

THE PACK SHACK

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2022)



THE PACK SHACK

DECEMBER 31, 2023

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2022)

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-18



Independent Auditor's Report

To the Board of Directors
The Pack Shack
Cave Springs, Arkansas

Opinion

We have audited the accompanying financial statements of The Pack Shack (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Pack Shack and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 The Pack Shack's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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, 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 The Pack Shack'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 The Pack Shack'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 on Prior Year Financial Statements

We have previously audited The Pack Shack's 2022 financial statements and we expressed an unmodified audit opinion on those financial statements in our report dated October 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 13, 2024

FINANCIAL STATEMENTS

THE PACK SHACK

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 34,467	\$ 94,494
Accounts receivable	30,791	66,605
Inventories	256,010	64,040
Deposits	2,350	2,250
Total Current Assets	323,618	227,389
Noncurrent Assets		
Operating lease right-of-use asset, net	108,449	-
Property and Equipment		
Office furniture and equipment	24,183	20,706
Machinery and equipment	176,689	19,051
Software	25,000	25,000
Accumulated depreciation	(69,863)	(46,471)
Net Property and Equipment	264,458	18,286
Total Assets	\$ 588,076	\$ 245,675
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 249,445	\$ 80,611
Deferred revenue	89,250	141,750
Right-of-use financing lease liability	108,449	-
Current portion of Economic Injury Disaster Loan	5,855	5,969
Current portion of notes payable	24,717	1,720
Total Current Liabilities	477,716	230,050
Long-Term Liabilities		
Economic Injury Disaster Loan	222,343	228,198
Notes payable	129,850	2,102
Total Long-Term Liabilities	352,193	230,300
Total Liabilities	829,909	460,350
Net Assets		
Without Donor Restrictions (deficit)	(241,833)	(214,675)
Total Net Assets (Deficit)	(241,833)	(214,675)
Total Liabilities and Net Assets	\$ 588,076	\$ 245,675

See accompanying notes to financial statements.

THE PACK SHACK

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Revenues and Other Support Without Donor Restrictions		
Feed the Funnel	\$ 2,433,060	\$ 1,149,498
Donations	74,413	39,427
Grants	2,540	59,288
Be Neighborly donations	-	103,224
Reimbursement income	38,969	-
Equipment rental	5,561	-
Loan forgiven	-	114,900
Other income	13,721	10,520
Total Revenues and Other Support Without Donor Restrictions	2,568,264	1,476,857
Expenses		
Program services	2,440,499	1,371,072
Management and general	113,678	108,409
Fundraising	41,245	29,839
Total Expenses	2,595,422	1,509,320
Change in Net Assets Without Donor Restrictions	(27,158)	(32,463)
Net Assets Without Donor Restrictions, beginning of period (deficit)	(214,675)	(182,212)
Net Assets Without Donor Restrictions, end of period (deficit)	\$ (241,833)	\$ (214,675)

See accompanying notes to financial statements.

