

HOME DEPOT INC
Form 11-K
June 22, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR
 TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 001-08207

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 for Puerto Rico

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
Atlanta, Georgia 30339

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Report of Independent Registered Public Accounting Firm

To the Plan Participants and the Administrative Committee
The Home Depot FutureBuilder for Puerto Rico:

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of The Home Depot FutureBuilder for Puerto Rico (the "Plan") as of December 31, 2017 and 2016, the related Statements of Changes in Net Assets Available for Benefits for the years then ended, and the related notes (collectively, the "Financial Statements"). In our opinion, the Financial Statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These Financial Statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the Financial Statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that our audits provide a reasonable basis for our opinion.

Accompanying Supplemental Information

The supplemental information in the accompanying schedule, Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the Financial Statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the Financial Statements as a whole.

/s/ KPMG LLP

We have served as the Plan's auditor since 2001.

Atlanta, Georgia

June 21, 2018

THE HOME DEPOT FUTUREBUILDER FOR PUERTO RICO
 Statements of Net Assets Available for Benefits

in thousands	December 31,	
	2017	2016
Plan's interest in Master Trust at fair value	\$13,877	\$12,662
Plan's interest in Master Trust at contract value	2,848	3,728
Plan's interest in Master Trust	16,725	16,390
Notes receivable from participants	2,060	2,128
Total receivables	2,060	2,128
Net assets available for benefits	\$18,785	\$18,518

See accompanying notes to the financial statements.

THE HOME DEPOT FUTUREBUILDER FOR PUERTO RICO
Statements of Changes in Net Assets Available for Benefits

in thousands	Years Ended	
	December 31,	
	2017	2016
Investment income:		
Plan's interest in Master Trust income	\$2,781	\$964
Interest on notes receivable from participants	84	75
Total investment income	2,865	1,039
Contributions:		
Participant	1,674	1,441
Employer	897	798
Total contributions	2,571	2,239
Total investment income and contributions	5,436	3,278
Benefits paid to participants	(5,086)	(1,684)
Administrative expenses	(83)	(73)
Net increase	267	1,521
Net assets available for benefits:		
Beginning of year	18,518	16,997
End of year	\$18,785	\$18,518

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

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

General

The Plan is a defined contribution retirement plan covering substantially all associates of Home Depot Puerto Rico, Inc., the Plan sponsor (the "Company"), working and residing in Puerto Rico. The Company is a wholly-owned subsidiary of Home Depot Latin America Holdings, Inc., which is owned by Home Depot International, Inc. ("HDI"). HDI is, in turn, a wholly-owned subsidiary of The Home Depot, Inc. (the "Parent Company"). The Plan also covers the eligible Puerto Rico employees of Barnett of the Caribbean, Inc., an indirect wholly-owned subsidiary of the Parent Company. The Plan is subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, excluding provisions of ERISA applicable only to plans qualified under Section 401(a) of the U.S. Internal Revenue Code. It is also intended to qualify under Section 1081.01(a) of the Puerto Rico Internal Revenue Code of 2011, as amended ("PRIRC of 2011"). The Plan is administered by the Administrative Committee, the members of which are officers of Home Depot U.S.A., Inc., a wholly-owned subsidiary of the Parent Company. Banco Popular de Puerto Rico is the Trustee of the Plan.

Associates are eligible to participate in the Plan for purposes of making before-tax contributions after completing 90 days of service. Effective June 1, 2018, associates are eligible to participate in the Plan as soon as administratively practicable following date of hire. Temporary associates are eligible to participate in the Plan for purposes of making before-tax contributions on the first day of the calendar quarter beginning on or following the completion of one year of service and 1,000 hours. Participants are eligible for the Company's matching contributions on the first day of the calendar quarter (January 1, April 1, July 1, and October 1) beginning on or after the earlier of (i) the date the associate completes one year of service and 1,000 hours; or (ii) the date the associate completes two years of service, regardless of hours worked. The Plan excludes leased associates, associates who are not bona fide residents of Puerto Rico, independent contractors, and associates covered by a collective bargaining agreement, unless the terms of the collective bargaining agreement require that the associate be eligible to participate in the Plan.

Participant Accounts

The Plan maintains a separate account for each participant, to which contributions and investment performance are allocated.

Contributions

Under the Plan, participants may contribute up to 50% of annual compensation, as defined in the Plan, on a before-tax basis subject to regulatory limitations. Participants age 50 or older can make catch-up contributions to the Plan. Participants may also contribute amounts representing eligible rollover distributions from other retirement plans qualified under Section 1081.01(a) of the PRIRC of 2011.

