

Target Hunger, Inc.

Independent Auditor's Report and  
Financial Statements  
December 31, 2015 and 2014

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## **Independent Auditor's Report**

To the Board of Directors of  
Target Hunger, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Target Hunger, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses (presenting only comparative totals for 2014), and cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Target Hunger as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2016, on our consideration of Target Hunger's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Target Hunger's internal control over financial reporting and compliance.

*Ralph and Ralph, P.C.*

Houston, Texas

July 27, 2016

Target Hunger, Inc.  
 Statements of Financial Position  
 December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash and cash equivalents, unrestricted	\$ 282,679	\$ 192,453
Cash and cash equivalents, restricted	60,100	88,358
Contributions receivable:		
United Way funding allocated for the next fiscal year	92,802	92,802
Unconditional promises to give	16,025	140,439
Inventory	317,068	220,090
Other assets	16,750	16,539
Total current assets	785,424	750,681
Fixed assets, net	77,004	113,136
Total assets	\$ 862,428	\$ 863,817
<b>Liabilities</b>		
Accounts payable	\$ 242,762	\$ 165,124
Accrued vacation	16,989	13,383
Total current liabilities	259,751	178,507
<b>Net assets</b>		
Unrestricted net assets	449,775	456,951
Temporarily restricted net assets	152,902	228,359
Total net assets	602,677	685,310
Total liabilities and net assets	\$ 862,428	\$ 863,817

*The accompanying notes are an integral part of these statements.*

Target Hunger, Inc.  
Statement of Activities  
For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Changes in unrestricted net assets</b>		
Revenues, gains, and support		
United Way grant	\$ 278,406	\$ 276,602
Contributions	488,937	644,185
Government grant	18,230	-
In-kind donations:		
Donated food	6,403,322	8,034,924
Donated facilities	34,868	36,929
Other donated materials	400	11,219
Miscellaneous income	1,322	1,981
Assets released from restriction	168,259	98,896
Total unrestricted revenues, gains, and support	7,393,744	9,104,736
Expenses:		
Program	6,897,421	8,648,549
Management and support	227,429	214,197
Fundraising	276,070	273,162
Total expenses	7,400,920	9,135,908
Change in unrestricted net assets	(7,176)	(31,172)
<b>Changes in temporarily restricted net assets</b>		
United Way grant	92,802	92,802
Contributions	-	294
Net assets released from restrictions	(168,259)	(98,896)
Change in temporarily restricted net assets	(75,457)	(5,800)
Change in total net assets	(82,633)	(36,972)
Net assets, beginning of year	685,310	722,282
<b>Net assets, end of year</b>	\$ 602,677	\$ 685,310

*The accompanying notes are an integral part of these statements.*

Target Hunger, Inc.  
Statements of Functional Expenses  
For the Year Ended December 31, 2015 (with Comparative Totals for 2014)

Expenditures	2015							2014 Total Expenses	
	Food Services	Youth Development	Community Gardens	Client Services	Program Services	Support Services	Fundraising		Total Expenses
Direct assistance:									
Food	\$ 6,387,125	\$ -	\$ -	\$ -	\$ 6,387,125	\$ -	\$ -	\$ 6,387,125	\$ 7,950,305
Clothing and other	-	-	-	-	-	-	-	-	5,853
Salaries and wages	164,085	-	36,162	26,775	227,022	119,777	100,017	446,816	448,347
Payroll taxes	22,540	-	4,968	3,678	31,186	16,454	13,739	61,379	61,654
Employee benefits expense	12,302	-	2,711	2,008	17,021	8,980	7,499	33,500	42,917
Contract labor	547	-	-	2,500	3,047	17,692	-	20,739	25,633
Pantry expense	23,566	-	-	-	23,566	-	-	23,566	166,981
Program supplies	-	-	13,673	-	13,673	-	-	13,673	9,126
Staff development	-	-	-	-	-	6,512	-	6,512	1,589
Vehicle expense	7,278	-	2,426	-	9,704	-	-	9,704	18,744
Occupancy	85,461	-	3,036	33,391	121,888	11,130	3,036	136,054	152,634
Office expense	5,689	-	1,254	928	7,871	4,153	3,468	15,492	12,453
Communications	4,488	-	989	733	6,210	3,276	2,735	12,221	9,682
Technology and software	1,148	-	253	187	1,588	2,154	699	4,441	12,716
Professional services, acco	6,096	-	1,343	995	8,434	4,450	3,715	16,599	24,545
Insurance	8,449	-	1,862	1,379	11,690	6,167	5,150	23,007	25,632
Depreciation	14,381	-	3,169	2,347	19,897	10,497	8,766	39,160	42,127
Bad debt expense	-	-	-	-	-	9,250	-	9,250	-
Gala expense	-	-	-	-	-	-	113,143	113,143	91,055
Banquet and awards	262	-	58	43	363	191	159	713	1,556
Public relations	-	-	-	-	-	-	9,227	9,227	7,764
Miscellaneous expenses	4,376	-	2,046	714	7,136	6,746	4,717	18,599	24,595
Total expenditures	\$ 6,747,793	\$ -	\$ 73,950	\$ 75,678	\$ 6,897,421	\$ 227,429	\$ 276,070	\$ 7,400,920	\$ 9,135,908

