



H A B I T A T F O R H U M A N I T Y I N T E R N A T I O N A L

Fiscal Year 2002 **Financial Statements**

A U D I T E D F I N A N C I A L
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Report of **Independent Auditors**

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, 2002 and 2001, 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, 2002 and 2001, 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.

Ernst & Young LLP

September 25, 2002

Atlanta, Georgia

Statements of **Financial Position**

	June 30	
	2002	2001
Assets		
Cash and cash equivalents	\$ 13,819,024	\$ 8,843,079
Investments at fair value	12,504,110	13,544,128
Receivables:		
Contributions, net	41,129,319	39,647,759
Affiliate notes, net	22,990,381	19,299,720
Mortgages, net	—	3,544,159
Due from Affiliates, net	8,377,445	8,623,738
Accounts, net	606,891	145,111
Total receivables	73,104,036	71,260,487
Inventories, net	2,246,960	2,333,781
Prepays and other assets	1,085,041	2,266,491
Land, buildings, and equipment— net of accumulated depreciation	10,152,478	11,611,339
	\$ 112,911,649	\$ 109,859,305
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 6,226,039	\$ 7,759,788
Notes payable	5,629,082	1,735,184
Annuity obligation	4,509,996	4,154,217
Investor notes payable	25,398,512	21,287,774
Total liabilities	41,763,629	34,936,963
Net assets:		
Unrestricted	9,231,459	10,313,663
Temporarily restricted	61,916,561	64,608,679
Total net assets	71,148,020	74,922,342
	\$ 112,911,649	\$ 109,859,305

See accompanying notes.

Statements of **Activities and Changes in Net Assets**

	June 30, 2002		
	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
Contributions	\$ 81,846,413	\$ 38,538,407	\$120,384,820
Government grants	21,925,561	—	21,925,561
Other income, net	9,355,989	—	9,355,989
Donations-in-kind	1,553,871	8,860,527	10,414,398
Transfers to homeowners	—	—	—
Total revenues and gains	114,681,834	47,398,934	162,080,768
Satisfaction of program restrictions	48,158,312	(48,158,312)	—
Total	162,840,146	(759,378)	162,080,768
Expenses			
Program services:			
U.S. affiliates	62,212,722		62,212,722
International affiliates	42,481,108		42,481,108
Public awareness and education	10,642,180		10,642,180
Total program services	115,336,010		115,336,010
Supporting services:			
Fund raising	39,301,888		39,301,888
Management and general	4,938,502		4,938,502
Total supporting services	44,240,390		44,240,390
Total expenses	159,576,400		159,576,400
Transfer of net assets to			
Americus-Sumter Co. affiliate	4,345,950		4,345,950
Losses on receivables	—	1,932,740	1,932,740
Total	163,922,350	1,932,740	165,855,090
Changes in net assets	(1,082,204)	(2,692,118)	(3,774,322)
Net assets at beginning of year	10,313,663	64,608,679	74,922,342
Net assets at end of year	\$ 9,231,459	\$ 61,916,561	\$ 71,148,020

See accompanying notes.

Statements of **Activities and Changes in Net Assets** (cont.)

	June 30, 2001		
	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
Contributions	\$ 70,897,585	\$ 36,197,215	\$ 107,094,800
Government grants	22,642,985	—	22,642,985
Other income, net	11,005,123	—	11,005,123
Donations-in-kind	3,531,636	25,936,633	29,468,269
Transfers to homeowners	1,301,057	—	1,301,057
Total revenues and gains	109,378,386	62,133,848	171,512,234
Satisfaction of program restrictions	42,731,119	(42,731,119)	—
Total	152,109,505	19,402,729	171,512,234
Expenses			
Program services:			
U.S. affiliates	66,167,175		66,167,175
International affiliates	43,185,297		43,185,297
Public awareness and education	12,436,817		12,436,817
Total program services	121,789,289		121,789,289
Supporting services:			
Fund raising	36,411,280		36,411,280
Management and general	5,796,380		5,796,380
Total supporting services	42,207,660		42,207,660
Total expenses	163,996,949		163,996,949
Transfer of net assets to			
Americus-Sumter Co. affiliate	—	—	—
Losses on receivables	—	8,728,941	8,728,941
Total	163,996,949	8,728,941	172,725,890
Changes in net assets	(11,887,444)	10,673,788	(1,213,656)
Net assets at beginning of year	22,201,107	53,934,891	76,135,998
Net assets at end of year	\$ 10,313,663	\$ 64,608,679	\$ 74,922,342

See accompanying notes.

