

Humble Area Assistance Ministries, Inc.

Financial Statements

**For the Years Ended
December 31, 2013 and 2012**

Humble Area Assistance Ministries, Inc.

Table of Contents

Independent Auditor’s Report..... 1

FINANCIAL STATEMENTS

Statements of Financial Position 2

Statements of Activities 3

Statements of Functional Expenses 5

Statements of Cash Flows 7

Notes to Financial Statements 8

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Humble Area Assistance Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance 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 19, 2014

Humble Area Assistance Ministries, Inc.
Statements of Financial Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	\$ 684,609	\$ 694,592
Accounts Receivable	17,804	66,913
Promises to Give	60,000	-
Prepaid Expenses	16,056	14,908
Deposits and Gift Cards	10,143	4,051
Property and Equipment, Net	<u>1,516,416</u>	<u>1,026,113</u>
TOTAL ASSETS	<u><u>\$ 2,305,028</u></u>	<u><u>\$ 1,806,577</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 54,229	\$ 34,160
Notes Payable	<u>662,192</u>	<u>167,458</u>
TOTAL LIABILITIES	<u>716,421</u>	<u>201,618</u>
NET ASSETS		
Unrestricted		
Undesignated	1,401,230	1,435,117
Designated	<u>500</u>	<u>29,583</u>
Total Unrestricted Net Assets	1,401,730	1,464,700
Temporarily Restricted	<u>186,877</u>	<u>140,259</u>
TOTAL NET ASSETS	<u>1,588,607</u>	<u>1,604,959</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,305,028</u></u>	<u><u>\$ 1,806,577</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 1,461,067	\$ 207,445	\$ 1,668,512
Grants	3,324	99,762	103,086
Revenue			
Sale of Goods	926,080	-	926,080
Interest Income	1,825	-	1,825
TOTAL SUPPORT AND REVENUE	2,392,296	307,207	2,699,503
Net Assets Released from Restrictions	<u>260,589</u>	<u>(260,589)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS	<u>2,652,885</u>	<u>46,618</u>	<u>2,699,503</u>
EXPENSES			
Program Services			
Welfare Services	1,739,139	-	1,739,139
Resale Stores	544,922	-	544,922
Supporting Services			
General	291,281	-	291,281
Fundraising	77,202	-	77,202
TOTAL EXPENSES	<u>2,652,544</u>	<u>-</u>	<u>2,652,544</u>
Loss on Disposal of Leasehold Improvements	63,311	-	63,311
TOTAL EXPENSES AND LOSSES	<u>2,715,855</u>	<u>-</u>	<u>2,715,855</u>
Change in Net Assets	(62,970)	46,618	(16,352)
NET ASSETS, BEGINNING OF YEAR	<u>1,464,700</u>	<u>140,259</u>	<u>1,604,959</u>
NET ASSETS, END OF YEAR	<u>\$ 1,401,730</u>	<u>\$ 186,877</u>	<u>\$ 1,588,607</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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 1,035,582	\$ 312,050	\$ 1,347,632
Grants	56,204	135,646	191,850
Revenue			
Sale of Goods	931,768	-	931,768
Interest Income	1,211	-	1,211
TOTAL SUPPORT AND REVENUE	2,024,765	447,696	2,472,461
Net Assets Released from Restrictions	389,652	(389,652)	-
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS	2,414,417	58,044	2,472,461
EXPENSES			
Program Services			
Welfare Services	1,460,109	-	1,460,109
Resale Stores	520,213	-	520,213
Supporting Services			
General	209,748	-	209,748
Fundraising	71,070	-	71,070
TOTAL EXPENSES	2,261,140	-	2,261,140
CHANGE IN NET ASSETS	153,277	58,044	211,321
NET ASSETS, BEGINNING OF YEAR	1,311,423	82,215	1,393,638
NET ASSETS, END OF YEAR	\$ 1,464,700	\$ 140,259	\$ 1,604,959

