

Humble Area Assistance Ministries, Inc.

Financial Statements

**For the Years Ended
December 31, 2017 and 2016**

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, 2017 and 2016, 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, 2017 and 2016, 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 June 27, 2018, 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
June 27, 2018

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, 2017, 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 June 27, 2018.

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
June 27, 2018

Humble Area Assistance Ministries, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,974,555	\$ 616,968
Investments	270,044	246,293
Accounts Receivable	51,836	82,702
Promises to Give	-	750
Prepaid Expenses	9,679	8,724
Deposits and Gift Cards	16,999	9,219
Property and Equipment, Net	<u>1,443,585</u>	<u>1,474,260</u>
TOTAL ASSETS	<u><u>\$ 3,766,698</u></u>	<u><u>\$ 2,438,916</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 139,594	\$ 110,307
Notes Payable	<u>558,119</u>	<u>586,173</u>
TOTAL LIABILITIES	<u>697,713</u>	<u>696,480</u>
 NET ASSETS		
Unrestricted	1,788,168	1,604,050
Temporarily Restricted	<u>1,280,817</u>	<u>138,386</u>
TOTAL NET ASSETS	<u>3,068,985</u>	<u>1,742,436</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,766,698</u></u>	<u><u>\$ 2,438,916</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 2,141,663	\$ 3,619,539	\$ 5,761,202
Grants	264,274	105,000	369,274
Revenue			
Sale of Goods	969,743	-	969,743
Interest Income and Other	5,957	-	5,957
	<u>3,381,637</u>	<u>3,724,539</u>	<u>7,106,176</u>
TOTAL SUPPORT AND REVENUE	3,381,637	3,724,539	7,106,176
Net Assets Released from Restrictions	<u>2,582,108</u>	<u>(2,582,108)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE AFTER RECLASSIFICATIONS	<u>5,963,745</u>	<u>1,142,431</u>	<u>7,106,176</u>
EXPENSES			
Program Services			
Client Assistance	4,891,797	-	4,891,797
Resale Stores	656,127	-	656,127
Supporting Services			
Management and General	209,362	-	209,362
Fundraising	22,341	-	22,341
	<u>5,779,627</u>	<u>-</u>	<u>5,779,627</u>
TOTAL EXPENSES	5,779,627	-	5,779,627
Change in Net Assets	184,118	1,142,431	1,326,549
NET ASSETS, BEGINNING OF YEAR	<u>1,604,050</u>	<u>138,386</u>	<u>1,742,436</u>
NET ASSETS, END OF YEAR	<u>\$ 1,788,168</u>	<u>\$ 1,280,817</u>	<u>\$ 3,068,985</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	3,418	-	3,418
	<u>2,853,141</u>	<u>408,785</u>	<u>3,261,926</u>
TOTAL SUPPORT AND REVENUE			
Net Assets Released from Restrictions	365,701	(365,701)	-
	<u>3,218,842</u>	<u>43,084</u>	<u>3,261,926</u>
TOTAL SUPPORT AND REVENUE AFTER RECLASSIFICATIONS			
EXPENSES			
Program Services			
Client Assistance	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
	<u>3,196,221</u>	<u>-</u>	<u>3,196,221</u>
TOTAL EXPENSES			
Change in Net Assets	22,621	43,084	65,705
NET ASSETS, BEGINNING OF YEAR	<u>1,581,429</u>	<u>95,302</u>	<u>1,676,731</u>
NET ASSETS, END OF YEAR	<u>\$ 1,604,050</u>	<u>\$ 138,386</u>	<u>\$ 1,742,436</u>

