

Target Hunger, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2025 and 2024

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, 2025 and 2024, 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, 2025 and 2024, 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.

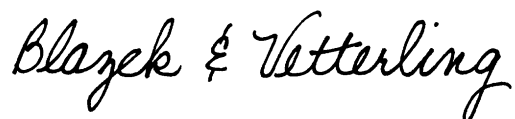
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 June 9, 2026 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.



June 9, 2026

Target Hunger, Inc.

Statements of Financial Position as of December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 1,792,321	\$ 404,106
Operating contributions receivable <i>(Note 4)</i>	440,978	544,374
Prepaid assets	68,830	83,914
Food supplies	200,003	266,769
Cash and cash equivalents restricted for capital <i>(Note 3)</i>	3,347,613	2,803,080
Capital contributions receivable, net <i>(Note 4)</i>	646,966	209,350
Certificates of deposit – non-negotiable	897,426	1,555,534
Property, net <i>(Note 5)</i>	<u>6,580,765</u>	<u>2,246,473</u>
TOTAL ASSETS	<u>\$ 13,974,902</u>	<u>\$ 8,113,600</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 41,214	\$ 42,966
Accrued salaries and benefits	78,992	72,928
Construction payable	<u>1,067,919</u>	<u> </u>
Total liabilities	<u>1,188,125</u>	<u>115,894</u>
Commitments <i>(Note 5)</i>		
Net assets:		
Without donor restrictions	4,322,937	3,904,832
With donor restrictions <i>(Note 7)</i>	<u>8,463,840</u>	<u>4,092,874</u>
Total net assets	<u>12,786,777</u>	<u>7,997,706</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,974,902</u>	<u>\$ 8,113,600</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Activities for the year ended December 31, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 964,015	\$ 3,731,204	\$ 4,695,219
Nonfinancial assets (Note 8)	2,609,402		2,609,402
Government grants (Note 9):			
Nonfinancial assets (Note 8)		596,213	596,213
Cash and other financial assets		2,264,462	2,264,462
Special events:			
Cash and other financial assets	479,045		479,045
Nonfinancial assets (Note 8)	89,135		89,135
Direct donor benefit costs of special events	(113,550)		(113,550)
Loss on valuation of contributions receivables		(85,000)	(85,000)
Interest and other income	<u>146,598</u>		<u>146,598</u>
Total revenue	4,174,645	6,506,879	10,681,524
Net assets released from restrictions:			
Expiration of time restrictions	292,500	(292,500)	
Satisfaction of program restrictions	<u>1,843,413</u>	<u>(1,843,413)</u>	
Total	<u>6,310,558</u>	<u>4,370,966</u>	<u>10,681,524</u>
EXPENSES:			
Program services	5,097,572		5,097,572
Management and general	325,201		325,201
Fundraising	<u>469,680</u>		<u>469,680</u>
Total expenses	<u>5,892,453</u>		<u>5,892,453</u>
CHANGES IN NET ASSETS	418,105	4,370,966	4,789,071
Net assets, beginning of year	<u>3,904,832</u>	<u>4,092,874</u>	<u>7,997,706</u>
Net assets, end of year	<u>\$ 4,322,937</u>	<u>\$ 8,463,840</u>	<u>\$ 12,786,777</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Activities for the year ended December 31, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Cash and other financial assets	\$ 623,235	\$ 2,447,017	\$ 3,070,252
Nonfinancial assets (Note 8)	2,240,169		2,240,169
Government grants (Note 9):			
Nonfinancial assets (Note 8)		956,976	956,976
Cash and other financial assets		2,273,403	2,273,403
Special events:			
Cash and other financial assets	443,247		443,247
Nonfinancial assets (Note 8)	62,015		62,015
Direct donor benefit costs of special events	(96,495)		(96,495)
Interest and other income	<u>87,248</u>		<u>87,248</u>
Total revenue	3,359,419	5,677,396	9,036,815
Net assets released from restrictions:			
Satisfaction of capital restrictions	248,229	(248,229)	
Expiration of time restrictions	300,000	(300,000)	
Satisfaction of program restrictions	<u>2,007,204</u>	<u>(2,007,204)</u>	
Total	<u>5,914,852</u>	<u>3,121,963</u>	<u>9,036,815</u>
EXPENSES:			
Program services	5,046,625		5,046,625
Management and general	300,271		300,271
Fundraising	<u>402,650</u>		<u>402,650</u>
Total expenses	<u>5,749,546</u>		<u>5,749,546</u>
CHANGES IN NET ASSETS	165,306	3,121,963	3,287,269
Net assets, beginning of year	<u>3,739,526</u>	<u>970,911</u>	<u>4,710,437</u>
Net assets, end of year	<u>\$ 3,904,832</u>	<u>\$ 4,092,874</u>	<u>\$ 7,997,706</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Functional Expenses for the year ended December 31, 2025

