

Edgar Filing: HOME DEPOT INC - Form 11-K

HOME DEPOT INC  
Form 11-K  
June 30, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 [NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996].

For the fiscal year ended December 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 [NO FEE REQUIRED].

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8207

A. Full title of the plan and the address of the plan, if different from that  
of the issuer named below:

The Home Depot FutureBuilder

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B. Name of issuer of the securities held pursuant to the plan and the address  
of its principal executive office:

The Home Depot, Inc.  
2455 Paces Ferry Road, NW  
Atlanta, GA 30339

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of  
1934, the trustees (or other persons who administer the employee benefit plan)  
have duly caused this annual report to be signed on its behalf by the  
undersigned hereunto duly authorized.

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The Home Depot FutureBuilder

Date: June 26, 2003

/s/ Ileana L. Connally

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By: Ileana L. Connally  
Member of The Home Depot  
FutureBuilder Administrative Committee

THE HOME DEPOT FUTUREBUILDER  
Financial Statements and Supplemental Schedule  
December 31, 2002 and 2001  
(With Independent Auditors' Report Thereon)

THE HOME DEPOT FUTUREBUILDER

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INDEPENDENT AUDITORS' REPORT

The Administrative Committee  
The Home Depot FutureBuilder:

We have audited the accompanying statements of net assets available for benefits of The Home Depot FutureBuilder (the Plan) as of December 31, 2002 and 2001, and

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the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's administrative committee. 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 of America. 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 the Plan's administrative committee, 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 net assets available for benefits of The Home Depot FutureBuilder as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule H, Line 4i - Schedule of Assets (Held at End of Year) - December 31, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's administrative committee. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Atlanta, Georgia  
April 4, 2003

### THE HOME DEPOT FUTUREBUILDER

#### Statements of Net Assets Available for Benefits

December 31, 2002 and 2001

	2002	2001
	-----	-----
Assets:		
Investments (note 5)	\$1,206,699,491	2,057,63
	-----	-----
Receivables:		
Employee contributions receivable	1,816,126	3
Employer contributions receivable	3,070,676	1
Other receivable	443,101	32
	-----	-----

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Total receivables	5,329,903	37
Total assets	1,212,029,394	2,058,01
Liabilities:		
Accrued liabilities	74,404	1
Due to broker	2,770,796	
Total liabilities	2,845,200	1
Net assets available for benefits	\$1,209,184,194	2,057,99

See accompanying notes to financial statements.

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## THE HOME DEPOT FUTUREBUILDER

### Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2002 and 2001

	2002	
Additions (reductions) to net assets attributed to:		
Investment income (loss):		
Net (depreciation) appreciation in fair value of investments (note 5)	\$ (936,140,665)	
Interest income	9,882,930	
Dividends	6,867,334	
Total investment income (loss)	(919,390,401)	
Contributions:		
Participants	162,052,454	
Employer	93,239,629	
Total contributions	255,292,083	
Total (reductions) additions	(664,098,318)	
Deductions from net assets attributed to:		
Benefits paid to participants	179,915,153	
Administrative expenses	4,799,710	
Total deductions	184,714,863	
Net (decrease) increase	(848,813,181)	
Net assets available for benefits:		

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Beginning of year	2,057,997,375	1,
	-----	----
End of year	\$ 1,209,184,194	2,
	=====	=====

See accompanying notes to financial statements.

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## THE HOME DEPOT FUTUREBUILDER

### Notes to Financial Statements

December 31, 2002 and 2001

#### (1) DESCRIPTION OF THE PLAN

The following is a brief description of The Home Depot FutureBuilder (the Plan). Participants should refer to the summary plan description for a more complete description of the Plan's provisions.

##### (a) GENERAL

The Plan is a defined contribution plan covering substantially all employees of The Home Depot, Inc. and subsidiaries (the Company). Employees are eligible to become participants on the first quarterly entry date (January 1, April 1, July 1, and October 1) following the completion of 12 months of service and 1,000 hours. The Plan excludes leased employees, nonresident aliens, and employees covered by a collective bargaining trust. The Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan is administered by the Administrative Committee made up of employees of Home Depot U.S.A., Inc.

##### (b) CONTRIBUTIONS

Under the employee stock ownership portion of the Plan, contributions were made solely by the Company and at the discretion of the Company's board of directors (ESOP contributions). The Company made its final ESOP contribution in February 1999.