Statements of Functional Expenses

June 30, 2002

	Program Services			Supporting Services			Total	
	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	\$29,324,097	\$28,273,780	\$417,749	\$58,015,626	\$	—	\$	\$58,015,626
Donated assets distributed	15,863,926	—	149,102	16,013,028	—	—	—	16,013,028
Salaries and benefits	10,278,975	8,533,604	3,794,702	22,607,281	3,284,833	2,323,697	5,608,530	28,215,811
Payroll tax expense	691,249	434,340	232,148	1,357,737	199,033	143,042	342,075	1,699,812
Professional services - direct mail	—	—	—	—	28,993,850	—	28,993,850	28,993,850
Professional services - other	1,050,375	893,548	1,591,844	3,535,767	3,162,124	432,650	3,594,774	7,130,541
Postage and freight	217,237	132,809	1,344,265	1,694,311	985,783	26,483	1,012,266	2,706,577
Travel	1,180,480	2,151,240	717,298	4,049,018	296,620	104,482	401,102	4,450,120
Office supplies and materials	135,163	139,041	47,535	321,739	62,227	78,225	140,452	462,191
Printing	157,564	169,015	1,153,399	1,479,978	423,765	29,379	453,144	1,933,122
Utilities and telephone	459,333	155,633	119,777	734,743	97,987	389,783	487,770	1,222,513
Insurance	227,216	63,094	142,851	433,161	403,256	5,296	408,552	841,713
Interest, service charges, taxes	864,620	96,103	30,536	991,259	60,850	24,061	84,911	1,076,170
Repairs and maintenance	14,056	46,829	32,740	93,625	1,599	157,533	159,132	252,757
Regional and board meetings	44,115	25,979	7,900	77,994	3,629	5,080	8,709	86,703
Office and equipment	220,247	377,003	70,334	667,584	90,743	35,777	126,520	794,104
Service agreements	589,259	338,927	470,406	1,398,592	787,373	793,531	1,580,904	2,979,496
Training, recruitment, books	103,302	129,249	60,049	292,600	67,894	53,308	121,202	413,802
Depreciation	622,698	384,000	223,070	1,229,768	380,093	265,405	645,498	1,875,266
Other	168,810	136,914	36,475	342,199	229	70,770	70,999	413,198
Total	\$62,212,722	\$42,481,108	\$10,642,180	\$115,336,010	\$39,301,888	\$4,938,502	\$44,240,390	\$159,576,400

See accompanying notes.

Statements of Functional Expenses

June 30, 2001

	Program Services				Supporting Services			Total
	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	\$	\$	\$	\$66,030,720
Donated assets distributed	11,689,179	32,527	14,372	11,736,078	—	—	—	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	28,269,138
Payroll tax expense	696,435	368,871	261,228	1,326,534	181,887	152,132	334,019	1,660,553
Professional services - direct mail	—	—	—	—	26,756,538	—	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	6,636,194
Postage and freight	259,714	413,403	1,741,273	2,414,390	1,174,840	43,257	1,218,097	3,632,487
Travel	1,610,059	2,464,207	983,489	5,057,755	357,177	183,079	540,256	5,598,011
Office supplies and materials	229,574	164,732	123,085	517,391	66,267	95,901	162,168	679,559
Printing	237,762	147,186	1,418,438	1,803,386	300,999	63,113	364,112	2,167,498
Utilities and telephone	534,576	156,498	134,588	825,662	109,981	456,240	566,221	1,391,883
Insurance	346,824	139,662	90,678	577,164	34,497	106,358	140,855	718,019
Interest, service charges, taxes	350,098	122,624	60,182	532,904	86,567	157,919	244,486	777,390
Repairs and maintenance	82,374	32,822	29,662	144,858	3,262	211,214	214,476	359,334
Regional and board meetings	234,931	84,160	24,782	343,873	11,805	2,425	14,230	358,103
Office and equipment	366,540	454,416	232,076	1,053,032	158,464	114,071	272,535	1,325,567
Service agreements	445,779	249,971	356,100	1,051,850	658,778	727,001	1,385,779	2,437,629
Training, recruitment, books	181,264	173,865	134,232	489,361	124,928	115,749	240,677	730,038
Depreciation	661,177	407,729	236,854	1,305,760	403,581	266,091	669,672	1,975,432
Other	205,080	254,246	234,083	693,409	63,288	81	63,369	756,778
Total	\$66,167,175	\$43,185,297	\$12,436,817	\$121,789,289	\$36,411,280	\$5,796,380	\$42,207,660	\$163,996,949

See accompanying notes.

