

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2014**

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees 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, 2014, 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, 2014, 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 20, 2015

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash	\$	240,009
Inventory of infant formula and supplies		23,694
Other Current Assets		5,187
TOTAL CURRENT ASSETS		268,890

FIXED ASSETS

Furnishings & equipment		34,218
Less: Accumulated depreciation		(33,683)
TOTAL FIXED ASSETS		535

TOTAL ASSETS

\$ 269,425

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses	\$	-
Other Current Liabilities		-
TOTAL CURRENT LIABILITIES		-

TOTAL LIABILITIES

-

NET ASSETS

Unrestricted (deficit)		255,934
Temporarily restricted (deficit)		13,492
TOTAL NET ASSETS		269,425

TOTAL LIABILITIES AND NET ASSETS

\$ 269,425

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, 2014**

REVENUE	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Contributions	\$ 390,199	37,192	\$ 427,391
Interest income	-	-	-
	<u>390,199</u>	<u>37,192</u>	<u>427,391</u>
Net assets released from restrictions	86,611	(86,611)	-
TOTAL REVENUE	<u>476,810</u>	<u>(49,419)</u>	<u>427,391</u>
 EXPENSES			
Formula and food assistance	248,634	-	248,634
Administrative and management expense	47,161	-	47,161
Fundraising	51,340	-	51,340
Depreciation expense	357	-	357
TOTAL EXPENSES	<u>347,492</u>	<u>-</u>	<u>347,492</u>
 CHANGE IN NET ASSETS	 <u>129,318</u>	 <u>(49,419)</u>	 <u>79,900</u>
 NET ASSETS (DEFICIT), BEGINNING OF YEAR	 126,612	 62,910	 189,523
Prior period adjustment	3	-	3
NET ADJUSTED ASSETS (DEFICIT), BEGINNING OF YEAR	<u>126,615</u>	<u>62,910</u>	<u>189,526</u>
 NET ASSETS (DEFICIT), END OF YEAR	 <u>\$ 255,934</u>	 <u>\$ 13,492</u>	 <u>\$ 269,425</u>

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITES

Increase in net assets	\$ 79,900
Prior period adjustment	3
Adjustments to reconcile changes in net assets to net cash provide by operating activities	
Depreciation	357
(Increase)/Decrease in:	
Grants receivable	10,657.00
Inventory	12,423.06
Other current assets	(3,086.77)
Increase/(Decrease) in:	
Accrued expenses	(1,410.03)
Other current liabilities	(11.93)
NET CASH USED BY OPERATING ACTIVITIES	98,831

CASH FLOWS FROM INVESTING ACTIVITIES

NET CASH USED BY INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH 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, 2014

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 2014, the Organization served over 3,986 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, 2014, unrestricted net assets were \$255,934.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for specific programs or time period. At December 31, 2014, temporarily restricted net assets were \$13,492.
- Permanently restricted net assets represent amounts that donors or grantors have stipulated be held in perpetuity. At December 31, 2014, 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, 2014, the Organization had four 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, City of Houston West End Multi-Service Center and the Acres Home 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 2014 were approximately \$17,860.

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 2014 was adjusted by \$357.

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, 2014, including donated rent, was \$17,860. 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>
2015	\$1
2016	\$1
2017	\$1
2018	\$1
2019	\$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 at \$23,694 at December 31, 2014.

4. PRIOR PERIOD ADJUSTMENT

During the year ending December 31, 2014, certain immaterial changes were made to the cash and interest expense accounts for 2013. Accordingly, an adjustment of \$3 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. Furthermore, the Organization is registered as an exempt organization in the State of Texas. For the year ended December 31, 2014, 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, 2013, 2012, and 2011 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 20, 2015, and no events have occurred subsequent to the statement of financial position dated December 31, 2014 that would require adjustments to, or disclosure in, the financial statements.

LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON
SCHEDULE OF FUNCTIONAL EXPENSES
December 31, 2014

DESCRIPTION	Formula and food assistance	Administrative and management expense	Fundraising	Depreciation	TOTAL
Audit		\$ 5,850			\$ 5,850
Bank fees		\$ 1,835			\$ 1,835
Board Development		\$ 340			\$ 340
Client Services	\$ 531		\$ -		\$ 531
Depreciation expense				\$ 357	\$ 357
Formula:905-B Formula	\$ 52,327				\$ 52,327
Golf Tournament			\$ 9,615		\$ 9,615
In Kind:907-B Formula	\$ 10,543				\$ 10,543
In Kind:907-C Other Baby Items	\$ 6,588				\$ 6,588
In Kind:907-D Food	\$ 2,596				\$ 2,596
Inventory Adjustments: 908-C Other Baby Items	\$ 3,993				\$ 3,993
Inventory Adjustments: 908-B Formula	\$ 7,237				\$ 7,237
Inventory Adjustments: 908-D Food	\$ 1,193				\$ 1,193
Insurance		\$ 1,572			\$ 1,572
Legacy Luncheon:765-A Legacy Luncheon Direct			\$ 20,767		\$ 20,767
Legacy Luncheon:765-B Legacy Luncheon Indirect			\$ 3,614		\$ 3,614
Marketing/Public Relations			\$ 2,567		\$ 2,567
Mileage & Parking	\$ 1,720	\$ 573			\$ 2,294
Office Supplies	\$ 1,421	\$ 1,421			\$ 2,842
Payroll Taxes	\$ 10,091	\$ 1,460	\$ 931		\$ 12,482
Postage:725	\$ 256				\$ 256
Postage:725-A Regular Postage	\$ 700				\$ 700
Postage:725-C Fundraising			\$ 512		\$ 512
Professional Fees		4,468			\$ 4,468
Accounting Fees		8,100			\$ 8,100
Rent	\$ 15,671	\$ 1,095	\$ 1,095		\$ 17,861
Staff Development		\$ 107			\$ 107
Subscriptions & Dues	403	\$ 401			\$ 804
Technology		\$ 765			\$ 765
Utilities:755-A Telephone St. Austin	\$ 2,817	\$ 563	\$ 376		\$ 3,755
Utilities:755-B Telephone Heights	\$ 1,928				\$ 1,928
Wages	\$ 128,618	\$ 18,610	\$ 11,864		\$ 159,092
TOTAL	\$ 248,634	\$ 47,161	\$ 51,340	\$ 357	\$ 347,492

See accompanying notes and independent auditors' report