Under the 401(k) portion of the Plan, participants may contribute up to 50% of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing eligible rollover distributions from other qualified retirement plans. The Company provides matching contributions of 150% of the first 1% of eligible compensation contributed by a participant and 50% of the next 2% to 5% of eligible compensation contributed by a participant. Additional amounts may be contributed at the option of the Company's board of directors. The matching Company contribution is initially invested in The Home Depot, Inc. common stock and may be diversified at the discretion of the participants.

##### (c) PARTICIPANT ACCOUNTS

The Plan maintains a separate account for each participant, to which

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contributions, forfeitures, and investment performance are allocated.

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THE HOME DEPOT FUTUREBUILDER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

### (d) VESTING

An employee becomes 100% vested upon death, retirement at age 65, total or permanent disability, or if the Plan is terminated. If an employee leaves the service of the Company for reasons other than stated above, vesting for the ESOP contributions and earnings thereon is based on years of service, as follows:

YEARS OF SERVICE -----	VESTING PERCENTAGE -----
3	20%
4	40
5	60
6	80
7 or more	100

Under the 401(k) portion of the Plan, participants are immediately vested in their contributions and net value changes thereon. Vesting in the Company's matching and discretionary contributions and net value changes thereon is based on years of vesting service. A participant is 100% vested after three years of vesting service.

### (e) DISTRIBUTIONS

Upon retirement, death, disability, termination of service for any other reason, or certain in-service distributions at age 65, participants or beneficiaries may elect to receive a lump-sum payment of their vested account balance in the form of cash or securities at the market value on the date of distribution.

### (f) PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Loan terms range from one to four years. The loans bear interest at a rate commensurate with local prevailing rates.

### (g) FORFEITED ACCOUNTS

Forfeited nonvested accounts are used to first reduce Plan expenses and then to reduce future employer contributions. In 2002 and 2001, \$2,715,096 and \$3,718,821, respectively, in forfeitures were used to

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reduce Plan expenses.

### (h) ADMINISTRATIVE EXPENSES

Certain administrative expenses of the Plan are paid by the Company. These costs include legal, accounting, and certain administrative fees.

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THE HOME DEPOT FUTUREBUILDER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Plan in preparing its financial statements.

#### (a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### (b) INVESTMENT VALUATION AND INCOME RECOGNITION

Shares of registered investment companies are valued at quoted market prices, which represents the net asset value of shares held by the Plan at year-end. The Company's common stock is valued at its quoted market price as obtained from the New York Stock Exchange. Securities transactions are accounted for on the trade date. The investment in short-term investment funds of The Northern Trust Company is reported at fair value as determined by The Northern Trust Company based on the quoted market prices of the securities in the fund.

The Plan also invests in highly liquid, interest-bearing short-term investments which consist primarily of money market funds.

Participant loans are carried at cost which approximates fair value.

The Plan's investments include funds which invest in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Plan's financial statements and supplemental schedule.

#### (c) PAYMENT OF BENEFITS

Benefits are recorded when paid.

#### (d) USE OF ESTIMATES

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

### (e) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Plan's investments are stated at fair value. In addition, the carrying amount of receivables/payables is a reasonable approximation of the fair value due to the short-term nature of these instruments.

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THE HOME DEPOT FUTUREBUILDER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

### (3) FEDERAL INCOME TAXES

The Internal Revenue Service has determined and informed the Company by a letter dated April 9, 2002, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. However, the Administrative Committee of the Plan believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

### (4) PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and terminate the Plan subject to provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

### (5) INVESTMENTS

The Plan's investments are held by the Trustee of the Plan, The Northern Trust Company. A description of the assets of the Plan follows:

#### PARTICIPANT DIRECTED

- The Home Depot, Inc. Common Stock Fund - Funds are invested in common stock of The Home Depot, Inc.
- Barclay's Global Investors Equity Index Stock Fund - Funds are invested in shares of a registered investment company that invests in the common stocks included in the Standard & Poor's 500 Index.
- Dodge & Cox Stock Fund - Funds are invested in shares of a registered investment company that invests in common stocks of



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companies that the Fund's managers believe to be temporarily undervalued but have favorable long-term growth prospects.

