

PRECISE PORTIONS, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Members
Precise Portions, LLC
Richmond, Virginia

We have reviewed the accompanying financial statements of Precise Portions, LLC, which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of income and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements 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. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
July 30, 2018

PRECISE PORTIONS, LLC

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 7,043 | \$ 1,146 |
| Accounts receivable | 23,244 | 77,556 |
| Inventory | 79,027 | 174,471 |
| Prepaid expenses | <u>1,895</u> | <u>1,589</u> |
| TOTAL CURRENT ASSETS | <u>111,209</u> | <u>254,762</u> |
| PROPERTY AND EQUIPMENT | | |
| Furniture and equipment | 26,045 | 26,045 |
| Less: Accumulated depreciation | <u>(15,006)</u> | <u>(11,212)</u> |
| NET PROPERTY AND EQUIPMENT | <u>11,039</u> | <u>14,833</u> |
| OTHER ASSETS | | |
| Intangible assets, net of accumulated amortization of \$47,676 and \$43,002 in 2017 and 2016, respectively | <u>22,726</u> | <u>27,400</u> |
| | <u>\$ 144,974</u> | <u>\$ 296,995</u> |

See Independent Accountant's Review Report and Notes to Financial Statements

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| LIABILITIES AND MEMBERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 11,426 | \$ 24,099 |
| Credit cards payable | 205,338 | 171,281 |
| Short-term loans payable | 13,826 | 15,471 |
| Due to related parties | 52,770 | 42,770 |
| Due to members | <u>314,022</u> | <u>322,969</u> |
| TOTAL CURRENT LIABILITIES | 597,382 | 576,590 |
| | | |
| MEMBERS' DEFICIT | <u>(452,408)</u> | <u>(279,595)</u> |
| | | |
| | <u>\$ 144,974</u> | <u>\$ 296,995</u> |

See Independent Accountant's Review Report and Notes to Financial Statements

PRECISE PORTIONS, LLC

STATEMENTS OF INCOME AND MEMBERS' DEFICIT

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-----------------|
| NET SALES | \$ 351,383 | \$ 479,821 |
| COST OF SALES | <u>216,135</u> | <u>188,696</u> |
| GROSS PROFIT | <u>135,248</u> | <u>291,125</u> |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Credit card and merchant fees | 67,533 | 87,925 |
| Contract labor | 44,179 | 33,572 |
| Interest | 38,241 | 26,928 |
| Advertising and marketing | 28,547 | 16,794 |
| Shipping and handling | 20,555 | 32,378 |
| Professional services | 13,995 | 14,571 |
| Travel and entertainment | 9,703 | 23,914 |
| Depreciation and amortization | 8,468 | 8,466 |
| Convention | 7,684 | - |
| Telephone | 5,480 | 6,672 |
| Miscellaneous | 4,824 | 3,644 |
| Guaranteed payments | 4,737 | 16,474 |
| Automobile | 4,396 | 4,117 |
| Office | 4,333 | 6,142 |
| Rent | 2,726 | 8,913 |
| Dues and subscriptions | 2,725 | 3,914 |
| Taxes and licenses | 2,707 | 4,460 |
| Research and development | 2,696 | 1,300 |
| Bank charges | 2,628 | 1,624 |
| Insurance | 2,470 | 1,700 |
| Commissions | 1,783 | 704 |
| Domains | 70 | 650 |
| Contributions | 10 | 1,500 |
| Bad debts | - | 9,510 |
| TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | <u>280,490</u> | <u>315,872</u> |
| OPERATING LOSS | <u>(145,242)</u> | <u>(24,747)</u> |

See Independent Accountant's Review Report and Notes to Financial Statements

PRECISE PORTIONS, LLC

STATEMENTS OF INCOME AND MEMBERS' DEFICIT - Continued

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|----------------------------|----------------------------|
| OTHER INCOME | | |
| Miscellaneous income | 1 | 6,844 |
| Loss on disposal of assets | <u>-</u> | <u>(493)</u> |
| TOTAL OTHER INCOME | <u>1</u> | <u>6,351</u> |
| NET LOSS | (145,241) | (18,396) |
| Members' deficit, beginning of year | (279,595) | (188,400) |
| Distributions to members | <u>(27,572)</u> | <u>(72,799)</u> |
| MEMBERS' DEFICIT, END OF YEAR | <u><u>\$ (452,408)</u></u> | <u><u>\$ (279,595)</u></u> |

