUSTMENTS:

DIRECT FUNDRAISING EXPENSES	11,211.
-----------------------------	---------

Department of the Treasury
Internal Revenue Service

Complete if the organization answered "Yes" on Form 990, Part IV, line 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

▶ **Attach to Form 990 or Form 990-EZ.**

▶ Go to www.irs.gov/Form990 for the latest instructions.

OMB No. 1545-0047

2017

Open to Public Inspection

Name of the organization

LANCASTER AREA HABITAT FOR HUMANITY, INC

Employer identification number

23-2414585

Part I

Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17. Form 990-EZ filers are not required to complete this part.

- 1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a ☐ Mail solicitations
- b ☐ Internet and email solicitations
- c ☐ Phone solicitations
- d ☐ In-person solicitations
- e ☐ Solicitation of non-government grants
- f ☐ Solicitation of government grants
- g ☐ Special fundraising events

- 2 a** Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services?

☐ Yes☐ No

- b If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

[illegible]

Total				
--------------	--	--	--	--

- 3 List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

Part II Fundraising Events. Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1 NEIGHBORHOOD REVITALIZAT	(b) Event #2 HOME TOUR	(c) Other events 1	(d) Total events (add col. (a) through col. (c))
		(event type)	(event type)	(total number)	
Revenue	1 Gross receipts	40,228.	17,585.	17,500.	75,313.
	2 Less: Contributions				
	3 Gross income (line 1 minus line 2)	40,228.	17,585.	17,500.	75,313.
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs				
	7 Food and beverages				
	8 Entertainment				
	9 Other direct expenses		7,242.		7,242.
	10 Direct expense summary. Add lines 4 through 9 in column (d)				7,242.
	11 Net income summary. Subtract line 10 from line 3, column (d)				68,071.

Part III Gaming. Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue	1 Gross revenue				
Direct Expenses	2 Cash prizes				
	3 Noncash prizes				
	4 Rent/facility costs				
	5 Other direct expenses				
	6 Volunteer labor	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	
	7 Direct expense summary. Add lines 2 through 5 in column (d)				
	8 Net gaming income summary. Subtract line 7 from line 1, column (d)				

9 Enter the state(s) in which the organization conducts gaming activities: _____

a Is the organization licensed to conduct gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain: _____

10a Were any of the organization's gaming licenses revoked, suspended, or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain: _____

- 11 Does the organization conduct gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust, or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity conducted in:

a The organization's facility	13a	%
b An outside facility	13b	%

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name


Address

- 15a** Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No
- b** If "Yes," enter the amount of gaming revenue received by the organization ► \$ _____ and the amount of gaming revenue retained by the third party ► \$ _____
- c** If "Yes," enter name and address of the third party:

Name

Address

- 16 Gaming manager information:**

Name 

Gaming manager compensation ► \$ _____

Description of services provided ► _____

☐ Director/officer

☐ Employee

☐ Independent contractor

- 17 Mandatory distributions:**

- a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No
- b Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ► \$

Part IV **Supplemental Information.** Provide the explanations required by Part I, line 2b, columns (iii) and (v); and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also provide any additional information. See instructions.

Part IV	Supplemental Information <i>(continued)</i>
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SCHEDULE M
(Form 990)

Department of the Treasury
Internal Revenue Service

Noncash Contributions

- ▶ Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.
▶ Attach to Form 990.
▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2017

Open To Public
Inspection

Name of the organization

LANCASTER AREA HABITAT FOR HUMANITY, INC

Employer identification number

23-2414585

Part I **Types of Property**

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art - Works of art				
2 Art - Historical treasures				
3 Art - Fractional interests				
4 Books and publications				
5 Clothing and household goods				
6 Cars and other vehicles				
7 Boats and planes				
8 Intellectual property				
9 Securities - Publicly traded				
10 Securities - Closely held stock				
11 Securities - Partnership, LLC, or trust interests				
12 Securities - Miscellaneous				
13 Qualified conservation contribution - Historic structures				
14 Qualified conservation contribution - Other				
15 Real estate - Residential				
16 Real estate - Commercial				
17 Real estate - Other				
18 Collectibles				
19 Food inventory				
20 Drugs and medical supplies				
21 Taxidermy				
22 Historical artifacts				
23 Scientific specimens				
24 Archeological artifacts				
25 Other ▶ (<u>BUILDING MATE</u>)	X	25	670,495	COST
26 Other ▶ ()				
27 Other ▶ ()				
28 Other ▶ ()				

29 Number of Forms 8283 received by the organization during the tax year for contributions
for which the organization completed Form 8283, Part IV, Donee Acknowledgement

29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1 through 28, that it
must hold for at least three years from the date of the initial contribution, and which isn't required to be used for
exempt purposes for the entire holding period?

	Yes	No
30a		X
31	X	
32a	X	
33		

b If "Yes," describe the arrangement in Part II.

31 Does the organization have a gift acceptance policy that requires the review of any nonstandard contributions?

32a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash
contributions?

b If "Yes," describe in Part II.

33 If the organization didn't report an amount in column (c) for a type of property for which column (a) is checked,
describe in Part II.

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule M (Form 990) 2017

Part II **Supplemental Information.** Provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

SCHEDULE M, LINE 32B:

ORGANIZATION USES AN AUCTIONEER AT SPECIAL EVENTS TO SELL AND PROCESS
AUCTION ITEMS AND OCCASIONALLY TAKES DONATED ITEMS, THAT ARE IN EXCESS
VOLUME OR AGED INVENTORY, TO RELATED ORGANIZATION.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2017

Open to Public
Inspection

Name of the organization

LANCASTER AREA HABITAT FOR HUMANITY, INC

Employer identification number

23-2414585

FORM 990, PART I, LINE 1

SECTION 1.263(A)-1(F) DE MINIMIS SAFE HARBOR ELECTION

LANCASTER AREA HABITAT FOR HUMANITY, INC.

443 FAIRVIEW AVENUE

LANCASTER, PA 17603

EMPLOYER IDENTIFICATION NUMBER: 23-2414585

FOR THE YEAR ENDING JUNE 30, 2018

LANCASTER AREA HABITAT FOR HUMANITY, INC. IS MAKING THE DE MINIMIS SAFE
HARBOR ELECTION UNDER REG. SEC. 1.263(A)-1(F).

FORM 990, PART VI, SECTION B, LINE 11B:

THE GOVERNING BODY DOES REVIEW THE 990 BEFORE IT IS FILED. THE BOARD OF
DIRECTORS WILL REVIEW THE FORM 990 AT A BOARD MEETING. THE FORM 990 IS
POSTED ON THE BOARD'S ONLINE FILE SHARING, FOR ALL MEMBERS TO VIEW AND POST
COMMENTS; PRIOR TO AND AFTER FILING.

FORM 990, PART VI, SECTION B, LINE 12C:

CONFLICT OF INTEREST FORMS ARE KEPT ON FILE BY THE BOARD SECRETARY, ARE
REVIEWED REGULARLY BY MANAGEMENT, AND ARE PRESENT FOR REVIEW AT EVERY BOARD
MEETING. BOARD MEMBERS SELF IDENTIFY CONFLICTS AND ABSTAIN FROM VOTING
DURING RELEVANT BOARD OR COMMITTEE VOTES.

FORM 990, PART VI, SECTION B, LINE 15:

THE BOARD AND MANAGEMENT USE WAGE SURVEYS PROVIDED BY THE CHAMBER OF
COMMERCE, PANO, AFP, THE NATIONAL HABITAT ORGANIZATION, AND LOCAL

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule O (Form 990 or 990-EZ) (2017)

Name of the organization

LANCASTER AREA HABITAT FOR HUMANITY, INC

Employer identification number

23-2414585

COMPARISONS FOR REFERENCE.

FORM 990, PART VI, SECTION C, LINE 19:

THE ORGANIZATION MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST
POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC UPON REQUEST TO
THE MAIN OFFICE.

FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS:

CHANGE IN VALUE OF BENEFICIAL INTEREST	1,818.
BAD DEBT RECEIVED	5,740.
TOTAL TO FORM 990, PART XI, LINE 9	7,558.

FORM 990, PART XII, LINE 2C

THIS PROCESS HAS NOT CHANGED FROM PREVIOUS YEARS.