- IRT Core Balanced Fund - Funds are invested in shares of a registered investment company that invests in a combination of equity and fixed income securities.
- Putnam New Opportunities Fund - Funds are invested in shares of a registered investment company that invests primarily in common stocks which are believed to have the potential to grow at an above-average pace over time.
- T. Rowe Price Small Cap Stock Fund - Funds are invested in shares of a registered investment company that invests in common stocks of smaller, faster-growing companies that are believed to offer strong potential earnings growth or are undervalued.
- Templeton Foreign Fund - Funds are invested in shares of a registered investment company that invests in stocks and debt obligations of companies and governments outside the U.S.
- Primco IRT Stable Value Fund - Funds are primarily invested in short-term debt obligations that mature within one to three years.

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### THE HOME DEPOT FUTUREBUILDER

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

The fair value of individual investments that represent 5% or more of the Plan's net assets at December 31, 2002 and 2001 are as follows:

	2002	2001
	-----	-----
The Home Depot, Inc. Common Stock	\$ 589,836,377	1,337,897,425*
The Home Depot, Inc. Common Stock Fund	208,485,907	365,268,348
Putnam New Opportunities Fund	68,315,619	82,330,937
Primco IRT Stable Value Fund	100,751,128	48,544,930

\*Nonparticipant-directed

Investments in the Putnam New Opportunities Fund and the Primco IRT Stable Value Fund did not exceed 5% of the Plan's net assets at December 31, 2001.

During 2002 and 2001, the Plan's investments (depreciated) appreciated in fair value as follows:

2002

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Net (depreciation) appreciation in fair value:		
Registered investment funds	\$ (54,972,387)	(3
The Home Depot, Inc. common stock	(881,168,278)	18
Net (depreciation) appreciation in fair value	\$ (936,140,665)	14
	=====	==

(continued)

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## THE HOME DEPOT FUTUREBUILDER

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

#### NONPARTICIPANT-DIRECTED

The Home Depot, Inc. Common Stock is comprised of shares of The Home Depot, Inc.'s common stock, representing the Company's matching and ESOP contributions. These shares have been allocated to individual participant accounts. Prior to May 1, 2002, each participant who had completed five years of service and attained the age of 55 were eligible to transfer ESOP contributions to other investment funds. Effective May 1, 2002, the Company amended the Plan to allow all participants to immediately transfer the Company's ESOP contributions to other investment funds. Information about the net assets and the significant components of the changes in net assets (without consideration of year-end contribution receivables) relating to The Home Depot, Inc. common stock (includes nonparticipant-directed investments) for the period ended April 30, 2002 and the year ended December 31, 2001 is as follows:

	2002	
	-----	---
Net assets - The Home Depot, Inc. Common Stock -		
January 1	\$ 1,337,897,425	1
Changes in net assets:		
Net (depreciation) appreciation	(94,626,182)	
Contributions	30,752,975	
Benefits paid to participants	(51,397,558)	
Cash transfer to other funds	(8,381,139)	
	-----	---
Net assets - The Home Depot, Inc. Common Stock -		
April 30, 2002 and December 31, 2001	\$ 1,214,245,521	1
	=====	==

The Company's matching contribution has always been allowed to be transferred into other investment funds.

#### (6) INVESTMENT IN MASTER TRUST

Effective December 15, 1999, a Master Trust was established for the investment of assets of the Plan and two other company-sponsored

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retirement plans for wholly owned subsidiary, Maintenance Warehouse/America Corp. As discussed in note 8, assets of The Home Depot FutureBuilder for Puerto Rico were transferred into the Master Trust on April 1, 2002. At December 31, 2002 and 2001, the Plan's interest in the net assets of the Master Trust was approximately 99%.

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## THE HOME DEPOT FUTUREBUILDER

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Summarized financial information of the Master Trust as of December 31, 2002 and 2001 is as follows:

	2002	
	-----	-----
Assets:		
Investments	\$1,218,130,415	2,0
Receivables:		
Employee contributions receivable	1,821,134	
Employer contributions receivable	3,633,115	
Other receivable	443,168	
	-----	-----
Total receivables	5,897,417	
	-----	-----
Total assets	1,224,027,832	2,0
	-----	-----
Liabilities:		
Accrued liabilities	81,019	
Payable to broker	2,770,796	
	-----	-----
Total liabilities	2,851,815	
	-----	-----
Net assets available for benefits	\$1,221,176,017	2,0
	=====	=====

