

Target Hunger, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Target Hunger, Inc.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position as of December 31, 2021 and 2020	3
Statement of Activities for the year ended December 31, 2021	4
Statement of Activities for the year ended December 31, 2020	5
Statement of Functional Expenses for the year ended December 31, 2021	6
Statement of Functional Expenses for the year ended December 31, 2020	7
Statements of Cash Flows for the years ended December 31, 2021 and 2020	8
Notes to Financial Statements for the years ended December 31, 2021 and 2020	9

Independent Auditors' Report

To the Board of Directors of
Target Hunger, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Target Hunger, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Target Hunger, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Target Hunger, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Target Hunger, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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 and *Government 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 of Target Hunger, Inc.'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 Target Hunger, Inc.'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.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022 on our consideration of Target Hunger, Inc.'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 solely 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 the effectiveness of Target Hunger, Inc.'s 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, Inc.'s internal control over financial reporting and compliance.



May 26, 2022

Target Hunger, Inc.

Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,523,341	\$ 1,369,475
Contributions receivable (Note 3):		
Operating	473,442	141,507
Capital	402,000	
Prepaid assets	19,834	21,500
Food supplies	215,529	112,249
Cash restricted for capital improvements	133,050	
Property, net (Note 4)	<u>494,044</u>	<u>373,108</u>
TOTAL ASSETS	<u>\$ 3,261,240</u>	<u>\$ 2,017,839</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 58,876	\$ 63,655
Accrued salaries and benefits	50,869	30,697
Refundable advances – special events		70,200
Deferred revenue		<u>40,640</u>
Total liabilities	<u>109,745</u>	<u>205,192</u>
Commitments (Notes 5 and 8)		
Net assets:		
Without donor restrictions	1,878,504	1,347,176
With donor restrictions (Note 6)	<u>1,272,991</u>	<u>465,471</u>
Total net assets	<u>3,151,495</u>	<u>1,812,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,261,240</u>	<u>\$ 2,017,839</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Activities for the year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants (Note 8)		\$ 1,463,366	\$ 1,463,366
In-kind contributions (Note 7)	\$ 1,454,061		1,454,061
United Way	190,599	413,532	604,131
Other	1,060,551	907,209	1,967,760
Special events	269,436		269,436
Direct donor benefit costs of special events	(35,935)		(35,935)
Other income	<u>5,048</u>		<u>5,048</u>
Total revenue	2,943,760	2,784,107	5,727,867
Net assets released from restrictions:			
Capital additions	71,950	(71,950)	
Expiration of time restrictions	91,957	(91,957)	
Satisfaction of program restrictions	<u>1,812,680</u>	<u>(1,812,680)</u>	
Total	<u>4,920,347</u>	<u>807,520</u>	<u>5,727,867</u>
EXPENSES:			
Program services	3,895,055		3,895,055
Management and general	198,070		198,070
Fundraising	<u>295,894</u>		<u>295,894</u>
Total expenses	<u>4,389,019</u>		<u>4,389,019</u>
CHANGES IN NET ASSETS	531,328	807,520	1,338,848
Net assets, beginning of year	<u>1,347,176</u>	<u>465,471</u>	<u>1,812,647</u>
Net assets, end of year	<u>\$ 1,878,504</u>	<u>\$ 1,272,991</u>	<u>\$ 3,151,495</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants <i>(Note 8)</i>		\$ 2,404,023	\$ 2,404,023
In-kind contributions <i>(Note 7)</i>	\$ 2,082,400		2,082,400
United Way	231,519	71,385	302,904
Other	1,179,098	426,209	1,605,307
Special events	372,760		372,760
Direct donor benefit costs of special events	(58,892)		(58,892)
Other income	<u>2,005</u>		<u>2,005</u>
Total revenue	3,808,891	2,901,616	6,710,507
Net assets released from restrictions:			
Expiration of time restrictions	100,814	(100,814)	
Satisfaction of program restrictions	<u>2,770,898</u>	<u>(2,770,898)</u>	
Total	<u>6,680,603</u>	<u>29,904</u>	<u>6,710,507</u>
EXPENSES:			
Program services	5,292,962		5,292,962
Management and general	186,288		186,288
Fundraising	<u>237,430</u>		<u>237,430</u>
Total expenses	<u>5,716,680</u>		<u>5,716,680</u>
CHANGES IN NET ASSETS	963,923	29,904	993,827
Net assets, beginning of year	<u>383,253</u>	<u>435,567</u>	<u>818,820</u>
Net assets, end of year	<u>\$ 1,347,176</u>	<u>\$ 465,471</u>	<u>\$ 1,812,647</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Functional Expenses for the year ended December 31, 2021