THE PACK SHACK

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022

	Program Service	Management & General	Fund Raising	2023 Total	2022 Total
Compensation and Related Expenses					
Payroll	\$ 432,781	\$ 10,011	\$ 10,011	\$ 452,803	\$ 239,994
Employee benefits	112,811	8,033	2,610	123,454	65,400
Payroll taxes	34,745	804	804	36,353	17,348
Total Compensation & Related Expenses	580,337	18,848	13,425	612,610	322,742
Occupancy					
Rent	56,347	569	-	56,916	36,750
Repairs and maintenance	5,150	-	-	5,150	907
Utilities	10,315	104	-	10,419	8,560
Total Occupancy	71,812	673	-	72,485	46,217
Ingredients	1,255,878	-	-	1,255,878	631,232
Shipping	169,972	-	-	169,972	100,710
Supplies	120,333	-	-	120,333	81,186
Equipment	26,488	-	-	26,488	8,866
Be Neighborly food	-	-	-	-	82,748
Transportation	65,701	-	-	65,701	55,834
Travel	96,803	10,680	3,186	110,669	65,610
Contract labor	5,009	-	-	5,009	25,528
Professional fees	10,000	20,770	9,990	40,760	16,397
Marketing	-	-	14,611	14,611	8,304
Office expenses	-	9,109	-	9,109	4,048
Software	-	13,633	-	13,633	6,091
Insurance	7,085	245	-	7,330	4,838
Contributions	-	18,568	-	18,568	9,478
Bank fees	-	3,049	-	3,049	1,244
Interest expense	6,041	12,836	-	18,877	14,940
Telephone	135	-	-	135	534
Training	-	30	-	30	5,041
Miscellaneous expenses	4,586	2,164	33	6,783	12,150
Total Administration	1,768,031	91,084	27,820	1,886,935	1,134,779
Total Expenses Before Depreciation	2,420,180	110,605	41,245	2,572,030	1,503,738
Depreciation	20,319	3,073	-	23,392	5,582
Total Expenses	\$ 2,440,499	\$ 113,678	\$ 41,245	\$ 2,595,422	\$ 1,509,320

See accompanying notes to financial statements.

THE PACK SHACK

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2023	2022
Cash Flows From Operating Activities		
Change in net assets	\$ (27,158)	\$ (32,463)
Items not effecting cash		
Depreciation	23,392	5,582
Prior period adjustment to debt	-	16,145
Loans forgiven	-	(114,900)
(Increase)/decrease in:		
Accounts receivable	35,814	(27,645)
Inventories	(191,970)	(28,939)
Deposits	(100)	408
Increase/(decrease) in:		
Accounts payable	168,834	(27,954)
Deferred revenue	(52,500)	133,750
Net Cash Used By Operating Activities	(43,688)	(76,016)
Cash Flows From Investing Activities		
Purchase of property and equipment	(5,096)	(21,742)
Net Cash Used By Investing Activities	(5,096)	(21,742)
Cash Flows From Financing Activities		
Proceeds from long-term debt		
Proceeds from Paycheck Protection Program loan	-	114,900
Principal paid on long-term debt	(11,243)	(8,514)
Net Cash Provided By Financing Activities	(11,243)	106,386
Net Increase (Decrease) In Cash, Cash Equivalents	(60,027)	8,628
Cash, Cash Equivalents - beginning of year	94,494	85,866
Cash, Cash Equivalents - end of year	\$ 34,467	\$ 94,494
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 13,392	\$ 11,502
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Right-of-use operating lease assets obtained in exchange for lease liabilities	\$ 124,516	\$ -
Total cost of property and equipment acquired	\$ 161,115	\$ 21,742
Less: equipment acquired with direct financing	(156,019)	-
Cash paid to acquire property and equipment	\$ 5,096	\$ 21,742

See accompanying notes to financial statements.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Nature of Operations

The Pack Shack (the Organization) is a not-for-profit organization headquartered in Cave Springs, Arkansas. The mission of the Organization is to increase awareness about hunger issues affecting communities, provide food to nonprofits, and encourage people to get involved with local nonprofits serving their neighbors.

The Organization hosts Feed the Funnel Parties where large groups of individuals come together to pack meals. The Organization provides the ingredients, supplies and equipment for each event. Groups are charged a standard rate per meal for each meal that is packed plus a small flat administrative fee. A majority of Feed the Funnel parties are hosted offsite.

The Organization also hosts onsite Feed the Funnel parties for groups of 5 to 40 individuals. These small group Feed the Funnel parties are funded by donations from companies, individuals and organizations.

Be Neighborly is a program where the Organization packs boxes filled with an assortment of shelf stable food provisions. The provision boxes contain food purchased by the Organization rather than the food packed at its parties. This program is funded by grants and donations from other companies.