Net assets, investment income, and administrative expenses related to the Master Trust are allocated to the individual plans based upon actual activity for each of the plans. Investment income for the Master Trust for the years ended December 31, 2002 and 2001 is as follows:

	2002	
	-----	-----
Investment income (loss):		
Net (depreciation) appreciation in fair value of investments	\$(941,057,070)	1
Dividends and interest income	16,836,110	
	-----	-----

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Total investment income (loss)	\$ (924,220,960)
	=====

### (7) RELATED PARTY TRANSACTIONS

Certain Plan investments include shares of common stock issued by The Home Depot, Inc., the Plan Sponsor. At December 31, 2002 and 2001, the Plan held a combined total of 33,318,960 and 33,388,860 shares valued at approximately \$23.96 and \$51.01 per share, respectively. As the Plan Sponsor, these transactions qualify as party-in-interest.

Other Plan investments include units of short-term investment funds managed by The Northern Trust Company. The Northern Trust Company is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest.

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THE HOME DEPOT FUTUREBUILDER

Notes to Financial Statements

December 31, 2002 and 2001

### (8) PLAN AMENDMENTS AND OTHER PLAN CHANGES

On November 21, 2001, the Administrative Committee of The Home Depot FutureBuilder adopted an amendment to bring the plan in compliance with the General Agreement on Tariffs and Trades as amended in 1994, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, and the Internal Revenue Service Restructuring and Reform Act of 1998 (collectively known as GUST).

Also on November 21, 2001, the Administrative Committee of The Home Depot FutureBuilder adopted an amendment to allow the Company to take advantage of provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 expanding the circumstances under which a corporation may deduct dividends paid to an ESOP.

Effective January 1, 2002, the Plan was amended to increase the maximum percentage of pretax contributions that participants can contribute each year to the Plan from 15% to 50% of eligible pay (subject to other Plan limitations).

Effective February 1, 2002, the investment committee of The Home Depot FutureBuilder replaced the Invesco Total Return Fund with the IRT Core Balanced Fund. The investment committee also added two new funds to the plan: Dodge & Cox Stock Fund and the T. Rowe Price Small Cap Stock Fund.

Effective April 1, 2002, the assets of The Home Depot FutureBuilder for Puerto Rico were added to the Master Trust. Three defined contribution plans of the Company and its subsidiaries are now in one Master Trust.

Effective May 1, 2002, the Administrative Committee of the Plan adopted an amendment to the Plan to allow each participant to diversify the investment of all or a portion of his/her ESOP account from the Company stock fund among the other investment funds.

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Effective October 31, 2002 following the acquisition of Floors, Inc., Arvada Hardwood Floor Company, and HD Builder Solutions Group, Inc., employees of Floors, Inc., Arvada Hardwood Floor Company, and HD Builder Solutions Group, Inc. were eligible to participate in the Plan.

(9) SUBSEQUENT EVENT

Effective January 1, 2003, employees of Floorworks, Inc. and Home Depot Services, LLC were eligible to participate in the Plan.

Effective March 3, 2003, the investment committee of the Plan replaced the Putnam New Opportunities Fund with the Artisan Mid-Cap Fund.

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### THE HOME DEPOT FUTUREBUILDER

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2002

IDENTITY OF ISSUE		DESCRIPTION OF INVESTMENT
-----	-----	-----
*The Home Depot, Inc. Common Stock	24,617,545	shares of common stock
*The Home Depot, Inc. Common Stock Fund	8,701,415	shares of common stock
Barclay's Global Investors Equity Index Stock Fund	2,339,442	shares of registered investment com
Dodge & Cox Stock Fund	164,933	shares of registered investment com
IRT Core Balanced Fund	4,541,993	shares of registered investment com
Putnam New Opportunities Fund	2,402,941	shares of registered investment com
T. Rowe Price Small-Cap Stock Fund	514,111	shares of registered investment com
Templeton Foreign Fund	3,145,828	shares of registered investment com
Primco IRT Stable Value Fund	100,751,128	shares of registered investment com
Participant loans		Loans with interest rates ranging f 5.75% to 12.0% and maturity date through January 18, 2007
*The Northern Trust Company		Short-term investment funds
Total investments		

\*Indicates party-in-interest to the Plan.

See accompanying independent auditors' report.

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EXHIBIT INDEX

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Exhibit Number -----	Description -----
23	Consent of KPMG LLP
99	Section 906 Certification