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 beginning on the first day of the calendar quarter following the completion of the earlier of (i) the date the associate completes one year of service and 1,000 hours; or (ii) the date the associate completes two years of service, regardless of hours worked. Before-tax contributions are eligible for matching contributions. Catch-up contributions are not eligible for matching contributions. Additional amounts may be contributed at the option of the Administrative Committee.

The default for investment of the Company's matching contribution if no direction is given by the participant is the participant's current investment election with respect to before-tax contributions. If the participant has made no affirmative investment election with respect to before-tax contributions, the default is the appropriate LifePath Fund based on the participant's age.

Vesting

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 generally based on years of vesting service.

For vesting purposes, a year of service is any calendar year in which a participant completes at least 1,000

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hours of service. A participant is cliff vested 100% in the Company's matching contributions after three years of vesting service.

In addition, each participant who completes an hour of service becomes 100% vested in the Company's matching contributions upon completing five years of employment if such event precedes the vesting dates above.

A participant becomes 100% vested in the Company's matching and any discretionary contributions and net value changes thereon upon death, attaining age 65 while still employed, total or permanent disability, or if the Plan is terminated.

Payment of Benefits

Upon death, disability, termination of service for any other reason, hardship, or attaining age 59½, participants or beneficiaries may elect to receive a lump-sum payment of their vested account balance at fair value on the date of distribution in the form of cash or Parent Company stock in accordance with the terms of the Plan.

Notes Receivable from Participants

Participants may borrow from their accounts a minimum of \$1,000 and up to a maximum amount equal to the lesser of: (i) \$50,000 less the highest outstanding loan balance in the preceding 12 months less a \$50 fee or (ii) 50% of their total vested account balance of before-tax contributions, vested Company match, and rollover contributions less a \$50 fee. Note terms generally range from one to four years. The notes bear interest at a rate equal to the prime rate plus 1% at the time of the note. Certain notes with terms greater than four years remain outstanding. Notes receivable from participants are measured at their unpaid balance plus any accrued but unpaid interest. Delinquent notes receivable from participants are reclassified as distributions based upon the terms of the Plan document and loan policy.

Forfeited Accounts

Forfeited nonvested account balances may be used to reduce future employer contributions and/or Plan expenses. At December 31, 2017 and 2016, unallocated forfeitures totaled \$12,947 and \$10,562, respectively. In 2017 and 2016, forfeitures in the amount of \$10,562 and \$12,414, respectively, were used to reduce employer contributions.

Administrative Expenses

Certain administrative expenses of the Plan may be paid by the Company. These costs include certain legal, accounting and administrative fees. Expenses paid by the Plan include investment management fees and other costs not paid by the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Plan evaluated subsequent events and transactions for potential recognition in the financial statements through the date the financial statements were issued.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires the Administrative Committee of the Plan 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 additions to and deductions from net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's assets are held in a Puerto Rico trust which is invested in a Master Trust more fully described in Note 6.

The Plan invests only in the Master Trust. Investments within the Master Trust are valued as follows:

Shares of registered investment companies, separate account investments in common and preferred stock, commingled funds and the Schwab Personal Choice Retirement Account ("PCRA") are valued at quoted market prices, which represent the net asset value of shares held by the Master Trust at year-end.

The JP Morgan Stable Value Fund invests primarily in synthetic investment contracts and insurance company separate account contracts issued by insurance companies and banks that are fully benefit-responsive. These investments are presented at the contract value, which is equal to the principal balance plus accrued interest, of units held by the Master Trust as of December 31 in the Statements of Net Assets Available for Benefits. Additional information on the JP Morgan Stable Value Fund is discussed in Note 3.

Investments in units of collective trusts are valued at the respective net asset values as reported by such trusts. Net asset value is a readily determinable fair value of the underlying assets and is the basis for current transactions.

The Parent 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 a trade date basis. 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.

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The Plan's investments include funds that 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, credit, and individual country and currency 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.

Payment of Benefits

Benefits are recorded when paid.

Fair Value of Financial Instruments

The Plan's investments are stated at fair value, with the exception of the Plan's investment in the fully benefit-responsive investment contracts held by the Master Trust, which are stated at contract value, within the Statements of Net Assets Available for Benefits. In addition, the carrying amount of notes receivable from participants is a reasonable approximation of the fair value due to the short-term nature of these instruments.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2017, the Financial Accounting Standards Board issued accounting standards update ("ASU") No. 2017-06, "Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force)," which will require reporting of the Plan's interest in the Master Trust and the change in the fair value of that interest as separate line items on the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits. The Plan will also have to disclose the Master Trust's investments measured at fair value by general type of investment. ASU No. 2017-06 is effective for fiscal years beginning after December 15, 2018; retrospective application is required and early adoption is permitted. The Company is evaluating the effect that ASU No. 2017-06 will have on the Plan's financial statements and related disclosures.