The meals and provision boxes packed are subsequently donated free of charge to local organizations, such as food banks and food pantries, to distribute to people and/or other organizations in their area.

1. Summary of Significant Accounting Policies

Comparative and Summarized Financial Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized totals were derived. In addition, certain 2022 amounts have been reclassified in order to conform with the 2023 financial statement presentation, Net assets and changes in net assets are unchanged due to these reclassifications.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - these net assets result from contributions or grant awards of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires either with the passage of time or by action of the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Fair Value of Financial Instruments

The Organization's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Organization's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying Statement of Financial Position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these instruments.

Cash Flows

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts owed for program fees and donations and are stated at the amount the Organization expects to collect. Most of the accounts are paid in advance, however, if not, amounts are generally due within 30 days of invoice date. Interest is not charged on past due accounts. The Organization uses the direct write-off method for accounts receivable. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off. Use of this method does not result in a material difference from use of the valuation method.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Inventory

Inventories consist of ingredients, supplies and merchandise. Inventories are stated at lower of cost or net realizable value. Costs are determined on a first-in, first out basis.

Property and Equipment

The Organization records purchases of property and equipment at original cost. Expenditures for maintenance and repairs that do not add to the value or capacity of the asset or materially extend asset lives are expensed as incurred. Depreciation is calculated using the straight-line method with estimated useful lives as follows:

Office furniture and equipment	2 years
Machinery and equipment	3 - 5 years
Software	4 years

It is the Organization's policy to capitalize all asset purchases with a cost equal to or greater than \$500. Expenditures of less than \$500 are expensed at the time of purchase.

Depreciation expense for the years ended December 31, 2023 and 2022 was \$23,392 and \$5,582, respectively.

Right-of-Use Assets / Liabilities

The Organization determines if an arrangement contains a lease at the inception of a contract. The lease classification is determined at the commencement date. Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The Organization uses its incremental borrowing rate to discount the lease payments.

Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred.

The Organization has elected not to record leases with a term of twelve months or less, cancellable leases, and leases that are not material are on the Statement of Financial Position. The payments are recognized on a straight-line basis over the lease term.

The Organization monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the right-to-use lease asset and/or lease liability.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Deferred revenue

Payments received from other organizations for future Feed the Funnel parties are deferred and recognized as revenue in the period when the party occurs.

Revenue Recognition

Program revenue is recognized when services are provided; generally this occurs when the parties are held. Revenue is measured as the amount of consideration the Organization expects to receive in exchange for providing services.

Conditional contributions and grants are those that contain a barrier that must be overcome before the Organization is entitled to the assets transferred and a right of return of assets transferred or a right of release of the donor's obligation to transfer assets exists. Conditional contribution and grant revenue is recognized when all barriers have been overcome. All other contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets and services are reflected in the financial statements at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Contributed services are recorded in the financial statements to the extent that (a) those services create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Unpaid volunteers have made significant contributions of their time to the Organization's programs. The value of these contributions is not included in the financial statements because the volunteers' time does not meet the criteria for recognition under generally accepted accounting principles.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. Summary of Significant Accounting Policies (continued)

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services. Expenses were allocated based on time and usage estimates.

Advertising

The Organization expenses advertising costs as they are incurred.

Shipping and Handling Cost

Shipping and handling costs paid for the purchase of ingredients was \$169,972 and \$100,710 for the years ended December 31, 2023 and 2022, respectively.

Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

Recently Issued Accounting Standards

The Organization adopted the following standards during the year ended December 31, 2023:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326). The standard will replace the current incurred loss model with a current expected credit loss (CECL) model. The CECL model will apply to estimated credit losses on financing receivables, trade receivables resulting from revenue transactions and other financial assets measured at amortized cost. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held be based on historical experience, current conditions and reasonable and supportable forecasts. Organizations are now required to use forward-looking information to for credit loss estimates. In addition, this ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The effective date to implement this standard is periods beginning after December 15, 2022 with early adoption permitted. The Organization adopted this this ASU and it did not have an impact on the financial statements.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Federal Income Tax

The Organization's activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. Accordingly, no provision or liability for federal or state, current or deferred income taxes has been included in the accompanying financial statements. The Organization is not a private foundation. Management has determined that the Organization is not subject to unrelated business income tax. Management is not aware of any transactions that would impact the Organization's tax exempt status.

