

The Pack Shack

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015



The Pack Shack

December 31, 2016 and 2015

Contents

Independent Auditor's Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Cash Flows 5
Notes to Financial Statements 6

Independent Auditor's Report

Advisory Committee and Management
The Pack Shack
Rogers, Arkansas

We have audited the accompanying financial statements of The Pack Shack (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Advisory Committee and Management
The Pack Shack
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pack Shack as of December 31, 2016 and 2015, 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.

BKD, LLP

Rogers, Arkansas
October 26, 2017

The Pack Shack
Statements of Financial Position
December 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 226,328	\$ 235,719
Accounts receivable	64,809	40,563
Inventories	56,951	29,379
Prepaid expenses	5,365	-
Other current assets	1,000	-
	<u>354,453</u>	<u>305,661</u>
Property and Equipment, Net of Accumulated Depreciation	<u>72,669</u>	<u>44,510</u>
Total assets	<u>\$ 427,122</u>	<u>\$ 350,171</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 19,001	\$ 19,785
Accrued expenses	2,385	19,259
Current portion of long-term debt	6,562	9,459
Deferred revenue	20,000	-
	<u>47,948</u>	<u>48,503</u>
Long-term Debt	<u>27,536</u>	<u>3,703</u>
Total liabilities	<u>75,484</u>	<u>52,206</u>
Unrestricted Net Assets	<u>351,638</u>	<u>297,965</u>
Total liabilities and net assets	<u>\$ 427,122</u>	<u>\$ 350,171</u>

The Pack Shack
Statements of Activities
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenues, Gains and Other Support		
Donations - Events	\$ 1,299,775	\$ 1,088,454
Donations - General	13,496	56,472
Be Neighborly App - Donations	25,553	-
Snackpack Income	-	42,122
Merchandise Income	13,490	21,829
Other Income	<u>20,339</u>	<u>2,775</u>
Total revenues, gains and other support	<u>1,372,653</u>	<u>1,211,652</u>
Expenses and Losses		
Program expenses		
Ingredients	348,564	310,062
Be Neighborly App	16,536	-
Merchandise	6,867	10,179
Shipping	42,393	23,324
Supplies	84,764	77,158
Rent and facilities	22,768	22,256
Equipment	5,725	7,292
Transportation	51,876	43,695
Payroll and benefits	339,090	241,833
Commissioned sales	37,985	44,980
Other	<u>50,704</u>	<u>22,415</u>
Total program expenses	<u>1,007,272</u>	<u>803,194</u>
Fundraising expenses		
Marketing	19,153	16,717
Payroll and benefits	94,610	36,090
Other	<u>13,171</u>	<u>8,429</u>
Total fundraising expenses	<u>126,934</u>	<u>61,236</u>
Administrative expenses		
Depreciation	22,456	19,608
Contributions	14,528	11,684
Thank you gifts	645	5,285
Professional services	67,128	8,500
Payroll and benefits	53,505	42,733
Maintenance	473	-
Software	4,831	-
Other	<u>19,304</u>	<u>16,338</u>
Total administrative expenses	<u>182,870</u>	<u>104,148</u>
Other expenses	<u>1,904</u>	<u>-</u>
Total expenses and losses	<u>1,318,980</u>	<u>968,578</u>
Increase in Unrestricted Net Assets	53,673	243,074
Unrestricted Net Assets, Beginning of Year	<u>297,965</u>	<u>54,891</u>
Unrestricted Net Assets, End of Year	<u>\$ 351,638</u>	<u>\$ 297,965</u>

The Pack Shack
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in unrestricted net assets	\$ 53,673	\$ 243,074
Item not requiring operating activities cash flows		
Depreciation and amortization	22,456	19,608
Gain on sale of equipment	(2,339)	(1,875)
Changes in		
Accounts receivable	(24,246)	(38,282)
Inventories	(27,572)	(11,454)
Prepays	(5,365)	-
Accounts payable	(784)	14,900
Accrued expenses	(16,874)	12,445
Deferred revenue	20,000	-
Other current assets and liabilities	(1,000)	-
	<u>17,949</u>	<u>238,416</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(61,776)	(52,501)
Proceeds from sale of property and equipment	13,500	4,500
	<u>(48,276)</u>	<u>(48,001)</u>
Net cash used in investing activities		
Financing Activities		
Principal payments on long-term debt	(14,232)	(15,235)
Proceeds from issuance of long-term debt	35,168	19,162
	<u>20,936</u>	<u>3,927</u>
Net cash provided by financing activities		
Increase (Decrease) in Cash	(9,391)	194,342
Cash, Beginning of Year	<u>235,719</u>	<u>41,377</u>
Cash, End of Year	<u>\$ 226,328</u>	<u>\$ 235,719</u>
Supplemental Cash Flows Information		
Interest paid	\$ 483	\$ 265

