

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2018**

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(A TEXAS NON-PROFIT ORGANIZATION)**

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INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2018**

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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, 2018, 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.

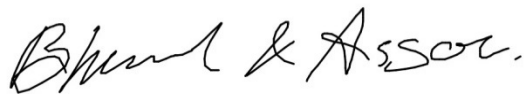
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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, 2018, 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  
July 19, 2019

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

**ASSETS**

**CURRENT ASSETS**

|  |    |                |
|--|----|----------------|
| Cash and cash equivalents                | \$ | 295,207        |
| Accounts Receivable                      |    | 11,552         |
| Inventory of infant formula and supplies |    | 25,309         |
| Other Current Assets                     |    | 2,680          |
| <b>TOTAL CURRENT ASSETS</b>              |    | <b>334,748</b> |

**FIXED ASSETS**

|                                |  |            |
|--------------------------------|--|------------|
| Furnishings & equipment        |  | 12,044     |
| Less: Accumulated depreciation |  | (11,448)   |
| <b>TOTAL FIXED ASSETS</b>      |  | <b>596</b> |

**INTANGIBLE ASSETS**

|                                |    |               |
|--------------------------------|----|---------------|
| Database                       | \$ | 49,504        |
| Less: Accumulated amortization |    | (9,901)       |
| <b>TOTAL FIXED ASSETS</b>      |    | <b>39,603</b> |

|                     |           |                |
|---------------------|-----------|----------------|
| <b>TOTAL ASSETS</b> | <b>\$</b> | <b>374,947</b> |
|---------------------|-----------|----------------|

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|                                  |    |              |
|----------------------------------|----|--------------|
| Accounts Payable                 | \$ | 1,809        |
| Other Current Liabilities        |    | 7,072        |
| <b>TOTAL CURRENT LIABILITIES</b> |    | <b>8,881</b> |

|                          |  |              |
|--------------------------|--|--------------|
| <b>TOTAL LIABILITIES</b> |  | <b>8,881</b> |
|--------------------------|--|--------------|

**NET ASSETS**

|                                  |  |                |
|----------------------------------|--|----------------|
| Unrestricted (deficit)           |  | 362,134        |
| Temporarily restricted (deficit) |  | 3,933          |
| <b>TOTAL NET ASSETS</b>          |  | <b>366,066</b> |

|   |           |                |
|---|-----------|----------------|
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$</b> | <b>374,947</b> |
|---|-----------|----------------|

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, 2018**

| <b>REVENUE</b>                                 | <u>UNRESTRICTED</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>TOTAL</u> |
|--|---------------------|-----------------------------------|--------------|
| Contributions                                  | \$ 307,667          | 96,800                            | \$ 404,467   |
| Interest income                                | 271                 | -                                 | 271          |
|  | 307,938             | 96,800                            | 404,738      |
| Net assets released from restrictions          | 92,867              | (92,867)                          | -            |
| <b>TOTAL REVENUE</b>                           | 400,805             | 3,933                             | 404,738      |
| <b>EXPENSES</b>                                |                     |                                   |              |
| Formula and food assistance                    | 342,108             | -                                 | 342,108      |
| Administrative and management expense          | 50,049              | -                                 | 50,049       |
| Fundraising                                    | 46,702              | -                                 | 46,702       |
| Depreciation and amortization expense          | 10,935              | -                                 | 10,935       |
| <b>TOTAL EXPENSES</b>                          | 449,793             | -                                 | 449,793      |
| <b>CHANGE IN NET ASSETS</b>                    | (48,988)            | 3,933                             | (45,056)     |
| <b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b> | 411,122             | -                                 | 411,122      |
| <b>NET ASSETS (DEFICIT), END OF YEAR</b>       | \$ 362,134          | \$ 3,933                          | \$ 366,066   |

See accompanying notes and independent auditors' report

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018**

|  |                          |
|--|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITES</b>   |                          |
| Decrease in net assets   | \$ (45,056)              |
| Adjustments to reconcile changes in net assets to net cash provide by operating activities |                          |
| Depreciation and amortization  | 10,935                   |
| (Increase)/Decrease in:  |                          |
| Grants receivable  | (8,741)                  |
| Inventory  | 46,753                   |
| Other current assets   | (778)                    |
| Accounts payable   | 130                      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <u>3,244</u>             |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |
|  | -                        |
|  | <u>-</u>                 |
| <br><b>NET CASH USED BY INVESTING ACTIVITIES</b>   |                          |
|  | -                        |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                          |
|  | -                        |
|  | <u>-</u>                 |
| <br><b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>                                |                          |
|  | -                        |
|  | <u>-</u>                 |
| <b>NET INCREASE / (DECREASE) IN CASH</b>   | <u>3,244</u>             |
| <b>CASH, BEGINNING OF YEAR</b>   | 291,963                  |
| <b>CASH, END OF YEAR</b>   | <u><u>\$ 295,207</u></u> |
| <br><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, 2018**

### **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 2018, the Organization served over 3,679 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, 2018, unrestricted net assets were \$362,134.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for specific programs or time period. At December 31, 2018, temporarily restricted net assets were \$3,933.
- Permanently restricted net assets represent amounts that donors or grantors have stipulated be held in perpetuity. At December 31, 2018, 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, 2018, 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. 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 2018 were approximately \$14,264.