The Organization follows the guidance of the Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of positions taken or expected to be taken in a tax return. For the year ended December 31, 2023, management of the Organization is not aware of any material uncertain tax positions.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. For federal tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

3. Bank Deposits

The Organization maintains its operating bank accounts in one local financial institution. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to \$250,000. The Organization's cash balances may, at times, exceed these insured limits. As of December 31, 2023 and 2022, all of the Organization's deposits were insured. The Organization does not believe that there is any significant risk associated with the concentrations of credit nor has the Organization experienced any losses in such accounts.

4. Inventories

Inventory held by the Organization consists of the following:

As of December 31,	2023	2022
Ingredients	\$ 197,021	\$ 50,167
Supplies	35,804	11,509
Merchandise	23,185	2,364
Total	\$ 256,010	\$ 64,040

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. Property and Equipment

Activity of property, plant and equipment consists of the following:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023
Office furniture and equipment	\$ 20,706	\$ 3,477	\$ -	\$ 24,183
Machinery and equipment	19,051	157,638	-	176,689
Software	25,000	-	-	25,000
Total	\$ 64,757	\$ 161,115	\$ -	\$ 225,872

As Of	January 1, 2022	Additions	Retirements	December 31, 2022
Office furniture and equipment	\$ 18,015	\$ 2,691	\$ -	\$ 20,706
Machinery and equipment	-	19,051	-	19,051
Software	25,000	-	-	25,000
Total	\$ 43,015	\$ 21,742	\$ -	\$ 64,757

6. Economic Injury Disaster Loan / Paycheck Protection Program Loan

In 2020, the Organization received a \$235,000 Economic Injury Disaster Loan (EIDL) under provisions of the CARES Act, which was enacted March 27, 2020. EIDL funds were provided to help businesses recover from the economic impacts of the pandemic and can be used for working capital and normal operating expenses. The loan is to be repaid in monthly installments of \$1,004 including interest at 2.75%, which commenced on April 22, 2022, is secured by substantially all of the Organization's assets, assets, and matures in April 2050. The balance outstanding on the loan was \$228,198 and \$234,167 on December 31, 2023 and 2022, respectively.

The EIDL loan is scheduled to mature as follows:

December 31,	Principal	Interest	Total
2024	\$ 5,855	6,113	\$ 11,968
2025	6,018	5,948	12,048
2026	6,186	5,778	12,048
2027	6,358	5,603	12,048
2028	6,535	5,424	12,048
Thereafter	197,246	64,833	262,079
Total	\$ 228,198	\$ 93,699	\$ 322,239

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

6. Economic Injury Disaster Loan / Paycheck Protection Program Loan (continued)

On April 20, 2022, the Center received a second loan of \$114,900 from the Paycheck Protection Program (PPP). The PPP loan and accrued interest were forgivable if the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization was granted 100% loan forgiveness and recognized the loan forgiveness revenue during the year ended December 31, 2022.