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, 2017

	Program Services		Supporting Services		Total
	Client Assistance	Resale Stores	Management and General	Fundraising	
Advertising	\$ 640	\$ 1,268	\$ 10,497	\$ 1,824	\$ 14,229
Back to School Project	78,486	-	-	-	78,486
Depreciation and Amortization	21,617	42,255	2,275	49	66,196
Disaster Assistance	2,231,314	-	-	-	2,231,314
Food	1,228,467	-	-	-	1,228,467
Insurance	14,494	20,484	5,087	72	40,137
Interest Expense	-	29,292	2,617	-	31,909
Postage	872	61	1,864	905	3,702
Professional and Training	45,798	3,515	27,698	98	77,109
Repairs and Maintenance	7,986	14,989	2,677	4	25,656
Seasonal Programs	99,993	-	-	-	99,993
Shelter and Other Assistance	424,486	-	-	-	424,486
Supplies and Operations	25,378	35,470	7,946	16,506	85,300
Telephone	5,480	6,380	1,703	33	13,596
Utilities	13,332	29,030	1,371	36	43,769
Wages, Benefits, Taxes and Fees	692,362	456,958	145,527	2,812	1,297,659
Waste Removal	1,092	16,425	100	2	17,619
TOTAL EXPENSES	\$ 4,891,797	\$ 656,127	\$ 209,362	\$ 22,341	\$ 5,779,627

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
	Client Assistance	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.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,326,549	\$ 65,705
Adjustments to reconcile change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	66,196	64,405
Donated Stock	(20,105)	-
Gain on Investment	(430)	-
(Increase) Decrease in:		
Accounts Receivable	30,866	(72,213)
Promises to Give	750	98,250
Prepaid Expenses	(955)	5,768
Deposits and Gift Cards	(7,780)	(3,796)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	29,287	28,334
Net Cash Provided by Operating Activities	<u>1,424,378</u>	<u>186,453</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,216)	(246,293)
Purchase of Property and Equipment	<u>(35,521)</u>	<u>(70,322)</u>
Net Cash Used by Investing Activities	<u>(38,737)</u>	<u>(316,615)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	<u>(28,054)</u>	<u>(26,611)</u>
Net Cash Used by Financing Activities	<u>(28,054)</u>	<u>(26,611)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,357,587	(156,773)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>616,968</u>	<u>773,741</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,974,555</u></u>	<u><u>\$ 616,968</u></u>

Supplemental disclosures:

Cash paid for interest during the years ended December 31, 2017 and 2016 was \$31,909 and \$33,350, respectively.

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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 by a local community coalition to centralize community outreach efforts and help community residents in crisis and move them toward self-sufficiency. Over the years, by partnering with other community agencies /organizations and proactively seeking new resources and tools to serve those in need, HAAM has expanded and adapted its scope of services to meet community needs. HAAM is now the only comprehensive social services agency serving northeast Harris and east Montgomery counties. Services are offered in seven program areas: basic needs, education, employment, senior services, family services, supportive services and disaster relief.

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),

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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.

As one of the disaster assistance organizations, HAAM was awarded \$1,600,000 in 2017 from the Greater Houston Community Foundation's Hurricane Harvey Relief Fund to help distribute monies to individuals and families who were affected by Hurricane Harvey. United Way also contributed \$190,000 to this relief effort. HAAM also received \$1,360,535 in donations through the partnership with the Lake Houston Area Relief Fund, see Note 10.

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 and stock.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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 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 \$1,469,831 and \$1,229,188 for the years ended December 31, 2017 and 2016, respectively. The Organization records donated food received from the Houston Food Bank at the Feeding America rate of \$1.73 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 \$19,762 and \$21,511 for the years ended December 31, 2017 and 2016, respectively.

Advertising Costs

HAAM expenses advertising costs as incurred. Advertising expense in the amount of \$14,229 and \$17,935 was incurred for the years ended December 31, 2017 and 2016, 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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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 \$1,016,341 and \$69,533 as of December 31, 2017 and 2016, respectively.

NOTE 4 – Investments

Investments consist of certificates of deposit and stock 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*. All investments have been valued using a market approach. There were no changes in the valuation techniques during the year.

