

Humble Area Assistance Ministries, Inc.
Financial Statements and Supplementary Information
For the Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

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, 2020 and 2019, 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.

Auditors' 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 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 auditors consider 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

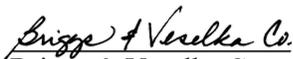
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humble Area Assistance Ministries, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2021, 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 solely 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 the effectiveness of Humble Area Assistance Ministries, Inc. 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 1, 2021

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 813,552	\$ 919,202
Investments	527,748	518,146
Accounts receivable	56,392	48,758
Promises to give	-	200
Prepaid expenses	24,524	15,814
Deposits and gift cards	16,359	22,464
Property and equipment, net	<u>1,591,877</u>	<u>1,608,809</u>
TOTAL ASSETS	<u>\$ 3,030,452</u>	<u>\$ 3,133,393</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 93,104	\$ 191,695
Notes payable	<u>580,540</u>	<u>615,537</u>
Total liabilities	673,644	807,232
Net assets		
Without donor restrictions	2,221,099	2,011,864
With donor restrictions	<u>135,709</u>	<u>314,297</u>
Total net assets	<u>2,356,808</u>	<u>2,326,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,030,452</u>	<u>\$ 3,133,393</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Support			
Contributions	\$ 2,063,685	\$ 1,519,336	\$ 3,583,021
Grants	721,752	180,013	901,765
Contribution – grant revenue	246,400	-	246,400
Revenue			
Sale of goods	624,902	-	624,902
Interest income and other	12,985	-	12,985
Net assets released from restrictions	<u>1,877,937</u>	<u>(1,877,937)</u>	<u>-</u>
Total support and revenue	5,547,661	(178,588)	5,369,073
Expenses			
Program services			
Client assistance	4,335,143	-	4,335,143
Resale stores	692,278	-	692,278
Supporting services			
Management and general	288,284	-	288,284
Fundraising	<u>22,721</u>	<u>-</u>	<u>22,721</u>
Total expenses	<u>5,338,426</u>	<u>-</u>	<u>5,338,426</u>
Change in net assets	209,235	(178,588)	30,647
Net assets, beginning of year	<u>2,011,864</u>	<u>314,297</u>	<u>2,326,161</u>
NET ASSETS, END OF YEAR	<u>\$ 2,221,099</u>	<u>\$ 135,709</u>	<u>\$ 2,356,808</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Support			
Contributions	\$ 3,146,108	\$ 593,353	\$ 3,739,461
Grants	350,833	97,475	448,308
Revenue			
Sale of goods	942,289	-	942,289
Interest income and other	18,477	-	18,477
Net assets released from restrictions	<u>656,576</u>	<u>(656,576)</u>	<u>-</u>
Total support and revenue	5,114,283	34,252	5,148,535
Expenses			
Program services			
Client assistance	4,042,211	-	4,042,211
Resale stores	720,952	-	720,952
Supporting services			
Management and general	249,600	-	249,600
Fundraising	<u>34,872</u>	<u>-</u>	<u>34,872</u>
Total expenses	<u>5,047,635</u>	<u>-</u>	<u>5,047,635</u>
Change in net assets	66,648	34,252	100,900
Net assets, beginning of year	<u>1,945,216</u>	<u>280,045</u>	<u>2,225,261</u>
NET ASSETS, END OF YEAR	<u>\$ 2,011,864</u>	<u>\$ 314,297</u>	<u>\$ 2,326,161</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, 2020

	Program Services		Supporting Services		Total Expenses
	Client Assistance	Resale Stores	Management and General	Fundraising	
Advertising	\$ 420	\$ 889	\$ 1,128	\$ 5,441	\$ 7,878
Back to school project	42,888	-	-	-	42,888
Depreciation and amortization	24,939	36,122	2,453	46	63,560
Disaster assistance	1,358,234	-	-	-	1,358,234
Food assistance	1,526,494	-	-	-	1,526,494
Insurance	16,578	22,669	8,765	29	48,041
Interest expense	-	29,422	1,586	-	31,008
Postage	1,166	-	1,020	2,575	4,761
Professional and training	55,977	7,326	38,298	187	101,788
Repairs and maintenance	13,396	20,284	11,463	5	45,148
Seasonal programs	105,792	-	-	-	105,792
Shelter and other assistance	483,711	-	-	-	483,711
Supplies and operations	27,023	31,149	9,995	8,263	76,430
Telephone	6,139	7,030	821	19	14,009
Utilities	11,620	27,151	1,612	25	40,408
Wages, benefits, taxes and fees	659,110	495,300	210,941	6,128	1,371,479
Waste removal	1,656	14,936	202	3	16,797
TOTAL EXPENSES	\$ 4,335,143	\$ 692,278	\$ 288,284	\$ 22,721	\$ 5,338,426

