

# **Humble Area Assistance Ministries, Inc.**

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*Financial Statements*

**For the Years Ended  
December 31, 2011 and 2010**

**Humble Area Assistance Ministries, Inc.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Humble Area Assistance Ministries, Inc.

We have audited the accompanying statements of financial position of Humble Area Assistance Ministries, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 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 Humble Area Assistance Ministries, Inc. as of December 31, 2011 and 2010, 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 of America.

*Seefeld Lawson Moeller LLP*

Seefeld Lawson Moeller LLP  
Certified Public Accountants

The Woodlands, Texas  
June 15, 2012

**Humble Area Assistance Ministries, Inc.**  
**Statements of Financial Position**  
**December 31, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and Cash Equivalents	\$ 502,154	\$ 346,639
Accounts Receivable	20,978	19,027
Prepaid Expenses	25,048	23,637
Deposits and Gift Cards	2,494	9,203
Property and Equipment, Net	<u>1,068,772</u>	<u>975,985</u>
 TOTAL ASSETS	 <u><u>\$ 1,619,446</u></u>	 <u><u>\$ 1,374,491</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 37,891	\$ 43,186
Notes Payable	<u>187,917</u>	<u>120,453</u>
 TOTAL LIABILITIES	 <u>225,808</u>	 <u>163,639</u>
 NET ASSETS		
Unrestricted	1,311,423	1,147,304
Temporarily Restricted	<u>82,215</u>	<u>63,548</u>
 TOTAL NET ASSETS	 <u>1,393,638</u>	 <u>1,210,852</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,619,446</u></u>	 <u><u>\$ 1,374,491</u></u>

The accompanying notes are an integral part of these financial statements.

**Humble Area Assistance Ministries, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 1,026,457	\$ 278,488	\$ 1,304,945
Grants	64,528	344,016	408,544
Revenue			
Sale of Goods	852,096	-	852,096
Interest Income	301	-	301
Other Income	49,818	-	49,818
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,993,200</b>	<b>622,504</b>	<b>2,615,704</b>
Net Assets Released from Restrictions	603,837	(603,837)	-
<b>TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS</b>	<b>2,597,037</b>	<b>18,667</b>	<b>2,615,704</b>
<b>EXPENSES</b>			
Program Services			
Welfare Services	1,671,704	-	1,671,704
Thrift Shop	529,216	-	529,216
Supporting Services			
General	173,128	-	173,128
Fundraising	58,870	-	58,870
<b>TOTAL EXPENSES</b>	<b>2,432,918</b>	<b>-</b>	<b>2,432,918</b>
<b>CHANGE IN NET ASSETS</b>	<b>164,119</b>	<b>18,667</b>	<b>182,786</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,147,304</b>	<b>63,548</b>	<b>1,210,852</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,311,423</b>	<b>\$ 82,215</b>	<b>\$ 1,393,638</b>

The accompanying notes are an integral part of these financial statements.

**Humble Area Assistance Ministries, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 719,049	\$ 206,235	\$ 925,284
Grants	53,413	267,877	321,290
Revenue			
Sale of Goods	759,097	-	759,097
Interest Income	547	-	547
Other Income	19,895	-	19,895
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,552,001</b>	<b>474,112</b>	<b>2,026,113</b>
Net Assets Released from Restrictions	444,107	(444,107)	-
<b>TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS</b>	<b>1,996,108</b>	<b>30,005</b>	<b>2,026,113</b>
<b>EXPENSES</b>			
Program Services			
Welfare Services	1,300,313	-	1,300,313
Thrift Shop	520,244	-	520,244
Supporting Services			
General	139,444	-	139,444
Fundraising	40,532	-	40,532
<b>TOTAL EXPENSES</b>	<b>2,000,533</b>	<b>-</b>	<b>2,000,533</b>
<b>CHANGE IN NET ASSETS</b>	<b>(4,425)</b>	<b>30,005</b>	<b>25,580</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,151,729</b>	<b>33,543</b>	<b>1,185,272</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,147,304</b>	<b>\$ 63,548</b>	<b>\$ 1,210,852</b>

The accompanying notes are an integral part of these financial statements.