## **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 2018 was \$1,034.

### **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, 2018, per the original terms and milestone agreement, six milestone payments should have been incurred by the Company.

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 Nichole Browning, 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 will begin in 2018 when the Organization expects to begin use. Detailed discussions with the ContentActive and LIFE Houston team were performed to confirm the use of the database in 2018. The final milestone payment will occur once the Organization feels confident the terms and conditions have been met. As of 12/31/2018, the Organization felt that significant changes needed to be met to use in both inventory tracking and the intake of clients. We have accrued for the final \$7,072 payment per the contract between the Organization and ContentActive.

### **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, 2018, including donated rent, was \$18,112. 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 \$25,309 at December 31, 2018.

## **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, 2018, 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, 2017, 2016, and 2015 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 July 19, 2019, and no events have occurred subsequent to the statement of financial position dated December 31, 2018 that would require adjustments to, or disclosure in, the financial statements.

**LOCAL INFANT FORMULA FOR EMERGENCIES/HOUSTON**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
December 31, 2018

| DESCRIPTION                                   | Formula and food assistance | Administrative and management expense | Fundraising      | Depreciation and Amortization | TOTAL             |
|---|-----------------------------|---------------------------------------|------------------|-------------------------------|-------------------|
| Amortization Expense                          |                             |                                       |                  | \$ 9,901                      | \$ 9,901          |
| Audit   |                             | \$ 6,485                              |                  |                               | \$ 6,485          |
| Bank fees                                     |                             | \$ 2,377                              |                  |                               | \$ 2,377          |
| Board Development                             |                             | \$ 19                                 |                  |                               | \$ 19             |
| Client Services                               | \$ 2,809                    |                                       |                  |                               | \$ 2,809          |
| Contract Services                             | \$ 8,423                    |                                       |                  |                               | \$ 8,423          |
| Depreciation Expense                          |                             |                                       |                  | \$ 1,034                      | \$ 1,034          |
| Formula:905-B Formula                         | \$ 41,268                   |                                       |                  |                               | \$ 41,268         |
| In Kind:907-Rent                              | \$ 13,169                   | \$ 548                                | \$ 548           |                               | \$ 14,264         |
| In Kind:907-Luncheon Other                    |                             |                                       | \$ 5,000         |                               | \$ 5,000          |
| In Kind:907-A Supplies                        |                             | \$ 350                                |                  |                               | \$ 350            |
| Inventory Adjustments: 908-C Other Baby Items | \$ 20,110                   |                                       |                  |                               | \$ 20,110         |
| Inventory Adjustments: 908-B Formula          | \$ 57,380                   |                                       |                  |                               | \$ 57,380         |
| Inventory Adjustments: 908-D Food             | \$ 2,998                    |                                       |                  |                               | \$ 2,998          |
| 908 Inventory Adjustments - Other             | \$ 120                      |                                       |                  |                               | \$ 120            |
| Insurance                                     |                             | \$ 3,670                              |                  |                               | \$ 3,670          |
| Legacy Luncheon:765-A Legacy Luncheon Direct  |                             |                                       | \$ 34,516        |                               | \$ 34,516         |
| LIFE Houston Guild                            |                             |                                       | \$ -             |                               | \$ -              |
| Marketing/Public Relations                    |                             |                                       | \$ 2,669         |                               | \$ 2,669          |
| Mileage & Parking                             | \$ 3,636                    | \$ 1,212                              |                  |                               | \$ 4,847          |
| Office Supplies                               | \$ 2,393                    | \$ 752                                |                  |                               | \$ 3,145          |
| Payroll Processing Fees                       |                             | \$ 1,886                              |                  |                               | \$ 1,886          |
| Payroll Taxes                                 | \$ 11,683                   | \$ 1,817                              | \$ -             |                               | \$ 13,501         |
| Permits                                       |                             | \$ 490                                |                  |                               | \$ 490            |
| Postage:725                                   | \$ 554                      |                                       |                  |                               | \$ 554            |
| Printing                                      |                             |                                       | \$ 3,592         |                               | \$ 3,592          |
| Professional Fees                             |                             | \$ -                                  |                  |                               | \$ -              |
| Accounting Fees                               | \$ 18,000                   |                                       |                  |                               | \$ 18,000         |
| Rent  | \$ 3,848                    |                                       |                  |                               | \$ 3,848          |
| Staff Development                             |                             | \$ 464                                |                  |                               | \$ 464            |
| Subscriptions & Dues                          | \$ 432                      |                                       |                  |                               | \$ 432            |
| Technology                                    |                             | \$ 6,000                              |                  |                               | \$ 6,000          |
| Utilities:755-A Telephone St. Austin          | \$ 2,269                    | \$ 454                                | \$ 302           |                               | \$ 3,025          |
| Utilities:755-B Telephone Heights             | \$ 2,165                    |                                       |                  |                               | \$ 2,165          |
| Volunteer Administration                      |                             | \$ 62                                 |                  |                               | \$ 62             |
| Walkathon                                     |                             |                                       | \$ 75            |                               | \$ 75             |
| Wages   | \$ 150,850                  | \$ 23,462                             |                  |                               | \$ 174,312        |
| <b>TOTAL</b>                                  | <b>\$ 342,108</b>           | <b>\$ 50,049</b>                      | <b>\$ 46,702</b> | <b>\$ 10,935</b>              | <b>\$ 449,793</b> |

See accompanying notes and independent auditors' report