



Habitat for Humanity® International
Audited Financials
Fiscal Year 2003

Report of
Independent Auditors

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, 2003 and 2002, 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, 2003 and 2002, 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 4, 2003
Atlanta, Ga.

Habitat for Humanity International, Inc.

Statements of Financial Position

	June 30 2003	June 30 2002
Assets		
Cash and cash equivalents	\$ 10,892,596	\$ 13,835,651
Investments at fair value	19,856,232	12,504,110
Receivables:		
Pledges and Grants, net	37,658,645	41,129,319
Affiliate notes, net	24,392,837	22,990,381
Due from Affiliates, net	7,358,880	8,377,445
Accounts, net	525,565	606,891
Total receivables	69,935,927	73,104,036
Inventories, net	1,083,115	2,246,960
Prepays and other assets	959,876	1,068,414
Land, buildings, and equipment—net of accumulated depreciation	9,370,410	10,152,478
	\$112,098,156	\$112,911,649
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 11,151,940	\$ 6,226,039
Notes payable	3,573,032	5,629,082
Annuity obligation	5,355,866	4,509,996
Investor notes payable	27,888,383	25,398,512
Total liabilities	47,969,221	41,763,629
Net assets:		
Unrestricted	4,915,733	9,231,459
Temporarily restricted	59,213,202	61,916,561
Total net assets	64,128,935	71,148,020
	\$112,098,156	\$112,911,649

See accompanying notes.

Habitat for Humanity International, Inc.

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2003		
	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
Contributions	\$ 86,558,578	\$ 34,152,508	\$120,711,086
Government grants	16,520,849	—	16,520,849
Other income, net	9,788,413	—	9,788,413
Donations-in-kind	1,264,881	10,140,196	11,405,077
Total revenues and gains	114,132,721	44,292,704	158,425,425
Satisfaction of program restrictions	43,023,649	(43,023,649)	—
Total	157,156,370	1,269,055	158,425,425
Expenses			
Program services:			
U.S. affiliates	61,741,090		61,741,090
International affiliates	42,573,594		42,573,594
Public awareness and education	11,029,182		11,029,182
Total program services	115,343,866		115,343,866
Supporting services:			
Fund raising	40,918,417		40,918,417
Management and general	5,209,813		5,209,813
Total supporting services	46,128,230		46,128,230
Total expenses	161,472,096		161,472,096
Transfer of net assets to Americus-Sumter Co. affiliate	—	—	—
Losses on receivables	—	3,972,414	3,972,414
Total	161,472,096	3,972,414	165,444,510
Changes in net assets	(4,315,726)	(2,703,359)	(7,019,085)
Net assets at beginning of year	9,231,459	61,916,561	71,148,020
Net assets at end of year	\$ 4,915,733	\$ 59,213,202	\$ 64,128,935

See accompanying notes.

Habitat for Humanity International, Inc.

Statements of Activities and Changes in Net Assets

(continued)

	Year Ended June 30, 2002		
	Unrestricted	Temporarily Restricted	Total
Revenues and gains			
Contributions	\$ 84,015,650	\$ 36,369,170	\$120,384,820
Government grants	21,925,561	—	21,925,561
Other income, net	9,355,989	—	9,355,989
Donations-in-kind	1,757,960	8,656,438	10,414,398
Total revenues and gains	117,055,160	45,025,608	162,080,768
Satisfaction of program restrictions	45,784,986	(45,784,986)	—
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

Habitat for Humanity International, Inc.

Statements of Cash Flows

	Year Ended June 30	
	2003	2002
Operating activities		
Change in net assets	\$(7,019,085)	\$(3,774,322)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,844,006	1,875,266
Increase in annuity obligation	1,214,388	725,639
Net loss (gain) on disposal of land, building, and equipment	(48,756)	104,259
Losses on contributions receivable	3,972,414	1,932,740
Change in reserve for inventory obsolescence	1,364,042	7,528
Net realized and unrealized losses (gains) on investments	(23,342)	375,002
Changes in operating assets and liabilities:		
Increase in receivables	(804,305)	(3,776,289)
(Increase) decrease in inventories	(200,197)	79,293
Decrease in prepaids and other assets	108,538	1,198,077
Increase (decrease) in accounts payable and accrued expenses	4,925,901	(1,533,749)
Net cash provided by (used in) operating activities	6,333,604	(2,786,556)
Investing activities		
Purchases of investments	(14,815,195)	(10,212,406)
Proceeds from sales and maturities of investments	7,486,415	10,877,422
Purchases of land, buildings and equipment	(2,083,436)	(662,633)
Proceeds from sale of land, buildings, and equipment	70,254	141,969
Net cash provided by (used in) investing activities	(9,341,962)	144,352
Financing activities		
Proceeds from notes payable	374,573	4,000,000
Principal repayments on notes payable	(2,430,623)	(106,102)
Payments of annuity obligation	(368,518)	(369,860)
Proceeds from issuance of investor notes payable	8,414,200	8,316,944
Payments on investor notes payable	(5,924,329)	(4,206,206)
Net cash provided by financing activities	65,303	7,634,776
Increase (decrease) in cash and cash equivalents	(2,943,055)	4,992,572
Cash and cash equivalents:		
Beginning of year	13,835,651	8,843,079
<i>End of year</i>	\$10,892,596	\$13,835,651