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity		<input checked="" type="checkbox"/>
b Gift, grant, or capital contribution to related organization(s)		<input checked="" type="checkbox"/>
c Gift, grant, or capital contribution from related organization(s)		<input checked="" type="checkbox"/>
d Loans or loan guarantees to or for related organization(s)		<input checked="" type="checkbox"/>
e Loans or loan guarantees by related organization(s)		<input checked="" type="checkbox"/>
f Dividends from related organization(s)		<input checked="" type="checkbox"/>
g Sale of assets to related organization(s)		<input checked="" type="checkbox"/>
h Purchase of assets from related organization(s)		<input checked="" type="checkbox"/>
i Exchange of assets with related organization(s)		<input checked="" type="checkbox"/>
j Lease of facilities, equipment, or other assets to related organization(s)		<input checked="" type="checkbox"/>
k Lease of facilities, equipment, or other assets from related organization(s)		<input checked="" type="checkbox"/>
l Performance of services or membership or fundraising solicitations for related organization(s)		<input checked="" type="checkbox"/>
m Performance of services or membership or fundraising solicitations by related organization(s)		<input checked="" type="checkbox"/>
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		<input checked="" type="checkbox"/>
o Sharing of paid employees with related organization(s)		<input checked="" type="checkbox"/>
p Reimbursement paid to related organization(s) for expenses		<input checked="" type="checkbox"/>
q Reimbursement paid by related organization(s) for expenses		<input checked="" type="checkbox"/>
r Other transfer of cash or property to related organization(s)		<input checked="" type="checkbox"/>
s Other transfer of cash or property from related organization(s)		<input checked="" type="checkbox"/>

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VII Supplemental Information.

Provide additional information for responses to questions on Schedule R. See instructions.

Application for Automatic Extension of Time To File an Exempt Organization Return

OMB No. 1545-1709

► File a separate application for each return.

► Information about Form 8868 and its instructions is at www.irs.gov/form8868.

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/efile, click on Charities & Non-Profits, and click on e-file for Charities and Non-Profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

		Enter filer's identifying number
Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions. LANCASTER AREA HABITAT FOR HUMANITY, INC	Employer identification number (EIN) or 23-2414585
	Number, street, and room or suite no. If a P.O. box, see instructions. 443 FAIRVIEW AVENUE	Social security number (SSN)
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. LANCASTER, PA 17603	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

EXECUTIVE DIRECTOR

• The books are in the care of ► **443 FAIRVIEW AVENUE - LANCASTER, PA 17603**
Telephone No. ► **717-392-8836** Fax No. ► _____

• If the organization does not have an office or place of business in the United States, check this box ☐
• If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ☐. If it is for part of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 6-month extension of time until **MAY 15, 2019**, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

► ☐ calendar year _____ or
► ☒ tax year beginning **JUL 1, 2017**, and ending **JUN 30, 2018**

2 If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return
☐ Change in accounting period

3a	If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c	Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA For Privacy Act and Paperwork Reduction Act Notice, see instructions.

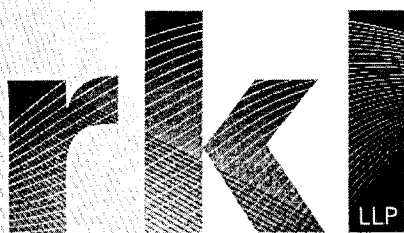
Form 8868 (Rev. 1-2017)

MAIL TO: DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE CENTER
OGDEN, UT 84201-0045

**Lancaster Area Habitat for Humanity, Inc. dba
Lancaster Lebanon Habitat for Humanity and
Affiliate**

Consolidated Financial Statements

June 30, 2018 and 2017



FOCUSED. ON YOU.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

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June 30, 2018 and 2017

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Consolidated Statement of Activities	5 and 6
Consolidated Statement of Cash Flows	7 and 8
Notes to Consolidated Financial Statements	9 to 25



Independent Auditor's Report

To the Board of Directors
Lancaster Area Habitat for Humanity, Inc. dba
Lancaster Lebanon Habitat for Humanity and Affiliate
Lancaster, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RKL LLP

January 3, 2019
Lancaster, Pennsylvania

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Financial Position

	June 30,	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 63,874	\$ 136,011
Restricted cash	14,116	22,671
Promises to give, net	8,800	115,744
Grants receivable	55,000	50,000
Inventories	769,163	684,288
Prepaid expenses	21,083	8,641
Current portion of non-interest bearing mortgage loans, net of unamortized discount of \$157,963 and \$173,659 at June 30, 2018 and 2017, respectively	148,125	157,804
Total Current Assets	1,080,161	1,175,159
Property and Equipment, Net	151,776	168,210
Other Assets		
Promises to give, net, less current portion	8,775	25,567
Beneficial interest in assets held by a community foundation	12,933	11,115
Real estate and construction in progress	838,995	562,293
Non-interest bearing mortgage loans, net of unamortized discount of \$2,129,745 and \$2,261,370 at June 30, 2018 and 2017, respectively	2,128,463	2,348,825
Security deposit	6,250	6,250
Total Other Assets	2,995,416	2,954,050
Total Assets	\$ 4,227,353	\$ 4,297,419

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Financial Position (continued)

	June 30,	
	2018	2017
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Line of credit	\$ 359,857	\$ 252,799
Accounts payable	61,034	27,959
Accrued payroll and benefits	43,593	52,540
Deferred revenue	-	4,500
Other accrued expenses	6,399	6,702
Current portion of secured borrowings, net of loan discount of \$19,861 and \$21,353 at June 30, 2018 and 2017, respectively	38,702	43,001
Current portion of notes payable	64,218	80,077
Escrow accounts	33,623	54,467
Total Current Liabilities	607,426	522,045
Long-Term Liabilities		
Secured borrowing, net of loan discount of \$304,561 and \$363,170 at June 30, 2018 and 2017, respectively, less current portion	777,809	776,483
Notes payable, less current portion	76,370	140,410
Total Long-Term Liabilities	854,179	916,893
Total Liabilities	1,461,605	1,438,938
Net Assets		
Unrestricted	2,733,925	2,646,055
Temporarily restricted	18,890	201,311
Permanently restricted	12,933	11,115
Total Net Assets	2,765,748	2,858,481
Total Liabilities and Net Assets	\$ 4,227,353	\$ 4,297,419

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Activities

	Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions - public	\$ 325,934	\$ 62,032	\$ -	\$ 387,966
Contributions - ReStore	669,191	-	-	669,191
ReStore sales	687,987	-	-	687,987
Fundraising	105,558	-	-	105,558
Investment loss	(317)	-	-	(317)
Change in value of beneficial interest in assets held by a community foundation	-	-	1,818	1,818
Miscellaneous income	2,140	-	-	2,140
Transfers to homeowners	160,695	-	-	160,695
Gain on foreclosed homes	227,596	-	-	227,596
Mortgage loan discount amortization	216,995	-	-	216,995
Net assets released from restrictions	244,453	(244,453)	-	-
Total Support and Revenue	2,640,232	(182,421)	1,818	2,459,629
Expenses				
Program services				
Affordable Housing	668,542	-	-	668,542
ReStore	1,307,099	-	-	1,307,099
	1,975,641	-	-	1,975,641
Supporting services				
General and administrative	442,250	-	-	442,250
Fundraising	134,471	-	-	134,471
	576,721	-	-	576,721
Total Expenses	2,552,362	-	-	2,552,362
Change in Net Assets	87,870	(182,421)	1,818	(92,733)
Net Assets at Beginning of Year	2,646,055	201,311	11,115	2,858,481
Net Assets at End of Year	\$ 2,733,925	\$ 18,890	\$ 12,933	\$ 2,765,748

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Activities (continued)

	Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions - public	\$ 398,373	\$ 160,986	\$ -	\$ 559,359
Contributions - ReStore	766,221	-	-	766,221
ReStore sales	781,722	-	-	781,722
Fundraising	93,516	-	-	93,516
Investment income	979	-	-	979
Change in value of beneficial interest in assets held by a community foundation	-	-	140	140
Miscellaneous income	12,000	-	-	12,000
Transfers to homeowners	141,781	-	-	141,781
Mortgage loan discount amortization	235,505	-	-	235,505
Net assets released from restrictions	77,548	(77,548)	-	-
Total Support and Revenue	2,507,645	83,438	140	2,591,223
Expenses				
Program services				
Affordable Housing	766,041	-	-	766,041
ReStore	1,415,644	-	-	1,415,644
	2,181,685	-	-	2,181,685
Supporting services				
General and administrative	421,764	-	-	421,764
Fundraising	154,818	-	-	154,818
	576,582	-	-	576,582
Total Expenses	2,758,267	-	-	2,758,267
Change in Net Assets Before Changes Related to Acquisition of Habitat for Humanity of Lebanon County's Assets and Liabilities	(250,622)	83,438	140	(167,044)
Contribution Received in the Acquisition of Habitat for Humanity of Lebanon County's Assets and Liabilities	63,055	-	-	63,055
Change in Net Assets	(187,567)	83,438	140	(103,989)
Net Assets at Beginning of Year	2,833,622	117,873	10,975	2,962,470
Net Assets at End of Year	\$ 2,646,055	\$ 201,311	\$ 11,115	\$ 2,858,481