EXPENSES	PROGRAM SERVICES			TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	FOOD SERVICES	NAVIGATION SERVICES	COMMUNITY GARDENS				
Direct assistance	\$ 2,938,293	\$ 32,941		\$ 2,971,234			\$ 2,971,234
Salaries and related expenses	850,745	310,287	\$ 107,925	1,268,957	\$ 155,060	\$ 345,716	1,769,733
Occupancy	462,764	11,598		474,362	2,132	1,953	478,447
Professional services	22,897	3,418		26,315	108,434	74,308	209,057
Depreciation	130,106			130,106	5,074	4,648	139,828
Insurance	44,054	16,067	5,589	65,710	8,029	17,902	91,641
Contract labor	61,983			61,983			61,983
Transportation	32,835			32,835			32,835
Dues and subscriptions	17,742			17,742	7,602		25,344
Office expense and supplies	11,984	4,370	1,520	17,874	2,184	4,869	24,927
Communications and technology	9,998	3,646	1,268	14,912	1,822	4,062	20,796
Printing and postage					2,494	14,045	16,539
Garden supplies			8,444	8,444			8,444
Other	816		6,282	7,098	32,370	2,177	41,645
Total expenses	<u>\$ 4,584,217</u>	<u>\$ 382,327</u>	<u>\$ 131,028</u>	<u>\$ 5,097,572</u>	<u>\$ 325,201</u>	<u>\$ 469,680</u>	5,892,453
Direct donor benefit costs of special events							<u>113,550</u>
Total							<u>\$ 6,006,003</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Functional Expenses for the year ended December 31, 2024

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>			<u>TOTAL</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
	<u>FOOD SERVICES</u>	<u>NAVIGATION SERVICES</u>	<u>COMMUNITY GARDENS</u>				
Direct assistance	\$ 3,311,613			\$ 3,311,613			\$ 3,311,613
Salaries and related expenses	919,743	\$ 229,922	\$ 102,167	1,251,832	\$ 149,242	\$ 268,296	1,669,370
Occupancy	144,640	8,000		152,640	1,801	1,650	156,091
Professional services	14,768			14,768	75,551	52,028	142,347
Depreciation	118,525		6,998	125,523	582	533	126,638
Insurance	42,687	10,866	4,657	58,210	6,985	12,418	77,613
Contract labor	39,130			39,130	21,903	30,000	91,033
Transportation	20,359		3,089	23,448	10		23,458
Dues and subscriptions	18,492	260		18,752	4,247	9,101	32,100
Office expense and supplies	14,395	3,664	1,570	19,629	2,355	4,188	26,172
Communications and technology	10,145	2,582	1,107	13,834	1,660	2,951	18,445
Printing and postage						11,746	11,746
Garden supplies			16,366	16,366			16,366
Other	707	7	166	880	35,935	9,739	46,554
Total expenses	<u>\$ 4,655,204</u>	<u>\$ 255,301</u>	<u>\$ 136,120</u>	<u>\$ 5,046,625</u>	<u>\$ 300,271</u>	<u>\$ 402,650</u>	5,749,546
Direct donor benefit costs of special events							<u>96,495</u>
Total							<u>\$ 5,846,041</u>

See accompanying notes to financial statements.

Target Hunger, Inc.