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, 2013

	Program Services		Supporting Services		Total
	Welfare	Resale Stores	General	Fundraising	
Advertising	\$ 5,573	\$ 3,478	\$ 10,310	\$ 9,626	\$ 28,987
Back to School Project	26,387	-	-	-	26,387
Depreciation and Amortization	24,452	33,262	701	-	58,415
Food	974,483	-	-	-	974,483
Insurance - Disability	2,481	8,194	1,201	464	12,340
Insurance - Other	12,559	22,177	3,459	-	38,195
Interest Expense	995	13,113	6,399	-	20,507
Postage	2,166	19	3,812	2,033	8,030
Professional	26,986	6,046	24,960	3,278	61,270
Repairs	1,537	5,152	2,596	-	9,285
Salaries, Wages, and Benefits	284,944	301,661	189,734	47,433	823,772
Seasonal	130,620	-	-	-	130,620
Shelter and Other Assistance	180,961	-	-	-	180,961
Supplies and Operations	22,754	84,063	23,936	10,828	141,581
Taxes	21,737	22,490	22,334	3,540	70,101
Telephone	4,945	8,245	206	-	13,396
Utilities	12,013	27,007	1,485	-	40,505
Waste Removal	3,546	10,015	148	-	13,709
TOTAL EXPENSES	\$ 1,739,139	\$ 544,922	\$ 291,281	\$ 77,202	\$ 2,652,544

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, 2012

	Program Services		Supporting Services		Total
	Welfare	Resale Stores	General	Fundraising	
Advertising	\$ 383	\$ 3,268	\$ 7,861	\$ 476	\$ 11,988
Back to School Project	30,988	-	-	-	30,988
Depreciation and Amortization	18,930	45,161	945	-	65,036
Food	627,801	-	-	-	627,801
Insurance - Disability	797	9,356	265	111	10,529
Insurance - Other	11,937	20,805	3,518	-	36,260
Interest Expense	-	5,307	5,165	-	10,472
Postage	1,117	9	1,540	603	3,269
Professional	17,621	3,701	23,590	527	45,439
Repairs	1,731	6,269	1,429	-	9,429
Salaries, Wages, and Benefits	276,560	279,316	132,784	52,465	741,125
Seasonal	120,304	-	-	-	120,304
Shelter and Other Assistance	283,444	-	-	-	283,444
Supplies and Operations	27,067	84,397	16,813	12,754	141,031
Taxes	21,115	21,385	13,695	3,960	60,155
Telephone	5,369	7,828	575	174	13,946
Utilities	11,549	24,139	1,427	-	37,115
Waste Removal	3,396	9,272	141	-	12,809
TOTAL EXPENSES	\$ 1,460,109	\$ 520,213	\$ 209,748	\$ 71,070	\$ 2,261,140

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (16,352)	\$ 211,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization	58,415	65,036
Loss on Disposal of Leasehold Improvements	63,311	-
(Increase) Decrease in:		
Accounts Receivable	49,109	(45,935)
Promises to Give	(60,000)	-
Prepaid Expenses	(1,148)	10,140
Deposits and Gift Cards	(6,092)	(1,557)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	<u>20,069</u>	<u>(3,731)</u>
Net Cash Provided by Operating Activities	<u>107,312</u>	<u>235,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(612,029)</u>	<u>(22,377)</u>
Net Cash Used by Investing Activities	<u>(612,029)</u>	<u>(22,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Notes Payable	675,878	-
Repayment of Debt on Notes Payable	<u>(181,144)</u>	<u>(20,459)</u>
Net Cash Provided (Used) by Financing Activities	<u>494,734</u>	<u>(20,459)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,983)	192,438
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>694,592</u>	<u>502,154</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 684,609</u>	<u>\$ 694,592</u>

Supplemental disclosures:

Cash paid for interest during the years ended December 31, 2013 and 2012 was \$20,507 and \$10,472, respectively.

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

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 store sales which provide social services and food that help the homeless and hungry people in the northeast Harris and east Montgomery counties.

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. (The organization has no permanently restricted net 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, 2013 and 2012

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, savings accounts, and certificates of deposit.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 stores. 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 susceptible to objective measurement or valuation.

Humble Area Assistance Ministries, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

The Organization also receives donated goods for the food pantry and other activities. The value of these donated goods reflected in the Statements of Activities as contributions is \$990,702 and \$663,578 for the years ended December 31, 2013 and 2012, respectively. In 2013, the Organization began recording donated food received from the Houston Food Bank at a standard rate of \$1.69 per pound.

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 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 amount of \$6,999 and \$1,675 for the years ended December 31, 2013 and 2012, respectively.

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 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they are filed.

