

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022**

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flow	5
Notes to Financial Statements	6-9
Schedule of Functional Expenses	10

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022**

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022**

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flow	5
Notes to Financial Statements	6-9
Schedule of Functional Expenses	10

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Local Infant Formula for Emergencies / Houston and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Local Infant Formula for Emergencies / Houston's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

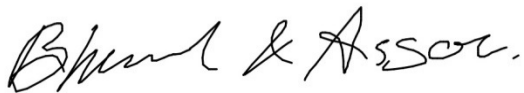
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness Local Infant Formula for Emergencies / Houston's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Local Infant Formula for Emergencies / Houston's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Bharmal & Associates, Inc.
Irvine, CA
October 31, 2023

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	470,176
Grants receivable		116,160
Inventory of infant formula and supplies		26,758
Other Current Assets		3,651
TOTAL CURRENT ASSETS		616,745

FIXED ASSETS

Furnishings & equipment		31,653
Less: Accumulated depreciation		(15,966)
TOTAL FIXED ASSETS		15,687

INTANGIBLE ASSETS

Database		49,504
Less: Accumulated amortization		(49,504)
TOTAL FIXED ASSETS		-

TOTAL ASSETS

\$ 632,432

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	2,985
Other current liabilities		16,291
TOTAL CURRENT LIABILITIES		19,276

TOTAL LIABILITIES

19,276

NET ASSETS

Without donor restrictions		473,792
With donor restrictions		139,364
TOTAL NET ASSETS		613,156

TOTAL LIABILITIES AND NET ASSETS

\$ 632,432

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, 2022**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Contributions	\$ 613,144	\$ 260,484	\$ 873,628
Interest income	200	-	200
	<u>613,344</u>	<u>260,484</u>	<u>873,828</u>
Net assets released from restrictions	173,215	(173,215)	-
TOTAL REVENUE	<u>786,559</u>	<u>87,269</u>	<u>873,828</u>
 EXPENSES			
Formula and food assistance	670,793	-	670,793
Administrative and management expense	140,426	-	140,426
Fundraising	31,296	-	31,296
Depreciation and amortization expense	13,823	-	13,823
TOTAL EXPENSES	<u>856,338</u>	<u>-</u>	<u>856,338</u>
 CHANGE IN NET ASSETS	<u>(69,779)</u>	<u>87,269</u>	<u>17,490</u>
 NET ASSETS (DEFICIT), BEGINNING OF YEAR	543,571	52,095	595,666
 NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 473,792</u>	<u>\$ 139,364</u>	<u>\$ 613,156</u>

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 17,490
Adjustments to reconcile changes in net assets to net cash provide by operating activities	
Depreciation and amortization	13,823
(Increase)/Decrease in:	
Grants receivable	(103,094)
Inventory	18,912
Other current assets	821
Fixed assets	-
Accounts payable	(6,643)
Other Current Liabilities	9,425
NET CASH PROVIDED BY OPERATING ACTIVITIES	(49,266)

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

CASH, BEGINNING OF YEAR

CASH, END OF YEAR

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, 2022

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 2022, the Organization served over 7,213 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. As of December 31, 2022, without donor restriction net assets were \$473,792.
- With donor restrictions represent amounts that are specifically restricted by donors or grantors for specific programs or time period. As of December 31, 2022, with donor restrictions net assets were \$139,364.

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, Promises to Give 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. Furthermore, based on FASB ASC 958-605-25-2, contributions are recognized as revenues in the period received, even if donor restrictions exist. The organization does receive promises to give and these are recorded in accordance with the aforementioned guidance.

As of December 31, 2022, the Organization had occupied nine 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, Pasadena Multi-Service Center, Montgomery County Center, Bay Area Center and Fort Bend Center. Contributions for donated space during 2022 were approximately \$65,404.

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 in the end of 2022. We determined a 5-year useful life for the equipment. This resulted in a depreciation expense for 2022 of \$3,922.

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 estimates 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, 2022, 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. The organization began utilizing and testing the database starting from the beginning of 2018. Amortization of the database began in 2018 when the Organization started 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 2022 of \$9,901 and it is fully amortized in the year 2022.

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 January 2020 with the Congregation of the Sisters of Charity of the Incarnate Word. The lease was automatically renewed for the 2022 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. The Organization also entered into three new lease agreements for office spaces in July 2022 and October 2022 respectively with United Way of Greater Houston. Total Rent expense for the year ended December 31, 2022, including donated rent, was \$65,404.

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 determined using specific identification method. The inventory is valued at \$26,758 as of December 31, 2022.

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, 2022, 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, 2021, 2020, and 2019 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 October 31, 2023, and no events have occurred subsequent to the statement of financial position dated December 31, 2022 that would require adjustments to, or disclosure in, the financial statements.

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
SCHEDULE OF FUNCTIONAL EXPENSES
December 31, 2022

DESCRIPTION	Formula and food assistance	Administrative and management expense	Fundraising	Depreciation and Amortization	TOTAL
Depreciation				\$ 3,922	\$ 3,922
Amortization				\$ 9,901	\$ 9,901
Audit		\$ 10,200			\$ 10,200
Bank Fees		\$ 2,011			\$ 2,011
Board Development		\$ 75			\$ 75
Client Services	\$ 6,348				\$ 6,348
Contract Services	\$ 30,275				\$ 30,275
Equipment		2,224			\$ 2,224
Formula:905-B Formula	\$ 98,575				\$ 98,575
In Kind:907-A Supplies	\$ 516				\$ 516
In Kind 907-B Formula	\$ 129,695				\$ 129,695
In Kind:907-C Other Baby Items	\$ 1,879				\$ 1,879
In Kind:907-D Food	\$ 9,036				\$ 9,036
In Kind:907-G Gift Cards	\$ 2,500				\$ 2,500
Insurance		\$ 5,404			\$ 5,404
Legacy Luncheon:765-A Legacy Luncheon Direct			\$ 27,316		\$ 27,316
Marketing/Public Relations			\$ 883		\$ 883
Medical Benefit		\$ 13,984			\$ 13,984
Retirement Benefit		\$ 2,089			\$ 2,089
Meeting Expenses		\$ 3,218			\$ 3,218
Mileage & Parking		\$ 9,676			\$ 9,676
Office Supplies	\$ 7,306	\$ 2,435			\$ 9,742
Payroll Processing Fees		\$ 5,549			\$ 5,549
Payroll Taxes	\$ 21,856	\$ 3,871			\$ 25,727
Postage:725		\$ 706	\$ 50		\$ 756
Phone Allowance	\$ 720				\$ 720
Printing: 730A-Regular Printing		\$ 592			\$ 592
Printing: 730C-Fundraising			\$ 347		\$ 347
Accounting Fees		\$ 7,700			\$ 7,700
Rent	\$ 60,004	\$ 2,700	\$ 2,700		\$ 65,404
Staff Development		\$ 526			\$ 526
Subscriptions & Dues	\$ 2,571				\$ 2,571
Technology		\$ 13,017			\$ 13,017
Utilities:755-A Phone/Internet AAMA Site	\$ 8,991	\$ 2,997			\$ 11,988
Wages	\$ 290,522	\$ 51,452			\$ 341,974
TOTAL	\$ 670,793	\$ 140,426	\$ 31,296	\$ 13,823	\$ 856,338

See accompanying notes and independent auditors' report