

**LOCAL INFANT FORMULA
FOR EMERGENCIES/HOUSTON
(A TEXAS NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019**

**LOCAL INFANT FORMULA
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(A TEXAS NON-PROFIT ORGANIZATION)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Local Infant Formula for Emergencies/Houston
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Local Infant Formula For Emergencies / Houston (a Texas nonprofit organization) which comprise the statement of financial position as of December 31, 2019, 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Local Infant Formula For Emergencies / Houston as of December 31, 2019, 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.

Bharmal & Assoc.

Bharmal & Associates, Inc.
Irvine, CA
November 5, 2020

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	262,346
Grants Receivable		126,558
Inventory of infant formula and supplies		44,578
Other Current Assets		3,025
TOTAL CURRENT ASSETS		436,508

FIXED ASSETS

Furnishings & equipment		12,044
Less: Accumulated depreciation		(12,044)
TOTAL FIXED ASSETS		-

INTANGIBLE ASSETS

Database	\$	49,504
Less: Accumulated amortization		(19,802)
TOTAL FIXED ASSETS		29,702

TOTAL ASSETS

\$ 466,210

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	1,687
Other Current Liabilities		8,937
TOTAL CURRENT LIABILITIES		10,624

TOTAL LIABILITIES

10,624

NET ASSETS

Without donor restrictions		455,587
With donor restrictions		-
TOTAL NET ASSETS		455,587

TOTAL LIABILITIES AND NET ASSETS

\$ 466,210

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Contributions	\$ 365,225	156,511	\$ 521,736
Interest income	322	-	322
	<u>365,546</u>	<u>156,511</u>	<u>522,057</u>
Net assets released from restrictions	160,444	(160,444)	-
TOTAL REVENUE	<u>525,990</u>	<u>(3,933)</u>	<u>522,057</u>
 EXPENSES			
Formula and food assistance	306,050	-	306,050
Administrative and management expense	78,389	-	78,389
Fundraising	37,601	-	37,601
Depreciation and amortization expense	10,497	-	10,497
TOTAL EXPENSES	<u>432,537</u>	<u>-</u>	<u>432,537</u>
 CHANGE IN NET ASSETS	<u>93,453</u>	<u>(3,933)</u>	<u>89,520</u>
 NET ASSETS (DEFICIT), BEGINNING OF YEAR	362,134	3,933	366,067
 NET ASSETS (DEFICIT), END OF YEAR	<u><u>\$ 455,587</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 455,587</u></u>

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITES

Increase in net assets	\$ 89,520
Adjustments to reconcile changes in net assets to net cash provide by operating activities	
Depreciation and amortization	10,497
(Increase)/Decrease in:	
Grants receivable	(115,006)
Inventory	(19,269)
Other current assets	(344)
Accounts payable	(121)
Other Current Liabilities	1,864
NET CASH PROVIDED BY OPERATING ACTIVITIES	(32,859)

CASH FLOWS FROM INVESTING ACTIVITIES

NET CASH USED BY INVESTING ACTIVITIES

-

-

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES

-

-

NET INCREASE / (DECREASE) IN CASH

(32,859)

CASH, BEGINNING OF YEAR

295,207

CASH, END OF YEAR

\$ 262,346

SUPPLEMENTAL DISCLOSURES

Interest Paid	
Income Tax paid	\$ -

See accompanying notes and independent auditors' report

LOCAL INFANT FORMULA FOR EMERGENICES/HOUSTON

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Local infant Formula for Emergencies/Houston (the “Organization”) is a Texas non-profit organization formed in 1988. The Organization is a Houston based agency whose mission is to provide families with infant formula through the “Food for Hungry Babies” program. In 2019, the Organization served over 3,470 clients in the greater Houston areas as the only agency solely dedicated to providing emergency formula to infants from birth to age one year.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the U.S. GAAP Codification of Accounting Standards.

Classification of Net Assets

The Organization has adopted Statement FASB ASC Topic 958 Not-for-profit Entities. Under FASB ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two groups as follows:

- Without donor restrictions represent the portion of expendable funds that are available for support of the Organization’s operations or that have been designated by the Board for a particular purpose. At December 31, 2019, without donor restriction net assets were \$455,587.
- With donor restrictions represent amounts that are specifically restricted by donors or grantors for specific programs or time period. At December 31, 2019, with donor restrictions net assets were \$0.