Statements of Cash Flows

	June 30	
	2002	2001
Operating activities		
Change in net assets	\$ (3,774,322)	\$ (1,213,656)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,875,266	1,975,432
Increase in annuity obligation	725,639	1,262,524
Net loss on disposal of land, building, and equipment	104,259	61,247
Loss on contributions receivable	1,932,740	8,755,870
Net realized and unrealized losses (gains) on investments	375,002	(39,785)
Changes in operating assets and liabilities:		
Increase in receivables	(3,776,289)	(24,001,033)
Decrease (increase) in inventories	86,821	(163,093)
Decrease in prepaids and other assets	1,181,450	159,748
(Decrease) increase in accounts payable and accrued expenses	(1,533,749)	2,270,831
Net cash used in operating activities	(2,803,183)	(10,931,915)
Investing activities		
Purchases of investments	(10,212,406)	(9,564,930)
Proceeds from sales and maturities of investments	10,877,422	7,837,803
Purchases of land, buildings and equipment	(662,633)	(2,034,213)
Proceeds from sale of land, buildings, and equipment	141,969	80,174
Net cash provided by (used in) investing activities	144,352	(3,681,166)
Financing activities		
Proceeds from notes payable	4,000,000	2,368,273
Principal repayments on notes payable	(106,102)	(2,060,168)
Payments of annuity obligation	(369,860)	(176,330)
Proceeds from issuance of investor notes payable	8,316,944	8,780,000
Principal payments on investor notes payable	(4,206,206)	(2,347,937)
Net cash provided by financing activities	7,634,776	6,563,838
Increase (decrease) in cash and cash equivalents	4,975,945	(8,049,243)
Cash and cash equivalents		
Beginning of year	8,843,079	16,892,322
End of year	\$ 13,819,024	\$ 8,843,079

See accompanying notes.

Notes to Financial Statements

June 30, 2002 and 2001

Note 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 by 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 82 countries.

The accompanying financial statements as of and for the year ended June 30, 2001 include the activities of Habitat's headquarters based in Americus, Georgia, its area and regional offices worldwide and the Americus-Sumter County Affiliate. Habitat included the Americus-Sumter County Affiliate as it had an economic interest and control in a form other than majority ownership or voting interest.

Effective July 1, 2001 Habitat spun off the operations of its Americus-Sumter County Affiliate into a separate legal entity. The operations of this affiliate have been funded by HFHI since the inception of the affiliate. The operations and net assets were spun off from HFHI to allow the affiliate to be a self-supporting organization in their fund-raising efforts. The affiliate will operate under a covenant agreement with Habitat for Humanity International. As a result, Habitat will no longer control the Americus-Sumter County Affiliate and, accordingly, it is not included in the accompanying financial statements as of and for the year ended June 30, 2002. This change has been reported as a transfer of assets in the statements of activities and changes in net assets.

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.

Note 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 Statements 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.

Notes to Financial Statements

(continued)

Note 2: Summary of Significant Accounting Policies (continued)*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 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.

Accelerated Asset Recovery Program

The Investor Notes Payable are special obligations of Habitat with interest rates ranging from 1%-5% and are payable over seven years. They are secured by affiliate promissory notes which are, in turn, secured by mortgages held by the affiliates. 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 4.2% over a seven and one quarter years 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 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 - 5 years

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 IRS mortality tables. The discount rate is equal to the prevailing interest rate on the date of the gift.

Net Assets

Habitat's net assets, revenues and gains, and expenses are classified as temporarily restricted and unrestricted based

Notes to Financial Statements

(continued)

Note 2: Summary of Significant Accounting Policies (continued)

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.

Contributions designated to affiliates or national organizations in other countries are transferred once the Habitat area office determines the funds are ready to be utilized by the country or affiliate.

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.

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 \$742,287 and \$542,570 for the years ended June 30, 2002 and 2001, respectively.

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.

Reclassifications

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

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.

Notes to Financial Statements

(continued)

Note 3: Investments

Investments at June 30 consist of the following:

	2002	2001
Certificates of deposit and short-term investments	\$ 523,650	\$ 958,524
Stocks	3,345,973	3,096,649
Bonds - U.S. treasury and corporate	8,634,487	9,488,955
	\$ 12,504,110	\$ 13,544,128

Investment income and net realized and unrealized gains (losses) are included in other income, net and consist of the following:

	2002	2001
Net depreciation/appreciation in fair value of investments, including realized and unrealized gains and losses	\$ (375,002)	\$ 39,785
Interest and dividend income	258,935	423,776
	\$ (116,067)	\$ 463,561

Note 4: Receivables*Contributions Receivable*

Contributions receivable at June 30 consist of the following:

	2002	2001
More Than Houses and Rebuilding Our Communities Campaigns	\$ 50,423,273	\$ 46,893,739
Federal grants	1,626,093	1,708,771
Other	458,210	458,320
	52,507,576	49,060,830
Less unamortized discount	6,283,572	6,518,025
	46,224,004	42,542,805
Less allowance for uncollectibles	5,094,685	2,895,046
	\$ 41,129,319	\$ 39,647,759

These contributions are receivable as follows:

	2002	2001
Due in less than one year	\$ 17,617,343	\$ 14,495,648
Due in one to five years	21,547,451	25,152,111
Thereafter	1,964,525	—
	\$ 41,129,319	\$ 39,647,759

Notes to Financial Statements

(continued)

Note 4: Receivables (continued)

Contributions Receivable (continued)

“More Than Houses” and “Rebuilding our Communities” Campaigns include non-cash contributions receivable of \$33,291,073 and \$42,400,241 for the years ended June 30, 2002 and 2001, respectively.