3. JP MORGAN STABLE VALUE FUND

Through the Master Trust, the Plan invests in a separate account, the JP Morgan Stable Value Fund (the "Fund"), which owns fully benefit-responsive investment contracts. The Plan's investment in the Fund is presented at contract value, rather than fair value, in the Statements of Net Assets Available for Benefits.

A synthetic investment contract, also known as a wrap contract, is an investment contract issued by an insurance company or other financial institution, designed to provide a contract value "wrapper" around a portfolio of bonds or other fixed income securities that are owned by the Fund. The assets underlying the Fund's wrap contracts are units of fixed income collective investment trusts issued by credit worthy financial institutions. These contracts provide that realized and unrealized gains and losses on the underlying assets are not reflected immediately in the net assets of the Fund, but rather are amortized, over the duration of the underlying assets, through adjustments to the future interest crediting rate. The interest crediting rate is determined quarterly and is primarily based on the current yield to maturity of the covered investments, plus or minus amortization of the difference between the market value

NOTES TO FINANCIAL STATEMENTS

and the contract value of the covered investments over the duration of the covered investments at the time of computation. The wrap issuers guarantee that all qualified participant withdrawals will occur at contract value. The Plan's interest in the underlying fixed income collective investment trusts in which the Fund invests is calculated by applying the Fund's ownership percentage in these underlying fixed income collective investment trusts to the total fair value of the underlying fixed income collective investment trusts. The underlying assets owned by the Fund consist primarily of readily marketable fixed income securities with quoted market prices.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan document (including complete or partial Plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the Master Trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Plan's Administrative Committee does not believe that any events that would limit the Plan's ability to transact at contract value with the issuer are probable of occurring.

4. PUERTO RICO INCOME TAXES

The Puerto Rico Department of the Treasury has determined and informed the Company by letters dated (a) January 4, 1999 and April 13, 2005 that the Plan and Master Trust are designed in accordance with applicable sections of the Puerto Rico Internal Revenue Code of 1994, as amended, and (b) April 11, 2014, March 3, 2016 and January 31, 2017 that the Plan and Master Trust are designed in accordance with applicable sections of the PRIRC of 2011. The Administrative Committee of the Plan believes the Plan and Master Trust continue to be designed and are currently being operated in material compliance with the applicable requirements of the PRIRC of 2011.

U.S. GAAP require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service ("IRS"). The Plan's Administrative Committee has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the Plan's financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan's Administrative Committee believes it is no longer subject to income tax examinations for years prior to 2014.

5. 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 the provisions of ERISA. In the event the Plan is terminated, participants will become 100% vested in their accounts.

6. INVESTMENT IN MASTER TRUST

The assets of the Plan are held in a Puerto Rico trust which is invested in a Master Trust administered by The Northern Trust Company. At December 31, 2017 and 2016, the Plan's interest in the net assets of the Master Trust was less than 1%, with The Home Depot FutureBuilder, the defined contribution retirement plan covering substantially all U.S. associates of The Home Depot, Inc., holding the remaining interest. 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.

The net assets of the Master Trust were as follows:

in thousands	December 31,	
	2017	2016
Assets:		
Investments at fair value:		
Common stocks	\$2,552,785	\$1,800,480
Collective trust funds	3,329,145	2,832,545
Registered investment funds	1,146,906	1,069,642
Brokerage window	121,958	99,019
Total investments at fair value	7,150,794	5,801,686
Fully benefit-responsive investment at contract value	469,760	508,000
Receivables:		
Due from broker	3,979	—
Other receivables	2,095	1,236
Total receivables	6,074	1,236
Total assets	7,626,628	6,310,922
Liabilities:		
Accrued liabilities	1,249	2,017
Due to broker	—	985
Total liabilities	1,249	3,002
Net assets	\$7,625,378	\$6,307,920

Investment income for the Master Trust was as follows:

in thousands	Years Ended	
	December 31,	
	2017	2016
Investment Income:		
Net appreciation in fair value of investments	\$1,238,182	\$381,160
Dividends and interest income	65,545	60,930
Total investment income	\$1,303,727	\$442,090