Basis of Accounting

The Organization prepares its financial statements on an accrual basis of accounting and accordingly reflects all significant receivables, payables, and other liabilities. Under this method, revenues are recorded in the period earned and when the amount and timing of the revenue can be reasonably determined. Expenses and asset additions are recognized at the time a liability arises which is normally at the time title passes or a service is received.

Contributions and Donated Use of Space

The Organization receives contributions of cash and non-cash donations. Non-cash donations consist primarily of formula, infant food, disposal diapers, office equipment, donated space and professional services. All contributions are typically considered to be unrestricted unless the donor restricts the contribution for a particular purpose outside the state mission of the Organization.

Contributed services are recognized as contributions in accordance with FASB ASC 958-605-25, Accounting for Contributed Services, if the services create or enhance nonfinancial assets or required specialized skills and are performed by people with those skills and would otherwise be purchased by the Organization. The organization received professional services for tax preparation which has been recognized as contributions and administrative and management expenses. However, volunteers provided program and administrative services, and these services were not recognized as contributions and program expenses in the financial statements.

As of December 31, 2019, the Organization had occupied five locations in the greater Houston area to serve client's needs. The primary location is at the St. Austin Center in southeast Houston. However, this location is currently being renovated by the lessor and the Organization did not occupy it in 2019. The Organization receives donated use of space at the City of Houston West End Multi-Service Center, Acres Home Multi-Service Center, Southwest Multi-Service Center and Spring Branch Development Center. In May 2017, the Organization entered into a lease agreement with the Spring Branch Development Center for space which will be classified as donated rent. Contributions for donated space during 2019 were approximately \$17,744.

Fixed assets

Fixed assets consist of office equipment and office furniture which are recorded at cost as of the date of acquisition. Assets are capitalized at original cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is provided over the estimated useful life of five years on a straight-line basis. Depreciation expense for 2019 was \$596.

Intangible asset - database

The Organization has been discussing the need to create a comprehensive database to intake clients, track inventory and provide valuable reports to management and the Board for several years. As such, after obtaining multiple proposals, on July 31, 2015 the Organization decided to use ContentActive to create an all-inclusive and comprehensive database which would assist in the intake of clients, track inventory and provide valuable reports to management and the Board of

Directors. The base project estimate for the database creation provided and accepted by the Organization was \$49,504. Terms and milestones were outlined by ContentActive in which the payment was due in seven milestone payments. As of December 31, 2019, six of the seven payments have been made. Based on interaction with the Organization and discussion with the ContentActive team, ContentActive believes all services and products as agreed upon have been delivered. Although there exists disagreement on the final deliverable, based on the time that has passed from the beginning of the project, the final payment has been accrued as it was billed and owed as of the 2018 audit. Further determination and analysis of the final payment will be completed in 2020.

Furthermore, per generally accepted accounting principles, the database should be capitalized and amortization should begin from the time the database becomes active. Based on inquiry with Clara Cooper, Executive Director, the organization began utilizing and testing the database starting from the beginning of 2018. As the database is currently being developed, all payments to ContentActive based on the terms and milestones set forth will be capitalized. Amortization of the database began in 2018 when the Organization began using the software. Detailed discussions with the ContentActive and LIFE Houston team were performed to confirm the use of the database in 2018. We determined a 5 year useful life for the internally developed software. This resulted in an amortization expense for 2019 of \$9,091.

Cash and cash equivalents

The Organization considers all amounts in checking accounts, money market accounts, petty cash, and certificates of deposit with a maturity of ninety days or less when purchased to be cash and cash equivalents.

Use of estimates

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

2. OPERATING LEASE COMMITMENT

The Organization entered into a lease agreement for office space for its main office in 2007 with the Congregation of the Sisters of Charity of the Incarnate Word. On March 28, 2013, the Organization

renewed the lease for \$1 beginning December 1, 2012 to November 30, 2013. The lease was renewed from December 1, 2013 to November 30, 2014. The lease was further renewed from December 1, 2014 to November 30, 2015. The Organization plans to remain in this location for the foreseeable future. Rent expense for the year ended December 31, 2019, including donated rent, was \$17,744. The Congregation of the Sisters of Charity is performing a major renovation of the space the organization is utilizing. As such, the organization has moved out in June and rented space from The Association for the Advancement of Mexican Americans (AAMA) for \$500 per month. This is estimated to continue until the Organization can return to the location with the Congregation of the Sisters of Charity. No lease commitment was entered into with AAMA for 2019 onwards.