*The accompanying notes are an integral part of these statements.*

Target Hunger, Inc.  
Statements of Cash Flows  
For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (82,633)	\$ (36,972)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	39,160	42,127
(Increase) decrease in operating assets:		
Contributions receivable	124,414	64,237
Contributions restricted in use by donor	28,258	(37,002)
Inventory	(96,978)	(111,090)
Other assets	(211)	(499)
Increase (decrease) in operating liabilities:		
Accounts payable	77,638	20,249
Accrued vacation	3,606	4,255
Net cash (used in) provided by operating activities	93,254	(54,695)
 <b>Cash flows from investing activities</b>		
Fixed asset purchases	(3,028)	(7,473)
Net cash provided by investing activities	(3,028)	(7,473)
 Change in cash and cash equivalents	90,226	(62,168)
Cash and cash equivalents, beginning of year	192,453	254,621
Cash and cash equivalents, end of year	\$ 282,679	\$ 192,453
 <b>Supplemental disclosures:</b>		
Interest and taxes paid	\$ -	\$ -

*The accompanying notes are an integral part of these statements.*



Target Hunger, Inc.  
Notes to the Financial Statements  
December 31, 2015 and 2014

**Note 1 – Significant Accounting Policies**

**Nature of the Organization**

Target Hunger, Inc. (the "Organization") is a nonprofit corporation with a mission to alleviate hunger and its root causes in inner-city neighborhoods. The organization serves seniors, children and families through a system of food pantries, a central food hub, community and educational gardens, senior day site routes, a breakfast program and community food fairs.

The Organization works with various neighborhood service providers, churches, community leaders and residents and is supported through funds and donations received from the United Way of Greater Houston (UWGH), The Houston Food Bank, and from private donors including corporations and individuals.

**Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as defined by the Financial Accounting Standards Board Accounting Standards Codification (ASC).

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Restricted net assets consist of the following:

*Temporarily Restricted Net Assets* Temporarily restricted net assets include gifts for which a donor-imposed restriction has not been met. The restrictions are satisfied either by the passage of time or by expenditures for specific programs of the Organization.

*Permanently Restricted Net Assets* Permanently restricted net assets include gifts, trusts and pledges which a require, by donor restriction, that the principle be invested in perpetuity and only the earnings be made available for program operations in accordance with donor restrictions. As of December 31, 2015, the Organization has not received any permanently restricted contributions.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that can affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fair Value**

The carrying amounts of contributions receivable and accounts payable and accrued expenses approximate fair value due to the short period to maturity.

**Cash and Cash Equivalents**

Cash and cash equivalents represent cash in banks and money market and short-term investments with an initial maturity of three months or less. Accounts at financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015 and 2014, the Organization did not have any deposits exceeding the FDIC limitation.

Target Hunger, Inc.  
Notes to the Financial Statements (Continued)  
December 31, 2015 and 2014

**Note 1 – Significant Accounting Policies (Continued)**

**Inventory**

The inventory balance is comprised of food at the pantries, available for distribution to the Organization's clients. The value of the inventories is estimated based on a per pound food valuation. The Organization monitors the average per pound value evidenced on documentation received in conjunction with large pantry and grocer donations, to ensure that the value estimate used is reasonable.

**Contributions and Promises to Give**

Contributions are recognized as income and recorded as a receivable when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires or is met by the Organization, temporarily restricted net assets are reclassified to unrestricted net assets.

Target Hunger uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Fixed Assets**

The Organization capitalized fixed assets exceeding \$1,000; lesser amounts are expensed. Donations of fixed assets are recorded as contributions at their estimated fair value and are recorded as unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain fixed assets are recorded as restricted contributions. Fixed assets are depreciated using the straight-line method, over the estimated useful lives ranging from three to eight years.

**Contributed Goods, Services and Facilities**

The Organization receives significant food donations, which are distributed to clients. These donations are received from The Houston Food Bank, corporations (generally, national grocery chains), and private donors. The Organization determines the value of the donation, based on an estimated value of \$1.66 per pound. This rate is a standardized value established by Feeding America, a national food pantry.