At June 30, 2002 and 2001, the net contribution receivable amount includes four contributors whose net outstanding receivable totals \$25,114,254 and \$29,274,225, respectively.

Due from Affiliates

Due from affiliates at June 30 consist of the following:

	2002	2001
Self-Help Home Ownership Program Grant	\$ 6,320,591	\$ 6,292,302
Other	3,468,666	3,883,240
	9,789,257	10,175,542
Less allowance for uncollectibles	1,411,812	1,551,804
	\$ 8,377,445	\$ 8,623,738

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

Note 5: Land, Buildings, and Equipment

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

	2002	2001
Land	\$ 1,019,403	\$ 1,071,204
Buildings	9,159,321	9,221,685
Computer hardware and software	5,637,208	5,507,784
Furniture and equipment	2,371,187	2,312,746
Vehicles	253,250	356,903
	18,440,369	18,470,322
Less accumulated depreciation	8,287,891	6,858,983
	\$ 10,152,478	\$ 11,611,339

Notes to Financial Statements

(continued)

Note 6: Notes Payable

Notes payable at June 30 consist of the following:

	2002	2001
Noninterest-bearing, unsecured notes payable to various individuals and organizations, payable principally on demand	\$ 463,562	\$ 564,955
Unsecured note bearing interest at 6% per annum, \$50,000 is payable in 2004 and the remainder is payable on demand.	100,000	100,000
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
Noninterest-bearing notes payable to affiliates upon completion of their Accelerated Asset Recovery payable.	1,380,520	1,033,040
Noninterest-bearing, unsecured note payable to Freddie Mac in annual installments through 2004	1,685,000	—
Noninterest-bearing, unsecured note payable to Fannie Mae due October 2, 2002	2,000,000	—
	\$ 5,629,082	\$ 1,735,184

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

2003	\$ 2,648,562
2004	283,433
2005	535,959
2006	456,725
2007	556,479
Thereafter	1,147,924
	\$ 5,629,082

The amount of future principal payments for 2003 includes \$463,562 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 years ended June 30, 2002 and 2001 were \$56,694 and \$82,750 respectively.

Interest expense during the years ended June 30, 2002 and 2001 was \$855,884 and \$667,792, respectively.

Notes to Financial Statements

(continued)

Note 7: Accelerated Asset Recovery Program

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

	<u>Affiliates Notes Receivable</u>	<u>Investor Notes Payable</u>
2003	\$ 4,517,308	\$ 4,744,109
2004	4,613,712	4,624,290
2005	4,349,503	4,369,196
2006	3,856,549	4,245,954
2007	3,038,447	3,446,055
Thereafter	2,614,862	3,968,908
	<u>\$ 22,990,381</u>	<u>\$ 25,398,512</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.

Note 8: Temporarily Restricted Net Assets

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

	<u>2002</u>	<u>2001</u>
Home building activities:		
Internationally	\$ 4,411,711	\$ 6,697,938
Domestically	15,504,910	15,048,234
	<u>19,916,621</u>	<u>21,746,172</u>
Time restricted	41,999,940	42,862,507
	<u>\$ 61,916,561</u>	<u>\$ 64,608,679</u>

Note 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:

	<u>2002</u>	<u>2001</u>
Home building activities		
Internationally	\$ 11,060,651	\$ 9,939,173
Domestically	31,624,721	24,653,113
	<u>42,685,372</u>	<u>34,592,286</u>
Time restricted	5,472,940	8,138,833
	<u>\$ 48,158,312</u>	<u>\$ 42,731,119</u>

Notes to Financial Statements

(continued)

Note 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 \$3,316,814 and \$2,980,277 in fiscal years 2002 and 2001, 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 participants 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 contributions to the Retirement Plan were \$970,336 and \$853,468 in fiscal years 2002 and 2001, respectively.

Note 11: Leases

Habitat leases certain fixed assets under operating leases. Many of these lease agreements contain renewal clauses and yearly escalations in monthly rent payments. At June 30, 2002 future minimum rental payments under the operating leases are as follows:

2003	\$ 600,600
2004	266,061
2005	44,923
2006	3,458
	<hr/> \$ 915,042 <hr/>

Note 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 \$8,788,097 and \$9,039,755 in 2002 and 2001, and are included in unrestricted contributions in the accompanying Statements of Activities and Changes in Net Assets.

Note 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.