3. INVENTORY

The Organization maintains inventory on periodical basis consisting primarily of infant formula and diapers. The inventory is valued at lower of cost or market, and is valued at \$44,578 at December 31, 2019.

4. INCOME TAXES

The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Furthermore, the Organization is registered as an exempt organization in the State of Texas. For the year ended December 31, 2019, the Organization had no tax liability on unrelated business activity. Furthermore, no income tax expense has been recorded in the accompanying financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The federal Returns of Organization Exempt from Income Tax (Form 990) for December 31, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

5. DATE OF MANAGEMENT'S REVIEW

The Organization's management reviewed and evaluated subsequent events through November 6, 2020, and no events have occurred subsequent to the statement of financial position dated December 31, 2019 that would require adjustments to, or disclosure in, the financial statements.

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
SCHEDULE OF FUNCTIONAL EXPENSES
December 31, 2019

DESCRIPTION	Formula and food assistance	Administrative and management expense	Fundraising	Depreciation and Amortization	TOTAL
Amortization		\$ -		\$ 9,901	\$ 9,901
Audit		\$ 6,700			\$ 6,700
Awards	\$ 79				\$ 79
Bank fees		\$ 4,705			\$ 4,705
Board Development		\$ 179			\$ 179
Client Services	\$ 3,472				\$ 3,472
Contract Services	\$ 29,762				\$ 29,762
Depreciation Expense				\$ 596	\$ 596
Equipment		\$ 160			\$ 160
Formula:905-B Formula	\$ 51,270				\$ 51,270
In Kind:730D-Printing	\$ 3,300				\$ 3,300
In Kind:907-A Supplies	\$ 835				\$ 835
In Kind:907-C Other Baby Items	\$ 2,878				\$ 2,878
In Kind:907-D Food	\$ 740				\$ 740
In Kind:907-F Walkathon	\$ 2,500				\$ 2,500
IA: 908-C Other Baby Items	\$ 6,711				\$ 6,711
IA: 908-B Formula	\$ 18,557				\$ 18,557
IA: 908-D Food	\$ 1,082				\$ 1,082
Insurance		\$ 6,826			\$ 6,826
Legacy Luncheon:765-A Legacy Luncheon Direct			\$ 34,327		\$ 34,327
Marketing/Public Relations			\$ 2,042		\$ 2,042
Medical Benefit		\$ 1,900			\$ 1,900
Meeting Expenses		\$ 873			\$ 873
Mileage & Parking	\$ 5,969	\$ 1,990			\$ 7,958
Office Supplies	\$ 2,515	\$ 838			\$ 3,353
Payroll Processing Fees		\$ 2,310			\$ 2,310
Payroll Taxes	\$ 10,896	\$ 1,923	\$ -		\$ 12,819
Postage:725	\$ 797	\$ 418			\$ 1,215
Phone Allowance	\$ 780				\$ 780
Printing: 730A-Regular Printing		\$ 531			\$ 531
Printing: 730C-Fundraising			\$ 1,232		\$ 1,232
Professional Fees	\$ 358				\$ 358
Accounting Fees		\$ 18,000			\$ 18,000
Rent	\$ 17,744				\$ 17,744
Staff Development		\$ 307			\$ 307
Subscriptions & Dues	\$ 1,026				\$ 1,026
Technology		\$ 5,044			\$ 5,044
Uncategorized Expenses		\$ 128			\$ 128
Utilities:755-A Phone/Internet AAMA Site	\$ 2,538	\$ 846			\$ 3,384
Utilities:755-B Phone/Internet Heights	\$ 2,330				\$ 2,330
Volunteer Administration		\$ 22			\$ 22
Wages	\$ 139,912	\$ 24,690			\$ 164,603
TOTAL	\$ 306,050	\$ 78,389	\$ 37,601	\$ 10,497	\$ 432,537

See accompanying notes and independent auditors' report