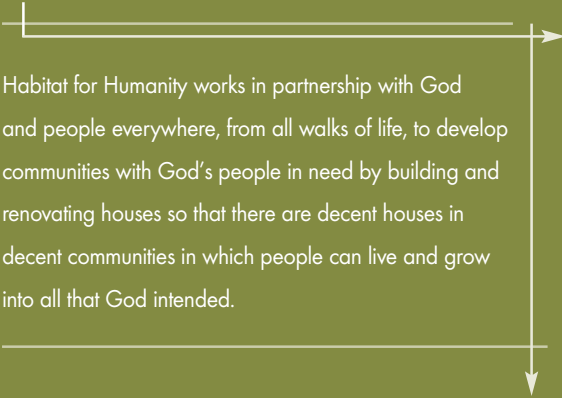




In Their Own Words
Habitat Families Tell of
Lives Transformed

Mission



Habitat for Humanity works in partnership with God and people everywhere, from all walks of life, to develop communities with God's people in need by building and renovating houses so that there are decent houses in decent communities in which people can live and grow into all that God intended.

Purposes

The official purposes of Habitat for Humanity are to partner with specific programs in habitat development globally, by constructing modest but adequate housing, and to associate with other organizations functioning with purposes consistent with those of Habitat, as stated in the Articles of Incorporation, to witness to the Gospel of Jesus Christ throughout the world:

- (1) By working in cooperation with God's people in need to create a better habitat in which to live and work.
- (2) By working in cooperation with other agencies and groups which have a kindred purpose.
- (3) By exemplifying the gospel of Jesus Christ through loving acts and the spoken and written word.
- (4) By enabling an expanding number of persons from all walks of life to participate in this ministry.



Habitat for Humanity International, Inc.

Audited Financial Statements

Years ended June 30, 2001 and 2000

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Fiscal Year 2001 Financial Statements

Board of Directors

Habitat for Humanity International, Inc.

We have audited the accompanying statements of financial position of Habitat for Humanity International, Inc. ("Habitat") as of June 30, 2001 and 2000, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of Habitat's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity International, Inc. as of June 30, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, effective July 1, 1999, Habitat changed its accounting policy related to the allocation of costs under joint activities to comply with the provisions of Statement of Position No. 98-2.

Ernst & Young LLP

September 14, 2001

Atlanta, Georgia

Statements of Financial Position

	June 30, 2001	June 30, 2000
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,843,079	\$ 16,892,322
Investments	13,544,128	11,777,216
Receivables—current portion:		
Contributions, net	14,495,648	10,202,885
Affiliate notes, net	3,451,659	2,316,845
Mortgages, net	304,005	419,434
Due from affiliates, net	3,318,234	3,708,922
Accounts, net	145,111	198,497
Total receivables—current portion	\$ 21,714,657	\$ 16,846,583
Inventories, net	\$ 2,333,781	\$ 2,170,688
Prepays and other assets	2,266,491	2,426,239
Total current assets	\$ 48,702,136	\$ 50,113,048
Receivables—long-term:		
Contributions, net	\$ 25,152,111	\$ 21,957,100
Affiliate notes, net	15,848,061	11,546,748
Mortgages, net	3,240,154	2,456,438
Due from affiliates, net	5,305,504	3,208,455
Total receivables—long-term	\$ 49,545,830	\$ 39,168,741
Land, buildings, and equipment—net of accumulated depreciation	11,611,339	11,693,979
	\$109,859,305	\$100,975,768
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,759,788	\$ 5,488,957
Notes payable	669,595	640,935
Annuity obligation	207,111	160,106
Investor notes payable	3,487,941	2,287,445
Total current liabilities	\$ 12,124,435	\$ 8,577,443
Long-term liabilities:		
Notes payable	\$ 1,065,589	\$ 786,144
Annuity obligation	3,947,106	2,907,917
Investor notes payable	17,799,833	12,568,266
Total long-term liabilities	\$ 22,812,528	\$ 16,262,327
Net assets:		
Unrestricted	\$ 12,231,581	\$ 22,201,107
Temporarily restricted	62,690,761	53,934,891
Total net assets	74,922,342	76,135,998
	\$109,859,305	\$100,975,768

See accompanying notes.