See accompanying notes.

Statements of Functional Expenses

Year ended June 30, 2003

	Program Services			Supporting Services			Total
	U.S. Affiliates	International Affiliates	Public Awareness and Education	Fund Raising	Management and General	Total Supporting Services	
Program and house building transfers	\$22,531,264	\$27,252,751	\$ 426,740	\$ 50,210,755	—	—	\$ 50,210,755
Donated assets distributed	19,115,157	—	186,224	19,301,381	—	—	19,301,381
Salaries and benefits	11,910,494	9,597,018	4,155,441	25,662,953	2,540,292	6,440,461	32,103,414
Payroll tax expense	810,062	359,118	246,984	1,416,164	142,900	364,120	1,780,284
Professional services – direct mail	—	—	—	—	—	29,246,340	29,246,340
Professional services – other	712,396	581,772	1,049,423	2,343,591	506,527	3,734,164	6,077,755
Postage and freight	214,287	138,650	1,483,877	1,836,814	74,373	1,216,128	3,052,942
Travel	1,238,829	2,407,935	716,162	4,362,926	170,977	538,411	4,901,337
Printing	133,064	96,461	1,252,174	1,481,699	25,439	372,361	1,854,060
Utilities and telephone	460,476	154,413	117,929	732,818	414,102	507,464	1,240,282
Insurance	763,751	75,328	179,688	1,018,767	18,430	551,126	1,569,893
Interest, service charges, taxes	934,180	139,852	39,250	1,113,282	82,734	154,145	1,267,427
Regional and board meetings	825,694	13,199	3,566	842,459	2,696	6,376	848,835
Office and equipment	339,669	508,396	203,093	1,051,158	132,394	336,412	1,387,570
Service agreements	384,293	208,323	368,867	961,483	625,975	1,261,604	2,223,087
Training, recruitment, books	119,113	179,902	87,525	386,540	68,622	147,384	533,924
Depreciation	956,641	589,082	339,432	1,885,155	381,876	958,851	2,844,006
Other	291,720	271,394	172,807	735,921	22,476	292,883	1,028,804
Total	\$61,741,090	\$42,573,594	\$11,029,182	\$115,343,866	\$5,209,813	\$46,128,230	\$161,472,096

See accompanying notes.

Habitat for Humanity International, Inc.

Statements of Functional Expenses (continued)

Year ended 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	
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
Payroll tax expense	691,249	434,340	232,148	1,357,737	199,033	143,042	342,075
Professional services – direct mail	-	-	-	-	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
Postage and freight	217,237	132,809	1,344,265	1,694,311	985,783	26,483	1,012,266
Travel	1,180,480	2,151,240	717,298	4,049,018	296,620	104,482	401,102
Printing	157,564	169,015	1,153,399	1,479,978	423,765	29,379	453,144
Utilities and telephone	459,333	155,633	119,777	734,743	97,987	389,783	487,770
Insurance	227,216	63,094	142,851	433,161	403,256	5,296	408,552
Interest, service charges, taxes	864,620	96,103	30,536	991,259	60,850	24,061	84,911
Regional and board meetings	44,115	25,979	7,900	77,994	3,629	5,080	8,709
Office and equipment	220,247	377,003	70,334	667,584	90,743	35,777	126,520
Service agreements	589,259	338,927	470,406	1,398,592	787,373	793,531	1,580,904
Training, recruitment, books	103,302	129,249	60,049	292,600	67,894	53,308	121,202
Depreciation	622,698	384,000	223,070	1,229,768	380,093	265,405	645,498
Other	318,029	322,784	116,750	757,563	69,055	306,528	370,583
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.

