

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2013**

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INDEPENDENT AUDITOR'S REPORT  
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## **INDEPENDENT AUDITOR'S REPORT**

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

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, 2013, and the related statements of activities 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, 2013, 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 Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 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.

Bharmal & Associates, Inc.  
Garden Grove, CA  
February 26, 2014

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2013

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 141,179
Grants receivable	10,657
Inventory of infant formula and supplies	36,117
Other Current Assets	<u>2,100</u>
<b>TOTAL CURRENT ASSETS</b>	<b>190,053</b>

**FIXED ASSETS**

Furnishings & equipment	34,218
Less: Accumulated depreciation	<u>(33,326)</u>
<b>TOTAL FIXED ASSETS</b>	<b>892</b>

**TOTAL ASSETS**

\$ 190,945

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accrued expenses	\$ 1,410
Other Current Liabilities	<u>12</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,422</b>

**TOTAL LIABILITIES**

1,422

**NET ASSETS**

Unrestricted (deficit)	126,612
Temporarily restricted (deficit)	<u>62,910</u>
<b>TOTAL NET ASSETS</b>	<b>189,523</b>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 190,945

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, 2013**

<b>REVENUE</b>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Contributions	\$ 310,998	108,444	\$ 419,442
Interest income	16	-	16
	<u>311,014</u>	<u>108,444</u>	<u>419,458</u>
Net assets released from restrictions	58,534	(58,534)	-
<b>TOTAL REVENUE</b>	<u>369,548</u>	<u>49,910</u>	<u>419,458</u>
 <b>EXPENSES</b>			
Formula and food assistance	238,046	-	238,046
Administrative and management expense	41,003	-	41,003
Fundraising	43,712	-	43,712
Depreciation expense	1,387	-	1,387
<b>TOTAL EXPENSES</b>	<u>324,147</u>	<u>-</u>	<u>324,147</u>
 <b>CHANGE IN NET ASSETS</b>	<u>45,400</u>	<u>49,910</u>	<u>95,311</u>
 <b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	81,063	13,000	94,063
Prior period adjustment	149	-	149
<b>NET ADJUSTED ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<u>81,212</u>	<u>13,000</u>	<u>94,212</u>
 <b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 126,612</u>	<u>\$ 62,910</u>	<u>\$ 189,523</u>

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITES</b>	
Decrease in net assets	\$ 95,311
Prior period adjustment	\$ 149
Adjustments to reconcile changes in net assets to net cash provide by operating activities	
Depreciation	1,387
(Increase)/Decrease in:	
Grants receivable	12,695
Inventory	(10,006)
Other Current Assets	(2,100)
Increase/(Decrease) in:	
Accrued expenses	(621)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>96,815</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	 -
 <b>NET CASH USED BY INVESTING ACTIVITIES</b>	 <u>-</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	 -
Purchases of furnishings & equipment	<u>(2,230)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(2,230)</u>
 <b>NET INCREASE / (DECREASE) IN CASH</b>	 <u>94,585</u>
 <b>CASH, BEGINNING OF YEAR</b>	 46,594
 <b>CASH, END OF YEAR</b>	 <u><u>\$ 141,179</u></u>
 <b>SUPPLEMENTAL DISCLOSURES</b>	
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, 2013**

**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 2013, the Organization served over 3,418 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 three groups as follows:

- Unrestricted net assets 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, 2013, unrestricted net assets were \$126,612
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for specific programs or time period. At December 31, 2013, temporarily restricted net assets were \$62,910.
- Permanently restricted net assets represent amounts that donors or grantors have stipulated be held in perpetuity. At December 31, 2013, the Organization does not have any permanently restricted net assets.



## **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, 2013, the Organization had three 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 Epiphany Community Health Outreach Services as well as the City of Houston West End Multi-Service Center. On March 28, 2013, the Organization entered into a lease agreement with the Congregation of the Sisters of Charity of the Incarnate Word for a below market rent which will be classified as donated rent. Contributions for donated space during 2013 were approximately \$16,580.

## **Income taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is registered as an exempt organization in the State of Texas.