Statements of Activities and Changes in Net Assets

Year ended	June 30, 2001	June 30, 2000
Changes in unrestricted net assets		
Unrestricted revenues and gains:		
Contributions	\$ 70,897,585	\$ 73,868,535
Government grants	22,642,985	16,671,030
Other income, net	12,923,041	9,020,277
Donations-in-kind	3,531,636	1,157,204
Transfers to homeowners	1,301,057	645,663
Total unrestricted revenues and gains	111,296,304	101,362,709
Satisfaction of program restrictions	42,731,119	35,076,313
Total unrestricted revenues, gains, and other support	\$154,027,423	\$ 136,439,022
Expenses		
Program services:		
U.S. affiliates	66,167,175	49,896,251
International affiliates	43,185,297	36,881,323
Public awareness and education	12,436,817	11,448,981
Total program services	\$121,789,289	\$ 98,226,555
Supporting services:		
Fund raising	36,411,280	32,389,945
Management and general	5,796,380	6,215,688
Total supporting services	\$ 42,207,660	\$ 38,605,633
Total expenses	163,996,949	136,832,188
Change in unrestricted net assets	\$ (9,969,526)	\$ (393,166)
Changes in temporarily restricted net assets		
Contributions	\$ 34,279,297	\$ 34,771,424
Donations-in-kind	25,936,633	29,415,216
Losses on contributions receivable	\$ (8,728,941)	-
Net assets released from restrictions	(42,731,119)	(35,076,313)
Increase in temporarily restricted net assets	8,755,870	29,110,327
Change in net assets	(1,213,656)	28,717,161
Net assets at beginning of year	76,135,998	47,418,837
Net assets at end of year	\$ 74,922,342	\$ 76,135,998

See accompanying notes.

Statements of Cash Flows

	Year ended	June 30, 2001	June 30, 2000
Operating activities			
Change in net assets		\$ (1,213,656)	\$ 28,717,161
Adjustments to reconcile increase in net assets to net cash used in operating activities:			
Depreciation		1,975,432	1,481,086
Increase in annuity obligation		1,262,524	938,793
Net loss on disposal of land, building, and equipment		61,247	238,013
Loss on contributions receivable		8,755,870	
Net realized and unrealized gains on investments		(39,785)	(556,473)
Changes in operating assets and liabilities:			
Increase in receivables		(24,001,033)	(33,426,165)
Increase in inventories		(163,093)	(573,717)
Decrease (increase) in prepaids and other assets		159,748	(2,083,787)
(Increase) decrease in accounts payable and accrued expenses		2,270,831	(645,778)
Net cash used in operating activities		(10,931,915)	(5,910,867)
Investing activities			
Purchases of investments		(9,564,930)	(4,381,761)
Proceeds from sales and maturities of investments		7,837,803	3,847,346
Purchases of land, buildings and equipment		(2,034,213)	(4,539,601)
Proceeds from sale of land, buildings, and equipment		80,174	-
Net cash used in investing activities		(3,681,166)	(5,074,016)
Financing activities			
Proceeds from notes payable		2,368,273	398,076
Principal repayments on notes payable		(2,060,168)	(2,109,815)
Payments of annuity obligation		(176,330)	(142,328)
Proceeds from issuance of investor notes payable		8,780,000	6,298,000
Principal payments on investor notes payable		(2,347,937)	(1,428,002)
Net cash provided by financing activities		6,563,838	3,015,931
Decrease in cash and cash equivalents		(8,049,243)	(7,968,952)
Cash and cash equivalents			
Beginning of year		16,892,322	24,861,274
End of year		\$ 8,843,079	\$ 16,892,322

See accompanying notes.