Notes to Financial Statements

June 30, 2003 and 2002

1. Organization and Purpose

Organization and Purpose

Habitat for Humanity International, Inc. ("Habitat") is a non-denominational 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 affiliates working in 3,000 communities in 89 countries across the globe.

The accompanying financial statements as of and for the year ended June 30, 2003 include the activities of Habitat's headquarters based in Americus, Georgia, its area and regional offices worldwide.

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, 2003. This change has been reported as a transfer of assets in the statements of activities and changes in net assets in the comparative financial statements for the year ended June 30, 2002.

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 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 increase/(decrease) on investments of donor restricted contributions are reported as follows: an increase/(decrease) in temporarily restricted net assets if the terms of the gift or Habitat's interpretation of relevant state law imposes a restriction on the current use of the investment income or net increase/(decrease) otherwise such increase/(decrease) is reported as unrestricted net asset.

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%.

Habitat does not recognize conditional promises to give as a receivable. Habitat recognizes a receivable only to the extent the condition has been satisfied. As of June 30, 2003 conditional promises to give amounted to \$7,051,600, and are not recorded in these financial statements.

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 and general reserve as appropriate.

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. They are secured by affiliate general obligation promissory notes ("Affiliate Notes Receivables"), which are, in turn, secured by mortgages held by the affiliates. The proceeds received from the Investor Notes Payable were disbursed to those affiliates that signed an Affiliate Note Receivable with Habitat. The Affiliate Notes Receivables have interest rate ranging from 3.5% to 4.2% over seven and one quarter years and are secured by mortgages held by those affiliates.

Notes to Financial Statements

Summary of Significant Accounting Policies (continued)

Accelerated Asset Recovery Program (continued)

The Real Estate securing these mortgages is concentrated in the states of Florida and North Carolina with 18% and 15% of the balance in these states, respectively. The remaining balance is secured by real estate in other cities throughout the United States with no city comprising more than 3% of the balance.

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 and adjusted when deemed not to have fair value.

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	3 years
Vehicles	3 to 5 years

During 2003, Habitat reduced the estimated useful life of its computer hardware and software from 5 years to 3 years. The impact of this change in accounting estimate increased depreciation expense by \$1,170,687 for the year ended June 30, 2003. Management believes that the change more closely reflects the estimated useful lives of the related assets.

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 and the prevailing interest. The difference is classified as unrestricted contributions on the Statement of Activities and Changes in Net Assets. Habitat maintains charitable gift annuities in a separate portfolio and the assets are invested in accordance with applicable state laws.

Net Assets

Habitat's net assets, 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.
- Donors do not restrict unrestricted net assets, 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.

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, were provided by individuals possessing those skills, and 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 \$1,124,569 and \$742,287 for the years ended June 30, 2003 and 2002, respectively.

Notes to Financial Statements

Summary of Significant Accounting Policies (continued)

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.

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.

Reclassifications

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

3. Investments

Investments at June 30 consist of the following:

	2003	2002
Certificates of deposit and short-term investments	\$ 3,211,772	\$ 523,650
Stocks	3,173,969	3,345,973
Commercial Paper	5,859,406	3,979,475
Bonds—U.S., State government and corporate	7,611,085	4,655,012
	\$19,856,232	\$12,504,110

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

	2003	2002
Net increase/ (decrease) in fair value of investments, including realized and unrealized gains and losses	\$ 23,342	\$ (375,002)
Interest and dividend income	326,320	258,935
	\$ 349,662	\$ (116,067)

4. Pledges and Grants Receivable

Pledges and Grants Receivable at June 30 consist of the following:

	2003	2002
Pledges	\$46,213,388	\$50,881,483
Government grants	1,702,560	1,626,093
	47,915,948	52,507,576
Less unamortized discount	4,501,893	6,283,572
	43,414,055	46,224,004
Less allowance for uncollectibles	5,755,410	5,094,685
	\$37,658,645	\$41,129,319

These receivables are as follows:

	2003	2002
Due in less than one year	\$18,402,293	\$17,617,343
Due in one to five years	19,256,352	21,547,451
Thereafter	—	1,964,525
	\$37,658,645	\$41,129,319

Pledges include non-cash contributions receivable of \$23,770,850 and \$33,291,073 for the years ended June 30, 2003 and 2002, respectively.

Net pledges receivable includes three contributors in 2003 and four contributors in 2002 whose individual net outstanding receivable is greater than 10% of the net outstanding pledges receivable. At June 30, 2003 and 2002 the net pledges receivable from these contributors totaled \$15,594,221 and \$25,114,254, respectively.