## **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 2013 was adjusted by \$1,537.

### **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 Organization plans to remain in this location for the foreseeable future. Rent expense for the year ended December 31, 2013, including donated rent, was \$16,580. The following is a schedule of the remaining minimum lease payments resulting from automatic renewals, excluding any donated rent:

<u>December, 31</u>	<u>Payment Amount</u>
2014	\$1
2015	\$1
2016	\$1
2017	\$1
2018	\$1
Total Minimum Lease Payments	<u>\$5</u>

## **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 are \$36,117 at December 31, 2013.

#### **4. PRIOR PERIOD ADJUSTMENT**

During the year ending December 31, 2013, certain immaterial changes were made to the cash, depreciation expense and accumulated depreciation accounts for 2012. Accordingly, an adjustment of \$149 has been made to the Statement of Activities and Statement of Cash Flows.

#### **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. For the year ended December 31, 2013, 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 Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for December 31, 2012, 2011, and 2010 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 February 26, 2014, and no events have occurred subsequent to the statement of financial position dated December 31, 2013 that would require adjustments to, or disclosure in, the financial statements.

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
December 31, 2013

DESCRIPTION	Formula and food assistance	Administrative and management expense	Fundraising	Depreciation	TOTAL
Audit		\$ 5,880			\$ 5,880
Bank fees		\$ 1,369			\$ 1,369
Benefits		\$ -			\$ -
Board Development		\$ 300			\$ 300
Client Services	\$ 2,410		\$ -		\$ 2,410
Contract Services		\$ -			\$ -
Depreciation expense				\$ 1,387	\$ 1,387
Delivery	\$ 60				\$ 60
Formula:905-B Formula	\$ 45,481				\$ 45,481
Formula:905 - Other	\$ 4,141				\$ 4,141
Golf Tournament			\$ 6,766		\$ 6,766
In Kind	\$ 982				\$ 982
In Kind:907-A Supplies	\$ 133				\$ 133
In Kind:907-B Formula	\$ 16,722				\$ 16,722
In Kind:907-C Other Baby Items	\$ 10,857				\$ 10,857
In Kind:907-D Food	\$ 2,380				\$ 2,380
Inventory Adjustments: 908-C Other Baby Items	\$ (2,925)				\$ (2,925)
Inventory Adjustments: 908-B Formula	\$ (3,621)				\$ (3,621)
Inventory Adjustments: 908-D Food	\$ (1,492)				\$ (1,492)
Insurance		\$ 5,444			\$ 5,444
Legacy Luncheon:765-A Legacy Luncheon Direct			\$ 1,439		\$ 1,439
Legacy Luncheon:765-B Legacy Luncheon Indirect			\$ 21,137		\$ 21,137
Legacy Luncheon:Other			\$ -		\$ -
Marketing/Public Relations			\$ 759		\$ 759
Mileage & Parking	\$ 2,905	\$ 968			\$ 3,873
Office Supplies	\$ 890	\$ 2,671			\$ 3,561
Payroll Fee/Service		\$ 5,668			\$ 5,668
Payroll Taxes	\$ 10,135	\$ 894	\$ 894		\$ 11,924
Postage:725-A Regular Postage	\$ 1,803				\$ 1,803
Postage:725-B Newsletter		\$ -			\$ -
Postage:725-C Fundraising			\$ -		\$ -
Printing:730-A Regular Printing	\$ -				\$ -
Printing:730-B Newsletter	\$ -				\$ -
Printing:730-C Fundraising			\$ -		\$ -
Professional Fees		\$ 4,231			\$ 4,231
Reimbursement		\$ -			\$ -
Repair & Maintenance		\$ 52			\$ 52
Rent	\$ 14,392	\$ 1,095	\$ 1,095		\$ 16,582
Staff Development		\$ 319			\$ 319
Subscriptions & Dues	\$ 403	\$ 184			\$ 588
Technology		\$ 77			\$ 77
Uncategorized Expenses		\$ 45			\$ 45
Utilities:Penalty		\$ 42			\$ 42
Utilities:755-A Telephone St. Austin	\$ 2,141	\$ 428	\$ 286		\$ 2,855
Utilities:755-B Telephone Heights	\$ 1,605				\$ 1,605
Wages	\$ 128,642	\$ 11,335	\$ 11,335		\$ 151,312
<b>TOTAL</b>	<b>\$ 238,046</b>	<b>\$ 41,003</b>	<b>\$ 43,712</b>	<b>\$ 1,387</b>	<b>\$ 324,147</b>

See accompanying notes and independent auditors' report