Statements of Functional Expenses

Year ended
June 30, 2001

PROGRAM SERVICES

SUPPORTING SERVICES

	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fund Raising	Management and General	Total Supporting Services
Program and house- building transfers	\$ 36,877,053	\$ 28,527,810	\$ 625,857	\$ 66,030,720	\$ —	\$ —	\$ —
Donated assets distributed	11,689,179	32,527	14,372	11,736,078	—	—	—
Salaries and benefits	10,401,672	8,296,451	4,138,531	22,836,654	2,991,047	2,441,437	5,432,484
Payroll tax expense	696,435	368,871	261,228	1,326,534	181,887	152,132	334,019
Professional services —direct mail	—	—	—	—	26,756,538	—	26,756,538
Professional services —other	757,084	694,117	1,597,307	3,048,508	2,927,374	660,312	3,587,686
Postage and freight	259,714	413,403	1,741,273	2,414,390	1,174,840	43,257	1,218,097
Travel	1,610,059	2,464,207	983,489	5,057,755	357,177	183,079	540,256
Office supplies and materials	229,574	164,732	123,085	517,391	66,267	95,901	162,168
Printing	237,762	147,186	1,418,438	1,803,386	300,999	63,113	364,112
Utilities and telephone	534,576	156,498	134,588	825,662	109,981	456,240	566,221
Insurance	346,824	139,662	90,678	577,164	34,497	106,358	140,855
Interest, service charges, taxes	350,098	122,624	60,182	532,904	86,567	157,919	244,486
Repairs and maintenance	82,374	32,822	29,662	144,858	3,262	211,214	214,476
Regional and board meetings	234,931	84,160	24,782	343,873	11,805	2,425	14,230
Office and equipment	366,540	454,416	232,076	1,053,032	158,464	114,071	272,535
Service agreements	445,779	249,971	356,100	1,051,850	658,778	727,001	1,385,779
Training, recruitment, books	181,264	173,865	134,232	489,361	124,928	115,749	240,677
Depreciation	661,177	407,729	236,854	1,305,760	403,581	266,091	669,672
Other	205,080	254,246	234,083	693,409	63,288	81	63,369
	\$ 66,167,175	\$ 43,185,297	\$ 12,436,817	\$ 121,789,289	\$ 36,411,280	\$ 5,796,380	\$ 42,207,660
							\$ 163,996,949

\$ 66,030,720

\$ 11,736,078

\$ 28,269,138

\$ 1,660,553

\$ 26,756,538

\$ 26,756,538

\$ 6,636,194

\$ 3,632,487

\$ 5,598,011

\$ 679,559

\$ 2,167,498

\$ 1,391,883

\$ 718,019

\$ 777,390

\$ 359,334

\$ 358,103

\$ 1,325,567

\$ 2,437,629

\$ 730,038

\$ 1,975,432

\$ 756,778

	PROGRAM SERVICES				SUPPORTING SERVICES			
	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fund Raising	Management and General	Supporting Services	Total
Program and house-building transfers	\$ 24,725,528	\$ 24,185,522	\$ 558,494	\$ 49,469,544	\$ —	\$ —	\$ —	\$ 49,469,544
Donated assets distributed	10,004,350	68,810	542,522	10,615,682	—	—	—	10,615,682
Salaries and benefits	8,810,381	6,970,473	3,923,566	19,704,420	3,085,884	2,310,216	5,396,100	25,100,520
Payroll tax expense	585,504	328,060	246,499	1,160,063	194,182	148,906	343,088	1,503,151
Professional services —direct mail	—	—	—	—	23,682,858	—	23,682,858	23,682,858
Professional services —other	519,695	455,571	1,120,534	2,095,800	1,901,934	792,849	2,694,783	4,790,583
Postage and freight	262,085	153,905	1,442,720	1,858,710	875,497	89,408	964,905	2,823,615
Travel	1,023,229	2,187,852	831,301	4,042,382	343,231	179,126	522,357	4,564,739
Office supplies and materials	122,366	143,568	57,987	323,921	60,347	84,256	144,603	468,524
Printing	179,855	76,113	1,130,045	1,386,013	467,575	20,319	487,894	1,873,907
Utilities and telephone	521,928	142,578	133,318	797,824	108,752	408,492	517,244	1,315,068
Insurance	386,651	141,313	90,560	618,524	42,689	129,682	172,371	790,895
Interest, service charges, taxes	393,682	66,045	2,674	462,401	34,166	4,795	38,961	501,362
Repairs and maintenance	48,230	52,940	26,237	127,407	7,815	361,584	369,399	496,806
Regional and board meetings	374,951	73,397	10,914	459,262	5,527	2,248	7,775	467,037
Office and equipment	488,774	709,855	319,109	1,517,738	286,013	384,926	670,939	2,188,677
Service agreements	337,516	151,298	253,423	742,237	466,767	447,856	914,623	1,656,860
Training, recruitment, books	196,583	135,580	82,050	414,213	71,755	72,206	143,961	558,174
Depreciation	495,984	305,876	177,588	979,448	302,371	199,268	501,639	1,481,087
Other	418,959	532,567	499,440	1,450,966	452,582	579,551	1,032,133	2,483,099
	\$ 49,896,251	\$ 36,881,323	\$ 11,448,981	\$ 98,226,555	\$ 32,389,945	\$ 6,215,688	\$ 38,605,633	\$136,832,188

