

Target Hunger, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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.

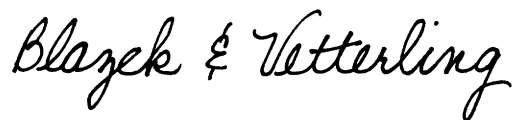
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 July 19, 2024 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.



July 19, 2024

Target Hunger, Inc.

Statements of Financial Position as of December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-------------------------|-----------------------------|
| ASSETS | | |
| Cash and cash equivalents <i>(Note 3)</i> | \$ 1,735,609 | \$ 1,627,758 |
| Operating contributions receivable <i>(Note 4)</i> | 243,121 | 203,459 |
| Prepaid assets | 15,884 | 22,152 |
| Food supplies | 207,661 | 184,585 |
| Cash restricted for capital <i>(Note 3)</i> | 387,733 | 1,486,814 |
| Capital contributions receivable <i>(Note 4)</i> | 338,222 | 454,736 |
| Property, net <i>(Note 5)</i> | <u>2,188,891</u> | <u>409,153</u> |
| TOTAL ASSETS | <u>\$ 5,117,121</u> | <u>\$ 4,388,657</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 55,827 | \$ 199,365 |
| Accrued salaries and benefits | 63,815 | 35,934 |
| Refundable advances – special events | 20,000 | 15,000 |
| Refundable advances | 17,042 | 151,259 |
| Notes payable <i>(Note 6)</i> | <u>250,000</u> | <u> </u> |
| Total liabilities | <u>406,684</u> | <u>401,558</u> |
| Net assets: | | |
| Without donor restrictions | 3,739,526 | 1,480,889 |
| With donor restrictions <i>(Note 7)</i> | <u>970,911</u> | <u>2,506,210</u> |
| Total net assets | <u>4,710,437</u> | <u>3,987,099</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,117,121</u> | <u>\$ 4,388,657</u> |

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Activities for the year ended December 31, 2023

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|--|-------------------------------|----------------------------|---------------------|
| REVENUE: | | | |
| Contributions: | | | |
| Cash and other financial assets | \$ 853,594 | \$ 1,380,342 | \$ 2,233,936 |
| Nonfinancial assets (<i>Note 8</i>) | 2,094,005 | | 2,094,005 |
| Government grants: | | | |
| Nonfinancial assets (<i>Note 8</i>) | | 604,743 | 604,743 |
| Cash and other financial assets | | 392,871 | 392,871 |
| Special events: | | | |
| Cash and other financial assets | 387,910 | | 387,910 |
| Nonfinancial assets (<i>Note 8</i>) | 34,040 | | 34,040 |
| Direct donor benefit costs of special events | (79,051) | | (79,051) |
| Other income | <u>53,161</u> | | <u>53,161</u> |
| Total revenue | 3,343,659 | 2,377,956 | 5,721,615 |
| Net assets released from restrictions: | | | |
| Satisfaction of capital restrictions | 1,947,859 | (1,947,859) | |
| Expiration of time restrictions | 320,128 | (320,128) | |
| Satisfaction of program restrictions | <u>1,645,268</u> | <u>(1,645,268)</u> | |
| Total | <u>7,256,914</u> | <u>(1,535,299)</u> | <u>5,721,615</u> |
| EXPENSES: | | | |
| Program services | 4,329,304 | | 4,329,304 |
| Management and general | 250,809 | | 250,809 |
| Fundraising | <u>418,164</u> | | <u>418,164</u> |
| Total expenses | <u>4,998,277</u> | | <u>4,998,277</u> |
| CHANGES IN NET ASSETS | 2,258,637 | (1,535,299) | 723,338 |
| Net assets, beginning of year | <u>1,480,889</u> | <u>2,506,210</u> | <u>3,987,099</u> |
| Net assets, end of year | <u>\$ 3,739,526</u> | <u>\$ 970,911</u> | <u>\$ 4,710,437</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: | | | |
| Cash and other financial assets | \$ 524,823 | \$ 2,146,547 | \$ 2,671,370 |
| Nonfinancial assets (<i>Note 8</i>) | 1,202,543 | | 1,202,543 |
| Government grants: | | | |
| Nonfinancial assets (<i>Note 8</i>) | | 557,581 | 557,581 |
| Cash and other financial assets | | 619,136 | 619,136 |
| 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 | <u>2,036,345</u> | <u>3,323,264</u> | <u>5,359,609</u> |
| 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 | <u>1,643,603</u> | <u>(1,643,603)</u> | |
| Total | <u>4,126,390</u> | <u>1,233,219</u> | <u>5,359,609</u> |
| EXPENSES: | | | |
| Program services | 3,872,435 | | 3,872,435 |
| Management and general | 237,636 | | 237,636 |
| Fundraising | <u>413,934</u> | | <u>413,934</u> |
| Total expenses | <u>4,524,005</u> | | <u>4,524,005</u> |
| CHANGES IN NET ASSETS | (397,615) | 1,233,219 | 835,604 |
| Net assets, beginning of year | <u>1,878,504</u> | <u>1,272,991</u> | <u>3,151,495</u> |
| Net assets, end of year | <u>\$ 1,480,889</u> | <u>\$ 2,506,210</u> | <u>\$ 3,987,099</u> |