The Organization received approximately 55,000 volunteer hours during the years ended December 31, 2015 and 2014. These donated services included a variety of tasks that assist the Organization, most significantly in the food service programs. During the years ended December 31, 2015 and 2014, the Organization did not receive any donated volunteer services meeting the requirements to be recorded in the financial statements.

Target Hunger pantries are located in donated space at various churches and community centers in Harris County. The Organization recognizes these donations as revenue at an estimated fair market value based on commercial property rates in the same area. Contributed facilities for the years ended December 31, 2015 and 2014 were recorded at approximately \$35,000 for both periods.

Target Hunger, Inc.  
Notes to the Financial Statements (Continued)  
December 31, 2015 and 2014

**Note 1 – Significant Accounting Policies (Continued)**

**Income Taxes**

Target Hunger is exempt from federal income taxes on its related, exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Organization did not incur any tax liabilities due to unrelated business income for the years ended December 31, 2015 and 2014. Target Hunger files Form 990 tax returns under the U.S. federal jurisdiction and is subject to routine examinations of its tax returns; however, there are no examinations in process. The fiscal year 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service.

**Note 2 - Fair Value**

Certain assets are reported at fair value in the accompanying statements of financial position. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs consist of significant unobservable inputs and have the lowest priority.

The Organization's cash and cash equivalents balances, contributions receivable, and accounts payable and accrued liabilities are recorded at amounts that approximate fair value. The recorded values of these assets and liabilities approximate their fair values based on their short-term nature. These valuations are considered to be based on Level 1 inputs. The Organization receives significant non-cash contributions which flow through the statement of activities. A substantial portion of these contributions are recorded at fair values at an average per pound rate. This valuation is a level 2 input and is the basis for the inventory valuation.

**Note 3 – Unconditional Promise to Give**

The Organization receives awards from various corporations and foundations. All pledges are considered fully collectible and no allowance is deemed necessary. In 2012, the Organization received a pledge for \$180,000, payable in installments of \$100,000 and \$80,000 in the years 2013 and 2014, respectively.

**Note 4 – Fixed Assets**

The fixed assets at December 31, 2015 and 2014 consist of the following:

	2015	2014
Land	\$ 13,668	\$ 13,668
Computer and software	47,929	46,429
Automobiles	46,034	57,145
Office equipment	14,671	13,143
Furniture and fixtures	143,772	143,773
	266,074	274,158
Less: Accumulated depreciation	(189,070)	(161,022)
	\$ 77,004	\$ 113,136

Target Hunger, Inc.  
Notes to the Financial Statements (Continued)  
December 31, 2015 and 2014

**Note 4 – Fixed Assets (Continued)**

Depreciation expense for the years ended December 31, 2015 and 2014 was approximately \$39,160 and \$42,128, respectively. During 2015, the organization retired a fully depreciated vehicle with an original cost of approximately \$11,000.

**Note 5 – Restrictions on Net Assets**

The restrictions on net assets relate to timing of the contribution receipt of pledged or promised contributions and restrictions on the usage of the contributions. Temporarily restricted net assets are available for the following purposes or periods:

	2015	2014
Funds received:		
Fundraising event	\$ 60,100	\$ 88,358
Funds received, restricted in use	60,100	88,358
Funds pledged:		
UWTGC, for use in future period	92,802	92,802
Funds pledged, restricted in use	92,802	92,802
Temporarily restricted net assets	\$ 152,902	\$ 181,160

**Note 6 - Government Grants**

During 2015, the Organization received funds from National Federal Emergency Management Agency (NFEMA) as part of an emergency food and shelter program to provide food to needy clients in Harris County to support an additional food distribution program. Revenue is recognized when earned and expenses are recognized as incurred. Grant receipts and expenditures were approximately \$18,000 for the year ending December 31, 2015.

**Note 7 – Lease Commitments**

The Organization's headquarters are located in a building owned by HISD. The Organization leases a portion of this building from HISD. During 2012, the Organization entered into a new lease agreement with HISD. Under the terms of the new agreement, Target Hunger leases the space for \$1 and is responsible for utilities expenses and any facilities maintenance needed. The organization estimates this cost to be approximately \$5,000 per month.

Target Hunger leases office equipment under an operating lease agreement. The lease terminates in July 2016. Future minimum lease payments for the equipment lease total approximately \$2,500 in the 2016 fiscal year.

Target Hunger, Inc.  
Notes to the Financial Statements (Continued)  
December 31, 2015 and 2014

**Note 8 – Joint Costs and Allocation of Expenses**

For the year ended December 31, 2015 and 2014, Target Hunger allocates a portion of employee costs of staff members, who are primarily dedicated to fund development objectives, to the programs, to reflect the efforts provided to program activities. Salary and related expenses for the development director were allocated between fundraising, management and general, and programs at 85%, 12%, and 3%, respectively.

