

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021**

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

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DECEMBER 31, 2021**

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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, 2021, 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, 2021, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Bharmal & Assoc.

Bharmal & Associates, Inc.
Irvine, CA
July 22, 2022

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	519,442
Grants Receivable		13,066
Inventory of infant formula and supplies		45,670
Other Current Assets		4,472
TOTAL CURRENT ASSETS		582,651

FIXED ASSETS

Furnishings & equipment		31,653
Less: Accumulated depreciation		(12,044)
TOTAL FIXED ASSETS		19,609

INTANGIBLE ASSETS

Database	\$	49,504
Less: Accumulated amortization		(39,603)
TOTAL FIXED ASSETS		9,901

TOTAL ASSETS	\$	612,160
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	9,629
Other Current Liabilities		6,866
TOTAL CURRENT LIABILITIES		16,494

TOTAL LIABILITIES		16,494
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NET ASSETS

Without donor restrictions		543,572
With donor restrictions		52,095
TOTAL NET ASSETS		595,666

TOTAL LIABILITIES AND NET ASSETS	\$	612,160
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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, 2021**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Contributions	611,825	112,300	724,125
PPP Loan Forgiveness	40,000		40,000
Interest income	52		52
Gain on securities	207		207
	<u>652,085</u>	<u>112,300</u>	<u>764,385</u>
Net assets released from restrictions	113,205	(113,205)	-
TOTAL REVENUE	<u>765,290</u>	<u>(905)</u>	<u>764,385</u>
 EXPENSES			
Formula and food assistance	585,378	-	585,378
Administrative and management expense	119,959	-	119,959
Fundraising	27,750	-	27,750
Depreciation and amortization expense	9,901	-	9,901
TOTAL EXPENSES	<u>742,987</u>	<u>-</u>	<u>742,987</u>
 CHANGE IN NET ASSETS	<u>22,303</u>	<u>(905)</u>	<u>21,397</u>
 NET ASSETS (DEFICIT), BEGINNING OF YEAR	521,269	53,000	574,269
 NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 543,572</u>	<u>\$ 52,095</u>	<u>\$ 595,666</u>

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 21,397
Adjustments to reconcile changes in net assets to net cash provide by operating activities	
Depreciation and amortization	9,901
(Increase)/Decrease in:	
Grants receivable	30,032
Inventory	14,845
Other current assets	(1,466)
Fixed assets	(19,609)
Accounts payable	8,163
Other Current Liabilities	(38,108)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,155

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

25,155

CASH, BEGINNING OF YEAR

494,287

CASH, END OF YEAR

\$ 519,442

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, 2021

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 2021, the Organization served over 6,410 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, 2021, without donor restriction net assets were \$543,572.
- With donor restrictions represent amounts that are specifically restricted by donors or grantors for specific programs or time period. At December 31, 2021, with donor restrictions net assets were \$52,095.

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, 2021, the Organization had occupied six locations in the greater Houston area to serve client's needs. The primary location is at the St. Austin Center in southeast Houston. 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, St. Austin Center, Northwest Assistance Ministry and Pasadena Multi-Service Center. Contributions for donated space during 2021 were approximately \$44,065.

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. The Organization had an addition to equipment of \$19,609. There was no depreciation for the year as the assets from prior years had been fully depreciated and the new additions were acquired at the end of the year.

Intangible asset - database

The Organization engaged for the creation of a database to intake clients, track inventory and provide valuable reports to management and the Board for several years. 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, 2021, all milestones and payments were made.

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. 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 2021 of \$9,901.

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 new lease agreement for office space for its main office on January 2020 with the Congregation of the Sisters of Charity of the Incarnate Word. The lease was automatically renewed for the 2021 year and the organization has an indefinite term to continue renewing the lease. The Organization plans to remain in this location for the foreseeable future. Rent expense for the year ended December 31, 2021, including donated rent, was \$44,065.

3. NOTE PAYABLES AND OTHER DEBT

The Organization received the Paycheck Protection Program loan backed by the Small Business Administration due to the COVID-19 pandemic in 2020. The Organization applied through Comerica for this loan which was received on May 8, 2020 for \$40,000 at 1% interest rate with a maturity of 2 years. The entire loan of \$40,000 has been forgiven during the year ended December 31, 2021.

4. 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 it is valued at \$45,670 as of December 31, 2021.

5. 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, 2021, 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, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

6. DATE OF MANAGEMENT'S REVIEW

The Organization's management reviewed and evaluated subsequent events through July 22, 2022, and no events have occurred subsequent to the statement of financial position dated December 31, 2021 that would require adjustments to, or disclosure in, the financial statements.

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
SCHEDULE OF FUNCTIONAL EXPENSES
December 31, 2021

DESCRIPTION	Formula and food assistance	Administrative and management expense	Fundraising	Depreciation and Amortization	TOTAL
Amortization				\$ 9,901	\$ 9,901
Audit		\$ 12,450			\$ 12,450
Bank fees		\$ 1,650			\$ 1,650
Board Development		\$ 600			\$ 600
Client Services	\$ 4,718				\$ 4,718
Contract Services	\$ 21,709				\$ 21,709
Formula:905-B Formula	\$ 67,655				\$ 67,655
In Kind:907-A Supplies	\$ 531				\$ 531
In Kind 907-B Formula	\$ 132,511				\$ 132,511
In Kind:907-C Other Baby Items	\$ 10,129				\$ 10,129
In Kind:907-D Food	\$ 22,928				\$ 22,928
In Kind:907-G Gift Cards	\$ 3,237				\$ 3,237
In Kind:907-H Luncheon Expenses	\$ 4,500				\$ 4,500
Insurance		\$ 5,384			\$ 5,384
Legacy Luncheon:765-A Legacy Luncheon Direct			\$ 22,972		\$ 22,972
Marketing/Public Relations			\$ 357		\$ 357
Medical Benefit		\$ 15,307			\$ 15,307
Retirement Benefit		\$ 1,713			\$ 1,713
Meeting Expenses		\$ 1,413			\$ 1,413
Mileage & Parking	\$ 5,244	\$ 1,748			\$ 6,992
Office Supplies	\$ 2,539	\$ 846			\$ 3,386
Payroll Processing Fees		\$ 5,190			\$ 5,190
Payroll Taxes	\$ 17,135	\$ 3,059			\$ 20,194
Postage:725	\$ -	\$ 449	\$ 726		\$ 1,175
Phone Allowance	\$ 720				\$ 720
Printing: 730A-Regular Printing		\$ 3,505			\$ 3,505
Printing: 730C-Fundraising			\$ 995		\$ 995
Accounting Fees		\$ 6,000			\$ 6,000
Rent	\$ 38,665	\$ 2,700	\$ 2,700		\$ 44,065
Staff Development		\$ 1,995			\$ 1,995
Subscriptions & Dues	\$ 1,485				\$ 1,485
Technology		\$ 10,559			\$ 10,559
Utilities:755-A Phone/Internet AAMA Site	\$ 5,999	\$ 2,000			\$ 7,998
Utilities:755-B Phone/Internet Heights	\$ 2,619				\$ 2,619
Wages	\$ 243,054	\$ 43,392			\$ 286,446
TOTAL	\$ 585,378	\$ 119,959	\$ 27,750	\$ 9,901	\$ 742,987

See accompanying notes and independent auditors' report