See accompanying notes to financial statements.

Target Hunger, Inc.

Statement of Functional Expenses for the year ended December 31, 2023

| <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 | \$ 2,804,837 | \$ 5,960 | | \$ 2,810,797 | | | \$ 2,810,797 |
| Salaries and related expenses | 769,680 | 175,219 | \$ 94,502 | 1,039,401 | \$ 126,894 | \$ 235,628 | 1,401,923 |
| Occupancy | 193,986 | 8,000 | | 201,986 | 4,822 | 5,264 | 212,072 |
| Professional services | | | | | 56,433 | 93,940 | 150,373 |
| Depreciation | 88,589 | | 6,998 | 95,587 | | | 95,587 |
| Insurance | 40,193 | 8,769 | 5,115 | 54,077 | 6,577 | 12,423 | 73,077 |
| Contract labor | 20,503 | | | 20,503 | 21,115 | 30,000 | 71,618 |
| Office expense and supplies | 22,380 | 4,883 | 2,848 | 30,111 | 3,662 | 6,917 | 40,690 |
| Dues and subscriptions | 18,167 | | | 18,167 | 7,884 | 11,847 | 37,898 |
| Transportation | 19,691 | 226 | 2,894 | 22,811 | 3,508 | 669 | 26,988 |
| Printing and postage | 2,413 | 169 | | 2,582 | 2,861 | 15,956 | 21,399 |
| Telephone and technology | 9,044 | 1,973 | 1,151 | 12,168 | 1,480 | 2,795 | 16,443 |
| Garden supplies | | | 14,175 | 14,175 | | | 14,175 |
| Other | 1,343 | | 5,596 | 6,939 | 15,573 | 2,725 | 25,237 |
| Total expenses | <u>\$ 3,990,826</u> | <u>\$ 205,199</u> | <u>\$ 133,279</u> | <u>\$ 4,329,304</u> | <u>\$ 250,809</u> | <u>\$ 418,164</u> | 4,998,277 |
| Direct donor benefit costs of special events | | | | | | | <u>79,051</u> |
| Total | | | | | | | <u>\$ 5,077,328</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 |
| Occupancy | 163,886 | | 163,886 | 4,881 | 3,345 | 172,112 |
| Professional services | | | | 60,875 | 150,000 | 210,875 |
| Depreciation | 80,628 | 6,998 | 87,626 | | | 87,626 |
| Insurance | 38,265 | 3,998 | 42,263 | 5,711 | 9,138 | 57,112 |
| Contract labor | 19,312 | | 19,312 | 11,251 | 30,000 | 60,563 |
| Office expense and supplies | 19,712 | 2,059 | 21,771 | 2,942 | 14,499 | 39,212 |
| Dues and subscriptions | 10,763 | | 10,763 | 5,409 | 6,419 | 22,591 |
| Transportation | 30,826 | | 30,826 | 123 | | 30,949 |
| 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.