**Note 9 – Concentration of Support**

The Organization recorded approximately \$370,000 of UWGH funding allocations into income for the years ending December 31, 2015 and 2014, representing 42% and 36%, respectively, of revenues and other support (excluding in-kind contributions). These contributions represent 5% and 4% of total support for 2015 and 2014, respectively.

In-kind contributions represent 88% and 89%, respectively, of the Organization's total support, during 2015 and 2014. Donations from The Houston Food Bank represented over 98% of in-kind donations for both periods.

**Note 10 – Employee Benefits**

The Organization participates in a co-leasing employment agreement with a third party. Under this agreement, the Organization receives group health, life, long-term disability, flexible benefits and dental insurance programs. Welfare benefit plan contributions expensed for the years ended December 31, 2015 and 2014 were \$25,479 and \$35,825, respectively. The Organization also offers a defined contribution plan, with an employer match contribution. During 2015 and 2014, the employer contributions totaled approximately \$8,022 and \$7,100, respectively.

**Note 11 – Subsequent Event Review**

In preparing the financial statements, the Organization has evaluated the events and transactions for potential recognition or disclosure through July 27, 2016, the date that the financial statements were available to be issued.

## Supplemental Information

Schedule of Expenditures of Federal Awards  
Target Hunger  
For the Year Ended December 31, 2015

<b>Federal Grantor/Pass Through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Identifying Number</b>	<b>Federal Expenditure</b>
U.S. Department of Agriculture:			
Pass-through programs from:			
The Houston Food Bank			
The Emergency Food Assistance Program (TEFAP)	10.569		<u>926,095</u>
Total U.S. Department of Agriculture			<u>926,095</u>
U.S. Department of Homeland Security:			
Pass-through programs from:			
The United Way			
The Emergency Food and Shelter Program (EFSP)	97.024		<u>18,230</u>
Total U.S. Department of Homeland Security			<u>18,230</u>
Total Expenditures of Federal Awards			<u>\$ 944,325</u>

**Note 1 - Basis of Presentation**

The accompanying schedules of expenditures of federal awards include the federal grant activity of Target Hunger and are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Target Hunger, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Target Hunger, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 27, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Target Hunger's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Target Hunger's internal control. Accordingly, we do not express an opinion on the effectiveness of the Target Hunger's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Target Hunger's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ralph and Ralph, P.C.*

Houston, Texas  
July 27, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE

To the Board of Directors of  
Target Hunger, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Target Hunger's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Target Hunger's major federal programs for the year ended December 31, 2015. Target Hunger's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Target Hunger's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Target Hunger's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Target Hunger's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Target Hunger complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

### **Report on Internal Control over Compliance**

Management of Target Hunger is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Target Hunger's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Target Hunger's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Ralph and Ralph, P.C.*

Houston, Texas

July 27, 2016

Schedule of Findings and Questioned Costs  
Target Hunger  
For the Year Ended December 31, 2015

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? \_\_\_\_\_ yes  X  no  
Significant Deficiency identified? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

*Federal Awards*

Internal control over major programs:

Material weakness identified? \_\_\_\_\_ yes  X  no  
Significant Deficiency identified? \_\_\_\_\_ yes  X  no

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.569	The Emergency Food Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

*The accompanying notes are an integral part of these financial statements.*

Schedule of Findings and Questioned Costs  
Target Hunger  
For the Year Ended December 31, 2015

**Section II – Financial Statement Findings**

No matters reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters reported.

*The accompanying notes are an integral part of these financial statements.*

Summary Schedule of Prior Audit Findings  
Target Hunger  
For the Year Ended December 31, 2015

**U.S. Department of Agriculture (USDA)**

Passed through The Houston Food Bank

Program Names: The Emergency Food Assistance Program

CFDA#: 10.569

**Finding 2014 – 001**

Significant Deficiency

Special Tests and Provisions of Accountability for USDA Foods

**Description:** The USDA requires accurate and complete records must be maintained with respect to the receipt, distribution/use, and inventory of USDA foods (7 CFR section 250.16).

Target Hunger maintains detailed records of the food received from the Houston Food Bank, of the food stock verified in the physical count procedures at year end, and the total food distributed. USDA product is included in all three of these processes. Appropriate accounting procedures are in place to record in-kind food received, distributed and maintained in inventory at the fiscal year end; however, the information captured in these procedures do not specifically isolate USDA product.

**Corrective Action:** Audit finding was fully corrected.

*The accompanying notes are an integral part of these financial statements.*