NOTE 3 – Cash

The Organization maintains cash balances at financial institutions which, at times, exceed federally insured amounts. Balances in excess of federally insured limits were \$141,564 and \$976 for the years ended December 31, 2013 and 2012, respectively.

NOTE 4 – Promises to Give

Unconditional promises to give at December 31 are as follows:

	2013	2012
Grant	\$ 60,000	\$ -
Total	<u>\$ 60,000</u>	<u>\$ -</u>
Receivable in less than one year	\$ 60,000	\$ -
Total unconditional promises to give	<u>\$ 60,000</u>	<u>\$ -</u>

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

Houston Endowment, a philanthropic foundation, awarded the Organization a grant of \$120,000, to be received in 2014 and 2015, conditional upon terms set forth in an agreement by the Foundation. Since \$60,000 of this grant represents a conditional promise to give, it is not recorded as a receivable or contribution until the donor imposed conditions are met.

NOTE 5 – Property and Equipment

Property and equipment consist of the following at December 31:

	2013	2012
Land	\$ 704,369	\$ 384,369
Buildings and Improvements	1,092,237	836,929
Leasehold Improvements	-	153,364
Furniture and Equipment	129,502	92,781
Vehicles	68,713	68,713
Construction in Progress	52,665	52,665
Total Property and Equipment	2,047,486	1,588,821
Accumulated Depreciation and Amortization	(531,070)	(562,708)
Property and Equipment, Net	<u>\$ 1,516,416</u>	<u>\$ 1,026,113</u>

Depreciation and amortization expense for the years ended December 31, 2013 and 2012 amounted to \$58,415 and \$65,036, respectively.

NOTE 6 – Notes Payable

The Organization had a commercial business loan and a loan for a tract of land. The outstanding balances at the end of 2012 were \$86,458 and \$81,000 respectively. These loans were consolidated and refinanced in January 2013. The loan has an interest rate of 4% and a maturity date of January 2018, with a final balloon payment due of \$122,370. The principal outstanding balance is \$166,553 at December 31, 2013.

In July 2013, the Organization purchased the property and building previously leased for the Black Cat Junction Resale Store. The property was purchased for \$564,000, which includes a contribution of \$64,000 and a note payable for the principal amount of \$500,000, payable over 20 years at an annual interest rate of 6%. The principal outstanding balance is \$495,639 at December 31, 2013.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

The future maturities of the notes payable are as follows:

Years Ending December 31	
2014	\$ 24,006
2015	25,276
2016	26,598
2017	28,025
2018	139,672
Thereafter	418,615
Total	<u>\$ 662,192</u>

NOTE 7 – Net Assets

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

Purpose	2013	2012
Building Fund	\$ 50,975	\$ 48,975
Operations	102,926	17,460
Welfare	32,976	73,824
	<u>\$ 186,877</u>	<u>\$ 140,259</u>

Designated unrestricted net assets at December 31, 2013 and 2012 consist of board designations in the amount of \$500 and \$29,583, respectively, for future needs.

NOTE 8 – 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.

NOTE 9 – Concentration

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 10 – Agency Transactions

HAAM earned \$3,324 and \$56,204 during 2013 and 2012, 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 \$-0- and \$578,153 in welfare expenditures during fiscal years 2013 and 2012, 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. The funding for this program ended in 2013.

NOTE 11 – Operating Lease

The Organization has several operating leases, which include equipment, buildings, and other operating leases. The Organization opened a second resale facility in February 2010. A lease agreement for the location was in effect through July 2013 at the rate of \$3,200 per month. The Organization did not renew the lease agreement as the property and building was purchased in July 2013. Rent expense for the years ending December 31, 2013 and 2012 was \$20,439 and \$38,400, respectively.

As of December 31, 2013, the future operating lease obligations for the next five years are as follows:

Years Ending December 31	
2014	\$ 7,971
2015	7,971
2016	7,971
2017	3,985
2018	-
Total	<u>\$ 27,898</u>

NOTE 12 – Related Party Transactions

In the course of business, the Organization paid \$7,267 and \$2,628 in 2013 and 2012, respectively, for advertising and marketing to companies owned by board members. These companies were awarded business based on the Organization's normal vendor selection due diligence.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 13 – Subsequent Events

In May 2014, the Organization moved cash that was in excess of federally insured limits at December 31, 2013 to an insured money market bank account.

The Organization has evaluated subsequent events through June 19, 2014, the date which the financial statements were available to be issued.