See Independent Accountant's Review Report and Notes to Financial Statements

PRECISE PORTIONS, LLC

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (145,241) | \$ (18,396) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 8,468 | 8,466 |
| Loss on disposal of assets | - | 493 |
| (Increase) decrease in | | |
| Accounts receivable | 54,312 | (64,599) |
| Inventories | 95,444 | (11,130) |
| Prepaid expenses | (306) | (1,589) |
| Increase (decrease) in | | |
| Accounts payable | (12,673) | (8,569) |
| Credit cards payable | 34,057 | 35,021 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>34,061</u> | <u>(60,303)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from (payments to) short-term loans | (1,645) | 1,474 |
| Proceeds from related party loans | 10,000 | 42,770 |
| Proceeds from (payments to) member loans | (8,947) | 65,133 |
| Distributions to members | (27,572) | (72,799) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | <u>(28,164)</u> | <u>36,578</u> |
| NET INCREASE (DECREASE) IN CASH | 5,897 | (23,725) |
| CASH, beginning of year | <u>1,146</u> | <u>24,871</u> |
| CASH, end of year | <u><u>\$ 7,043</u></u> | <u><u>\$ 1,146</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | \$ 38,241 | \$ 26,928 |

See Independent Accountant's Review Report and Notes to Financial Statements

PRECISE PORTIONS, LLC

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Precise Portions, LLC, formerly Blue Horizon Development, LLC (the “Company”) was formed May 21, 2004 and is in the business of providing portion control dinnerware, offered to retailers, health care providers and through direct internet sales.

Summary of Significant Accounting Policies

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and reported amounts of revenue and expenses during the reporting periods. Accordingly, actual amounts could differ from those estimates.

Sales Tax

The Commonwealth of Virginia and counties within the Commonwealth impose a sales tax on all of the Company’s sales to non-exempt customers. The Company collects that sales tax from customers and remits the entire amount to the Commonwealth. The Company’s accounting policy is to exclude the tax collected and remitted to the Commonwealth from revenue and cost of sales.

Income Taxes

The Company has elected under the Internal Revenue Code to be a limited liability company. The members separately account for their prorata share of the Company’s items of income, deductions, losses and credits. Therefore, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company to determine if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Company’s tax returns are no longer subject to examination for years prior to 2014.

Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

PRECISE PORTIONS, LLC

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are recorded when invoices are issued and are presented in the balance sheet at the amount management expects to collect. An allowance for uncollectible accounts has not been recorded by the Company, since management of the Company believes all accounts receivable shown on the balance sheet are collectible.

Inventories

Merchandise inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at historical cost. Depreciation is calculated using the straight-line method over the estimated useful life of the assets.

Intangible Assets

Intangible assets are primarily capitalized start-up costs. It also includes the cost of capitalized trademark and patents. Intangible assets are amortized on a straight-line basis over 15 years.

Advertising

Advertising costs are expensed as incurred.

Shipping and Handling

Sales delivery costs have not been included in cost of sales, they are included in selling, general and administrative expenses.

NOTE B - SHORT-TERM LOANS

The Company has been offered sequential, small, short-term loans through Amazon Lending, in the name of the members. At December 31, 2017 the loan had an outstanding balance of \$4,764, at 16.9% interest, with payments of \$834 due monthly through June 2018. Payments are deducted from proceeds of Amazon sales. The loan is secured by all assets of the Company.

The Company has been offered several, small, short-term loans through an online lender, in the name of the members. At December 31, 2017 the loans had a combined outstanding balance of \$9,062, at 31.3% interest, with payments of \$3,357 monthly through June 2018. The loan is secured by all assets of the Company, and the guarantee of the members.

NOTE C - RELATED PARTY TRANSACTIONS

The Company received advances from related parties. These advances were utilized to fund on-going working capital. The advances are noninterest-bearing and due on demand.

PRECISE PORTIONS, LLC

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2017 AND 2016

NOTE D - MEMBER LOANS

The Company received advances from members. These advances were utilized to fund on-going working capital. The advances are noninterest-bearing and due on demand.

NOTE E - SUBSEQUENT EVENTS

In the preparation of its financial statements, the Company considered subsequent events through July 30, 2018, which was the date the financial statements were available to be issued.

During 2018 the Company intends to raise \$500,000 in capital with funding from a Crowdfunding campaign and the sale of units to third party investors.