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>			<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
	<u>FOOD SERVICES</u>	<u>COMMUNITY GARDENS</u>	<u>TOTAL</u>			
Direct assistance	\$ 2,852,448		\$ 2,852,448			\$ 2,852,448
Salaries and related expenses	658,437	\$ 70,455	728,892	\$ 112,949	\$ 164,206	1,006,047
Occupancy	125,379		125,379	4,730	3,241	133,350
Professional services				50,000	80,250	130,250
Depreciation	68,667	6,998	75,665			75,665
Insurance	33,150	3,547	36,697	5,687	8,267	50,651
Contract labor	3,195		3,195	6,968	17,500	27,663
Office expense and supplies	14,853	1,590	16,443	2,547	3,704	22,694
Printing and postage	2,819		2,819	5,307	12,067	20,193
Telephone and technology	10,403	1,113	11,516	1,785	2,594	15,895
Dues and subscriptions	11,075	182	11,257	2,042	2,457	15,756
Transportation	14,068		14,068			14,068
Garden supplies		10,675	10,675			10,675
Other	206	5,795	6,001	6,055	1,608	13,664
Total expenses	<u>\$ 3,794,700</u>	<u>\$ 100,355</u>	<u>\$ 3,895,055</u>	<u>\$ 198,070</u>	<u>\$ 295,894</u>	4,389,019
Direct donor benefit costs of special events						<u>35,935</u>
Total						<u>\$ 4,424,954</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Functional Expenses for the year ended December 31, 2020

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>			<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
	<u>FOOD SERVICES</u>	<u>COMMUNITY GARDENS</u>	<u>TOTAL</u>			
Direct assistance	\$ 4,322,750		\$ 4,322,750			\$ 4,322,750
Salaries and related expenses	598,971	\$ 64,503	663,474	\$ 94,020	\$ 155,363	912,857
Occupancy	135,686		135,686	5,056	3,464	144,206
Professional services				57,170	15,079	72,249
Depreciation	49,554		49,554	50	50	49,654
Insurance	25,726	2,729	28,455	3,898	6,626	38,979
Contract labor	1,289	533	1,822	2,681	28,590	33,093
Office expense and supplies	26,550	2,816	29,366	4,023	6,839	40,228
Printing and postage	398		398	4,395	12,532	17,325
Telephone and technology	13,592	1,442	15,034	2,059	3,501	20,594
Dues and subscriptions	19,107		19,107	3,185		22,292
Transportation	7,640		7,640	140	40	7,820
Garden supplies		15,241	15,241			15,241
Other		4,435	4,435	9,611	5,346	19,392
Total expenses	<u>\$ 5,201,263</u>	<u>\$ 91,699</u>	<u>\$ 5,292,962</u>	<u>\$ 186,288</u>	<u>\$ 237,430</u>	5,716,680
Direct donor benefit costs of special events						<u>58,892</u>
Total						<u>\$ 5,775,572</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,338,848	\$ 993,827
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	75,665	49,654
Contributions for capital improvements	(607,000)	
Changes in operating assets and liabilities:		
Contributions receivable	(331,935)	(35,265)
Prepaid assets	1,666	72
Food supplies	(103,280)	(9,887)
Accounts payable	(4,779)	(8,478)
Accrued salaries and benefits	20,172	(16,123)
Refundable advances – special events	(70,200)	(73,750)
Deferred revenue	<u>(40,640)</u>	<u>40,640</u>
Net cash provided by operating activities	<u>278,517</u>	<u>940,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(196,601)</u>	<u>(197,106)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions for capital improvements	<u>205,000</u>	
NET CHANGE IN CASH	286,916	743,584
Cash, beginning of year	<u>1,369,475</u>	<u>625,891</u>
Cash, end of year	<u>\$ 1,656,391</u>	<u>\$ 1,369,475</u>
<i>Reconciliation of cash:</i>		
Cash	\$ 1,523,341	
Cash restricted for capital improvements	<u>133,050</u>	
Total	<u>\$ 1,656,391</u>	

See accompanying notes to financial statements.

Target Hunger, Inc.

Notes to Financial Statements for the years ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Target Hunger, Inc. (Target Hunger) is a nonprofit corporation with a mission to alleviate hunger and its root causes in inner-city neighborhoods. Target Hunger 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. Target Hunger 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, The Houston Food Bank, and from private donors, including corporations and individuals.

Federal income tax status – Target Hunger is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash – At times, bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received.

An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and a donor-by-donor analysis of balances.

Food supplies consist primarily of canned and dried food, and household goods. Donated food is valued at the approximate average wholesale value of one pound of donated product based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey. Cost of products purchased is determined by the first-in, first-out method.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Property purchases over \$5,000 are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives of 2 to 5 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Target Hunger does not have a specific policy for establishing reserves. However, Target Hunger may designate excess cash flows for capital reserves, specific projects, or endowments, as deemed prudent.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before Target Hunger is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been substantially met. Funding received before conditions are met is reported as refundable advances. Approximately 19% of other contributions were from one donor in 2021 and 94% of other contributions were from one donor in 2020.

Contributed food supplies, use of facilities and services – Contributed food supplies and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The related expense is recognized as food is distributed or facilities are used, or the service is provided.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special events revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the statement of financial position as refundable advances. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and rent expenses are allocated based on usage of related facilities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for years beginning after June 15, 2021 and requires retrospective application. Target Hunger will adopt this ASU in fiscal year 2022.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to

assess the amount, timing and uncertainty of cash flows arising from leases. Target Hunger is required to adopt this ASU for fiscal year ending December 31, 2022, unless the FASB delays the adoption date. Management has evaluated the impact of the adoption of this standard and has determined the impact will be immaterial to the statement of financial position and statement of activities.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 1,656,391	\$ 1,369,475
Contributions receivable	<u>875,442</u>	<u>141,507</u>
Total financial assets	2,531,833	1,510,982
Less:		
Contributions receivable restricted for capital improvements	(402,000)	
Cash restricted for capital improvements	<u>(133,050)</u>	
Total financial assets available for general expenditure	<u>\$ 1,996,783</u>	<u>\$ 1,510,982</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Target Hunger considers all expenditures related to its ongoing activities of providing food services and community gardens programs, as well as the conduct of services undertaken to support those activities, to be general expenditures. Target Hunger regularly monitors liquidity required to meet its operating needs and other contractual commitments. Target Hunger expects to fund general expenditures in excess of financial assets available to meet cash needs with future contributions. It is management’s goal to retain three to six months of estimated operating expenditures in cash. Target Hunger also has a line of credit of \$100,000, all of which could be drawn upon to meet unanticipated liquidity needs.

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. To mitigate the financial impact of COVID-19, Target Hunger received a \$121,200 Paycheck Protection Program (PPP) loan through the Small Business Administration in April 2020. PPP loan principal and interest may be forgiven, in whole or in part, if Target Hunger meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. In December 2020, Target Hunger was notified that the PPP loan had been forgiven and recognized it as a government grant contribution.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
United Way	\$ 413,532	\$ 71,384
Capital contributions receivable	402,000	
Contributions receivable – other	59,910	20,573
Government grants receivable	<u> </u>	<u>49,550</u>
Total contributions receivable	<u>\$ 875,442</u>	<u>\$ 141,507</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

2022	\$ 633,042
2023	132,600
2024	42,600
2025	36,600
2026	<u>30,600</u>
Total contributions receivable	<u>\$ 875,442</u>

At December 31, 2021, contributions receivable from two donors totaled approximately 64% of total contributions receivable. In fiscal year 2021, Target Hunger received a conditional contribution from the United Way for \$350,000 for fiscal year 2023 and \$350,000 for fiscal year 2024. Payment is conditional on the available funds raised from the annual United Way Community Campaign.