Statements of Cash Flows for the years ended December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 723,338 | \$ 835,604 |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Depreciation | 95,587 | 87,626 |
| Contributions for capital | (586,200) | (1,556,500) |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (39,662) | 269,983 |
| Prepaid assets | 6,268 | (2,318) |
| Food supplies | (23,076) | 30,944 |
| Accounts payable | (143,538) | 140,489 |
| Accrued salaries and benefits | 27,881 | (14,935) |
| Refundable advances – special events | 5,000 | 15,000 |
| Refundable advances | <u>(134,217)</u> | <u>151,259</u> |
| Net cash used by operating activities | <u>(68,619)</u> | <u>(42,848)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property | <u>(1,875,325)</u> | <u>(2,735)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from contributions for capital | 702,714 | 1,503,764 |
| Proceeds from notes payable | <u>250,000</u> | <u> </u> |
| Net cash provided by financing activities | <u>952,714</u> | <u>1,503,764</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (991,230) | 1,458,181 |
| Cash and cash equivalents, beginning of year | <u>3,114,572</u> | <u>1,656,391</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,123,342</u> | <u>\$ 3,114,572</u> |
| <i>Reconciliation of cash:</i> | | |
| Cash and cash equivalents | \$ 1,735,609 | \$ 1,627,758 |
| Cash restricted for capital | <u>387,733</u> | <u>1,486,814</u> |
| Total | <u>\$ 2,123,342</u> | <u>\$ 3,114,572</u> |

See accompanying notes to financial statements.

Target Hunger, Inc.

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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.

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 36% of cash and other financial assets, excluding government grants, were from six donors in 2023 and 44% were from five donors in 2022.

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>2023</u> | <u>2022</u> |
|--|-----------------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 2,123,342 | \$ 3,114,572 |
| Contributions receivable | <u>581,343</u> | <u>658,195</u> |
| Total financial assets | 2,704,685 | 3,772,767 |
| Less: | | |
| Contributions receivable restricted for capital | (338,222) | (454,736) |
| Cash restricted for capital | (387,733) | (1,486,814) |
| Donor-restricted assets for use in future periods | <u> </u> | <u>(43,750)</u> |
| Total financial assets available for general expenditure | <u>\$ 1,978,730</u> | <u>\$ 1,787,467</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>2023</u> | <u>2022</u> |
|---|---------------------|-----------------------------|
| Demand deposits | \$ 1,614,439 | \$ 3,114,572 |
| Certificates of deposit | <u>508,903</u> | <u> </u> |
| Total cash and cash equivalents reported in the statement of cash flows | <u>\$ 2,123,342</u> | <u>\$ 3,114,572</u> |

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

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|-------------------|-------------------|
| Capital contributions receivable | \$ 338,222 | \$ 454,736 |
| Contributions receivable – other | 151,874 | 115,962 |
| United Way of Greater Houston | <u>91,247</u> | <u>87,497</u> |
| Total contributions receivable | <u>\$ 581,343</u> | <u>\$ 658,195</u> |

Contributions receivable at December 31, 2023 are expected to be collected as follows:

| | |
|--------------------------------|-------------------|
| 2024 | \$ 527,123 |
| 2025 | 30,820 |
| 2026 | <u>23,400</u> |
| Total contributions receivable | <u>\$ 581,343</u> |

At December 31, 2023, contributions receivable from five donors totaled approximately 68% of total contributions receivable. At December 31, 2022, contributions receivable from three donors totaled approximately 59% of total contributions receivable.

At December 31, 2023, Target Hunger has a conditional contribution from the United Way of Greater Houston for \$350,000 for fiscal year 2024. Payment is conditional on the available funds raised from the annual United Way Community Campaign.

At December 31, 2023, Target Hunger has approximately \$328,000 of conditional contributions from a government agency, which has not been recognized in the accompanying financial statements because the conditions have not been met. Target hunger will recognize the grant as qualifying grant expenditures are incurred and/or performance requirements are met.