Statements of Functional Expenses

Year ended
June 30, 2000

1. Organization and Purpose

Organization and Purpose

Habitat for Humanity International, Inc. ("Habitat") is a nondenominational Christian not-for-profit organization whose purposes are to partner with specific domestic and international habitat programs in constructing modest but adequate housing, and to associate with other organizations functioning with purposes consistent with those of Habitat. Habitat's goal is to eliminate poverty housing and homelessness worldwide and to stir the hearts and minds of others to take action on this issue.

Habitat's mission is fulfilled primarily through the efforts of over 1,600 U.S. affiliates and operations in 79 countries. The accompanying financial statements include the activities of Habitat's headquarters based in Americus, Georgia, and the Americus-Sumter County Affiliate.

Habitat is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, pursuant to a group exemption letter received from the Internal Revenue Service.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents with the exception of cash held for reinvestment which is included in investments.

Investments

Investments in equity and debt securities are reported at fair value with realized and unrealized gains and losses included in the Statement of Activities and Changes in Net Assets.

Realized and unrealized gains and losses on marketable securities are determined by using specific identification.

Fair value for securities that are traded on a national securities exchange is based upon the last reported sales price on the last business day of the year; fair value for investments traded in the over-the-counter market and listed securities for which no sale was reported on that date is based upon the average of the last reported bid and ask price.

Investment income and net appreciation (depreciation) on investments of donor restricted contributions are reported as follows:

- As increases in temporarily restricted net assets if the terms of the gift or Habitat's interpretation of relevant state law impose restrictions on the current use of the investment income or net appreciation (depreciation).
- As increases (decreases) in unrestricted net assets in all other cases.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable (continued)

collected in future years are recorded at the present value of the estimated future cash flows. Contributions receivable are reflected net of an allowance for uncollectible amounts and have been discounted at rates ranging from 6.0 to 8.5%.

Affiliate Notes Receivable

Affiliate notes receivable consist primarily of noninterest-bearing, unsecured, demand notes from Habitat affiliates in the U.S. An allowance for estimated doubtful accounts is provided, as considered appropriate, based on identification of specific uncollectible receivables.

Mortgages Receivable

Mortgages receivable consist of noninterest-bearing mortgages which are secured by real estate and payable in monthly installments. Most of the mortgages have an original maturity of 20 years and arose in connection with Habitat's home building initiatives in Americus, Georgia. These receivables have been discounted at a rate of 8.5%. Interest income is recorded under the interest method in accordance with Accounting Principles Board Opinion 21 "Interest on Receivables and Payables." These mortgages are secured by the underlying real estate that is located primarily in the Americus, Georgia community.

Accelerated Asset Recovery Program

The Investor Notes Payable are special obligations of Habitat with interest rates ranging from 1% to 5% and are payable over seven years. The proceeds received from the Investor Notes Payable were disbursed to affiliates and general obligation notes were executed between Habitat and each of the affiliates ("Affiliate Notes Receivables"). The Affiliate Notes Receivables have interest rates ranging from 3.5% to 3.9% over a seven-year term and are secured by mortgages held by those affiliates.

The real estate securing these mortgages is located in cities across the United States.

Inventories

Inventories represent donated and purchased building materials and books, pamphlets, and other merchandise available for sale and ministry purposes. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method or fair market value. Donated inventory is recorded at the fair market value on the date of receipt and such items are expensed when used or shipped to U.S. affiliates, based upon the specific identification method.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Buildings	20 to 30 years
Furniture and equipment	5 to 10 years
Computer hardware and software	5 years
Vehicles	3 years

2. Summary of Significant Accounting Policies (continued)

Charitable Gift Annuities

Habitat has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Habitat agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on expected mortality and a discount rate of 6%.