See accompanying notes.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Cash Flows

	Years Ended June 30,	
	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (92,733)	\$ (103,989)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	20,290	21,902
Mortgage loan discount amortization	(216,995)	(235,505)
Secured borrowing discount amortization	21,107	22,670
Gain on change in value of beneficial interest in assets held by a community foundation	(1,818)	(140)
Gain on foreclosed homes	(227,596)	-
Provision for doubtful accounts	7,700	-
(Increase) decrease in assets		
Promises to give	133,936	(36,438)
Grants receivable	(5,000)	(50,000)
Inventories	207,125	93,880
Prepaid expenses	(12,442)	33,520
Real estate and construction in progress	(137,402)	37,134
Increase (decrease) in liabilities		
Accounts payable	33,075	15,211
Accrued expenses	(303)	2,979
Accrued payroll and benefits	(8,947)	8,305
Deferred revenue	(4,500)	4,500
Escrow accounts	(20,844)	11,464
Net Cash Used in Operating Activities	(305,347)	(174,507)
Cash Flows from Investing Activities		
Sales of investments	-	13,049
Purchase of fixed assets	(3,856)	(31,558)
Deed in lieu of foreclosure	360,103	-
Transfer to homeowners (mortgage origination)	(503,894)	(117,582)
Payments received on mortgage notes	408,216	451,602
Net Cash Provided by Investing Activities	260,569	315,511

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Cash Flows (continued)

	Years Ended June 30,	
	2018	2017
Cash Flows from Financing Activities		
Net borrowings (repayments) on line of credit	107,058	(14,440)
Payments on notes payable	(79,899)	(75,438)
Payments on secured borrowings	(63,073)	(69,964)
Net Cash Used in Financing Activities	(35,914)	(159,842)
Decrease in Cash and Cash Equivalents	(80,692)	(18,838)
Cash and Cash Equivalents at Beginning of Year	158,682	177,520
Cash and Cash Equivalents at End of Year	\$ 77,990	\$ 158,682
Cash and Cash Equivalents Consist of the Following		
Cash and cash equivalents	\$ 63,874	\$ 136,011
Restricted cash	14,116	22,671
	\$ 77,990	\$ 158,682
Supplemental Disclosure of Cash Flows Information		
Cash paid during the period for interest	\$ 17,121	\$ 21,763

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 1 - Nature of Operations

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity (LLHFH) is a charitable Christian ministry committed to providing affordable housing to individuals in need. LLHFH builds new homes and renovates older homes and sells them to low income individuals in or near Lancaster and Lebanon Counties of the Commonwealth of Pennsylvania in exchange for a non-interest bearing loan from the buyer. The buyers are required to donate approximately 500 hours of service toward the construction or improvement of residential properties. LLHFH also operates a building supply store (ReStore). Substantially all of the goods sold are donated and the excess revenue over operating expenses is used in the mission of LLHFH.

LLHFH is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information, resources, training, publications, prayer support, and in other ways, LLHFH is primarily and directly responsible for its own operations.

LAHFH Funding Company I, LLC (the Funding Company), a Pennsylvania limited liability company, was formed in 2015 to engage solely in the activity of acquiring, holding, and pledging mortgage loans and related documents originated by LLHFH. LLHFH is the sole member of the Funding Company.

For purposes of these consolidated financial statements the entities are collectively referred to as the Organization.

The Organization's major sources of revenue are from sales of homes, ReStore sales, and contributions.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of LLHFH and the Funding Company. All significant intercompany transactions and balances have been eliminated in consolidation.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization classifies donor-restricted contributions as unrestricted support when the restrictions are satisfied in the same reporting period in which the contributions were received. Net assets are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that must be maintained permanently by the Organization.

Income Taxes

The Funding Company is a limited liability company treated as a partnership for federal and state income tax purposes. As such, the Funding Company is not subject to federal or state income taxes as taxable income is passed through to the sole member.

LLHFH has received an exemption from the Internal Revenue Service (IRS) stating that the Organization is considered a public charity, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization continues to operate in such a manner that is in compliance with its federal and state income tax exemption.

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years ending before 2015.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

Functional expenses are allocated based on the division of costs among programs and supporting services according to a combination of specific identification and allocation by management. Supporting services include general and administrative expenses and fundraising costs.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Pursuant to the notes payable to Habitat International, the Organization is required to maintain cash reserves equal to one quarterly payment of the notes payable due. The cash reserves are to be used to the extent necessary at any time to make up for any deficiency in debt service obligations.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash. The Organization places its short-term investments with financial institutions. At times during the years ended June 30, 2018 and 2017 the Organization's cash balances may have exceeded the federally insured limit of \$250,000.

Promises to Give

Promises to give are stated at their outstanding balance. Promises to give are recognized when the Organization is notified of the promises. The Organization considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. As of June 30, 2018 and 2017, management has established an allowance for doubtful accounts of \$2,500 and \$10,200, respectively.

Inventories

Inventories consist of finished houses and ReStore inventory. It is the Organization's policy to write-down the finished houses' inventory to net realizable value to account for the estimated mortgage discounts. The mortgage discount is the estimated interest that will not be incurred by homeowners since the mortgages are non-interest bearing. The Organization recognizes its inventory using guidance from Habitat International at an estimated value based on 45 days of annual retail sales from the past 12 months.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

State Financial Network, Inc. Escrow Accounts

State Financial Network, Inc. services homeowners' escrow accounts. The Organization retains no ownership of these escrow funds and, accordingly, these escrow accounts are not shown on the consolidated statement of financial position of the Organization. State Financial Network, Inc. held \$164,269 and \$276,885 in escrow funds at June 30, 2018 and 2017, respectively.

Non-Interest Bearing Mortgage Loans

Non-interest bearing mortgage loans are recorded when houses are sold. The transfer is recorded at the total amount of payments to be received over the life of the mortgage, net of the mortgage discount. Non-interest bearing mortgages have been discounted at various rates ranging from 3% to 9% based upon rates recommended by Habitat International. The rates are based on the 70% low income housing credit discount rate from the IRS. Discounts are amortized using the straight-line method over the lives of the mortgages. Mortgages are stated at principal amounts, net of the allowance for unamortized discount. Allowances for bad debts are not recorded because the Organization believes the fair value of the properties substantially exceeds the mortgage principal. Management has the intent and ability to hold these receivables until maturity or payoff. Account balances are generally written off when management judges such balances as uncollectible, such as an account in bankruptcy. Management continually monitors and reviews the account balances.

Property and Equipment

The Organization capitalizes assets with a cost or fair market value of \$2,500 or more and a useful life of at least one year. Property and equipment are capitalized at cost or in the case of donated property, at estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated average useful lives of the assets.

The estimated useful lives are as follows:

Office building	30 years
Vehicles	5 years
Office furniture and equipment	3 to 5 years
Construction tools and equipment	5 years

Expenditures for additions, major renewals, and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. Gain or loss on the sale or disposal of assets is credited or charged to operations and the related asset costs and accumulated depreciation are removed from the respective accounts.

Depreciation expense amounted to \$20,290 and \$21,902 for the years ended June 30, 2018 and 2017, respectively.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management of the Organization concluded that no impairment adjustments were required during the years ended June 30, 2018 and 2017.

Beneficial Interest in Assets Held by a Community Foundation

Beneficial interest in assets held by a community foundation is reported at fair value as determined by the community foundation.

Real Estate and Construction in Progress

Real estate and construction in progress is stated at net realizable value. Real estate includes vacant land and land improvements when construction has not yet begun. When construction starts on a specific house, land and land improvements are allocated to the house (construction in progress).

Construction in progress includes land acquisition and development costs and building materials and supplies. It is the Organization's policy to write-down the real estate and construction in progress to net realizable value. The estimated mortgage discounts are charged to expense. The mortgage discount is the estimated interest that will not be incurred by homeowners since the mortgages are non-interest bearing. Completed houses are reclassified to inventory at net realizable value.

Support and Revenue Recognition

Grant revenue is recognized when earned, based on terms of the grant. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a time restriction is met or a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Donated Assets, Materials, and Services

Donated investments and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. The Organization recorded donated building materials of \$-0- and \$4,125 for the years ended June 30, 2018 and 2017, respectively. Donated services from professionals or craftsmen that require specialized skills have been recorded as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*. The Organization recognized \$2,466 and \$2,962 of contributed professional and construction related services for the years ended June 30, 2018 and 2017, respectively.

Donated services by volunteers for construction, ReStore, or administrative functions have not been recognized in the consolidated financial statements, as they do not meet the requirements for recognition under FASB ASC 958, *Not-for-Profit Entities*.