**Humble Area Assistance Ministries, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2011**

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	Program Services		Supporting Services		Total
	Welfare	Thrift Shop	General	Fundraising	
Advertising	\$ 345	\$ 2,843	\$ 4,752	\$ 775	\$ 8,715
Back to School Project	38,146	-	-	-	38,146
Depreciation and Amortization	21,882	47,944	932	-	70,758
Food	732,604	-	-	-	732,604
Insurance - Disability	1,670	10,822	576	90	13,158
Insurance - Other	13,071	23,807	3,206	-	40,084
Interest Expense	-	6,045	4,257	-	10,302
Postage	1,212	-	522	409	2,143
Professional	11,092	5,016	32,773	6,503	55,384
Repairs	444	1,615	2,395	-	4,454
Salaries	246,210	272,772	94,763	37,737	651,482
Seasonal	86,209	-	-	-	86,209
Shelter and Other Assistance	455,686	-	-	-	455,686
Supplies and Operations	23,174	89,975	13,671	9,650	136,470
Taxes	18,475	21,147	13,073	2,943	55,638
Telephone	4,343	7,127	237	763	12,470
Utilities	14,197	31,748	1,848	-	47,793
Waste Removal	2,944	8,355	123	-	11,422
<b>TOTAL EXPENSES</b>	<b>\$ 1,671,704</b>	<b>\$ 529,216</b>	<b>\$ 173,128</b>	<b>\$ 58,870</b>	<b>\$ 2,432,918</b>

The accompanying notes are an integral part of these financial statements.

**Humble Area Assistance Ministries, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2010**

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	Program Services		Supporting Services		Total
	Welfare	Thrift Shop	General	Fundraising	
Advertising	\$ 568	\$ 5,775	\$ 5,013	\$ 526	\$ 11,882
Back to School Project	12,637	-	-	-	12,637
Depreciation and Amortization	24,594	50,318	1,047	-	75,959
Food	515,844	-	-	-	515,844
Insurance - Disability	1,646	5,181	580	-	7,407
Insurance - Other	13,218	23,674	2,143	-	39,035
Interest Expense	-	7,308	-	-	7,308
Postage	919	645	991	524	3,079
Professional	4,516	4,027	25,784	90	34,417
Repairs	2,883	2,695	338	-	5,916
Salaries	225,195	270,759	69,965	31,892	597,811
Seasonal	25,730	-	-	-	25,730
Shelter and Other Assistance	405,633	-	-	-	405,633
Supplies and Operations	22,422	79,834	20,150	4,966	127,372
Taxes	21,444	20,722	12,126	2,392	56,684
Telephone	5,769	4,813	830	142	11,554
Utilities	16,283	35,833	346	-	52,462
Waste Removal	1,012	8,660	131	-	9,803
<b>TOTAL EXPENSES</b>	<b>\$ 1,300,313</b>	<b>\$ 520,244</b>	<b>\$ 139,444</b>	<b>\$ 40,532</b>	<b>\$ 2,000,533</b>

The accompanying notes are an integral part of these financial statements.



**Humble Area Assistance Ministries, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 182,786	\$ 25,580
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization	70,758	75,959
(Increase) Decrease in:		
Accounts Receivable	(1,951)	(14,579)
Prepaid Expenses	(1,411)	19,864
Deposits and Gift Cards	6,709	(7,302)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	<u>(5,294)</u>	<u>(23,447)</u>
Net Cash Provided by Operating Activities	<u>251,597</u>	<u>76,075</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(163,545)</u>	<u>(74,567)</u>
Net Cash Used by Investing Activities	<u>(163,545)</u>	<u>(74,567)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Notes Payable	90,000	22,000
Repayment of Debt on Notes Payable	<u>(22,537)</u>	<u>(24,464)</u>
Net Cash Provided (Used) by Financing Activities	<u>67,463</u>	<u>(2,464)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	155,515	(956)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>346,639</u>	<u>347,595</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 502,154</u></u>	<u><u>\$ 346,639</u></u>

Supplemental disclosures:

Cash paid for interest during the years ended December 31, 2011 and 2010 was \$10,302 and \$7,308, respectively.

The accompanying notes are an integral part of these financial statements.