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, 2019

	Program Services		Supporting Services		Total Expenses
	Client Assistance	Resale Stores	Management and General	Fundraising	
Advertising	\$ 565	\$ 1,088	\$ 2,945	\$ 5,839	\$ 10,437
Back to school project	63,312	-	-	-	63,312
Depreciation and amortization	24,465	43,565	2,536	78	70,644
Disaster assistance	184,366	-	-	-	184,366
Food assistance	2,269,813	-	-	-	2,269,813
Insurance	13,557	19,419	7,761	23	40,760
Interest expense	-	32,043	2,320	-	34,363
Postage	571	-	678	1,154	2,403
Professional and training	38,649	5,200	51,815	863	96,527
Repairs and maintenance	10,482	17,521	3,552	6	31,561
Seasonal programs	234,924	-	-	-	234,924
Shelter and other assistance	425,132	-	-	-	425,132
Supplies and operations	57,247	41,028	12,837	19,310	130,422
Telephone	6,159	7,367	956	20	14,502
Utilities	13,090	32,686	1,816	28	47,620
Wages, benefits, taxes and fees	698,291	503,572	162,191	7,548	1,371,602
Waste removal	1,588	17,463	193	3	19,247
TOTAL EXPENSES	\$ 4,042,211	\$ 720,952	\$ 249,600	\$ 34,872	\$ 5,047,635

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 30,647	\$ 100,900
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	63,560	70,644
Donated stock	-	(1,050)
Gain on investments	(10,649)	(3,579)
Changes in operating assets and liabilities:		
Accounts receivable	(7,634)	102,251
Promises to give	200	-
Prepaid expenses	(8,710)	(6,760)
Deposits and gift cards	6,105	(3,969)
Accounts payable and accrued liabilities	<u>(98,591)</u>	<u>49,210</u>
Net cash from operating activities	<u>(25,072)</u>	307,647
Cash flows from investing activities		
Proceeds from sale of investments	1,047	86,120
Purchase of investments	-	(64,216)
Purchase of property and equipment	<u>(46,628)</u>	<u>(225,974)</u>
Net cash from investing activities	<u>(45,581)</u>	(204,070)
Cash flows from financing activities		
Proceeds from borrowings for notes payable	-	114,375
Repayment of notes payable	<u>(34,997)</u>	<u>(36,828)</u>
Net cash from financing activities	<u>(34,997)</u>	<u>77,547</u>
Net change in cash and cash equivalents	(105,650)	181,124
Cash and cash equivalents, beginning of year	<u>919,202</u>	<u>738,078</u>
Cash and cash equivalents, end of year	<u>\$ 813,552</u>	<u>\$ 919,202</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 31,008	\$ 34,364

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. During 2020, the Board approved the establishment of a Board designated fund. The purpose of the fund is to segregate \$100,000 for capital expenditures.
- **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 statements of activities.

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 statements of financial position for cash, cash equivalents, investments, accounts receivable, and promises to give approximate their fair value. The carrying value of debt is reported at the undiscounted amount of future cash outflows.

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.

Concentration of Credit Risk – The Organization maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization believes it is not exposed to any significant risk on its cash balances.

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, 2020 AND 2019

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 and utility deposits for the Organization’s leased property. At December 31, 2020 and 2019, the amount of deposits was \$805.

The Organization receives gift cards from donors and receives funding from grantors and donors to be used to purchase gift cards from various stores to distribute to those in crisis. Gift cards were distributed during the annual Season of Sharing event and to those affected by Hurricanes Imelda and Harvey and most recently the coronavirus (the “virus” or COVID-19) shutdown orders. At December 31, 2020 and 2019, the amount of gift cards on-hand was \$15,554 and \$21,659, respectively.

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 statements of activities as net assets released from restrictions.

Contribution – Grant Revenue – In response to the coronavirus pandemic, the United States government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020 and the Economic Aid Act in December 2020. One component of the CARES Act, the paycheck protection program (PPP), provided HAAM an opportunity to apply for a forgivable loan to assist in funding payroll. On April 7, 2020, the Organization received PPP funding of \$246,400.

During the year ended December 31, 2020, HAAM adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standard improves the usefulness and understandability of HAAM’s financial reporting. In accordance with the ASU, HAAM recorded the PPP loan proceeds as a refundable advance in the statements of financial position until such time all conditions of the program were substantially met. Once the conditions are substantially met, the refundable advance is derecognized and the related amount is recorded as contribution – grant income. For 2020, \$246,400 was recognized as contribution – grant income in the statements of activities. On March 1, 2021, the loan was forgiven (*see Note 11*).

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. Revenue from items sold in the resale shop are recognized at the time of sale and amounted to \$624,902 and \$942,289 at December 31, 2020, and 2019, respectively.