Transfers to Homeowners

Transfers to homeowners revenue is recorded when a home is sold. The transfers are recorded at the total amount of payments to be received over the life of the mortgage, net of the mortgage discount.

Construction, Building Materials, and Supplies

Construction, building materials, and supplies expense consists of historical costs of houses sold, net of reserves for mortgage discount for finished houses inventory, real estate, and construction in progress based on estimates of future sales prices and costs to reflect the net realizable value. These expenses totaled \$321,864 and \$340,352 for the years ended June 30, 2018 and 2017, respectively. Such expenses are recorded within Affordable Housing program expenses on the consolidated statement of activities.

Cost of Goods Sold

Cost of goods sold is estimated based on sales of ReStore inventory during the year. These expenses totaled \$668,029 and \$765,979 for the years ended June 30, 2018 and 2017, respectively. Such expenses are recorded within ReStore program expenses on the consolidated statement of activities.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$40,358 and \$33,532 for the years ended June 30, 2018 and 2017, respectively.

Taxes Collected and Paid on Revenue-Producing Transactions

Sales taxes assessed by a governmental authority on applicable revenue-producing transactions between the Organization and its customers are recorded on a net basis, excluding both the collections and payment of such taxes from the Organization's revenues and expenses.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. This guidance is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounting for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation technique was used to measure fair value of assets in the table below on a recurring basis:

Beneficial interest in assets held by a community foundation: Fair value of the beneficial interest in assets held by a community foundation was based on the Organization's ownership interest of the fund as determined by the community foundation. The fund assets were valued based on the performance of underlying investments as well as an administrative fee.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Fair Value Measurements (continued)

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following:

Fair Value Measurements at June 30, 2018			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial Interest in Assets Held by a Community Foundation	\$ -	\$ 12,933	\$ 12,933
Fair Value Measurements at June 30, 2017			
Beneficial Interest in Assets Held by a Community Foundation	\$ -	\$ 11,115	\$ 11,115

For assets falling within Level 3 in the fair value hierarchy, the activity recognized is as follows during the years ended June 30, 2018 and 2017:

	Beneficial Interest in Assets Held by a Community Foundation
Balance at June 30, 2016	\$ 10,975
Change in value of beneficial interest in assets held by a community foundation	<u>140</u>
Balance at June 30, 2017	11,115
Change in value of beneficial interest in assets held by a community foundation	<u>1,818</u>
Balance at June 30, 2018	<u>\$ 12,933</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances the transfer is reported at the beginning of the reporting period.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Fair Value Measurements (continued)

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2018 and 2017, there were no transfers in or out of Level 3.

Note 4 - Investments

Investment income (loss) in the consolidated statement of activities consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 26	\$ 390
Realized and unrealized gains (losses)	<u>(343)</u>	<u>589</u>
	<u>\$ (317)</u>	<u>\$ 979</u>

Note 5 - Beneficial Interest in Assets Held by a Community Foundation

The Organization has transferred \$10,000 to the Lancaster County Community Foundation (the Foundation) which is holding the reciprocal gift as an endowed component fund (the Fund) for the benefit of the Organization. The Foundation fully matched the Organization's transfer of \$10,000 for a total original endowed asset balance of \$20,000. The Foundation has variance power over the matched portion of the Fund which gives the Foundation's Board of Trustees the power to use the matched portion of the Fund for other purposes in certain limited circumstances and as a result this portion is not recorded as an asset on the consolidated statement of financial position of the Organization. The Fund is subject to the Foundation's investment and spending policies which currently result in a distribution to the Organization of five percent of the average annual value, at June 30 and December 31, over the previous five years. The Organization reports the fair value of their originally transferred portion of the Fund as beneficial interest in assets held by a community foundation in the consolidated statement of financial position and reports distributions received as investment income on the consolidated statement of activities. Changes in the value of the Fund are reported as change in value of beneficial interest in assets held by a community foundation on the consolidated statement of activities. The fair value of the Organization's beneficial interest in assets held by a community foundation amounted to \$12,933 and \$11,115 at June 30, 2018 and 2017, respectively.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 6 - Promises to Give

Promises to give consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Promises to give	\$ 20,075	\$ 151,511
Allowance for doubtful accounts	<u>(2,500)</u>	<u>(10,200)</u>
	<u>\$ 17,575</u>	<u>\$ 141,311</u>
Amounts due in less than one year	\$ 8,800	\$ 115,744
Amounts due in one to five years	<u>8,775</u>	<u>25,567</u>
	<u>\$ 17,575</u>	<u>\$ 141,311</u>

Note 7 - Inventories

Inventories consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Finished houses	\$ 684,236	\$ 587,921
ReStore inventory	<u>84,927</u>	<u>96,367</u>
	<u>\$ 769,163</u>	<u>\$ 684,288</u>

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Office building and land	\$ 196,980	\$ 196,980
Vehicles	151,557	147,701
Office furniture and equipment	20,374	20,374
Construction tools and equipment	<u>16,805</u>	<u>16,805</u>
	385,716	381,860
Accumulated depreciation	<u>(233,940)</u>	<u>(213,650)</u>
	<u>\$ 151,776</u>	<u>\$ 168,210</u>

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 9 - Real Estate and Construction in Progress

Real estate and construction in progress consist of the following at June 30:

	2018	2017
Homes under construction	\$ 405,070	\$ 129,447
Land held for sale	160,577	156,745
Land held for development	273,348	276,101
	<u>\$ 838,995</u>	<u>\$ 562,293</u>

Note 10 - Non-Interest Bearing Mortgage Loans

The non-interest bearing mortgage loans are mortgages which mature in 2018 through 2048. The related properties are pledged as collateral for mortgages. The 99 mortgages receivable, net of discounts at June 30, 2018, ranged from \$571 to \$58,664. The 108 mortgages receivable, net of discounts at June 30, 2017, ranged from \$134 to \$59,466. Management has concluded that no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage note balances.

The following schedule summarizes the payment status of the mortgage loans at June 30:

	2018			
	Number of Loans	Loan Amount	Discount Amount	Net Amount
Current	82	\$ 3,863,681	\$ 1,967,635	\$ 1,896,046
31 to 60 days past due	4	58,516	27,601	30,915
More than 60 days past due	13	642,099	292,472	349,627
	<u>99</u>	<u>\$ 4,564,296</u>	<u>\$ 2,287,708</u>	<u>\$ 2,276,588</u>
	2017			
Current	84	\$ 3,961,168	\$ 1,992,515	\$ 1,968,653
31 to 60 days past due	9	176,086	82,289	93,797
More than 60 days past due	15	804,404	360,225	444,179
	<u>108</u>	<u>\$ 4,941,658</u>	<u>\$ 2,435,029</u>	<u>\$ 2,506,629</u>

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 10 - Non-Interest Bearing Mortgage Loans (continued)

Aggregate maturities non-interest bearing mortgage loans net of unamortized discount, assuming no change in current terms, consist of the following for the five years ending June 30 and thereafter:

2019	\$ 148,125
2020	140,847
2021	135,840
2022	128,705
2023	122,518
Thereafter	<u>1,600,553</u>
	<u>\$ 2,276,588</u>

Note 11 - Line of Credit

The Organization has a line of credit with a bank with a borrowing capacity of \$500,000 and a variable interest rate at the bank's prime rate with a minimum rate of 4.00% (5.00% and 4.25% at June 30, 2018 and 2017, respectively). The outstanding balance on the line of credit at June 30, 2018 and 2017 was \$359,857 and \$252,799, respectively. The line of credit is secured by the organization's furniture, fixtures, equipment, and accounts receivable.

Note 12 - Secured Borrowings

In February 2003, under the Temporary Assistance for Needy Families mortgage loan program, the Organization transferred five of its zero interest mortgages to the Pennsylvania Housing Finance Agency (PHFA) in return for cash in the amount of \$249,920, which was equal to the principal balance of the mortgages. Two additional loans were transferred in October 2004 in the amount of \$97,927. The Organization will continue to administer the loans for PHFA. In an event of default of any or all of the loans, the Organization may be required to repurchase the defaulted loan(s) at their outstanding balances. The outstanding balance of all such loans was \$57,342 and \$73,584 at June 30, 2018 and 2017, respectively.

