

Humble Area Assistance Ministries, Inc.

Financial Statements

**For the Years Ended
December 31, 2016 and 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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, 2017, 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, 2017

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, 2016, 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, 2017.

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, 2017

Humble Area Assistance Ministries, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 616,968	\$ 773,741
Investments	246,293	-
Accounts Receivable	82,702	10,489
Promises to Give	750	99,000
Prepaid Expenses	8,724	14,492
Deposits and Gift Cards	9,219	5,423
Property and Equipment, Net	<u>1,474,260</u>	<u>1,468,342</u>
TOTAL ASSETS	<u><u>\$ 2,438,916</u></u>	<u><u>\$ 2,371,487</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 110,307	\$ 81,972
Notes Payable	<u>586,173</u>	<u>612,784</u>
TOTAL LIABILITIES	<u>696,480</u>	<u>694,756</u>
 NET ASSETS		
Unrestricted	1,604,050	1,581,429
Temporarily Restricted	<u>138,386</u>	<u>95,302</u>
TOTAL NET ASSETS	<u>1,742,436</u>	<u>1,676,731</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,438,916</u></u>	<u><u>\$ 2,371,487</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, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support			
Contributions	\$ 1,901,451	\$ 263,488	\$ 2,164,939
Grants	-	145,297	145,297
Revenue			
Sale of Goods	948,272	-	948,272
Interest Income and Other	3,418	-	3,418
TOTAL SUPPORT AND REVENUE	2,853,141	408,785	3,261,926
Net Assets Released from Restrictions	365,701	(365,701)	-
TOTAL SUPPORT AND REVENUE AFTER RECLASSIFICATIONS	3,218,842	43,084	3,261,926
EXPENSES			
Program Services			
Welfare Services	2,261,274	-	2,261,274
Resale Stores	625,565	-	625,565
Supporting Services			
Management and General	261,968	-	261,968
Fundraising	47,414	-	47,414
TOTAL EXPENSES	3,196,221	-	3,196,221
Change in Net Assets	22,621	43,084	65,705
NET ASSETS, BEGINNING OF YEAR	1,581,429	95,302	1,676,731
NET ASSETS, END OF YEAR	\$ 1,604,050	\$ 138,386	\$ 1,742,436

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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 1,900,261	\$ 294,781	\$ 2,195,042
Grants	-	211,070	211,070
Revenue			
Sale of Goods	939,414	-	939,414
Interest Income	3,148	-	3,148
TOTAL SUPPORT AND REVENUE	2,842,823	505,851	3,348,674
Net Assets Released from Restrictions	593,616	(593,616)	-
TOTAL SUPPORT AND REVENUE AFTER RECLASSIFICATIONS	3,436,439	(87,765)	3,348,674
EXPENSES			
Program Services			
Welfare Services	2,377,429	-	2,377,429
Resale Stores	573,961	-	573,961
Supporting Services			
Management and General	250,905	-	250,905
Fundraising	42,339	-	42,339
TOTAL EXPENSES	3,244,634	-	3,244,634
Loss on Construction in Progress	52,665	-	52,665
TOTAL EXPENSES AND LOSSES	3,297,299	-	3,297,299
Change in Net Assets	139,140	(87,765)	51,375
NET ASSETS, BEGINNING OF YEAR	1,442,289	183,067	1,625,356
NET ASSETS, END OF YEAR	\$ 1,581,429	\$ 95,302	\$ 1,676,731

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, 2016

	Program Services		Supporting Services		Total
	Welfare	Resale Stores	Management and General	Fundraising	
Advertising	\$ 4,462	\$ 1,995	\$ 5,913	\$ 5,565	\$ 17,935
Back to School Project	28,433	-	-	-	28,433
Depreciation and Amortization	15,150	47,465	1,578	212	64,405
Food	1,137,264	-	-	-	1,137,264
Insurance	13,429	23,206	5,577	204	42,416
Interest Expense	-	30,499	2,851	-	33,350
Postage	1,389	276	1,158	1,747	4,570
Professional and Training	32,100	5,045	28,238	1,525	66,908
Repairs and Maintenance	6,953	10,589	3,305	44	20,891
Seasonal Programs	90,791	-	-	-	90,791
Shelter and Other Assistance	324,457	-	824	15	325,296
Supplies and Operations	62,563	45,588	9,499	11,753	129,403
Telephone	4,688	5,185	921	111	10,905
Utilities	12,245	26,689	1,459	159	40,552
Wages, Benefits, Taxes and Fees	524,250	413,941	200,338	26,039	1,164,568
Waste Removal	3,100	15,087	307	40	18,534
TOTAL EXPENSES	\$ 2,261,274	\$ 625,565	\$ 261,968	\$ 47,414	\$ 3,196,221