NOTE 5 – PROPERTY

Property consists of the following:

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------|---------------------|-------------------|
| Land | \$ 1,088,668 | \$ 13,668 |
| Building and building improvements | 776,901 | 151,901 |
| Mobile pantry and warehouse equipment | 318,378 | 276,314 |
| Vehicles | 309,697 | 176,436 |
| Furniture and fixtures | 135,185 | 135,185 |
| Garden | <u>104,976</u> | <u>104,976</u> |
| Total property, at cost | 2,733,805 | 858,480 |
| Accumulated depreciation | <u>(544,914)</u> | <u>(449,327)</u> |
| Property, net | <u>\$ 2,188,891</u> | <u>\$ 409,153</u> |

NOTE 6 – NOTES PAYABLE

Target Hunger has a \$300,000 line of credit agreement with a bank that bears interest at prime plus 0.75% with a minimum rate of 3.5% and matures on July 17, 2025. There is no outstanding balance at December 31, 2023 or 2022.

Target Hunger entered into a loan agreement with a bank on November 30, 2023 to purchase the building and land in which it operates. The loan matures on May 30, 2025 and is secured by the property. The loan bears interest at the prime rate plus 0.25% (8.75% at December 31, 2023). At December 31, 2023, the outstanding principal balance was \$250,000.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Capital | \$ 491,696 | \$ 1,941,550 |
| Food assistance | 131,078 | 163,953 |
| Youth assistance | 105,000 | 115,000 |
| Senior assistance | 83,000 | |
| Client services and navigation | 52,515 | 48,334 |
| Warehouse equipment | | 46,100 |
| Garden | | 7,500 |
| Other | <u>1,372</u> | <u>7,395</u> |
| Total subject to expenditure for specified purpose | 864,661 | 2,329,832 |
| Subject to passage of time: | | |
| Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due | <u>106,250</u> | <u>176,378</u> |
| Total net assets with donor restrictions | <u>\$ 970,911</u> | <u>\$ 2,506,210</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>2023 REVENUE RECOGNIZED</u> | <u>2022 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. | \$ 2,048,205 | \$ 1,190,618 |
| 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. | 604,743 | 557,581 |
| Facilities | Program activities | None | Fair value estimated using recent comparable rental rates for area. | 45,800 | 11,925 |
| Auction items | Monetized | None | Proceeds from auction. | <u>34,040</u> | <u>39,526</u> |
| Total contributed nonfinancial assets | | | | <u>\$ 2,732,788</u> | <u>\$ 1,799,650</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 2023 and 2022, Target Hunger volunteers contributed approximately 7,000 hours and 6,700 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>2023</u> | <u>2022</u> |
|---|-------------------|---------------------|
| U. S. Department of Agriculture – commodities | \$ 604,743 | \$ 481,317 |
| U. S. Department of Homeland Security – cash | 253,469 | 619,136 |
| U. S. Department of Homeland Security – commodities | | 76,264 |
| Harris County – cash | <u>139,402</u> | <u> </u> |
| Total | <u>\$ 997,614</u> | <u>\$ 1,176,717</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 2023, Target Hunger recognized \$604,743 of nonfinancial food commodity awards from the USDA based on the receipt of 313,338 pounds of food at \$1.93 per pound. 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.

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 – 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 \$26,100 and \$22,400 to the Plan during 2023 and 2022, respectively.

NOTE 11 – SUBSEQUENT EVENTS

On February 21, 2024, Target Hunger executed a grant agreement with Housing and Urban Development Office of Community Planning and Development for a \$4,000,000 award. The agreement allows Target

Hunger to be reimbursed by grant funds for expenses related to the acquisition and upgrade of the Shotwell Campus. Target Hunger purchased Shotwell Campus on November 31, 2023, and received reimbursement in June 2024. Additional reimbursements in alignment with the grant agreement will be requested for eligible expenditures incurred in 2023 and beyond.

Management has evaluated subsequent events through July 19, 2024, 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.