	Fair Value Measurements at Reporting Date Using	
	Fair Value	In Active Markets for Identical Assets (Level 1)
<u>December 31, 2017</u>		
Certificates of Deposit	\$ 249,510	\$ 249,510
Stock	20,534	20,534
Total	<u>\$ 270,044</u>	<u>\$ 270,044</u>

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

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 5 – Promises to Give

Promises to Give at December 31 are as follows:

	2017	2016
Memorial Herman Health System	\$ -	\$ 750
Total	<u>\$ -</u>	<u>\$ 750</u>
Receivable in less than one year	\$ -	\$ 750
Total Promises to Give	<u>\$ -</u>	<u>\$ 750</u>

NOTE 6 – Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Land	\$ 704,369	\$ 704,369
Buildings and Improvements	1,200,980	1,168,102
Furniture and Equipment	179,241	175,907
Vehicles	108,870	101,700
Construction in Progress	-	7,861
Total Property and Equipment	2,193,460	2,157,939
Accumulated Depreciation and Amortization	<u>(749,875)</u>	<u>(683,679)</u>
Property and Equipment, Net	<u>\$ 1,443,585</u>	<u>\$ 1,474,260</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 amounted to \$66,196 and \$64,405, 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 \$122,292 and \$134,042 at December 31, 2017 and 2016, 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 \$435,827 and \$452,131 at December 31, 2017 and 2016, respectively.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

The future maturities of the Notes Payable are as follows:

Years Ending December 31	
2018	\$ 139,594
2019	18,368
2020	19,501
2021	20,704
2022	21,981
Thereafter	<u>337,971</u>
Total	<u>\$ 558,119</u>

NOTE 8 – Net Assets

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

Purpose	2017	2016
Building Fund	\$ 50,975	\$ 50,975
Program Services	<u>1,229,842</u>	<u>87,411</u>
	<u>\$ 1,280,817</u>	<u>\$ 138,386</u>

Temporarily restricted net assets are available for use by programs specified by donors, which includes Hurricane Harvey undistributed funds of \$1,061,117 as of December 31, 2017.

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.

NOTE 10 – Partnership Agreement

In October 2017, in response to Hurricane Harvey, The Lake Houston Area Relief Fund (LHARF) was established through a partnership between Insperity Company (the Organizer), the Lake Houston Area Chamber of Commerce, Somebody Cares Humble, and HAAM to provide support and assistance to northeast Houston individuals and businesses affected by Hurricane Harvey. The LHARF accepts tax deductible donations in the name of HAAM, who accepts and monitors the donations on behalf of the LHARF. These donations are maintained in a separate bank account. From inception through December 31, 2017, the LHARF received contributions of \$1,360,535.

Humble Area Assistance Ministries, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 11 – Operating Lease

The Organization renewed its equipment operating lease effective August 2017 for a period of five years through July 2022. Rent expense related to this lease for the years ending December 31, 2017 and 2016 was \$8,108 and \$9,283, respectively.

As of December 31, 2017, the future operating lease obligations for the next five years are as follows:

Years Ending December 31	
2018	\$ 6,564
2019	6,564
2020	6,564
2021	6,564
2022	<u>3,829</u>
Total	<u>\$ 30,085</u>

NOTE 12 – Related Party Transactions

In the course of business, the Organization paid \$10,795 and \$13,992 in 2017 and 2016, 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.

NOTE 13 – New Accounting Pronouncement

On August 18, 2016, the FASB issued an Accounting Standard Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for HAAM year ending December 31, 2018, focuses on improving the current net asset classification requirements and information presented in the financial statements and related footnotes all for assessing a not-for-profit's liquidity, financial performance, and cash flows. HAAM is in the process of evaluating the impact that the ASU will have on future financial statements.

NOTE 14 – Subsequent Event

In January 2018, the Organization refinanced their outstanding installment loan with a ten-year note payable at a new bank in the amount of \$129,296, for the purpose of paying off the existing loan. This new note payable carries an interest rate of 4% and is secured by the property.

In March 2018, the administration and remaining LHARF funds in the amount of \$111,557 were transferred from HAAM to the Humble Area Economic Development Foundation who agrees to disburse these remaining funds in accordance with the partnership agreement.

The Organization has evaluated subsequent events through June 27, 2018, the date which these financial statements were available to be issued.