

**Humble Area Assistance Ministries, Inc.**  
Financial Statements  
For the Year Ended December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Humble Area Assistance Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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.

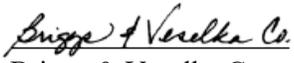
To the Board of Directors of  
Humble Area Assistance Ministries, Inc.  
Re: Independent Auditors' Report

## **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, 2018, and the changes in its net assets and its cash flows for the year 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 10, 2019, 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.

  
Briggs & Veselka Co.  
The Woodlands, Texas

June 10, 2019



INDEPENDENT AUDITORS' 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.  
Humble, Texas

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, 2018, 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 10, 2019.

**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.

To the Board of Directors of  
Humble Area Assistance Ministries, Inc.  
Re: Independent Auditors' Report on Internal Control

### **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 Humble Area Assistance Ministries, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Briggs & Veselka Co.  
The Woodlands, Texas

June 10, 2019

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

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ASSETS	
Cash and cash equivalents	\$ 738,078
Investments	535,421
Accounts receivable	151,009
Promises to give	200
Prepaid expenses	9,054
Deposits and gift cards	18,495
Property and equipment, net	<u>1,453,479</u>
TOTAL ASSETS	<u>\$ 2,905,736</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued liabilities	\$ 142,485
Notes payable	<u>537,990</u>
Total liabilities	680,475
Net assets	
Without donor restrictions	1,945,216
With donor restrictions	<u>280,045</u>
Total net assets	<u>2,225,261</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,905,736</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, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Support			
Contributions	\$ 2,219,904	\$ 265,373	\$ 2,485,277
Grants	450,791	138,846	589,637
Revenue			
Sale of goods	999,870	-	999,870
Interest income and other	8,428	-	8,428
Net assets released from restrictions	<u>1,404,991</u>	<u>(1,404,991)</u>	<u>-</u>
Total support and revenue	<u>5,083,984</u>	<u>(1,000,772)</u>	<u>4,083,212</u>
Expenses			
Program services			
Client assistance	3,914,435	-	3,914,435
Resale stores	653,489	-	653,489
Supporting services			
Management and general	341,195	-	341,195
Fundraising	<u>17,817</u>	<u>-</u>	<u>17,817</u>
Total expenses	<u>4,926,936</u>	<u>-</u>	<u>4,926,936</u>
Change in net assets	157,048	(1,000,772)	(843,724)
Net assets, beginning of year	<u>1,788,168</u>	<u>1,280,817</u>	<u>3,068,985</u>
NET ASSETS, END OF YEAR	<u>\$ 1,945,216</u>	<u>\$ 280,045</u>	<u>\$ 2,225,261</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, 2018**

	Program Services		Supporting Services		Total Expenses
	Client Assistance	Resale Stores	Management and General	Fundraising	
Advertising	\$ 50	\$ 935	\$ 8,115	\$ 5,703	\$ 14,803
Back to school project	60,740	-	-	-	60,740
Depreciation and amortization	26,772	44,605	4,670	55	76,102
Disaster assistance	832,056	-	-	-	832,056
Food assistance	1,661,032	-	-	-	1,661,032
Insurance	14,266	19,748	6,505	24	40,543
Interest expense	-	27,967	2,730	-	30,697
Postage	602	15	826	1,308	2,751
Professional and training	44,429	7,439	83,059	781	135,708
Repairs and maintenance	4,881	9,075	2,683	2	16,641
Seasonal programs	111,658	-	-	-	111,658
Shelter and other assistance	348,993	-	-	-	348,993
Supplies and operations	36,691	44,837	22,648	4,084	108,260
Telephone	5,831	6,939	1,974	28	14,772
Utilities	13,430	34,677	1,362	27	49,496
Wages, benefits, taxes and fees	751,710	439,762	206,470	5,803	1,403,745
Waste removal	1,294	17,490	153	2	18,939
<b>TOTAL EXPENSES</b>	<b>\$ 3,914,435</b>	<b>\$ 653,489</b>	<b>\$ 341,195</b>	<b>\$ 17,817</b>	<b>\$ 4,926,936</b>

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

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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Cash flows from operating activities	
Change in net assets	\$ (843,724)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	76,102
Donated stock	(9,906)
Gain on investment	(5,470)
Change in operating assets and liabilities:	
Accounts receivable	(99,173)
Promises to give	(200)
Prepaid expenses	624
Deposits and gift cards	(1,496)
Accounts payable and accrued liabilities	2,891
Net cash from operating activities	<u>(880,352)</u>
 Cash flows from investing activities	
Proceeds from sale of investments	200,304
Purchase of investments	(450,304)
Purchase of property and equipment	(85,996)
Net cash from investing activities	<u>(335,996)</u>
 Cash flows from financing activities	
Proceeds from borrowings for notes payable	129,296
Repayment of notes payable	(149,425)
Net cash from financing activities	<u>(20,129)</u>
 Net change in cash and cash equivalents	(1,236,477)
 Cash and cash equivalents, beginning of year	<u>1,974,555</u>
 Cash and cash equivalents, end of year	<u>\$ 738,078</u>
 Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 30,697</u>

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

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Humble Area Assistance Ministries, Inc. (HAAM or the “Organization”) is incorporated in the state of Texas as a nonprofit charitable organization. HAAM was established by a local community coalition to centralize community outreach efforts, help community residents in crisis and move them toward self-sufficiency. Over the years, by partnering with other communities, 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 a 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.

**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 financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.
- **Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**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.

**Investments** – Investments represent certificates of deposit with varying maturities held at a financial institution and stock.

**Accounts Receivable** – Accounts receivable are 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.

**Prepaid Expenses** – Prepaid expenses consist of prepayments for insurance coverage on employees and property and equipment.

**Deposits and Gift Cards** – Deposits consists of security deposits and utility deposits for the Organization’s leased property. At December 31, 2018, the amount of deposits was \$625.

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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The Organization purchases gift cards from various stores to distribute to the local community during the annual Season of Sharing event. Gift cards were also distributed to those affected by the Hurricane Harvey disaster. At December 31, 2018, the amount of gift cards on-hand was \$17,870.

**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 40-year life for buildings and a 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.

**Support** – HAAM follows the recommendations of authoritative guidance for contributions received and contributions made. Accordingly, the contributions received are recorded as support with or without restrictions depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

**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 \$1,514,554 for 2018. The Organization records donated food received from the Houston Food Bank at the Feeding America rate of \$1.68 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 \$71,698 for 2018.

**Functional Allocation of Expenses** – Expenses are categorized on the statement of activities as program services, management and general, and fundraising. Expenditures of HAAM are allocated on a functional basis among its various programs and support services. Services offered by HAAM are organized into client assistance and the resale shop. The expenses for these programs and supporting services are presented in detail on the statement of functional expenses. Amounts that are not directly allocable to specific services have been allocated based on HAAM’s cost allocation plan as follows:

<u>Expenses</u>	<u>Methodology</u>
Depreciation and amortization	Square footage
Insurance	Square footage
Professional and training	Time and effort
Repairs and maintenance	Square footage
Telephone	Location
Utilities	Square footage

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**Advertising Costs** – HAAM expenses advertising costs as incurred. Advertising expense in the amount of \$14,803 was incurred for 2018.

**Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP 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.

**Fair Value of Financial Instruments** – The carrying amounts reported in the statement 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.

**Income Taxes** – HAAM is a nonprofit, 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.

**New Accounting Pronouncement** – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit (NFP) entities to provide more relevant information about their resources and the changes in those resources to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes; investment return; expenses; liquidity and availability of resources; and presentation of operating cash flows. The amendments are effective for NFP organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. The effects of this pronouncement are presented in the financial statements.

## **NOTE 2 – NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The guidance is effective for fiscal years beginning after December 15, 2019, for nonpublic entities. The standard may be early adopted and requires a modified retrospective transition approach to apply.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows.

This standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019, for nonpublic entities, with early adoption permitted. Adoption will be applied retrospectively to all periods presented.

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) – Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption permitted.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by NFP's and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively. Early adoption is permitted.

The Organization is currently evaluating the impact these pronouncements will have on its financial statements and related disclosures.

### **NOTE 3 – LIQUIDITY AND AVAILABILITY**

The Organization strives to maintain liquid financial assets sufficient to cover at least 90 days of general expenditures and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization forecasts, budgets and considers all expenditures related to its ongoing program activities of basic needs, supportive service, and disasters relief services as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient contributions to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2018, the following tables show the total financial assets held by the Organization. There were no net assets with donor restrictions greater than one-year.

Financial assets at year-end:	
Cash and cash equivalents	\$ 738,078
Investments	402,044
Accounts receivable	<u>150,330</u>
Total financial assets at year-end available for general expenditure	<u>\$ 1,290,452</u>

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE 4 – 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 \$329,609 as of December 31, 2018.

**NOTE 5 – FAIR VALUE MEASUREMENT OF INVESTMENTS**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities.
- **Level 2** – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Fair values of assets measured at December 31, 2018 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 504,480	\$ -	\$ 504,480	\$ -
Stock	<u>30,941</u>	<u>30,941</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 535,421</u>	<u>\$ 30,941</u>	<u>\$ 504,480</u>	<u>\$ -</u>

**NOTE 6 – PROMISES TO GIVE**

Promises to give at December 31, 2018 are as follows:

The Lighthouse Church of Houston	<u>\$ 200</u>
Total	<u>\$ 200</u>
Receivable in less than one year	<u>\$ 200</u>
Total promises to give	<u>\$ 200</u>

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2018:

Land	\$ 704,369
Buildings and improvements	1,232,402
Furniture and equipment	228,515
Vehicles	108,870
Construction in progress	<u>5,300</u>
Total property and equipment	2,279,456
Less: accumulated depreciation and amortization	<u>(825,977)</u>
Total property and equipment, net	<u>\$ 1,453,479</u>

Depreciation and amortization expense for 2018 amounted to \$76,102.

**NOTE 8 – NOTES PAYABLE**

In January 2018, the Organization refinanced its outstanding installment loan with a 10-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. This new loan is due in January 2028. The principal outstanding balance is \$119,464 at December 31, 2018.

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 for a principal amount of \$500,000, payable over 20 years at an annual interest rate of 6%. This loan is due in August 2033. The principal outstanding balance is \$418,526 at December 31, 2018.

The future maturities of the notes payable are as follows:

For the Year Ending December 31	Amount
2019	\$ 29,478
2020	31,058
2021	32,751
2022	34,525
2023	36,399
Thereafter	<u>373,779</u>
Total	<u>\$ 537,990</u>

**NOTE 9 – NET ASSETS**

Net assets with donor restrictions at December 31, 2018 consist of the following:

Building fund	\$ 50,975
Program services	<u>229,070</u>
Total	<u>\$ 280,045</u>

**HUMBLE AREA ASSISTANCE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**NOTE 10 – 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 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 2018 was \$6,564.

As of December 31, 2018, the future operating lease obligations for the next five years are as follows:

<u>For the Year Ending December 31</u>	<u>Amount</u>
2019	\$ 6,564
2020	6,564
2021	6,564
2022	3,829
2023	<u>-</u>
Total	<u>\$ 23,521</u>

**NOTE 12 – RELATED PARTY TRANSACTIONS**

In the course of business, the Organization paid \$6,873 in 2018, 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 – SUBSEQUENT EVENTS**

On February 5, 2019, HAAM entered into a secured note payable agreement in the amount of \$114,375 for the purpose of purchasing property at 307 Hirsch St. Humble, Texas 77338 to expand resale shop operations. The note carries an interest rate of 5.5% per annum and the note is due in full on February 5, 2022.

The Organization has evaluated subsequent events through June 10, 2019, the date which these financial statements were available to be issued.