The Master Trust's investments that are measured at fair value on a recurring basis, and their level within the fair value hierarchy, are shown in the following tables. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Master Trust did not use Level 3 inputs to determine the fair value of investments measured at fair value on a recurring basis for the years ended December 31, 2017 and 2016.

in thousands	Investments at Fair Value as of		
	December 31, 2017		
	Quoted		Total
	Prices in		
	Active	Significant	
	Markets	Observable	
	for	Inputs	
	Identical	(Level 2)	
	Assets		
	(Level 1)		
Common stocks	\$2,552,785	\$—	\$2,552,785
Collective trust funds	63,342	3,265,803	3,329,145
Registered investment funds	1,146,906	—	1,146,906

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Brokerage window	121,958	—	121,958
Total investments at fair value	\$3,884,991	\$3,265,803	\$7,150,794

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in thousands	Investments at Fair Value as of December 31, 2016		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Common stocks	\$1,800,480	\$—	\$1,800,480
Collective trust funds	45,417	2,787,128	2,832,545
Registered investment funds	1,069,642	—	1,069,642
Brokerage window	99,019	—	99,019
Total investments at fair value	\$3,014,558	\$2,787,128	\$5,801,686

7. RELATED-PARTY TRANSACTIONS

Certain Plan investments included in the Master Trust include shares of common stock issued by the Parent Company. At December 31, 2017 and 2016, the Plan held a combined total of 10,174 and 12,591 shares valued at approximately \$189.53 and \$134.08 per share, respectively. Additionally, dividends received through the Master Trust by the Plan include dividends paid by the Parent Company totaling \$40,826 and \$36,214 for the years ended December 31, 2017 and 2016, respectively. These transactions constitute party-in-interest transactions, since the Parent Company is a member of a controlled group that includes the Company, and the Company is the Plan sponsor.

Plan investments include units of short-term investment funds managed by The Northern Trust Company. The Northern Trust Company is the Trustee of the Master Trust, and therefore, these transactions constitute party-in-interest transactions. The Plan paid Master Trust fees to The Northern Trust Company of \$1,108 and \$1,213 for the years ended December 31, 2017 and 2016, respectively.

8. PLAN AMENDMENTS AND OTHER PLAN CHANGES

During the year certain investment options were removed and replaced with similar investment options. All balances or investment elections in these options were automatically transferred to the new corresponding investment option at the time of removal. Additionally, two new investment options were added during 2017.

9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits as presented in these financial statements to the balance presented in Form 5500 (as expected to be filed for 2017 and as filed for 2016):

in thousands	December 31,	
	2017	2016
Net assets available for benefits	\$18,785	\$18,518
Deemed distributions	(27)	(7)
Participant withdrawals payable	(73)	(1)
Adjustment from contract value to fair value for Plan's interest in Master Trust for fully benefit-responsive investment contracts	(22)	(13)
Net assets - Schedule H, Part I, Line 1 of Form 5500	\$18,664	\$18,497

Deemed distributions are defaulted and unpaid notes receivable from participants.

The following is a reconciliation of changes in net assets available for benefits as presented in these financial statements to the changes presented in Form 5500 (as expected to be filed for 2017 and as filed for 2016):

in thousands	Years Ended December 31,	
	2017	2016
Increase in net assets available for benefits	\$267	\$1,521
Deemed distributions	(20)	7
Participant withdrawals payable	(72)	50

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Adjustment from contract value to fair value for Plan's interest in Master Trust for fully benefit-responsive investment contracts	(8) (11)
Net income - Schedule H, Part II, Line k of Form 5500	\$167 \$1,567

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THE HOME DEPOT FUTUREBUILDER FOR PUERTO RICO
 Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
 December 31, 2017

in thousands

Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Current Value
* Plan's interest in Master Trust		\$ 16,725
* Notes receivable from participants	Notes with interest rates generally ranging from 4.25% to 9.25% and maturity dates through April 21, 2022	2,060
		\$ 18,785

*Indicates party-in-interest included in Master Trust.
 See accompanying report of independent registered public accounting firm.

EXHIBIT INDEX

Exhibit Description

23.1 Consent of Independent Registered Public Accounting Firm

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SIGNATURES

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.

The Home Depot FutureBuilder for
Puerto Rico

Date: June 21, 2018 By: /s/ Scott C. Bomar
Scott C. Bomar
Member of The Home Depot
FutureBuilder for Puerto Rico
Administrative Committee

Date: June 21, 2018 By: /s/ Scott Smith
Scott Smith
Member of The Home Depot
FutureBuilder for Puerto Rico
Administrative Committee