Statements of Cash Flows for the years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 4,789,071	\$ 3,287,269
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	139,828	126,638
Contributions for capital	(4,697,737)	(2,779,704)
Changes in operating assets and liabilities:		
Contributions receivable	103,396	(301,253)
Prepaid assets	15,084	(68,030)
Food supplies	66,766	(59,108)
Accounts payable	(1,752)	(12,861)
Accrued salaries and benefits	6,064	9,113
Loss on valuation of contributions receivable	85,000	
Refundable advances – special events		(20,000)
Refundable advances	<u> </u>	<u>(17,042)</u>
Net cash provided by operating activities	<u>505,720</u>	<u>165,022</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(3,406,201)	(184,220)
Proceeds from certificates of deposit	1,555,534	
Purchases of certificates of deposit	<u>(897,426)</u>	<u>(1,555,534)</u>
Net cash used by investing activities	<u>(2,748,093)</u>	<u>(1,739,754)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions for capital	4,175,121	2,908,576
Principal payments on notes payable	<u> </u>	<u>(250,000)</u>
Net cash provided by financing activities	<u>4,175,121</u>	<u>2,658,576</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,932,748	1,083,844
Cash and cash equivalents, beginning of year	<u>3,207,186</u>	<u>2,123,342</u>
Cash and cash equivalents, end of year	<u>\$ 5,139,934</u>	<u>\$ 3,207,186</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Cash and cash equivalents	\$ 1,792,321	\$ 404,106
Cash and cash equivalents restricted for capital	<u>3,347,613</u>	<u>2,803,080</u>
Total cash and cash equivalents	<u>\$ 5,139,934</u>	<u>\$ 3,207,186</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid during the year		\$2,036

See accompanying notes to financial statements.

Target Hunger, Inc.

Notes to Financial Statements for the years ended December 31, 2025 and 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Target Hunger, Inc. (Target Hunger) is a nonprofit organization whose mission is to alleviate hunger and its root causes in the Northeast and East Houston neighborhoods. 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, foundations, and individuals. Target Hunger provides services in the following programs:

- *Food Services* – Target Hunger serves children, families, and seniors. Monthly supplemental food assistance is provided through choice food pantries, a mobile shopping trailer, distributions through community partner and senior sites, and home delivery. Target Hunger also hosts Food Fairs twice a week which provide much needed fresh produce to anyone in need. Additional programs include emergency food services, and youth summer breakfast and lunch programs.
- *Navigation Services* staff are a dedicated team of bilingual Texas-State Certified Community Health Workers who connect clients to vital community resources to address the root causes of hunger and help clients thrive.
- *Community Gardens* – Target Hunger operates two community gardens. The vision is to have space that provides community members with the opportunity to find out where their food comes from, how to grow it, and how to turn it into healthy and affordable meals.

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 equivalents include highly liquid investments with original maturities of three months or less.

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.

Certificates of deposit – non-negotiable are reported at costs and represent certificates of deposit with maturity dates greater than three months at issuance. Net investment return consists of interest net of external and direct internal investment expenses.

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 the estimated useful lives of 4 to 39 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.

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. As of December 31, 2025, approximately 42% of total contributions were from four donors.

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, 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 – 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>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 5,139,934	\$ 3,207,186
Contributions receivable	<u>1,087,944</u>	<u>753,724</u>
Total financial assets	6,227,878	3,960,910
Less:		
Capital contributions receivable, net	(646,966)	(209,350)
Cash restricted for capital	(3,347,613)	(2,803,080)
Donor-restricted assets for use in future periods	<u> </u>	<u>(89,750)</u>
Total financial assets available for general expenditure	<u>\$ 2,233,299</u>	<u>\$ 858,730</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 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	<u>2025</u>	<u>2024</u>
Demand deposits	\$ 5,139,934	\$ 1,892,029
Certificates of deposit – non-negotiable	<u> </u>	<u>1,315,157</u>
Total cash and cash equivalents	<u>\$ 5,139,934</u>	<u>\$ 3,207,186</u>

Demand deposits exceed the federally insured limit per depositor per institution.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2025</u>	<u>2024</u>
Capital contributions receivable	\$ 681,800	\$ 209,350
Contributions receivable – other	351,230	94,126
United Way of Greater Houston	<u>89,748</u>	<u>450,248</u>
Total contributions receivable	1,122,778	753,724
Discount on contributions receivable, 3.83%	<u>(34,834)</u>	<u> </u>
Contributions receivable, net	<u>\$ 1,087,944</u>	<u>\$ 753,724</u>

Contributions receivable at December 31, 2025 are expected to be collected as follows:

2026	\$ 625,778
2027	177,000
2028	170,000
2029	<u>150,000</u>
Total contributions receivable	<u>\$ 1,122,778</u>

At December 31, 2025, approximately 76% of contributions receivable are from two donors.