Net Assets

Habitat's net assets and its revenues and gains, and expenses are classified as temporarily restricted and unrestricted based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

- Temporarily restricted net assets contain donor-imposed restrictions that permit Habitat to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of Habitat.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Temporarily restricted contributions which are both received and released within the same year are recorded as an increase in temporarily restricted net assets and net assets released from restrictions.

A portion of the contributions received by Habitat are temporarily restricted for a specific affiliate, geographic area, or type of affiliate (i.e., urban affiliates, Native Peoples projects, etc.). It is Habitat's policy to use such funds for the specified purpose as soon as practical and prudent.

Contributions received for affiliates are typically designated to a specific affiliates and transferred to such affiliate as home building grants within 30 days. Exceptions to this policy may occur as a result of contribution to prospective affiliates and certain other types of contributions. Contributions designated by the donor to assist the recovery from a natural disaster, where contributions are not transferred until requested by affiliates in the affected geographic area.

Federal Grants

Habitat receives funding from several federal financial assistance programs that supplement its traditional funding sources. Habitat recognizes the award as revenue as the expenses stipulated in the grant agreement have been incurred.

2. Summary of Significant Accounting Policies (continued)

Contributed Services

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donation, are recognized as revenue and expense. Such amounts, which are included in the accompanying Statements of Activities and Changes in Net Assets, totaled \$542,570 and \$362,144 for the years ended June 30, 2001 and 2000, respectively.

Transfers to Homeowners

Transfers to homeowners represent the sale of houses built by the Americus-Sumter County Affiliate. The resulting mortgages are noninterest-bearing and have been discounted at 8.5% based upon prevailing market rates for low income housing at the inception of the mortgages. The transfers to homeowners presented in the statements of activities and changes in net assets are net of this discount.

Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Accounting Pronouncements

On July 1, 1999, Habitat adopted the provisions of Statement of Position (SOP) 98-2 "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fund Raising." This Statement allows not-for-profit organizations to allocate costs of joint activities between fund raising and program services and management and general if certain criteria are met. The adoption of this Statement had no effect on net assets, but did result in the reclassification of \$4,026,984 of program service expense to fundraising expense. Habitat does not currently allocate the costs of joint activities.

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 136 "Transfers of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Money for Others." SFAS 136 requires that a recipient organization that accepts cash or other financial assets from a donor and agrees to use those assets on behalf of or transfer those assets to a specified unaffiliated beneficiary, recognize the fair value of those assets as a liability to the specified beneficiary concurrent with the recognition of the assets received from the donor. Habitat adopted this Statement effective July 1, 2001. There was no effect on the financial statements as a result.

Reclassifications

Certain amounts as previously reported, have been reclassified in order to be consistent with the current year presentations.

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Habitat's financial instruments consist of cash and cash equivalents, investments, receivables, accounts payable and accrued expenses, notes payable, annuity obligations and investor notes payable. Cash and cash equivalents, receivables, accounts payable and accrued expenses, notes payable, annuity obligations and investor notes payable are stated at cost which approximates fair value. Investments are recorded at their fair values.

3. Investments

Investments at June 30 consist of the following:

	2001	2000
Certificates of deposit and short-term investments	\$ 958,524	\$ 106,801
Stocks	3,096,649	2,741,669
Bonds—U.S. treasury and corporate	9,488,955	8,928,746
	\$13,544,128	\$11,777,216

Investment income and net realized and unrealized gains consist of the following:

	2001	2000
Net appreciation in fair value of investments, including realized and unrealized gains and losses	\$ 39,785	\$ 556,473
Interest and dividend income	423,776	374,657
	\$ 463,561	\$ 931,130

4. Receivables

Contributions Receivable

Contributions receivable at June 30 consist of the following:

	2001	2000
More Than Houses and Rebuilding Our Communities Campaigns	\$46,893,739	\$35,288,516
Federal grants	1,708,771	2,464,522
Other	458,320	630,760
	49,060,830	38,383,798
Less unamortized discount	6,518,025	4,223,813
	42,542,805	34,159,985
Less allowance for uncollectibles	2,895,046	2,000,000
	\$39,647,759	\$32,159,985

Notes to Financial Statements

(continued)

4. Receivables (continued)

Contributions Receivable (continued)

These contributions are receivable as follows:

	2001	2000
Due in less than one year	\$14,495,648	\$10,202,885
Due in one to five years	25,152,111	21,957,100
	\$36,647,759	\$32,159,985

"More Than Houses" and "Rebuilding our Communities" campaigns include non-cash contributions receivable of \$42,400,241 and \$21,592,834 for the years ended June 30, 2001 and 2000, respectively.