During the year ended June 30, 2015, LLHFH and the Funding Company entered into a loan purchase and sale agreement in which the Funding Company purchased 11 mortgage loans from LLHFH and acquired all of LLHFH's rights, title, and interest in the mortgage loans, excluding the servicing rights. In the event of any default or breach that materially and adversely affects the value of mortgage loans LLHFH is required to either repurchase the loan(s) at the repurchase price or provide a substitute mortgage loan. In order to finance its acquisition of the mortgage loans, the Funding Company entered into a pledge and security agreement with PNC Community Development Company, LLC (PNC) in which PNC purchased from the Funding Company a promissory note secured by the homeowner mortgage loans purchased from LLHFH. At the time of the sale, the outstanding balance on the mortgages sold amounted to \$1,235,975. Gross proceeds amounted to \$851,076. In April 2018, the Organization repurchased one loan at its outstanding balance of \$116,869 due to a default on the loan. The outstanding balance of all loans was \$1,083,591 and \$1,130,423 at June 30, 2018 and 2017, respectively.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 12 - Secured Borrowings (continued)

Under FASB ASC Topic 860, *Transfers and Servicing*, the transfers of these loans have not been recorded as a sale, but rather as a secured borrowing because the Organization has maintained effective control over the transferred assets. Therefore, the transferred mortgages, net of the related mortgage discounts, remain in the balance of mortgages receivable. Furthermore, the Organization recognized a liability equal to the amount of the loans at the date they were transferred and this liability is reduced as payments are made to third parties. This liability is presented net of the related loan discounts, which represents the imputed interest on the loans. The loan discounts related to the transaction with PHFA are calculated using the same rates as the mortgages transferred to PHFA in return for cash. The rates are recommended by Habitat International. The rates are based on the 70% low income housing credit discount rate from the IRS and range between 7% and 8%. The loan discounts related to the transaction with PNC Bank are calculated using a discount rate of 3%.

Aggregate maturities required on the secured borrowings, assuming no change in current terms, consist of the following for the five years ending June 30 and thereafter:

2019, net of discounts of \$19,861	\$ 38,702
2020, net of discounts of \$18,633	37,951
2021, net of discounts of \$18,633	36,981
2022, net of discounts of \$18,259	32,866
2023, net of discounts of \$16,256	31,015
Thereafter, net of discounts of \$232,780	638,996
	<u>\$ 816,511</u>

Note 13 - Notes Payable

Notes payable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Installment note to Habitat International; quarterly installments of \$8,555, which includes interest compounded quarterly at fixed rate of 4.95% per annum; matured on December 31, 2017; collateralized by eight of the Organization's mortgages receivable	\$ -	\$ 18,301
Installment note to Habitat International; quarterly installments of \$5,996, which includes interest compounded quarterly at fixed rate of 4.00% per annum; matures on December 31, 2019; collateralized by nine of the Organization's mortgages receivable	33,891	55,858

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 13 - Notes Payable (continued)

	<u>2018</u>	<u>2017</u>
Installment note to Habitat International; quarterly installments of \$8,120, which includes interest compounded quarterly at fixed rate of 3.80% per annum; matures on December 31, 2020; collateralized by 12 of the Organization's mortgages receivable	77,536	106,305
Note payable to Fulton Bank; monthly payments of \$737; interest at fixed rate of 3.95% per annum; matures on September 18, 2020; collateralized by one of the Organization's vehicles	18,994	26,899
Note payable to Fulton Bank; monthly payments of \$285; interest at fixed rate of 3.90% per annum; matures on September 6, 2021; collateralized by one of the Organization's vehicles	10,167	13,124
	<u>140,588</u>	<u>220,487</u>
Current maturities	<u>(64,218)</u>	<u>(80,077)</u>
	<u>\$ 76,370</u>	<u>\$ 140,410</u>

Aggregate maturities of notes payable, assuming no change in current terms, consist of the following for the four years ending June 30:

2019	\$ 64,218
2020	53,848
2021	21,935
2022	587
	<u>\$ 140,588</u>

Note 14 - Compensated Absences

Employees of the Organization are entitled to paid vacation, depending on job classification, length of service, and other factors. Employees are allowed to carry over up to 30 unused vacation days to the next year. Compensated absences for vacation earned of \$16,587 and \$22,972, as of June 30, 2018 and 2017, respectively, is included on the consolidated statement of financial position.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 15 - Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Promises to give	\$ 17,575	\$ 141,311
Promises to give - South Christian Street	-	50,000
Contributions - South Christian Street	-	10,000
Contributions - Veterans Build	<u>1,315</u>	<u>-</u>
	<u>\$ 18,890</u>	<u>\$ 201,311</u>

Permanently restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Beneficial Interest in Assets Held by a Community Foundation	<u>\$ 12,933</u>	<u>\$ 11,115</u>

Note 16 - Operating Lease

The Organization leases a building which is used to operate ReStore. Monthly lease payments throughout the term of the lease range from \$9,117 to \$9,667. The lease term ends on March 31, 2021. The Organization is also responsible for the payment of the related taxes, insurance, and maintenance of the building. Rent expense under this lease amounted to \$137,672 and \$134,072 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments consist of the following for the three years ending June 30:

2019	\$ 110,200
2020	113,450
2021	87,000

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through January 3, 2019, which is the date the consolidated financial statements were available to be issued.

In July 2018, the Organization received a \$45,000 grant; \$25,000 to be used towards an onsite construction employee and \$20,000 to be used towards the loan program offered to residents who desire to make home repairs to their properties. A promissory note was signed in July related to the portion of the grant to be used towards the loan program, which is required to be repaid by July 1, 2020.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 17 - Subsequent Events (continued)

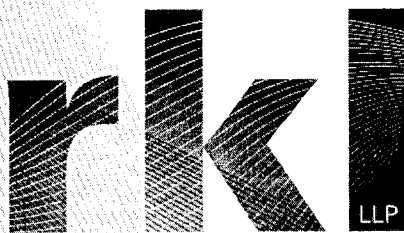
In December 2018, the Organization entered into a promissory note with Habitat International, by which the Organization would receive \$381,203. The promissory note, bearing interest at a rate per annum equal to 5.00%, is to be payable in 40 quarterly installments of principal and interest of \$12,169, through December 2028. The promissory note is secured by 11 mortgage loans pledged by the Organization.

No other material events subsequent to June 30, 2018 were identified.

**Lancaster Area Habitat for Humanity, Inc. dba
Lancaster Lebanon Habitat for Humanity and
Affiliate**

Consolidated Financial Statements

June 30, 2018 and 2017



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Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

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June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
Lancaster Area Habitat for Humanity, Inc. dba
Lancaster Lebanon Habitat for Humanity and Affiliate
Lancaster, Pennsylvania

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RKL LLP

January 3, 2019
Lancaster, Pennsylvania

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Financial Position

	June 30,	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 63,874	\$ 136,011
Restricted cash	14,116	22,671
Promises to give, net	8,800	115,744
Grants receivable	55,000	50,000
Inventories	769,163	684,288
Prepaid expenses	21,083	8,641
Current portion of non-interest bearing mortgage loans, net of unamortized discount of \$157,963 and \$173,659 at June 30, 2018 and 2017, respectively	148,125	157,804
Total Current Assets	1,080,161	1,175,159
Property and Equipment, Net	151,776	168,210
Other Assets		
Promises to give, net, less current portion	8,775	25,567
Beneficial interest in assets held by a community foundation	12,933	11,115
Real estate and construction in progress	838,995	562,293
Non-interest bearing mortgage loans, net of unamortized discount of \$2,129,745 and \$2,261,370 at June 30, 2018 and 2017, respectively	2,128,463	2,348,825
Security deposit	6,250	6,250
Total Other Assets	2,995,416	2,954,050
Total Assets	\$ 4,227,353	\$ 4,297,419

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Financial Position (continued)

	June 30,	
	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Line of credit	\$ 359,857	\$ 252,799
Accounts payable	61,034	27,959
Accrued payroll and benefits	43,593	52,540
Deferred revenue	-	4,500
Other accrued expenses	6,399	6,702
Current portion of secured borrowings, net of loan discount of \$19,861 and \$21,353 at June 30, 2018 and 2017, respectively	38,702	43,001
Current portion of notes payable	64,218	80,077
Escrow accounts	33,623	54,467
Total Current Liabilities	607,426	522,045
Long-Term Liabilities		
Secured borrowing, net of loan discount of \$304,561 and \$363,170 at June 30, 2018 and 2017, respectively, less current portion	777,809	776,483
Notes payable, less current portion	76,370	140,410
Total Long-Term Liabilities	854,179	916,893
Total Liabilities	1,461,605	1,438,938
Net Assets		
Unrestricted	2,733,925	2,646,055
Temporarily restricted	18,890	201,311
Permanently restricted	12,933	11,115
Total Net Assets	2,765,748	2,858,481
Total Liabilities and Net Assets	\$ 4,227,353	\$ 4,297,419