5. Due from Affiliates

Due from affiliates at June 30 consist of the following:

	2003	2002
Self-Help Home Ownership Program Grant	\$5,691,431	\$6,320,591
Other	3,174,340	3,468,666
	8,865,771	9,789,257
Less allowance for uncollectibles	1,506,891	1,411,812
	\$7,358,880	\$8,377,445

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

Notes to Financial Statements

6. Land, Buildings, and Equipment

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

	2003	2002
Land	\$ 896,094	\$ 1,019,403
Buildings	10,369,780	9,159,321
Computer hardware and software	6,409,385	5,637,208
Furniture and equipment	2,526,324	2,371,187
Vehicles	254,955	253,250
	20,456,538	18,440,369
Less accumulated depreciation	11,086,128	8,287,891
	\$ 9,370,410	\$10,152,478

7. Notes Payable

Notes payable at June 30 consist of the following:

	2003	2002
Noninterest-bearing, unsecured notes payable to various individuals and organizations, payable principally on demand	\$ 435,305	\$ 463,562
Unsecured note bearing interest at 6% per annum	50,000	100,000
Noninterest-bearing notes payable to affiliates upon completion of their Accelerated Asset Recovery payable	1,592,727	1,380,520
Noninterest-bearing, unsecured note payable to Freddie Mac in equal annual installments of through 2006	1,495,000	1,685,000
Noninterest-bearing, unsecured note payable to Fannie Mae due October 2, 2003	—	2,000,000
	\$3,573,032	\$5,629,082

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

2004	\$1,060,829
2005	746,927
2006	753,951
2007	322,234
2008	347,480
Thereafter	341,611
	\$3,573,032

The amount of future principal payments for 2004 includes \$435,305 of noninterest-bearing, unsecured notes payable to various individuals and organizations which are payable principally on demand. The amounts actually demanded and repaid for such notes payable during the years ended June 30, 2003 and 2002 were \$22,900 and \$56,694, respectively.

8. Accelerated Asset Recovery Program

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

	Investor Notes Payable
2004	\$ 5,272,185
2005	5,062,160
2006	4,997,631
2007	4,501,355
2008	3,733,557
Thereafter	4,321,495
	\$27,888,383

Interest expense during the years ended June 30, 2003 and 2002 was \$975,865 and \$855,884, respectively.

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. In addition to this guaranty, Habitat requires that each of its affiliates post a cash reserve in the amount of one quarter's debt service to safeguard against nonpayment by the affiliate. These pre-payments are recorded as investments in the Statements of Financial Position.

Notes to Financial Statements

9. Temporarily Restricted Net Assets

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

	2003	2002
Home building activities:		
Internationally	\$ 4,131,659	\$ 4,411,711
Domestically	14,335,607	15,504,910
	18,467,266	19,916,621
Time restricted	40,745,936	41,999,940
	\$59,213,202	\$61,916,561

10. 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:

	2003	2002
Home building activities:		
Internationally	\$ 9,220,797	\$11,060,651
Domestically	33,802,852	37,097,661
	\$43,023,649	\$48,158,312

11. Revenue from Government Grants

Federal and State awards received for the year ended June 30 consist of the following:

	2003	2002
Self-Help Home Ownership		
Program Grant	\$ 7,774,959	\$10,248,651
Capacity Build Fund	3,207,215	7,471,899
AmeriCorps & Vista	3,845,375	2,735,638
USAID	794,607	679,317
State Income	714,073	615,522
Other	184,620	174,534
	\$16,520,849	\$21,925,561

Habitat's federal programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures and affect Habitat's continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although Habitat expects such amounts, if any, to be immaterial.

12. Employee Benefits

Full-time Habitat employees who elect to participate are provided health and death benefits through the Habitat for Humanity International Welfare Benefit Plan. The Plan requires contributions by participants. Expenses incurred by Habitat in connection with this Plan, which is partially self-insured, were \$2,802,807 and \$3,316,814 in fiscal years 2003 and 2002, 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 contributions to the Retirement Plan were \$785,475 and \$656,738 in fiscal years 2003 and 2002, respectively.

13. 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, 2003 future minimum rental payments under the operating leases are as follows:

2004	\$297,270
2005	76,132
2006	32,510
2007	29,052
2008	22,363
	\$457,327

Notes to Financial Statements

14. 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 \$9,612,315 and \$8,788,097 in 2003 and 2002, respectively.

15. 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.

During the course of business, HFHI routinely enters into grants for federal funds to be used to help accomplish the mission of the organization. To the extent that actual costs exceed the planned costs, HFHI may need to provide additional resources to meet the terms of the contract.



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