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, 2015

	Program Services		Supporting Services		Total
	Welfare	Resale Stores	Management and General	Fundraising	
Advertising	\$ 2,842	\$ 1,800	\$ 6,272	\$ 4,679	\$ 15,593
Back to School Project	36,650	-	-	-	36,650
Depreciation and Amortization	17,594	39,798	2,083	239	59,714
Food	1,272,505	-	-	-	1,272,505
Insurance	16,012	30,752	5,957	282	53,003
Interest Expense	-	31,583	3,067	-	34,650
Postage	1,504	230	1,913	1,549	5,196
Professional and Training	29,433	8,624	25,044	408	63,509
Repairs and Maintenance	3,885	6,285	2,825	26	13,021
Seasonal Programs	137,414	-	-	-	137,414
Shelter and Other Assistance	367,978	-	3,278	-	371,256
Supplies and Operations	60,042	44,929	9,031	7,330	121,332
Telephone	3,812	5,788	569	76	10,245
Utilities	11,719	26,108	1,630	232	39,689
Wages, Benefits, Taxes and Fees	412,750	364,699	188,930	27,480	993,859
Waste Removal	3,289	13,365	306	38	16,998
TOTAL EXPENSES	\$ 2,377,429	\$ 573,961	\$ 250,905	\$ 42,339	\$ 3,244,634

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 65,705	\$ 51,375
Adjustments to reconcile change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	64,405	59,714
Loss on Construction in Progress	-	52,665
(Increase) Decrease in:		
Accounts Receivable	(72,213)	10,586
Promises to Give	98,250	(99,000)
Prepaid Expenses	5,768	(1,809)
Deposits and Gift Cards	(3,796)	(353)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	28,334	13,398
Net Cash Provided by Operating Activities	<u>186,453</u>	<u>86,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(246,293)	-
Purchase of Property and Equipment	<u>(70,322)</u>	<u>(62,877)</u>
Net Cash Used by Investing Activities	<u>(316,615)</u>	<u>(62,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	<u>(26,611)</u>	<u>(25,305)</u>
Net Cash Used by Financing Activities	<u>(26,611)</u>	<u>(25,305)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(156,773)	(1,606)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>773,741</u>	<u>775,347</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 616,968</u>	<u>\$ 773,741</u>

Supplemental disclosures:

Cash paid for interest during the years ended December 31, 2016 and 2015 was \$33,350 and \$34,650, respectively.

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1 – Organization and Nature of Activities

Humble Area Assistance Ministries, Inc. (“HAAM” or the “Organization”) 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 Organization uses the accrual basis of accounting. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

- *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.)

In addition, the Organization is required to present a Statement of Cash Flows and Statement of Functional Expenses.

Support

HAAM follows the recommendations of 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, 2016 and 2015

Fair Value of Financial Instruments

The carrying amounts reported in the Statements of Financial Position for cash and cash equivalents, investments, accounts receivable, and pledges receivable approximate their fair value. The carrying value of debt is reported at the undiscounted amount of future cash outflows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, HAAM considers demand deposits, savings accounts, certificates of deposit, and highly liquid investments available for current use with an initial maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable is comprised of grants and donations. Certain grants are stated as reimbursable expenditures due from the grantor, and as such no allowance for bad debt is recorded, as revenue received is from third party reimbursements with state and local government agencies.

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.

Investments

Investments represent certificates of deposit with varying maturities held at a financial institution.

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

straight-line method using a forty year life for buildings 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. Additionally, acquisitions of property and equipment in excess of \$2,000 are capitalized.

Donated Goods

Individuals make 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 financial statements since these donations have subjective measurement or valuation.

The Organization also receives donated goods for its food pantry and other activities. The value of these donated goods reflected in the statements of activities as contributions is \$1,229,188 and \$1,344,413 for the years ended December 31, 2016 and 2015, respectively. The Organization records donated food received from the Houston Food Bank at the Feeding America rate of \$1.67 per pound and other donated goods at fair market value.