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Activities

	Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions - public	\$ 325,934	\$ 62,032	\$ -	\$ 387,966
Contributions - ReStore	669,191	-	-	669,191
ReStore sales	687,987	-	-	687,987
Fundraising	105,558	-	-	105,558
Investment loss	(317)	-	-	(317)
Change in value of beneficial interest in assets held by a community foundation	-	-	1,818	1,818
Miscellaneous income	2,140	-	-	2,140
Transfers to homeowners	160,695	-	-	160,695
Gain on foreclosed homes	227,596	-	-	227,596
Mortgage loan discount amortization	216,995	-	-	216,995
Net assets released from restrictions	244,453	(244,453)	-	-
Total Support and Revenue	2,640,232	(182,421)	1,818	2,459,629
Expenses				
Program services				
Affordable Housing	668,542	-	-	668,542
ReStore	1,307,099	-	-	1,307,099
	1,975,641	-	-	1,975,641
Supporting services				
General and administrative	442,250	-	-	442,250
Fundraising	134,471	-	-	134,471
	576,721	-	-	576,721
Total Expenses	2,552,362	-	-	2,552,362
Change in Net Assets	87,870	(182,421)	1,818	(92,733)
Net Assets at Beginning of Year	2,646,055	201,311	11,115	2,858,481
Net Assets at End of Year	\$ 2,733,925	\$ 18,890	\$ 12,933	\$ 2,765,748

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Activities (continued)

	Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions - public	\$ 398,373	\$ 160,986	\$ -	\$ 559,359
Contributions - ReStore	766,221	-	-	766,221
ReStore sales	781,722	-	-	781,722
Fundraising	93,516	-	-	93,516
Investment income	979	-	-	979
Change in value of beneficial interest in assets held by a community foundation	-	-	140	140
Miscellaneous income	12,000	-	-	12,000
Transfers to homeowners	141,781	-	-	141,781
Mortgage loan discount amortization	235,505	-	-	235,505
Net assets released from restrictions	77,548	(77,548)	-	-
Total Support and Revenue	2,507,645	83,438	140	2,591,223
Expenses				
Program services				
Affordable Housing	766,041	-	-	766,041
ReStore	1,415,644	-	-	1,415,644
	2,181,685	-	-	2,181,685
Supporting services				
General and administrative	421,764	-	-	421,764
Fundraising	154,818	-	-	154,818
	576,582	-	-	576,582
Total Expenses	2,758,267	-	-	2,758,267
Change in Net Assets Before Changes Related to Acquisition of Habitat for Humanity of Lebanon County's Assets and Liabilities	(250,622)	83,438	140	(167,044)
Contribution Received in the Acquisition of Habitat for Humanity of Lebanon County's Assets and Liabilities	63,055	-	-	63,055
Change in Net Assets	(187,567)	83,438	140	(103,989)
Net Assets at Beginning of Year	2,833,622	117,873	10,975	2,962,470
Net Assets at End of Year	\$ 2,646,055	\$ 201,311	\$ 11,115	\$ 2,858,481

See accompanying notes.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Cash Flows

	Years Ended June 30,	
	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (92,733)	\$ (103,989)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	20,290	21,902
Mortgage loan discount amortization	(216,995)	(235,505)
Secured borrowing discount amortization	21,107	22,670
Gain on change in value of beneficial interest in assets held by a community foundation	(1,818)	(140)
Gain on foreclosed homes	(227,596)	-
Provision for doubtful accounts	7,700	-
(Increase) decrease in assets		
Promises to give	133,936	(36,438)
Grants receivable	(5,000)	(50,000)
Inventories	207,125	93,880
Prepaid expenses	(12,442)	33,520
Real estate and construction in progress	(137,402)	37,134
Increase (decrease) in liabilities		
Accounts payable	33,075	15,211
Accrued expenses	(303)	2,979
Accrued payroll and benefits	(8,947)	8,305
Deferred revenue	(4,500)	4,500
Escrow accounts	(20,844)	11,464
Net Cash Used in Operating Activities	(305,347)	(174,507)
Cash Flows from Investing Activities		
Sales of investments	-	13,049
Purchase of fixed assets	(3,856)	(31,558)
Deed in lieu of foreclosure	360,103	-
Transfer to homeowners (mortgage origination)	(503,894)	(117,582)
Payments received on mortgage notes	408,216	451,602
Net Cash Provided by Investing Activities	260,569	315,511

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Consolidated Statement of Cash Flows (continued)

	Years Ended June 30,	
	2018	2017
Cash Flows from Financing Activities		
Net borrowings (repayments) on line of credit	107,058	(14,440)
Payments on notes payable	(79,899)	(75,438)
Payments on secured borrowings	(63,073)	(69,964)
Net Cash Used in Financing Activities	(35,914)	(159,842)
Decrease in Cash and Cash Equivalents	(80,692)	(18,838)
Cash and Cash Equivalents at Beginning of Year	158,682	177,520
Cash and Cash Equivalents at End of Year	\$ 77,990	\$ 158,682
Cash and Cash Equivalents Consist of the Following		
Cash and cash equivalents	\$ 63,874	\$ 136,011
Restricted cash	14,116	22,671
	\$ 77,990	\$ 158,682
Supplemental Disclosure of Cash Flows Information		
Cash paid during the period for interest	\$ 17,121	\$ 21,763

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 1 - Nature of Operations

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity (LLHFH) is a charitable Christian ministry committed to providing affordable housing to individuals in need. LLHFH builds new homes and renovates older homes and sells them to low income individuals in or near Lancaster and Lebanon Counties of the Commonwealth of Pennsylvania in exchange for a non-interest bearing loan from the buyer. The buyers are required to donate approximately 500 hours of service toward the construction or improvement of residential properties. LLHFH also operates a building supply store (ReStore). Substantially all of the goods sold are donated and the excess revenue over operating expenses is used in the mission of LLHFH.

LLHFH is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information, resources, training, publications, prayer support, and in other ways, LLHFH is primarily and directly responsible for its own operations.

LAHFH Funding Company I, LLC (the Funding Company), a Pennsylvania limited liability company, was formed in 2015 to engage solely in the activity of acquiring, holding, and pledging mortgage loans and related documents originated by LLHFH. LLHFH is the sole member of the Funding Company.

For purposes of these consolidated financial statements the entities are collectively referred to as the Organization.

The Organization's major sources of revenue are from sales of homes, ReStore sales, and contributions.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Use of Estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of LLHFH and the Funding Company. All significant intercompany transactions and balances have been eliminated in consolidation.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization classifies donor-restricted contributions as unrestricted support when the restrictions are satisfied in the same reporting period in which the contributions were received. Net assets are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that must be maintained permanently by the Organization.

Income Taxes

The Funding Company is a limited liability company treated as a partnership for federal and state income tax purposes. As such, the Funding Company is not subject to federal or state income taxes as taxable income is passed through to the sole member.

LLHFH has received an exemption from the Internal Revenue Service (IRS) stating that the Organization is considered a public charity, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization continues to operate in such a manner that is in compliance with its federal and state income tax exemption.

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years ending before 2015.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

Functional expenses are allocated based on the division of costs among programs and supporting services according to a combination of specific identification and allocation by management. Supporting services include general and administrative expenses and fundraising costs.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

Pursuant to the notes payable to Habitat International, the Organization is required to maintain cash reserves equal to one quarterly payment of the notes payable due. The cash reserves are to be used to the extent necessary at any time to make up for any deficiency in debt service obligations.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash. The Organization places its short-term investments with financial institutions. At times during the years ended June 30, 2018 and 2017 the Organization's cash balances may have exceeded the federally insured limit of \$250,000.

Promises to Give

Promises to give are stated at their outstanding balance. Promises to give are recognized when the Organization is notified of the promises. The Organization considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received. As of June 30, 2018 and 2017, management has established an allowance for doubtful accounts of \$2,500 and \$10,200, respectively.

Inventories

Inventories consist of finished houses and ReStore inventory. It is the Organization's policy to write-down the finished houses' inventory to net realizable value to account for the estimated mortgage discounts. The mortgage discount is the estimated interest that will not be incurred by homeowners since the mortgages are non-interest bearing. The Organization recognizes its inventory using guidance from Habitat International at an estimated value based on 45 days of annual retail sales from the past 12 months.

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

State Financial Network, Inc. Escrow Accounts

State Financial Network, Inc. services homeowners' escrow accounts. The Organization retains no ownership of these escrow funds and, accordingly, these escrow accounts are not shown on the consolidated statement of financial position of the Organization. State Financial Network, Inc. held \$164,269 and \$276,885 in escrow funds at June 30, 2018 and 2017, respectively.

