

Humble Area Assistance Ministries, Inc.

Financial Statements

**For the Years Ended
December 31, 2014 and 2013**

Humble Area Assistance Ministries, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014 and 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, 2014 and 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015, on our consideration of Humble Area Assistance Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Humble Area Assistance Ministries, Inc.'s internal control over financial reporting and compliance.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
May 18, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Humble Area Assistance Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Humble Area Assistance Ministries, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Humble Area Assistance Ministries, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humble Area Assistance Ministries, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Seefeld Lawson Moeller LLP

Seefeld Lawson Moeller LLP
Certified Public Accountants

The Woodlands, Texas
May 18, 2015

Humble Area Assistance Ministries, Inc.
Statements of Financial Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 775,347	\$ 684,609
Accounts Receivable	21,075	17,804
Promises to Give	-	60,000
Prepaid Expenses	12,683	16,056
Deposits and Gift Cards	5,070	10,143
Property and Equipment, Net	<u>1,517,845</u>	<u>1,516,416</u>
TOTAL ASSETS	<u><u>\$ 2,332,020</u></u>	<u><u>\$ 2,305,028</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 68,574	\$ 54,229
Notes Payable	<u>638,090</u>	<u>662,192</u>
TOTAL LIABILITIES	<u>706,664</u>	<u>716,421</u>
 NET ASSETS		
Unrestricted		
Undesignated	1,442,289	1,401,230
Designated	<u>-</u>	<u>500</u>
Total Unrestricted Net Assets	1,442,289	1,401,730
Temporarily Restricted	<u>183,067</u>	<u>186,877</u>
TOTAL NET ASSETS	<u>1,625,356</u>	<u>1,588,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,332,020</u></u>	<u><u>\$ 2,305,028</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 1,538,965	\$ 378,050	\$ 1,917,015
Grants	-	222,077	222,077
Revenue			
Sale of Goods	976,534	-	976,534
Interest Income	2,236	-	2,236
TOTAL SUPPORT AND REVENUE	2,517,735	600,127	3,117,862
Net Assets Released from Restrictions	603,937	(603,937)	-
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS	3,121,672	(3,810)	3,117,862
EXPENSES			
Program Services			
Welfare Services	2,166,101	-	2,166,101
Resale Stores	558,401	-	558,401
Supporting Services			
Management and General	309,480	-	309,480
Fundraising	47,131	-	47,131
TOTAL EXPENSES	3,081,113	-	3,081,113
Change in Net Assets	40,559	(3,810)	36,749
NET ASSETS, BEGINNING OF YEAR	1,401,730	186,877	1,588,607
NET ASSETS, END OF YEAR	\$ 1,442,289	\$ 183,067	\$ 1,625,356

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

	Unrestricted	Temporarily Restricted	Total
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	260,589	(260,589)	-
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS	2,652,885	46,618	2,699,503
EXPENSES			
Program Services			
Welfare Services	1,739,139	-	1,739,139
Resale Stores	544,922	-	544,922
Supporting Services			
Management and General	291,281	-	291,281
Fundraising	77,202	-	77,202
TOTAL EXPENSES	2,652,544	-	2,652,544
Loss on Disposal of Leasehold Improvements	63,311	-	63,311
TOTAL EXPENSES AND LOSSES	2,715,855	-	2,715,855
Change in Net Assets	(62,970)	46,618	(16,352)
NET ASSETS, BEGINNING OF YEAR	1,464,700	140,259	1,604,959
NET ASSETS, END OF YEAR	\$ 1,401,730	\$ 186,877	\$ 1,588,607

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, 2014

	Program Services		Supporting Services		Total
	Welfare	Resale Stores	Management and General	Fundraising	
Advertising	\$ 4,940	\$ 3,044	\$ 7,319	\$ 1,161	\$ 16,464
Back to School Project	42,661	-	-	-	42,661
Depreciation and Amortization	22,100	29,229	941	-	52,270
Food	1,142,997	-	-	-	1,142,997
Insurance - Disability	3,392	8,155	1,149	442	13,138
Insurance - Other	13,314	24,317	3,981	49	41,661
Interest Expense	-	32,573	3,282	-	35,855
Postage	1,774	437	3,246	1,808	7,265
Professional	28,065	5,079	35,115	1,178	69,437
Repairs	448	6,704	3,714	-	10,866
Salaries, Wages, and Benefits	351,111	330,210	210,902	34,007	926,230
Seasonal	104,820	-	-	-	104,820
Shelter and Other Assistance	320,332	-	-	-	320,332
Supplies and Operations	85,332	54,446	14,447	5,844	160,069
Taxes	25,910	23,978	23,504	2,553	75,945
Telephone	6,190	8,366	531	32	15,119
Utilities	9,174	22,409	1,185	52	32,820
Waste Removal	3,541	9,454	164	5	13,164
TOTAL EXPENSES	\$ 2,166,101	\$ 558,401	\$ 309,480	\$ 47,131	\$ 3,081,113