**Humble Area Assistance Ministries, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

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**NOTE 1 – Organization and Nature of Activities**

Humble Area Assistance Ministries, Inc. (HAAM) is incorporated in the State of Texas as a non-profit charitable organization. HAAM was established as a community coalition supported by contributions and resale shop sales which provide social services and food that help the homeless and hungry people in the greater Humble area.

**NOTE 2 – Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Basis of Presentation***

These financial statements are presented in accordance with the authoritative guidance for *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- ***Unrestricted net assets:*** Net assets that are not subject to donor-imposed stipulations.
- ***Temporarily restricted net assets:*** Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- ***Permanently restricted net assets:*** Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

***Support***

HAAM also follows the recommendations of the authoritative guidance for contributions received and contributions made. Accordingly, the contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Humble Area Assistance Ministries, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

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***Fair Value of Financial Instruments***

The carrying amounts reported in the statements of financial position for cash and cash equivalents approximate their fair value.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, cash equivalents include demand deposits and savings accounts.

***Functional Allocation of Expenses***

HAAM allocates expenses on a functional basis among its programs and support services based on management's estimates.

***Property and Equipment***

Property and equipment are recorded at cost except for contributed assets which are recorded at fair market value at the date of contribution. Depreciation and amortization are computed by the straight-line method using a forty year life for the building and a three to five year life for other assets. An asset is tested for recoverability whenever events indicate that its carrying value may not be recoverable. If this procedure indicates that an asset is not recoverable, an impairment loss is recognized. The loss is the amount by which the carrying amount of the asset exceeds its fair market value.

***Donated Goods***

Individuals have made significant contributions of goods to HAAM. Donated goods of sufficient quality are sold by the resale shop. At times, the donated goods are provided by HAAM to an ultimate beneficiary. The value of the donated goods is not reflected in these statements since these are not susceptible to objective measurement or valuation.

***Donated Services***

A substantial number of unpaid volunteers have made significant contributions of their time to develop HAAM's programs. However, the value of these donated services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. Donated services, if any, which have been provided by entities that normally offer those services for compensation have been reflected in the accompanying statements as support and expense in the period in which the services are donated.

**Humble Area Assistance Ministries, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

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***Income Taxes***

HAAM is a non-profit, charitable organization which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been included in these financial statements. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they are filed.

***Reclassifications***

Certain amounts for the year ending December 31, 2010 have been reclassified in these comparative financial statements to conform to their 2011 classification. These reclassifications had no effect on the change in net assets.

***Date of Management's Review***

The Organization has evaluated subsequent events through June 15, 2012 the date which the financial statements were available to be issued.

**NOTE 3 – Cash**

The Organization maintains cash balances at financial institutions. Balances on deposit of \$494,375 and \$347,899 at December 31, 2011 and 2010, respectively were within Federal Deposit Insurance Corporation (FDIC) limits.

**NOTE 4 – Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 384,369	\$ 283,901
Buildings and Improvements	836,929	835,679
Leasehold Improvements	151,704	148,056
Furniture and Equipment	84,729	77,379
Vehicles	68,713	57,884
Construction in Progress	<u>40,000</u>	<u>-</u>
Total Property and Equipment	1,566,444	1,402,899
Accumulated Depreciation	<u>(497,672)</u>	<u>(426,914)</u>
Property and Equipment, Net	<u><u>\$ 1,068,772</u></u>	<u><u>\$ 975,985</u></u>

Depreciation and amortization expense for the years ended December 31, 2011 and 2010 amounted to \$70,758 and \$75,959, respectively.

**Humble Area Assistance Ministries, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

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**NOTE 5 – Notes Payable**

Notes payable consists of a commercial business loan with an original balance of \$125,000 dated October 14, 2009, and is secured by a first lien on the real property located at 1204 1<sup>st</sup> Street East, Humble, Texas. The note is payable to Wells Fargo Bank in monthly principal payments of \$1,042 through October 14, 2019. In addition to principal payments, interest at 5.65% shall be due and payable as it accrues on each principal date. Interest is computed on an actual/360 simple interest basis.