Non-Interest Bearing Mortgage Loans

Non-interest bearing mortgage loans are recorded when houses are sold. The transfer is recorded at the total amount of payments to be received over the life of the mortgage, net of the mortgage discount. Non-interest bearing mortgages have been discounted at various rates ranging from 3% to 9% based upon rates recommended by Habitat International. The rates are based on the 70% low income housing credit discount rate from the IRS. Discounts are amortized using the straight-line method over the lives of the mortgages. Mortgages are stated at principal amounts, net of the allowance for unamortized discount. Allowances for bad debts are not recorded because the Organization believes the fair value of the properties substantially exceeds the mortgage principal. Management has the intent and ability to hold these receivables until maturity or payoff. Account balances are generally written off when management judges such balances as uncollectible, such as an account in bankruptcy. Management continually monitors and reviews the account balances.

Property and Equipment

The Organization capitalizes assets with a cost or fair market value of \$2,500 or more and a useful life of at least one year. Property and equipment are capitalized at cost or in the case of donated property, at estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated average useful lives of the assets.

The estimated useful lives are as follows:

Office building	30 years
Vehicles	5 years
Office furniture and equipment	3 to 5 years
Construction tools and equipment	5 years

Expenditures for additions, major renewals, and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred. Gain or loss on the sale or disposal of assets is credited or charged to operations and the related asset costs and accumulated depreciation are removed from the respective accounts.

Depreciation expense amounted to \$20,290 and \$21,902 for the years ended June 30, 2018 and 2017, respectively.

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Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management of the Organization concluded that no impairment adjustments were required during the years ended June 30, 2018 and 2017.

Beneficial Interest in Assets Held by a Community Foundation

Beneficial interest in assets held by a community foundation is reported at fair value as determined by the community foundation.

Real Estate and Construction in Progress

Real estate and construction in progress is stated at net realizable value. Real estate includes vacant land and land improvements when construction has not yet begun. When construction starts on a specific house, land and land improvements are allocated to the house (construction in progress).

Construction in progress includes land acquisition and development costs and building materials and supplies. It is the Organization's policy to write-down the real estate and construction in progress to net realizable value. The estimated mortgage discounts are charged to expense. The mortgage discount is the estimated interest that will not be incurred by homeowners since the mortgages are non-interest bearing. Completed houses are reclassified to inventory at net realizable value.

Support and Revenue Recognition

Grant revenue is recognized when earned, based on terms of the grant. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, that is, when a time restriction is met or a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

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Note 2 - Summary of Significant Accounting Policies (continued)

Donated Assets, Materials, and Services

Donated investments and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. The Organization recorded donated building materials of \$-0- and \$4,125 for the years ended June 30, 2018 and 2017, respectively. Donated services from professionals or craftsmen that require specialized skills have been recorded as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*. The Organization recognized \$2,466 and \$2,962 of contributed professional and construction related services for the years ended June 30, 2018 and 2017, respectively.

Donated services by volunteers for construction, ReStore, or administrative functions have not been recognized in the consolidated financial statements, as they do not meet the requirements for recognition under FASB ASC 958, *Not-for-Profit Entities*.

Transfers to Homeowners

Transfers to homeowners revenue is recorded when a home is sold. The transfers are recorded at the total amount of payments to be received over the life of the mortgage, net of the mortgage discount.

Construction, Building Materials, and Supplies

Construction, building materials, and supplies expense consists of historical costs of houses sold, net of reserves for mortgage discount for finished houses inventory, real estate, and construction in progress based on estimates of future sales prices and costs to reflect the net realizable value. These expenses totaled \$321,864 and \$340,352 for the years ended June 30, 2018 and 2017, respectively. Such expenses are recorded within Affordable Housing program expenses on the consolidated statement of activities.

Cost of Goods Sold

Cost of goods sold is estimated based on sales of ReStore inventory during the year. These expenses totaled \$668,029 and \$765,979 for the years ended June 30, 2018 and 2017, respectively. Such expenses are recorded within ReStore program expenses on the consolidated statement of activities.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled \$40,358 and \$33,532 for the years ended June 30, 2018 and 2017, respectively.

Taxes Collected and Paid on Revenue-Producing Transactions

Sales taxes assessed by a governmental authority on applicable revenue-producing transactions between the Organization and its customers are recorded on a net basis, excluding both the collections and payment of such taxes from the Organization's revenues and expenses.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of the new standards on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. This guidance is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounting for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

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Note 3 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation technique was used to measure fair value of assets in the table below on a recurring basis:

Beneficial interest in assets held by a community foundation: Fair value of the beneficial interest in assets held by a community foundation was based on the Organization's ownership interest of the fund as determined by the community foundation. The fund assets were valued based on the performance of underlying investments as well as an administrative fee.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 3 - Fair Value Measurements (continued)

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following:

Fair Value Measurements at June 30, 2018			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial Interest in Assets Held by a Community Foundation			
\$ -	\$ -	\$ 12,933	\$ 12,933
Fair Value Measurements at June 30, 2017			
Beneficial Interest in Assets Held by a Community Foundation			
\$ -	\$ -	\$ 11,115	\$ 11,115

For assets falling within Level 3 in the fair value hierarchy, the activity recognized is as follows during the years ended June 30, 2018 and 2017:

	Beneficial Interest in Assets Held by a Community Foundation
Balance at June 30, 2016	\$ 10,975
Change in value of beneficial interest in assets held by a community foundation	140
Balance at June 30, 2017	11,115
Change in value of beneficial interest in assets held by a community foundation	1,818
Balance at June 30, 2018	<u>\$ 12,933</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances the transfer is reported at the beginning of the reporting period.

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Notes to Consolidated Financial Statements
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Note 3 - Fair Value Measurements (continued)

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2018 and 2017, there were no transfers in or out of Level 3.

Note 4 - Investments

Investment income (loss) in the consolidated statement of activities consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 26	\$ 390
Realized and unrealized gains (losses)	<u>(343)</u>	<u>589</u>
	<u>\$ (317)</u>	<u>\$ 979</u>

Note 5 - Beneficial Interest in Assets Held by a Community Foundation

The Organization has transferred \$10,000 to the Lancaster County Community Foundation (the Foundation) which is holding the reciprocal gift as an endowed component fund (the Fund) for the benefit of the Organization. The Foundation fully matched the Organization's transfer of \$10,000 for a total original endowed asset balance of \$20,000. The Foundation has variance power over the matched portion of the Fund which gives the Foundation's Board of Trustees the power to use the matched portion of the Fund for other purposes in certain limited circumstances and as a result this portion is not recorded as an asset on the consolidated statement of financial position of the Organization. The Fund is subject to the Foundation's investment and spending policies which currently result in a distribution to the Organization of five percent of the average annual value, at June 30 and December 31, over the previous five years. The Organization reports the fair value of their originally transferred portion of the Fund as beneficial interest in assets held by a community foundation in the consolidated statement of financial position and reports distributions received as investment income on the consolidated statement of activities. Changes in the value of the Fund are reported as change in value of beneficial interest in assets held by a community foundation on the consolidated statement of activities. The fair value of the Organization's beneficial interest in assets held by a community foundation amounted to \$12,933 and \$11,115 at June 30, 2018 and 2017, respectively.

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Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 6 - Promises to Give

Promises to give consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Promises to give	\$ 20,075	\$ 151,511
Allowance for doubtful accounts	<u>(2,500)</u>	<u>(10,200)</u>
	<u>\$ 17,575</u>	<u>\$ 141,311</u>
Amounts due in less than one year	\$ 8,800	\$ 115,744
Amounts due in one to five years	<u>8,775</u>	<u>25,567</u>
	<u>\$ 17,575</u>	<u>\$ 141,311</u>

Note 7 - Inventories

Inventories consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Finished houses	\$ 684,236	\$ 587,921
ReStore inventory	<u>84,927</u>	<u>96,367</u>
	<u>\$ 769,163</u>	<u>\$ 684,288</u>

Note 8 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Office building and land	\$ 196,980	\$ 196,980
Vehicles	151,557	147,701
Office furniture and equipment	20,374	20,374
Construction tools and equipment	<u>16,805</u>	<u>16,805</u>
	385,716	381,860
Accumulated depreciation	<u>(233,940)</u>	<u>(213,650)</u>
	<u>\$ 151,776</u>	<u>\$ 168,210</u>

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

Note 9 - Real Estate and Construction in Progress

Real estate and construction in progress consist of the following at June 30:

	2018	2017
Homes under construction	\$ 405,070	\$ 129,447
Land held for sale	160,577	156,745
Land held for development	273,348	276,101
	<u>\$ 838,995</u>	<u>\$ 562,293</u>

Note 10 - Non-Interest Bearing Mortgage Loans

The non-interest bearing mortgage loans are mortgages which mature in 2018 through 2048. The related properties are pledged as collateral for mortgages. The 99 mortgages receivable, net of discounts at June 30, 2018, ranged from \$571 to \$58,664. The 108 mortgages receivable, net of discounts at June 30, 2017, ranged from \$134 to \$59,466. Management has concluded that no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage note balances.