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

The Organization also receives donated goods for its food pantry and other activities. The value of these donated goods are reflected in the statements of activities as contributions is \$1,941,606 and \$2,549,835 for 2020 and 2019, respectively. The Organization records donated food received from the Houston Food Bank at the Feeding America rate of \$1.74 and \$1.62 per pound during 2020 and 2019, respectively, 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 \$49,000 and \$62,142 for 2020 and 2019, respectively.

Functional Allocation of Expenses – Expenses are categorized on the statements 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 statements 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
Wages, benefits, taxes and fees	Full-time equivalent

Advertising Costs – HAAM expenses advertising costs as incurred. Advertising expense in the amount of \$7,878 and \$10,437 was incurred for 2020 and 2019, respectively.

Risks and Uncertainties – During 2020, many countries around the world, including the United States of America, were impacted by the COVID-19 outbreak. While the virus is continuing to evolve, its implications could involve unavailability of personnel, disruptions of supply chains, and reductions in program service fees and contributions, affecting results of operations and cash flows. In addition, HAAM has been impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, management is not aware of any material risk to HAAM’s financial statements and cannot quantify the full extent the virus will have on HAAM’s financial information.

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.

NOTE 2 – UPCOMING RECENT ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the statements 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. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021.

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statements of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The ASU is effective for a not-for-profit entity for annual periods beginning after June 15, 2021. Early adoption is permitted.

The Organization is currently evaluating the impact these standards 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.

The following table shows the total financial assets available for general expenditures over the next 12 months as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 813,552	\$ 919,202
Investments	527,748	518,146
Accounts receivable	<u>56,349</u>	<u>48,554</u>
Total financial assets at year-end available for general expenditures over the next 12 months	<u>\$ 1,397,649</u>	<u>\$ 1,485,902</u>

NOTE 4 – 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).

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 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)
December 31, 2020				
Certificates of deposit	\$ 527,748	\$ -	\$ 527,748	\$ -
Total investments	\$ 527,748	\$ -	\$ 527,748	\$ -
December 31, 2019				
Certificates of deposit	\$ 517,099	\$ -	\$ 517,099	\$ -
Stock	1,047	1,047	-	-
Total investments	\$ 518,146	\$ 1,047	\$ 517,099	\$ -

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Land	\$ 792,756	\$ 792,756
Buildings and improvements	1,300,452	1,300,452
Furniture and equipment	239,489	233,661
Vehicles	162,577	126,777
Construction in progress	45,954	45,954
Total property and equipment	2,541,228	2,499,600
Less: accumulated depreciation and amortization	(949,351)	(890,791)
Total property and equipment, net	\$ 1,591,877	\$ 1,608,809

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Depreciation and amortization expense for December 31, 2020 and 2019 amounted to \$63,560 and \$70,644, respectively.

NOTE 6 – NOTES PAYABLE

In February 2019, the Organization financed the purchase of a property with a three-year note payable in the amount of \$114,375, at an annual interest rate of 5.5%. The note is secured by the property and is due in February 2022. The outstanding balance is \$100,169 and \$107,026 at December 31, 2020 and 2019, respectively.

The Organization refinanced its outstanding installment loan with a 10-year note in the amount of \$129,296. This note carries an interest rate of 4%, secured by the property, and is due in January 2028. The principal outstanding balance is \$99,724 and \$108,354 at December 31, 2020 and 2019, 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 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 \$380,647 and \$400,157 at December 31, 2020 and 2019, respectively.

The future maturities of the notes payable are as follows:

<u>For the Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 41,415
2022	125,783
2023	36,269
2024	38,236
2025	40,327
Thereafter	<u>298,510</u>
Total	<u>\$ 580,540</u>

NOTE 7 – NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Program services	<u>\$ 135,709</u>	<u>\$ 314,297</u>
Total net assets with donor restrictions	<u>\$ 135,709</u>	<u>\$ 314,297</u>

NOTE 8 – 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, 2020 AND 2019

NOTE 9 – 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 2020 and 2019 was \$8,260 and \$7,102, respectively.

As of December 31, 2020, the future operating lease obligations are as follows:

<u>For the Year Ending</u> <u>December 31</u>	<u>Amount</u>
2021	\$ 6,564
2022	<u>3,829</u>
Total	<u>\$ 10,393</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

In the course of business, the Organization paid \$12,685 and \$7,800 in 2020 and 2019, 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 11 – SUBSEQUENT EVENTS

The Organization applied for funding through the second round of PPP (PPP2) loans administered by the Small Business Administration (SBA) under the Consolidated Appropriations Act enacted in December 2020. In February 2021, the Organization received a PPP2 loan in the amount of \$241,462. The SBA loan has an interest rate of 1% and matures in February 2026. The PPP2 loan may be fully forgiven if during the 24-week covered period following the loan disbursement the proceeds are used for qualifying expenses. The Organization plans to apply for forgiveness of the loan. Loan forgiveness is subject to the sole approval of the SBA.