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	Management and 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.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 36,749	\$ (16,352)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization	52,270	58,415
Loss on Disposal of Property and Equipment	377	63,311
(Increase) Decrease in:		
Accounts Receivable	(3,271)	49,109
Promises to Give	60,000	(60,000)
Prepaid Expenses	3,373	(1,148)
Deposits and Gift Cards	5,073	(6,092)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	14,345	20,069
Net Cash Provided by Operating Activities	<u>168,916</u>	<u>107,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(54,076)</u>	<u>(612,029)</u>
Net Cash Used by Investing Activities	<u>(54,076)</u>	<u>(612,029)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Notes Payable	-	675,878
Repayment of Debt on Notes Payable	<u>(24,102)</u>	<u>(181,144)</u>
Net Cash Provided (Used) by Financing Activities	<u>(24,102)</u>	<u>494,734</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	90,738	(9,983)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>684,609</u>	<u>694,592</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 775,347</u>	<u>\$ 684,609</u>

Supplemental disclosures:

Cash paid for interest during the years ended December 31, 2014 and 2013 was \$35,854 and \$20,507, respectively.

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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 \$1,195,293 and \$990,702 for the years ended December 31, 2014 and 2013, 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 \$378 and \$6,999 for the years ended December 31, 2014 and 2013, 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 2011, 2012, and 2013 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 \$141,085 and \$141,564 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4 – Promises to Give

Unconditional promises to give at December 31 are as follows:

	2014	2013
Grant	\$ -	\$ 60,000
Total	\$ -	\$ 60,000
Receivable in less than one year	\$ -	\$ 60,000
Total unconditional promises to give	\$ -	\$ 60,000

Humble Area Assistance Ministries, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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:

	2014	2013
Land	\$ 704,369	\$ 704,369
Buildings and Improvements	1,093,437	1,092,237
Furniture and Equipment	160,442	129,502
Vehicles	90,097	68,713
Construction in Progress	52,665	52,665
Total Property and Equipment	2,101,010	2,047,486
Accumulated Depreciation and Amortization	(583,165)	(531,070)
Property and Equipment, Net	<u>\$ 1,517,845</u>	<u>\$ 1,516,416</u>

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 amounted to \$52,270 and \$58,415, respectively.

NOTE 6 – Notes Payable

The Organization had a commercial business loan and a loan for a tract of land. 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 \$156,146 and \$166,553 at December 31, 2014 and 2013, respectively.

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 \$481,944 and \$495,639 at December 31, 2014 and 2013, respectively.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

The future maturities of the notes payable are as follows:

Years Ending December 31		
2015	\$	25,276
2016		26,598
2017		28,025
2018		139,653
2019		18,369
Thereafter		400,169
Total	\$	<u>638,090</u>

NOTE 7 – Net Assets

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

Purpose	2014	2013
Building Fund	\$ 50,975	\$ 50,975
Operations	-	70,000
Program Services	132,092	65,902
	<u>\$ 183,067</u>	<u>\$ 186,877</u>

Designated unrestricted net assets at December 31, 2014 and 2013 consist of board designations in the amount of \$-0-and \$500, 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, 2014 and 2013

NOTE 10 – Operating Lease

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 were purchased in July 2013. The Organization also has an equipment operating lease. Rent expense for the years ending December 31, 2014 and 2013 was \$9,421 and \$28,964, respectively.

As of December 31, 2014, the future operating lease obligations for the next five years are as follows:

Years Ending December 31	
2015	\$ 7,971
2016	7,971
2017	4,650
2018	-
2019	-
Total	<u>\$ 20,592</u>

NOTE 11 – Related Party Transactions

In the course of business, the Organization paid \$4,220 and \$7,267 in 2014 and 2013, 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.

NOTE 12 – Subsequent Events

In May 2015, the Organization moved cash that was in excess of federally insured limits at December 31, 2014 to insured money market bank accounts.

The Organization has evaluated subsequent events through May 18, 2015, the date which the financial statements were available to be issued.