The following schedule summarizes the payment status of the mortgage loans at June 30:

	2018			
	Number of Loans	Loan Amount	Discount Amount	Net Amount
Current	82	\$ 3,863,681	\$ 1,967,635	\$ 1,896,046
31 to 60 days past due	4	58,516	27,601	30,915
More than 60 days past due	13	642,099	292,472	349,627
	<u>99</u>	<u>\$ 4,564,296</u>	<u>\$ 2,287,708</u>	<u>\$ 2,276,588</u>
	2017			
Current	84	\$ 3,961,168	\$ 1,992,515	\$ 1,968,653
31 to 60 days past due	9	176,086	82,289	93,797
More than 60 days past due	15	804,404	360,225	444,179
	<u>108</u>	<u>\$ 4,941,658</u>	<u>\$ 2,435,029</u>	<u>\$ 2,506,629</u>

Lancaster Area Habitat for Humanity, Inc. dba Lancaster Lebanon Habitat for Humanity and Affiliate

Notes to Consolidated Financial Statements
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Note 10 - Non-Interest Bearing Mortgage Loans (continued)

Aggregate maturities non-interest bearing mortgage loans net of unamortized discount, assuming no change in current terms, consist of the following for the five years ending June 30 and thereafter:

2019	\$	148,125
2020		140,847
2021		135,840
2022		128,705
2023		122,518
Thereafter		<u>1,600,553</u>
	\$	<u>2,276,588</u>

Note 11 - Line of Credit

The Organization has a line of credit with a bank with a borrowing capacity of \$500,000 and a variable interest rate at the bank's prime rate with a minimum rate of 4.00% (5.00% and 4.25% at June 30, 2018 and 2017, respectively). The outstanding balance on the line of credit at June 30, 2018 and 2017 was \$359,857 and \$252,799, respectively. The line of credit is secured by the organization's furniture, fixtures, equipment, and accounts receivable.

Note 12 - Secured Borrowings

In February 2003, under the Temporary Assistance for Needy Families mortgage loan program, the Organization transferred five of its zero interest mortgages to the Pennsylvania Housing Finance Agency (PHFA) in return for cash in the amount of \$249,920, which was equal to the principal balance of the mortgages. Two additional loans were transferred in October 2004 in the amount of \$97,927. The Organization will continue to administer the loans for PHFA. In an event of default of any or all of the loans, the Organization may be required to repurchase the defaulted loan(s) at their outstanding balances. The outstanding balance of all such loans was \$57,342 and \$73,584 at June 30, 2018 and 2017, respectively.

During the year ended June 30, 2015, LLHFH and the Funding Company entered into a loan purchase and sale agreement in which the Funding Company purchased 11 mortgage loans from LLHFH and acquired all of LLHFH's rights, title, and interest in the mortgage loans, excluding the servicing rights. In the event of any default or breach that materially and adversely affects the value of mortgage loans LLHFH is required to either repurchase the loan(s) at the repurchase price or provide a substitute mortgage loan. In order to finance its acquisition of the mortgage loans, the Funding Company entered into a pledge and security agreement with PNC Community Development Company, LLC (PNC) in which PNC purchased from the Funding Company a promissory note secured by the homeowner mortgage loans purchased from LLHFH. At the time of the sale, the outstanding balance on the mortgages sold amounted to \$1,235,975. Gross proceeds amounted to \$851,076. In April 2018, the Organization repurchased one loan at its outstanding balance of \$116,869 due to a default on the loan. The outstanding balance of all loans was \$1,083,591 and \$1,130,423 at June 30, 2018 and 2017, respectively.

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Notes to Consolidated Financial Statements
June 30, 2018 and 2017

Note 12 - Secured Borrowings (continued)

Under FASB ASC Topic 860, *Transfers and Servicing*, the transfers of these loans have not been recorded as a sale, but rather as a secured borrowing because the Organization has maintained effective control over the transferred assets. Therefore, the transferred mortgages, net of the related mortgage discounts, remain in the balance of mortgages receivable. Furthermore, the Organization recognized a liability equal to the amount of the loans at the date they were transferred and this liability is reduced as payments are made to third parties. This liability is presented net of the related loan discounts, which represents the imputed interest on the loans. The loan discounts related to the transaction with PHFA are calculated using the same rates as the mortgages transferred to PHFA in return for cash. The rates are recommended by Habitat International. The rates are based on the 70% low income housing credit discount rate from the IRS and range between 7% and 8%. The loan discounts related to the transaction with PNC Bank are calculated using a discount rate of 3%.

Aggregate maturities required on the secured borrowings, assuming no change in current terms, consist of the following for the five years ending June 30 and thereafter:

2019, net of discounts of \$19,861	\$ 38,702
2020, net of discounts of \$18,633	37,951
2021, net of discounts of \$18,633	36,981
2022, net of discounts of \$18,259	32,866
2023, net of discounts of \$16,256	31,015
Thereafter, net of discounts of \$232,780	<u>638,996</u>
	<u>\$ 816,511</u>

Note 13 - Notes Payable

Notes payable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Installment note to Habitat International; quarterly installments of \$8,555, which includes interest compounded quarterly at fixed rate of 4.95% per annum; matured on December 31, 2017; collateralized by eight of the Organization's mortgages receivable	\$ -	\$ 18,301
Installment note to Habitat International; quarterly installments of \$5,996, which includes interest compounded quarterly at fixed rate of 4.00% per annum; matures on December 31, 2019; collateralized by nine of the Organization's mortgages receivable	33,891	55,858

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Note 13 - Notes Payable (continued)

	<u>2018</u>	<u>2017</u>
Installment note to Habitat International; quarterly installments of \$8,120, which includes interest compounded quarterly at fixed rate of 3.80% per annum; matures on December 31, 2020; collateralized by 12 of the Organization's mortgages receivable	77,536	106,305
Note payable to Fulton Bank; monthly payments of \$737; interest at fixed rate of 3.95% per annum; matures on September 18, 2020; collateralized by one of the Organization's vehicles	18,994	26,899
Note payable to Fulton Bank; monthly payments of \$285; interest at fixed rate of 3.90% per annum; matures on September 6, 2021; collateralized by one of the Organization's vehicles	10,167	13,124
	140,588	220,487
Current maturities	(64,218)	(80,077)
	<u>\$ 76,370</u>	<u>\$ 140,410</u>

Aggregate maturities of notes payable, assuming no change in current terms, consist of the following for the four years ending June 30:

2019	\$ 64,218
2020	53,848
2021	21,935
2022	587
	<u>\$ 140,588</u>

Note 14 - Compensated Absences

Employees of the Organization are entitled to paid vacation, depending on job classification, length of service, and other factors. Employees are allowed to carry over up to 30 unused vacation days to the next year. Compensated absences for vacation earned of \$16,587 and \$22,972, as of June 30, 2018 and 2017, respectively, is included on the consolidated statement of financial position.

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Notes to Consolidated Financial Statements
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Note 15 - Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Promises to give	\$ 17,575	\$ 141,311
Promises to give - South Christian Street	-	50,000
Contributions - South Christian Street	-	10,000
Contributions - Veterans Build	<u>1,315</u>	<u>-</u>
	<u>\$ 18,890</u>	<u>\$ 201,311</u>

Permanently restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Beneficial Interest in Assets Held by a Community Foundation	<u>\$ 12,933</u>	<u>\$ 11,115</u>

Note 16 - Operating Lease

The Organization leases a building which is used to operate ReStore. Monthly lease payments throughout the term of the lease range from \$9,117 to \$9,667. The lease term ends on March 31, 2021. The Organization is also responsible for the payment of the related taxes, insurance, and maintenance of the building. Rent expense under this lease amounted to \$137,672 and \$134,072 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments consist of the following for the three years ending June 30:

2019	\$ 110,200
2020	113,450
2021	87,000

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through January 3, 2019, which is the date the consolidated financial statements were available to be issued.

In July 2018, the Organization received a \$45,000 grant; \$25,000 to be used towards an onsite construction employee and \$20,000 to be used towards the loan program offered to residents who desire to make home repairs to their properties. A promissory note was signed in July related to the portion of the grant to be used towards the loan program, which is required to be repaid by July 1, 2020.

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Notes to Consolidated Financial Statements
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Note 17 - Subsequent Events (continued)

In December 2018, the Organization entered into a promissory note with Habitat International, by which the Organization would receive \$381,203. The promissory note, bearing interest at a rate per annum equal to 5.00%, is to be payable in 40 quarterly installments of principal and interest of \$12,169, through December 2028. The promissory note is secured by 11 mortgage loans pledged by the Organization.

No other material events subsequent to June 30, 2018 were identified.