The PPP loan may be fully forgiven if proceeds are a) used to pay eligible payroll costs or other qualified expenses, and b) full-time employee headcount and salaries are either maintained during the covered period following disbursement or restored by December 31, 2020. HAAM applied for forgiveness of the loan under the provisions of Section 1106 of the CARES Act, subject to the sole approval of the SBA. On March 1, 2021, the PPP loan was forgiven (*see Note 1*).

The Organization has evaluated subsequent events through June 1, 2021, the date which these financial statements were available to be issued.



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, 2020, 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 1, 2021.

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) as a basis for designing 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 Humble Area Assistance Ministries, Inc.'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 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.

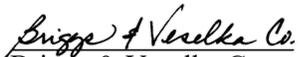
To the Board of Directors of
Humble Area Assistance Ministries, Inc.
Re: Independent Auditors' Report on Internal Control

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Humble Area Assistance Ministries, Inc.'s financial statements are free of 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 financial statements. 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 entity'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 1, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Humble Area Assistance Ministries, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Humble Area Assistance Ministries, Inc.'s major federal programs for the year ended December 31, 2020. Humble Area Assistance Ministries, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Humble Area Assistance Ministries, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Humble Area Assistance Ministries, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Humble Area Assistance Ministries, Inc.'s compliance.

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

Opinion on Each Major Federal Program

In our opinion, Humble Area Assistance Ministries, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

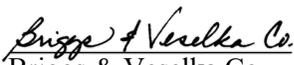
Report on Internal Control Over Compliance

Management of Humble Area Assistance Ministries, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referenced to above. In planning and performing our audit of compliance, we considered Humble Area Assistance Ministries, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Humble Area Assistance Ministries, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Briggs & Veselka Co.
The Woodlands, Texas

June 1, 2021

SUPPLEMENTARY INFORMATION

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass Thru Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Passed Through Houston Food Bank:			
Emergency Food Assistance Program (Food Commodities)	10.569	101-0452K9	<u>\$ 530,245</u>
Total U.S. Department of Agriculture			<u>530,245</u>
Other Programs			
U.S. Department of Homeland Security			
Passed Through United Way:			
Emergency Food and Shelter National Board Program	97.024		<u>200,894</u>
Total Passed Through United Way			<u>200,894</u>
Disaster Grants – Public Assistance (Presidentially Declared Disasters)			
Passed Through Houston Food Bank:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4332- DR-TX	<u>105,896</u>
Total Passed Through Houston Food Bank			<u>105,896</u>
Total U.S. Department of Homeland Security			<u>306,790</u>
U.S. Department of Housing and Urban Development			
Passed Through Alliance of Community Area Ministries:			
Emergency Solutions Grant Program	14.231	067630032	<u>184,716</u>
Total U.S. Department of Housing and Urban Development			<u>184,716</u>
U.S. Department of the Treasury			
Passed Through Alliance of Community Area Ministries:			
Coronavirus Relief Fund	21.019		<u>47,258</u>
Total U.S. Department of the Treasury			<u>47,258</u>
Total other programs			<u>538,764</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,069,009</u>

See accompanying notes to schedule of expenditures of federal awards.

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – THE ORGANIZATION

Humble Area Assistance Ministries, Inc. (HAAM) receives federal grants to carry out its programs and services and help community residents in crisis and move them toward self-sufficiency.

NOTE 2 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activities of HAAM. Expenditures reported in the Schedule are reported on the accrual basis of accounting. Because the Schedule presents only a selected portion of HAAM’s operations, it is not intended to and does not present its financial position, changes in net assets or cash flows for 2020.

NOTE 3 – NONCASH ASSISTANCE

Amounts from the Emergency Food Assistance Program included on the accompanying Schedule of Expenditures of Federal Awards represent noncash assistance in the form of food commodities.

NOTE 4 – INDIRECT COST

Expenditures included in the Schedule represent direct costs only.

NOTE 5 – RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANT AWARDING AGENCIES

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of HAAM’s fiscal year may not be included in the financial reports submitted to grant awarding agencies until after year-end;
- Program matching costs that are reported in the financial reports submitted to awarding agencies are not included in the amounts reported in the Schedule; and
- Differences may exist between grant periods and HAAM’s accounting period.

NOTE 6 – CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by the grantors. Failure to satisfy the requirements of contact agreements could result in disallowed costs and return of funds to grantors. Management believes that HAAM is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

HUMBLE AREA ASSISTANCE MINISTRIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)? No

Major Programs:

Award Type	CFDA Number	Name of Federal Program or Cluster
Federal	10.569	Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between Type A and Type B Programs:

Federal awards \$750,000

Auditee qualified as low-risk auditee? No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported