

Target Hunger, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

Target Hunger, Inc.

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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, 2022 and 2021, 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, 2022 and 2021, 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.

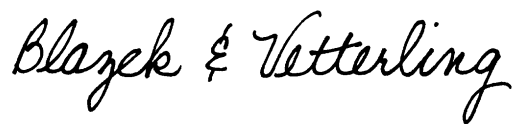
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 24, 2023 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.

A handwritten signature in black ink that reads "Blazek & Vetterling". The script is cursive and fluid, with the ampersand clearly visible.

May 24, 2023

Target Hunger, Inc.

Statements of Financial Position as of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 1,627,758	\$ 1,523,341
Contributions receivable (Note 4):		
Operating	203,459	473,442
Capital	454,736	402,000
Prepaid assets	22,152	19,834
Food supplies	184,585	215,529
Cash restricted for capital	1,486,814	133,050
Property, net (Note 5)	<u>409,153</u>	<u>494,044</u>
TOTAL ASSETS	<u>\$ 4,388,657</u>	<u>\$ 3,261,240</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 199,365	\$ 58,876
Accrued salaries and benefits	35,934	50,869
Refundable advances – special events	15,000	
Deferred revenue	<u>151,259</u>	
Total liabilities	<u>401,558</u>	<u>109,745</u>
Commitments and contingencies (Notes 6, 9 and 11)		
Net assets:		
Without donor restrictions	1,480,889	1,878,504
With donor restrictions (Note 7)	<u>2,506,210</u>	<u>1,272,991</u>
Total net assets	<u>3,987,099</u>	<u>3,151,495</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,388,657</u>	<u>\$ 3,261,240</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Activities for the year ended December 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government grants:			
Nonfinancial assets <i>(Note 8)</i>		\$ 557,581	\$ 557,581
Cash and other financial assets		619,136	619,136
Nonfinancial assets <i>(Note 8)</i>	\$ 1,202,543		1,202,543
Cash and other financial assets	524,823	2,146,547	2,671,370
Special events:			
Cash and other financial assets	331,458		331,458
Nonfinancial assets <i>(Note 8)</i>	39,526		39,526
Direct donor benefit costs of special events	(70,481)		(70,481)
Other income	8,476		8,476
Total revenue	2,036,345	3,323,264	5,359,609
Net assets released from restrictions:			
Satisfaction of capital restrictions	150,000	(150,000)	
Expiration of time restrictions	296,442	(296,442)	
Satisfaction of program restrictions	1,643,603	(1,643,603)	
Total	4,126,390	1,233,219	5,359,609
EXPENSES:			
Program services	3,872,435		3,872,435
Management and general	237,636		237,636
Fundraising	413,934		413,934
Total expenses	4,524,005		4,524,005
CHANGES IN NET ASSETS	(397,615)	1,233,219	835,604
Net assets, beginning of year	1,878,504	1,272,991	3,151,495
Net assets, end of year	\$ 1,480,889	\$ 2,506,210	\$ 3,987,099

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:			
Nonfinancial assets <i>(Note 8)</i>		\$ 1,220,852	\$ 1,220,852
Cash and other financial assets		242,514	242,514
Nonfinancial assets <i>(Note 8)</i>	\$ 1,454,061		1,454,061
United Way	190,599	413,532	604,131
Cash and other financial assets	1,060,551	907,209	1,967,760
Special events:			
Cash and other financial assets	243,116		243,116
Nonfinancial assets <i>(Note 8)</i>	26,320		26,320
Direct donor benefit costs of special events	(35,935)		(35,935)
Other income	<u>5,048</u>	<u></u>	<u>5,048</u>
Total revenue	2,943,760	2,784,107	5,727,867
Net assets released from restrictions:			
Satisfaction of capital restrictions	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>	<u></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 Functional Expenses for the year ended December 31, 2022

<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	\$ 2,557,343		\$ 2,557,343			\$ 2,557,343
Salaries and related expenses	825,326	\$ 80,331	905,657	\$ 123,850	\$ 191,835	1,221,342
Professional services				60,875	150,000	210,875
Occupancy	163,886		163,886	4,881	3,345	172,112
Depreciation	80,628	6,998	87,626			87,626
Contract labor	19,312		19,312	11,251	30,000	60,563
Insurance	38,265	3,998	42,263	5,711	9,138	57,112
Office expense and supplies	19,712	2,059	21,771	2,942	14,499	39,212
Transportation	30,826		30,826	123		30,949
Dues and subscriptions	10,763		10,763	5,409	6,419	22,591
Printing and postage	5,073		5,073	6,409	5,689	17,171
Telephone and technology	10,884	1,137	12,021	1,625	2,599	16,245
Garden supplies		10,222	10,222			10,222
Other	<u>1,752</u>	<u>3,920</u>	<u>5,672</u>	<u>14,560</u>	<u>410</u>	<u>20,642</u>
Total expenses	<u>\$ 3,763,770</u>	<u>\$ 108,665</u>	<u>\$ 3,872,435</u>	<u>\$ 237,636</u>	<u>\$ 413,934</u>	4,524,005
Direct donor benefit costs of special events						<u>70,481</u>
Total						<u>\$ 4,594,486</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
Professional services				50,000	80,250	130,250
Occupancy	125,379		125,379	4,730	3,241	133,350
Depreciation	68,667	6,998	75,665			75,665
Contract labor	3,195		3,195	6,968	17,500	27,663
Insurance	33,150	3,547	36,697	5,687	8,267	50,651
Office expense and supplies	14,853	1,590	16,443	2,547	3,704	22,694
Transportation	14,068		14,068			14,068
Dues and subscriptions	11,075	182	11,257	2,042	2,457	15,756
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
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.

Statements of Cash Flows for the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 835,604	\$ 1,338,848
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	87,626	75,665
Contributions for capital	(1,556,500)	(607,000)
Changes in operating assets and liabilities:		
Contributions receivable	269,983	(331,935)
Prepaid assets	(2,318)	1,666
Food supplies	30,944	(103,280)
Accounts payable	140,489	(4,779)
Accrued salaries and benefits	(14,935)	20,172
Refundable advances – special events	15,000	(70,200)
Deferred revenue	<u>151,259</u>	<u>(40,640)</u>
Net cash provided (used) by operating activities	<u>(42,848)</u>	<u>278,517</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(2,735)</u>	<u>(196,601)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions for capital	<u>1,503,764</u>	<u>205,000</u>
NET CHANGE IN CASH	1,458,181	286,916
Cash, beginning of year	<u>1,656,391</u>	<u>1,369,475</u>
Cash, end of year	<u>\$ 3,114,572</u>	<u>\$ 1,656,391</u>
<i>Reconciliation of cash:</i>		
Cash	\$ 1,627,758	\$ 1,523,341
Cash restricted for capital	<u>1,486,814</u>	<u>133,050</u>
Total	<u>\$ 3,114,572</u>	<u>\$ 1,656,391</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Notes to Financial Statements for the years ended December 31, 2022 and 2021

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. Amortization of discounts is included in contribution revenue.

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 additions over \$5,000 are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives of 5 to 20 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, the Board of Directors of 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 and deferred revenue. Approximately 44% of cash and other financial assets excluding government grants were from five donors in 2022 and 19% were from one donor in 2021.

Contributed nonfinancial assets – 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.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE

Effective January 1, 2022, Target Hunger adopted the Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires 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 requires disclosure about the measurement and use of types of contributed nonfinancial assets. This ASU has been applied on a full retrospective basis to the financial statements for the year ended December 31, 2021 and had no impact on previously presented changes in net assets, but resulted in additional disclosures.

NOTE 3 – 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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 3,114,572	\$ 1,656,391
Contributions receivable	<u>658,195</u>	<u>875,442</u>
Total financial assets	3,772,767	2,531,833
Less:		
Contributions receivable restricted for capital	(454,736)	(402,000)
Cash restricted for capital	(1,486,814)	(133,050)
Donor-restricted assets for use in future periods	<u>(43,750)</u>	<u> </u>
Total financial assets available for general expenditure	<u>\$ 1,787,467</u>	<u>\$ 1,996,783</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 \$300,000, all of which could be drawn upon to meet unanticipated liquidity needs.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Capital contributions receivable	\$ 454,736	\$ 402,000
Contributions receivable – other	115,962	59,910
United Way	<u>87,497</u>	<u>413,532</u>
Total contributions receivable	<u>\$ 658,195</u>	<u>\$ 875,442</u>

Contributions receivable at December 31, 2022 are expected to be collected as follows:

2023	\$ 419,424
2024	189,271
2025	30,500
2026	<u>19,000</u>
Total contributions receivable	<u>\$ 658,195</u>

At December 31, 2022, contributions receivable from three donors totaled approximately 59% of total contributions receivable. At December 31, 2021, contributions receivable from two donors totaled approximately 64% of total contributions receivable.

At December 31, 2022, Target Hunger has approximately \$151,000 of conditional contributions from a government agency, which have not been recognized in the accompanying financial statements because the conditions have not been met. Target Hunger will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

At December 31, 2022, Target Hunger has 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 5 – PROPERTY

Property consists of the following:

	<u>2022</u>	<u>2021</u>
Mobile pantry and warehouse equipment	\$ 276,314	\$ 273,579
Vehicles	176,436	176,436
Leasehold improvements	151,901	151,901
Furniture and fixtures	135,185	135,185
Garden	104,976	104,976
Land	<u>13,668</u>	<u>13,668</u>
Total property, at cost	858,480	855,745
Accumulated depreciation	<u>(449,327)</u>	<u>(361,701)</u>
Property, net	<u>\$ 409,153</u>	<u>\$ 494,044</u>

NOTE 6 – LINE OF CREDIT

Target Hunger has a \$300,000 line of credit agreement with a bank that bears interest at prime with minimum rate of 3.5% and matures on July 17, 2023. There is no outstanding balance at December 31, 2022 and 2021.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Capital	\$ 1,941,550	\$ 535,050
Food assistance	163,953	150,000
Youth assistance	115,000	112,000
Client services and navigation	48,334	109,500
Warehouse equipment	46,100	
Garden	7,500	8,750
Other	<u>7,395</u>	<u>5,000</u>
Total subject to expenditure for specified purpose	2,329,832	920,300
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>176,378</u>	<u>352,691</u>
Total net assets with donor restrictions	<u>\$ 2,506,210</u>	<u>\$ 1,272,991</u>

NOTE 8 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets and associated expenditures were recognized as follows:

<u>CONTRIBUTED NONFINANCIAL ASSETS</u>	<u>UTILIZED IN PROGRAMS/ACTIVITIES</u>	<u>DONOR RESTRICTIONS</u>	<u>VALUATION TECHNIQUES AND INPUTS</u>	<u>2022 REVENUE RECOGNIZED</u>	<u>2021 REVENUE RECOGNIZED</u>
Food (non-government funded)	Program activities	None	Fair value based on average price per pound estimated by most recent Feeding America Product Valuation Survey.	\$ 1,190,618	\$ 1,451,061
Food (government funded)	Program activities	Distribution to eligible households	Fair value based on average price per pound estimated by most recent Feeding America Product Valuation Survey.	557,581	1,220,852
Auction items	Monetized	None	Proceeds from auction.	39,526	26,320
Facilities	Program activities	None	Fair value estimated using recent comparable rental rates for area.	<u>11,925</u>	<u>3,000</u>
Total contributed nonfinancial assets				<u>\$ 1,799,650</u>	<u>\$ 2,701,233</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 2022 and 2021, Target Hunger volunteers contributed approximately 6,700 hours and 8,200 hours, respectively, in connection with programs, which is not recognized in the financial statements.

NOTE 9 – 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>2022</u>	<u>2021</u>
U. S. Department of Homeland Security – cash	\$ 619,136	\$ 242,514
U. S. Department of Agriculture – commodities	481,317	714,771
U. S. Department of Homeland Security – commodities	<u>76,264</u>	<u>506,081</u>
Total	<u>\$ 1,176,717</u>	<u>\$ 1,463,366</u>

A substantial portion of Target Hunger's contributions of food commodities 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 2022, Target Hunger recognized \$481,317 of nonfinancial food commodity awards from the USDA based on the receipt of 250,686 pounds of food and \$76,264 of nonfinancial food commodity awards from FEMA based on the receipt of 39,721 pounds of food at \$1.92 per pound. In 2021, Target Hunger recognized \$714,771 of nonfinancial food commodity awards from the USDA based on the receipt of 399,313 pounds of food and \$506,081 of nonfinancial food commodity awards from FEMA based on the receipt of 282,727 pounds of food at \$1.79 per pound.

NOTE 10 – 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 \$22,400 and \$15,800 to the Plan during 2022 and 2021, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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. Target Hunger plans to complete the purchase in 2023.

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 12 – SUBSEQUENT EVENTS

In March 2023, Target Hunger was awarded a Community Project Funding (CPF) grant of \$4 million from the U. S. Department of Housing and Urban Development for the campus and education center project. Final terms of the award will be specified upon successful execution of the fiscal year 2023 CPF Grant Agreement.

Management has evaluated subsequent events through May 24, 2023, 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.