The Pack Shack
Notes to the Financial Statements
December 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Pack Shack (the Organization) is a not-for-profit organization headquartered in Rogers, Arkansas. The Organization focuses on bringing people together to pack meals for hunger relief groups. The Organization provides the ingredients, supplies and tools for each event and charges the participating individuals, companies, or other groups a standard fee for each meal that is packed. These meals are then donated free of charge to local organizations, such as food banks and food pantries, for them to distribute to people and/or other organizations in their area.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Deposits

At December 31, 2016, the Organization's cash accounts did not exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers, which are ordinarily due 30 days after the issuance of the invoice, and are net of any allowance for doubtful accounts. The allowance is based upon historical losses and a review of past due accounts. As of December 31, 2016 and 2015, no allowance was recorded for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Vehicles	3-5 years
Machinery and equipment	1-3 years
Computer equipment	1-3 years
Software	3-5 years

The Pack Shack
Notes to the Financial Statements
December 31, 2016 and 2015

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2016 and 2015.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Inventory Pricing

Inventories consist of ingredients, supplies and merchandise. Inventories are stated at lower of cost or market. Costs are determined using the historical average basis.

Shipping and Handling Costs

Shipping and handling costs of \$42,393 and \$23,324 are included in program expenses for the years ended December 31, 2016 and 2015, respectively.

Deferred Revenue

Payments received from organizations for future parties are deferred and recognized as revenue in the period in which the party occurs.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

The Pack Shack
Notes to the Financial Statements
December 31, 2016 and 2015

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, fundraising and administrative categories based on the proportional time spent.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Inventories

Inventory held by the Company at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Ingredients	\$ 43,031	\$ 18,768
Supplies	11,871	8,439
Merchandise	<u>2,049</u>	<u>2,172</u>
	<u>\$ 56,951</u>	<u>\$ 29,379</u>

Note 3: Property and Equipment

Property and equipment at December 31, 2016 and 2015, consists of:

	<u>2016</u>	<u>2015</u>
Vehicles	\$ 67,700	\$ 55,598
Machinery and equipment	4,200	4,200
Computer equipment	7,563	3,004
Software	<u>20,000</u>	<u>-</u>
	99,463	62,802
Less accumulated depreciation	<u>26,794</u>	<u>18,292</u>
	<u>\$ 72,669</u>	<u>\$ 44,510</u>

The Pack Shack
Notes to the Financial Statements
December 31, 2016 and 2015

Note 4: Long-term Debt

	2016	2015
Note payable, bank (A)	\$ -	\$ 13,162
Note payable, bank (B)	34,098	-
	34,098	13,162
Less current maturities	6,562	9,459
	\$ 27,536	\$ 3,703

- (A) Due October 2017; payable \$833 monthly with interest payable monthly at 3.99%; secured by property and equipment; paid in full in January 2016
- (B) Due October 2021; payable \$645 monthly with interest payable monthly at 3.80%; secured by property and equipment.

Note 5: Operating Leases

The Company has noncancellable operating leases for warehouse space expiring between December 31, 2019 and December 31, 2026. These leases do not contain any provisions regarding automatic renewals.

Future minimum lease payments under operating leases are:

2017	\$ 88,800
2018	88,800
2019	89,448
2020	65,448
2021	66,102
Thereafter	334,492
Total minimum lease payments	\$ 733,090

Rental expense for all operating leases amounted to \$22,768 and \$22,256 for the years ended December 31, 2016 and 2015, respectively.

The Pack Shack
Notes to the Financial Statements
December 31, 2016 and 2015

Note 6: Retirement Plan

The Organization has a Simple IRA, which covers all employees reasonably expected to earn more than \$5,000 in a year. For eligible employees, the Organization will match employee contributions up to 3% of the employee's wages. Expense recognized for the Simple IRA plan was \$9,876 and \$3,025 for the years ended December 31, 2016 and 2015, respectively.