At December 31, 2025, Target Hunger had approximately \$216,000 of conditional contributions from government agencies. Target Hunger will recognize contributions as qualifying grant expenditures are incurred and/or performance requirements are met.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,088,668	\$ 1,088,668
Building and building improvements	707,170	791,139
Mobile pantry and warehouse equipment	243,421	318,378
Vehicles	271,995	283,693
Furniture and fixtures	126,850	135,185
Garden	104,976	104,976
Construction in progress	<u>4,632,267</u>	<u>169,982</u>
Total property, at cost	7,175,347	2,892,021
Accumulated depreciation	<u>(594,582)</u>	<u>(645,548)</u>
Property, net	<u>\$ 6,580,765</u>	<u>\$ 2,246,473</u>

Construction contracts commitments

In conjunction with the Rooting for the Future Capital Campaign, Target Hunger has signed agreements with a general contractor. Unpaid commitments under these agreements total approximately \$1 million at December 31, 2025.

NOTE 6 – NOTES PAYABLE

Target Hunger has a \$300,000 line of credit agreement for operations with a bank that bears interest at prime plus a margin of 0.75% with a minimum rate of 3.5% (7.5% at December 31, 2025) and matures on July 17, 2027. There is no outstanding balance at December 31, 2025 or 2024.

On July 10, 2025, Target Hunger entered into a \$2.5 million construction loan agreement, collateralized by real property, with a bank that bears interest at prime less a margin of 0.75% (6.0% at December 31, 2025) and loan matures on July 10, 2034. There is no outstanding balance at December 31, 2025.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Capital	\$ 7,558,927	\$ 3,012,430
Youth assistance	150,000	100,000
Client services and navigation	147,666	260,333
Senior assistance	128,340	50,000
Food assistance	123,785	272,489
Other	<u>1,372</u>	<u>1,372</u>
Total subject to expenditure for specified purpose	8,110,090	3,696,624
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	<u>353,750</u>	<u>396,250</u>
Total net assets with donor restrictions	<u>\$ 8,463,840</u>	<u>\$ 4,092,874</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>2025 REVENUE RECOGNIZED</u>	<u>2024 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.	\$ 2,203,224	\$ 2,194,654
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.	596,213	956,976
Facilities	Program activities	None	Fair value estimated using recent comparable rental rates for area.	388,922	45,515
Auction items	Monetized	None	Proceeds from auction.	89,135	62,015
Professional services	Administrative	None	Fair value estimated from similar service rates.	<u>17,256</u>	<u> </u>
Total contributed nonfinancial assets				<u>\$ 3,294,750</u>	<u>\$ 3,259,160</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 2025 and 2024, Target Hunger volunteers contributed approximately 7,600 hours and 6,900 hours, respectively, in connection with programs, which is not recognized in the financial statements.

NOTE 9 – GOVERNMENT GRANTS

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>2025</u>	<u>2024</u>
U. S. Department of Housing and Urban Development – cash	\$ 2,054,563	\$ 1,945,437
U. S. Department of Agriculture – commodities	596,213	956,976
Department of Treasury – cash	86,143	194,465
U. S. Department of Homeland Security – cash	<u>123,756</u>	<u>133,501</u>
Total	<u>\$ 2,860,675</u>	<u>\$ 3,230,379</u>

A 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 2025, Target Hunger recognized \$596,213 of nonfinancial food commodity awards from the USDA based on the receipt of 313,797 pounds of food at \$1.90 per pound. In 2024, Target Hunger recognized \$956,976 of nonfinancial food commodity awards from the USDA based on the receipt of 485,755 pounds of food at \$1.97 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 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 9, 2026, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.