7. Long-Term Debt

As of December 31,	2023	2022
Equipment loan dated May 5, 2023, in the amount of \$156,019 for the purchase of nine food packaging equipment pieces. The note is payable in monthly installments of \$1,854 including interest at 7.99%. The note is secured by the equipment which has a carrying value of \$143,076 at December 31, 2023, and matures in May 2029.	\$ 152,657	\$ -
Equipment loan dated February 10, 2022 in the amount of \$5,200 for the purchase of a forklift. Payments are due monthly in the amount of \$154 including interest at 4.3%. The note is secured by the forklift which has a carrying value of \$2,892 at December 31, 2023 and is scheduled to mature February 2025.	1,910	\$ 3,822
Total debt	154,567	3,822
Less current maturity	24,717	1,720
Long-term debt	\$ 129,850	\$ 2,102

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2024	\$ 24,717	\$ 11,144	\$ 35,861
2025	24,937	9,191	34,128
2026	26,880	7,132	34,012
2027	29,108	4,904	34,012
2028	31,521	2,491	34,012
2029	17,404	5,650	23,054
Total	\$ 154,567	\$ 40,512	\$ 172,025

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

8. Changes in Long-Term Liabilities

Activity of the long-term liabilities consists of the following:

As Of	January 1, 2023	Additions	Retirements	December 31, 2023
Equipment Loan	\$ -	\$ 156,019	\$ 3,362	\$ 152,657
Forklift loan	3,822	-	1,912	1,910
Economic Injury Disaster Loan	234,167	-	5,969	228,198
Total	\$ 237,989	\$ 156,019	\$ 11,243	\$ 382,765

As Of	January 1, 2022	Additions	Retirements	December 31, 2022
Toyota Forklift	\$ -	\$ 5,200	\$ 1,378	\$ 3,822
Economic Injury Disaster Loan	230,358	3,809	-	234,167
Total	\$ 230,358	\$ 9,009	\$ 1,378	\$ 237,989

9. Right-of-Use Assets and Liabilities

The Organization leases its Cave Springs facility under an annual operating lease arrangement. The lease can be terminated by either party after six months upon commencement upon 90 days written notice. The Organization is responsible for all utilities and normal wear and tear repairs and maintenance. The lease terminates on November 30, 2024. Because the Organization has elected not to record short-term leases, no right-of-use asset or liability has been recorded in the accompanying financial statements. The Organization has no plans to move out of the facilities in the near future.

In 2023, the Organization entered into a second lease for warehouse space that it shares with a separate entity (see Note 10). The Organization is responsible for all utilities, property taxes, and certain repairs and maintenance. The lease expires on June 30, 2026, and contains renewal options that may or may not be exercised. The Organization recorded the following right-of-use asset/liability pertaining to this lease:

As of December 31,	2023	2022
Operating lease right-of use asset - building	\$ 124,516	\$ -
Less: accumulated amortization	(16,067)	-
Leased Right-of-Use Assets, Net	\$ 108,449	\$ -
Operating lease liability - building	\$ 108,449	\$ -

The Organization also leases trucks for transporting materials for its Feed the Funnel parties. These are short-term rentals that are expensed as incurred.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

9. Right-of-Use Assets and Liabilities (continued)

Total lease costs are as follows:

For the Year Ended December 31,	2023	2022
Operating lease costs - building	\$ 20,000	\$ -
Variable lease costs - utilities	10,419	8,560
Short-term lease costs:		
Building	36,916	36,750
Transportation equipment	46,676	33,105
Total Lease Costs	\$ 114,011	\$ 78,415

Weighted Average Terms and Discount Rates:

As of December 31,	2023	2022
Weighted average discount rate:	7.99%	N/A
Weighted average remaining lease term (in years):	2.5	N/A

The aggregate future lease payments for operating and finance leases are as follows:

For the Years Ending December 31,	
2024	\$ 48,000
2025	48,000
2026	24,000
Total lease payment	120,000
Less: imputed interest	(11,551)
Present value of lease liability	\$ 108,449

10. Neighborly Food / Related Party Transactions

In 2023, Ozark Eden Foods, LLC, doing business as Neighborly Food Co. (NFC), was started by an individual related to The Pack Shack's (TPS) Co-founder and Chief Executive Officer (CEO). NFC produces rice and bean based meals for sale to consumers. NFC uses its profits to help advance the missions of other entities that address food security.