Due from Affiliates

Due from affiliates at June 30 consist of the following:

	2001	2000
Self-help Home Ownership Program Grant	\$ 6,292,302	\$5,201,979
Other	3,883,240	2,712,030
	10,175,542	7,914,009
Less allowance for uncollectibles	1,551,804	996,632
	8,623,738	6,917,377
Less current portion	3,318,234	3,708,922
	\$ 5,305,504	\$3,208,455

Certain amounts, which have been included in the allowance for uncollectibles, may be forgiven and would be reflected as grants to affiliates.

Mortgages Receivable

Mortgages receivable of \$4,631,873 and \$3,667,793 at June 30, 2001 and 2000 were pledged as security for investor notes payable under the Accelerated Asset Recovery Program (see Note 7). Mortgages receivable at June 30 are as follows:

	2001	2000
Mortgages receivable at face value	\$ 8,204,301	\$6,671,228
Less unamortized discount	4,660,142	3,795,356
	\$ 3,544,159	\$2,875,872

Notes to Financial Statements

(continued)

5. Land, Buildings, and Equipment

Land, buildings, and equipment at June 30 consist of the following:

	2001	2000
Land	\$ 1,071,204	\$ 996,414
Buildings	9,221,685	8,630,313
Computer hardware and software	5,507,784	4,739,264
Furniture and equipment	2,312,746	1,971,873
Vehicles	356,903	337,848
	18,470,322	16,675,712
Less accumulated depreciation	6,858,983	4,981,733
	\$11,611,339	\$11,693,979

6. Notes Payable

Notes payable at June 30 consist of the following:

	2001	2000
Noninterest-bearing, unsecured notes payable to various individuals and organizations, payable principally on demand	\$ 564,955	\$ 581,795
Unsecured note bearing interest at 6% per annum, \$50,000 is payable in 2004 and the remainder is payable on demand.	100,000	104,500
Noninterest-bearing note secured by specific mortgages receivable, payable to the State Housing Trust Fund for the Homeless Commission in equal monthly installments of \$387 through February 2015	37,189	38,603
Noninterest-bearing notes payable to affiliates, payable to affiliate upon completion of their Accelerated Asset Recovery payable.	1,033,040	702,181
	1,735,184	1,427,079
Less current portion	669,595	640,935
	\$ 1,065,589	\$ 786,144

Notes to Financial Statements

(continued)

6. Notes Payable (continued)

Future principal payments over the next five years are as follows:

2002	\$ 669,595
2003	4,640
2004	88,073
2005	340,596
2006	261,365
Thereafter	370,915
	<u>\$1,735,184</u>

The amount of future principal payments for 2002 includes \$564,955 of noninterest-bearing, unsecured notes payable to various Habitat supporters which are payable principally on demand. The amounts actually demanded and repaid for such notes payable during the fiscal year ended June 30, 2001 were \$82,750.

7. Accelerated Asset Recovery Program

The affiliates notes receivable and investor notes payable for the next five years ending June 30 are as follows:

	Affiliates Notes Receivable	Investor Notes Payable
2002	\$ 3,451,659	\$3,487,941
2003	3,586,356	3,619,582
2004	3,640,502	3,756,073
2005	3,324,413	3,458,672
2006	2,767,798	3,282,034
Thereafter	2,528,992	3,683,472
	<u>\$19,299,720</u>	<u>\$21,287,774</u>

