

The Pack Shack

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014



The Pack Shack

December 31, 2015 and 2014

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

Management
The Pack Shack
Rogers, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of The Pack Shack (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Management
The Pack Shack
Page 2

2014 Financial Statements Compiled

Management is responsible for the accompanying 2014 statement of financial position and the related statement of activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

BKD, LLP

Rogers, Arkansas
November 22, 2016

The Pack Shack
Statements of Financial Position
December 31, 2015 and 2014

Assets	2015	(Unaudited) 2014
Current Assets		
Cash	\$ 235,719	\$ 41,377
Accounts receivable	40,563	2,281
Inventories	29,379	17,925
	<hr/>	<hr/>
Total current assets	305,661	61,583
	<hr/>	<hr/>
Property and Equipment, Net of Accumulated Depreciation	44,510	14,242
	<hr/>	<hr/>
Total assets	<u>\$ 350,171</u>	<u>\$ 75,825</u>
	<hr/>	<hr/>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 19,785	\$ 4,885
Accrued expenses	19,259	6,814
Current portion of long-term debt	9,459	4,517
	<hr/>	<hr/>
Total current liabilities	48,503	16,216
	<hr/>	<hr/>
Long-term Debt	3,703	4,718
	<hr/>	<hr/>
Total liabilities	52,206	20,934
	<hr/>	<hr/>
Unrestricted Net Assets	297,965	54,891
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 350,171</u>	<u>\$ 75,825</u>
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The Pack Shack
Statements of Activities
Years Ended December 31, 2015 and 2014

	2015	(Unaudited) 2014
Revenues, Gains and Other Support		
Donations - Events	\$ 1,088,454	\$ 283,104
Donations - General	56,472	57,492
Snackpack Income	42,122	-
Merchandise Income	21,829	4,540
Other Income	2,775	54
	<u>1,211,652</u>	<u>345,190</u>
Total revenues, gains and other support		
Expenses and Losses		
Program expenses		
Ingredients	310,062	82,773
Merchandise	10,179	2,263
Shipping	23,324	9,906
Supplies	77,158	22,842
Rent and facilities	22,256	6,348
Equipment	7,292	6,784
Transportation	43,695	8,610
Payroll and benefits	241,833	116,716
Commissioned sales	44,980	400
Other	22,415	3,482
	<u>803,194</u>	<u>260,124</u>
Total program expenses		
Fundraising expenses		
Marketing	16,717	1,837
Payroll and benefits	36,090	6,484
Other	8,429	6,030
	<u>61,236</u>	<u>14,351</u>
Total fundraising expenses		
Administrative expenses		
Depreciation	19,608	5,058
Contributions	11,684	425
Thank you gifts	5,285	709
Professional services	8,500	275
Payroll and benefits	42,733	6,484
Other	16,338	6,879
	<u>104,148</u>	<u>19,830</u>
Total administrative expenses		
Total expenses and losses	<u>968,578</u>	<u>294,305</u>
Increase in Unrestricted Net Assets	243,074	50,885
Unrestricted Net Assets, Beginning of Year	<u>54,891</u>	<u>4,006</u>
Unrestricted Net Assets, End of Year	<u>\$ 297,965</u>	<u>\$ 54,891</u>

The Pack Shack
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	(Unaudited) 2014
Operating Activities		
Change in unrestricted net assets	\$ 243,074	\$ 50,885
Item not requiring operating activities cash flows		
Depreciation	19,608	5,058
Gain on sale of equipment	(1,875)	-
Changes in		
Accounts receivable	(38,282)	(2,281)
Inventories	(11,454)	(17,925)
Accounts payable	14,900	11,699
Accrued expenses	12,445	-
	<u>238,416</u>	<u>47,436</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of property and equipment	(52,501)	(19,300)
Proceeds from sale of property and equipment	4,500	-
	<u>(48,001)</u>	<u>(19,300)</u>
Net cash used in investing activities		
Financing Activities		
Principal payments on long-term debt	(15,235)	-
Proceeds from issuance of long-term debt	19,162	9,235
	<u>3,927</u>	<u>9,235</u>
Net cash provided by financing activities		
Increase in Cash	194,342	37,371
Cash, Beginning of Year	<u>41,377</u>	<u>4,006</u>
Cash, End of Year	<u>\$ 235,719</u>	<u>\$ 41,377</u>
Supplemental Cash Flows Information		
Interest paid	\$ 265	\$ -

The Pack Shack
Notes to the Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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

The Pack Shack
Notes to the Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014.

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 \$23,324 and \$9,906 are included in program expenses for the years ended December 31, 2015 and 2014, respectively.

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. With a few exceptions, the Organization is no longer subject to U.S. federal examinations by tax authorities for tax years prior to December 31, 2012.

The Pack Shack
Notes to the Financial Statements
December 31, 2015 and 2014

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, fund raising 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: Property and Equipment

Property and equipment at December 31, 2015 and 2014, consists of:

	<u>2015</u>	<u>2014</u>
Vehicles	\$ 55,598	\$ 14,300
Machinery and equipment	4,200	3,200
Computer equipment	<u>3,004</u>	<u>1,800</u>
	62,802	19,300
Less accumulated depreciation	<u>18,292</u>	<u>5,058</u>
	<u><u>\$ 44,510</u></u>	<u><u>\$ 14,242</u></u>

The Pack Shack
Notes to the Financial Statements
December 31, 2015 and 2014

Note 3: Long-term Debt

	2015	2014
Note payable, bank (A)	\$ 13,162	\$ -
Note payable, bank (B)	-	9,235
	13,162	9,235
Less current maturities	9,459	4,517
	\$ 3,703	\$ 4,718

- (A) Due October 2017; payable \$833 monthly with interest payable monthly at 3.99%; secured by property and equipment.
- (B) Due December 2016; payable \$403 monthly with interest payable monthly at 4.50%; secured by property and equipment.

Note 4: Operating Lease

The Company has a noncancellable operating lease for warehouse space expiring on September 30, 2017. This lease contains a renewal option of one year, to be automatically renewed annually unless written notice is provided no later than 60 days prior to the end of the term or renewal term.

Future minimum lease payments under operating leases are:

2016	\$ 11,400
2017	8,550
	19,950
Total minimum lease payments	\$ 19,950

Note 5: 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 \$3,025 and \$0 for the years ended December 31, 2015 and 2014, respectively.