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</u>
Mobile pantry and warehouse equipment	\$ 273,579	\$ 213,946
Vehicles	176,436	157,787
Leasehold improvements	151,901	18,489
Furniture and fixtures	135,185	143,772
Garden	104,976	95,156
Land	13,668	13,668
Computers		47,929
Construction in progress	<u> </u>	<u>24,913</u>
Total property, at cost	855,745	715,660
Accumulated depreciation	<u>(361,701)</u>	<u>(342,552)</u>
Property, net	<u>\$ 494,044</u>	<u>\$ 373,108</u>

NOTE 5 – LINE OF CREDIT

During 2020, Target Hunger entered into a \$100,000 line of credit agreement with a bank that bears interest at prime rate plus 0.75% and matures on November 17, 2022. There is no outstanding balance at December 31, 2021.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Capital	\$ 535,050	
Food assistance	150,000	\$ 141,158
Youth assistance	112,000	
Client services and navigation	109,500	
Garden	8,750	44,644
Mobile food pantry		114,900
Vehicle		65,000
Other	<u>5,000</u>	<u>7,812</u>
Total subject to expenditure for specified purpose	920,300	373,514
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>352,691</u>	<u>91,957</u>
Total net assets with donor restrictions	<u>\$ 1,272,991</u>	<u>\$ 465,471</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

Target Hunger recognized the following in-kind contributions and program expenses:

	<u>2021</u>	<u>2020</u>
Food	\$ 1,451,061	\$ 2,077,525
Facilities	<u>3,000</u>	<u>4,875</u>
Total in-kind contributions – non-federal	1,454,061	2,082,400
Federal food commodities	<u>1,220,852</u>	<u>2,101,100</u>
Total in-kind contributions	<u>\$ 2,674,913</u>	<u>\$ 4,183,500</u>

A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration, and fundraising for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles. During 2021 and 2020, Target Hunger volunteers contributed approximately 8,200 hours and 5,900 hours, respectively, in connection with programs, which is not recognized in the financial statements.

NOTE 8 – CONCENTRATION

Target Hunger is a party to contracts with federal and local agencies. Should these contracts not be renewed, a replacement for this support may not be forthcoming and related expenses would not be incurred. Sources of significant government grants recognized include the following:

	<u>2021</u>	<u>2020</u>
Department of Agriculture – commodities	\$ 714,771	\$ 1,732,505
Department of Homeland Security – commodities	506,081	368,595
Department of Homeland Security – cash	242,514	181,723
Small Business Administration	<u> </u>	<u>121,200</u>
Total	<u>\$ 1,463,366</u>	<u>\$ 2,404,023</u>

A substantial portion of Target Hunger’s in-kind contributions of food are government grants from the U. S. Department of Agriculture (USDA) and Federal Emergency Management Agency (FEMA) received through an agreement with The Houston Food Bank. The value of the food is based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey and the invoiced weight provided by The Houston Food Bank. In 2021, Target Hunger recognized \$714,771 of in-kind food commodity awards from the USDA based on the receipt of 399,313 pounds of food and \$506,081 of in-kind food commodity awards from FEMA based on the receipt of 282,727 pounds of food at \$1.79 per pound. In 2020, Target Hunger recognized \$1,732,505 of in-kind food commodity awards from the USDA based on the receipt of 995,693 pounds of food and \$368,595 of in-kind food commodity awards from FEMA based on the receipt of 211,836 pounds of food at \$1.74 per pound.

Government grants require fulfillment of certain conditions as set forth in the agreements and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Target Hunger with the terms of the agreements. Management believes such disallowances, if any, would not be material to Target Hunger’s financial position or changes in net assets.

NOTE 9 – EMPLOYEE BENEFIT PLAN

Target Hunger offers a \$401(k) defined contribution retirement plan (the Plan). Target Hunger contributes 3% of employees’ eligible compensation. Target Hunger contributed approximately \$15,800 and \$15,300 to the Plan during 2021 and 2020, respectively.

NOTE 10 – SUBSEQUENT EVENTS

In February 2022, Target Hunger exercised its option to extend its lease term for two years commencing May 1, 2022 and expiring April 30, 2024 for annual rent of \$95,000. Additionally, Target Hunger exercised its option to purchase the building for \$1.7 million on or before April 30, 2024.

Management has evaluated subsequent events through May 26, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.