On March 29, 2011, the Organization purchased a 0.40 acre tract of land for potential expansion. The property was purchased for \$100,000, which includes a note payable for the principal amount of \$90,000, payable over ten years at a 6.25% annual interest rate. The outstanding balance at December 31, 2011 and 2010 is \$187,917 and \$110,417, respectively with maturities summarized as follows:

2012	\$	21,500
2013		21,500
2014		21,500
2015		21,500
2016		21,500
Thereafter		<u>80,417</u>
Total	\$	<u><u>187,917</u></u>

**NOTE 6 – Line of Credit**

The Organization has available a bank business line of credit for any amount up to \$25,000 at December 31, 2011 and 2010. Draws on the line of credit bear interest at Prime plus 5.25%. The Organization was obligated for \$-0- and \$8,037 at December 31, 2011 and 2010, respectively.

**NOTE 7 – Net Assets**

Temporarily restricted net assets at December 31 consist of the following:

<u>Source</u>	<u>Purpose</u>	<u>2011</u>	<u>2010</u>
GHFC-A-CAM	Operations	\$ -	\$ 17,560
Cameron Foundation	Welfare	-	4,500
Hamill Foundation	Welfare	50,000	41,488
Houston Endowment	Welfare	30,272	-
UWBN	Welfare	1,943	-
		<u>\$ 82,215</u>	<u>\$ 63,548</u>

**Humble Area Assistance Ministries, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

**NOTE 8 – Grants and Contributions**

The statement of activities recognizes the following restricted grants and contributions at December 31:

Federal Sources	Purpose	2011	2010
Dept. of Housing and Urban Development			
Emergency Shelter Grant	Welfare	\$ 24,197	\$ 10,149
Emergency Food and Shelter National Board	Welfare	72,442	80,853
Homeless Prevention and Rapid Re-Housing Program (HPRP)	Welfare	247,377	176,875
		<u>\$ 344,016</u>	<u>\$ 267,877</u>
Other Sources	Purpose	2011	2010
ACAM - Special Initiatives HP	Operations	\$ 9,000	\$ -
Greater Houston Community Foundation	Operations	-	27,235
Union Pacific Foundation	Operations	2,500	-
ACAM - Special Initiatives BTS	Welfare	5,238	-
ACAM - Special Initiatives Food	Welfare	35,000	-
Anderson Foundation	Welfare	10,000	10,000
Ashton Family Foundation	Welfare	-	2,500
Baxter Trust	Welfare	35,000	-
Cameron Foundation	Welfare	4,000	4,500
Frees Foundation	Welfare	10,000	-
Hamill Foundation	Welfare	50,000	50,000
Houston Endowment	Welfare	60,000	60,000
Knox Foundation	Welfare	2,500	2,000
National Charity League - Kingwood Chapter	Welfare	1,250	-
Simmons Foundation	Welfare	10,000	10,000
United Way Basic Needs	Welfare	44,000	40,000
		<u>\$ 278,488</u>	<u>\$ 206,235</u>

**NOTE 9 – Contingencies**

In the normal course of HAAM's activities, there could be various outstanding contingent liabilities such as (1) violations of regulatory body's rules and regulations and (2) violations with grant or contract provisions and requirements.

No accrual for potential contingent liabilities, such as, but not limited to, those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted; and therefore, no estimate of loss, if any, is determinable.

**Humble Area Assistance Ministries, Inc.**  
**Notes to Financial Statements**  
**December 31, 2011**

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**NOTE 10 – Concentration**

HAAM is dependent on certain organizations operating in the Humble area for a significant portion of its support.

**NOTE 11 – Agency Transactions**

HAAM earned \$64,528 and \$53,413 during 2011 and 2010, respectively by performing general services under the Comprehensive Energy Assistance Program. This amount is included with unrestricted grants in the statements of activities. This program resulted in the distribution of an additional \$835,241 and \$858,243 in welfare expenditures during fiscal years 2011 and 2010, respectively. Because HAAM is only acting as an agent under the program, the transactions relating to these additional welfare expenditures are not reflected in HAAM's financial statements.

**NOTE 12 – Capital Lease**

The Organization opened a second resale facility in February 2010. A lease agreement for the location is in effect through December 2012 at the rate of \$3,200 per month. HAAM has first right of refusal to purchase the property for the amount of \$470,000. Rent expense for the years ending December 31, 2011 and 2010 was \$38,400 and \$38,400, respectively.