Donated Services

A substantial number of unpaid volunteers make 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 contributions and expenses in the amount of \$21,511 and \$20,246 for the years ended December 31, 2016 and 2015, respectively.

Advertising Costs

HAAM expenses advertising costs as incurred. Advertising expense in the amount of \$17,935 and \$15,593 was incurred for the years ended December 31, 2016 and 2015, 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

Date of Management Review

The Organization has evaluated subsequent events through May 18, 2017, the date which these financial statements were available to be issued.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3 – Concentration of Credit Risk

The Organization maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. These balances, at times, exceed federally insured amounts. Balances in excess of federally insured limits were \$69,533 and \$1,512 as of December 31, 2016 and 2015, respectively.

NOTE 4 – Investments

Investments consist of certificates of deposit and are measured at fair value based on quoted market price for identical assets in actual markets. The fair value is based upon Level 1 measurements in the fair value hierarchy established by the Fair Value measurements and Disclosures topic of the *Financial Accounting Standards Boards' (FASB) Accounting Standards Codification*.

	Fair Value Measurements at Reporting Date Using	
	Fair Value	In Active Markets for Identical Assets (Level 1)
December 31, 2016		
Certificates of Deposit	\$ 246,293	\$ 246,293
Total	\$ 246,293	\$ 246,293

NOTE 5 – Promises to Give

Promises to Give at December 31 are as follows:

	2016	2015
Houston Endowment	\$ -	\$ 75,000
Alliance of Community Assistance Ministries	-	24,000
Memorial Herman Health System	750	-
Total	\$ 750	\$ 99,000
Receivable in less than one year	\$ 750	\$ 99,000
Total Promises to Give	\$ 750	\$ 99,000

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

The Houston Endowment, a philanthropic foundation, awarded the Organization a grant of \$105,000, to be received in 2015 and 2016, conditional upon terms set forth in an agreement with this foundation. As of December 31, 2015, \$30,000 of this grant represented a conditional promise to give, this amount had not been recorded as a Promise to Give since the donor imposed conditions had not been met.

NOTE 6 – Property and Equipment

Property and equipment consist of the following at December 31:

	2016	2015
Land	\$ 704,369	\$ 704,369
Buildings and Improvements	1,168,102	1,093,437
Furniture and Equipment	175,907	164,612
Vehicles	101,700	101,700
Construction in Progress	7,861	23,498
Total Property and Equipment	2,157,939	2,087,616
Accumulated Depreciation and Amortization	(683,679)	(619,274)
Property and Equipment, Net	<u>\$ 1,474,260</u>	<u>\$ 1,468,342</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015 amounted to \$64,405 and \$59,714, respectively.

NOTE 7 – Notes Payable

The Organization has an installment loan which originated in 2013 after the consolidation and refinancing of two other loans. 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 \$134,042 and \$145,310 at December 31, 2016 and 2015, 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 \$452,131 and \$467,474 at December 31, 2016 and 2015, respectively.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

The future maturities of the Notes Payable are as follows:

Years Ending December 31	
2017	\$ 28,025
2018	139,616
2019	18,369
2020	19,501
2021	20,704
Thereafter	<u>359,958</u>
Total	<u><u>\$ 586,173</u></u>

NOTE 8 – Net Assets

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

Purpose	2016	2015
Building Fund	\$ 50,975	\$ 50,975
Program Services	<u>87,411</u>	<u>44,327</u>
	<u><u>\$ 138,386</u></u>	<u><u>\$ 95,302</u></u>

NOTE 9 – Contingencies

In the normal course of HAAM’s activities, there could be various outstanding contingent liabilities such as violations of regulatory body’s regulations or violations of grant contract provisions.

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 has been made.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 10 – Operating Lease

The Organization has an equipment operating lease. Rent expense related to this lease for the years ending December 31, 2016 and 2015 was \$9,283 and \$9,072, respectively.

As of December 31, 2016, the future operating lease obligations for the next five years are as follows:

Years Ending December 31	
2017	\$ 4,650
2018	-
2019	-
2020	-
2021	-
Total	<u>\$ 4,650</u>

NOTE 11 – Related Party Transactions

In the course of business, the Organization paid \$13,992 and \$13,304 in 2016 and 2015, respectively, for advertising and marketing to companies owned by a past board member. These companies were awarded business based on the Organization's normal vendor selection and due diligence process.