The Investor Notes Payable require Habitat to monitor the compliance by each affiliate participating in this program with the terms and conditions of the agreement. Management believes they are in compliance with the covenants of the Investor Notes Payable. Habitat has guaranteed the payments to the investors for 48 months from the date of issuance up to 4% of the outstanding principal balance of the Investor Notes Payable. As a result of this guaranty, Habitat has received a pre-payment on each of the Affiliates Notes Receivable. These pre-payments are recorded as cash and cash equivalents in the Statements of Financial Position.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2001	2000
Home building activities		
Internationally	\$ 6,697,938	\$ 5,049,301
Domestically	15,048,234	19,879,861
	21,746,172	24,929,162
Time restricted	40,944,589	29,005,729
	\$62,690,761	\$53,934,891

9. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time, as follows:

	2001	2000
Home building activities		
Internationally	\$ 9,939,173	\$ 9,031,821
Domestically	24,653,113	24,624,755
	34,592,286	33,656,576
Time restricted	8,138,833	1,419,737
	\$42,731,119	\$35,076,313

10. Employee Benefits

Full-time Habitat employees who elect to participate are provided health and death benefits through the Habitat for Humanity International Health Protection Plan. The Plan requires contributions by participants. Expenses incurred by Habitat in connection with this Plan, which is partially self-insured, were \$2,980,277 and \$2,503,271 in fiscal years 2001 and 2000, respectively.

Habitat also provides through the Habitat for Humanity Retirement Plan (the "Retirement Plan") a defined contribution retirement plan to its full-time employees with one or more years of service. The annual required contribution per eligible employee is the greater of 3% of the participant's wages or \$750, not to exceed 25% of the participant's wages for the year. HFHI will match 100% of the first 3% of contributions made by eligible participants to the plan. Participants are fully vested after five years of service. Habitat's required contributions and amounts contributed to the Retirement Plan were \$853,468 and \$802,131 in fiscal years 2001 and 2000, respectively.

Notes to Financial Statements

(continued)

11. Leases

Habitat leases certain fixed assets under operating leases. At June 30, 2001 future minimum rental payments under the operating leases are as follows:

2002	\$1,325,957
2003	576,540
2004	242,961
2005	25,673
2006	3,458
	<u>\$2,174,589</u>

12. Affiliate Programs

International and U.S. affiliates—grassroots organizations of local people coming together to address local needs—are independent, not-for-profit groups that are approved by regional, area or national offices of Habitat and operate under a covenant agreement with Habitat. All affiliates are encouraged to be self-supporting in their fund-raising efforts; however, Habitat also solicits contributions, both cash and in-kind on behalf of its affiliates. Some affiliates in developing countries, where severely limited resources constrain local fund-raising, receive the majority of their funding from Habitat.

All affiliates are expected to tithe 10% of their unrestricted cash contributions to support Habitat work outside their own country. Tithes from U.S. affiliates totaled \$9,039,755 and \$7,878,219 in 2001 and 2000, and are included in both unrestricted and temporarily restricted contributions in the accompanying Statements of Activities and Changes in Net Assets.

13. Commitments

Habitat for Humanity International agreed to guarantee a \$590,000 Mortgage Note made on February 1, 1999 by Uptown Habitat for Humanity, Inc. The obligation is payable to the Illinois Housing Development Authority (IHDA), a body created by and existing pursuant to the Illinois Development Act, and is due and payable on August 1, 2028. The note is secured by mortgages that were assigned by Uptown to IHDA pursuant to a prior loan agreement between Uptown and IHDA.

14. Subsequent Event

Effective July 1, 2001, Habitat spun off the operations of its Americus-Sumter County Affiliate into a separate legal entity. The affiliate will be a self-supporting organization in their fund-raising efforts and will operate under a covenant agreement with Habitat for Humanity International. The affiliate's current year activity as reflected in Habitat's Statements of Activities and Changes in Net Assets was revenue of \$270,624 and expense of \$314,610. Habitat has transferred assets totaling \$9,289,647 to the Americus-Sumter County Affiliate.



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Habitat for Humanity® International
Americus, GA

www.habitat.org

Goal

The ultimate goal of Habitat for Humanity is to eliminate poverty housing and homelessness from the face of the earth by building adequate and basic housing. Furthermore, all of our words and actions are for the ultimate purpose of putting shelter on the hearts and minds of people in such a powerful way that poverty housing and homelessness become socially, politically and religiously unacceptable in our nations and world.