NFS is managed by the TPS's Co-founder and CEO. NFC has one part-time employee that is paid by TPS and subsequently reimbursed. NFC and TPS also share one leased facility. TPS is responsible for the lease and NFC reimburses TPS for their portion of the facility plus utilities. NFC also reimburses TPS for ingredients appropriated from the TPS warehouse, supplies and any shared labor.

In addition, in 2023, TPS obtained a loan for several pieces of equipment (see Note 7). TPS has an agreement with NFC to lease a majority of the equipment purchased. NFC will be responsible for the monthly cost of the equipment as billed to TPS by the bank as well as any necessary maintenance and repairs. TPS also charges a small administrative fee. The net book value of the leased equipment on December 31, 2023 is \$128,830.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

10. Neighborly Food / Related Party Transactions (continued)

Future minimum rentals to be received under the lease are as follows:

For the Years Ending December 31,	
2024	\$ 30,285
2025	30,285
2026	30,285
2027	30,285
2028	30,285
thereafter	20,526
Total	\$ 171,951

Total amounts received and/or reimbursed by NFC were as follows:

Year Ended December 31, 2023	
Ingredients	\$ 11,591
Payroll, payroll taxes and benefits	11,323
Equipment rental	5,561
Facility including utilities	8,258
Contract labor	4,959
Other - supplies, postage, insurance, etc.	2,838
Total	\$ 44,530

As reported in the accompanying Statement of Activities

Year Ended December 31, 2023	
Reimbursed expenses	\$ 38,969
Rental income	5,561
Total	\$ 44,530

TPS has an accounts receivable balance totaling \$11,641 from NFC on December 31, 2023.

11. Retirement Plan

The Organization has adopted a Simple IRA plan which covers all employees reasonably expected to earn more than \$5,000 in a year. Employees can make a pre-tax salary contribution to the plan with an up to 3% Organization matching provision. Employer contributions to the plan were \$11,355 and \$5,442 for the years ended December 31, 2023 and 2022, respectively.

THE PACK SHACK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

12. Going Concern

As of December 31, 2023, the Organization has a negative net asset balance of \$241,833. During the years ended December 31, 2023 and 2022, the Organization incurred net losses totaling \$27,158 and \$32,463, respectively. These conditions, among others, raise substantial doubt about the ability of the Organization to continue as a going concern. Continuation of operations is dependent upon the Organization's ability to meet its financial requirements, raise additional funding, and the success of its future operations.

Below are Management's key initiatives and specific actions for 2024 to ensure long-term financial stability:

- Investing in additional personnel capacity to increase the number of customers the Organization is able to support.
- Invest in business development resources to drive long-term customer and revenue growth.
- Increase direct fundraising efforts from key relationships.
- The Organization will not take on any additional debt in 2024, and a majority of the existing debt will be paid by another entity (see Note 10).

Through the date of the financial statements, the Organization is operating at a profit for the year ended December 31, 2024.

Management is committed to the continuance of identifying ways to improve financial results and believes that the initiatives above provide an opportunity for the Organization to continue as a going concern.

13. Liquidity and Funds Available

The Organization manages liquidity and reserves by operating within a prudent range of financial responsibility, and maintaining adequate liquidity to fund near-term operations by designating reserves sufficient to fund three months of operations to ensure that all long-term obligations will be met. The following reflects the Organization's financial assets, reduced by amounts not available for general use with one year because of contractual or donor-imposed restrictions or internal designations.

As of December 31,	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 34,467	\$ 94,494
Accounts receivable	30,791	66,605
Total financial assets	65,258	161,099
Contractual or donor imposed restrictions	-	-
Financial Assets Available to Meet Cash Needs for		
General Expenditures Within One Year	\$ 65,258	\$ 161,099

14. Subsequent Events

The Organization has evaluated events and transactions for subsequent events that would impact the statements for the year ended December 31, 2023 through November 13, 2024, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.