INSPIRE FOUNDATION

INSPIRE BRANDS FOUNDATION, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of Inspire Brands Foundation, Inc.

We have audited the accompanying financial statements of Inspire Brands Foundation, Inc. (Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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.

Auditors' 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 auditors' 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 entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inspire Brands Foundation, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Smith & Howard

September 28, 2020

INSPIRE BRANDS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current Assets	
Cash	$ 1,662,683
Accounts receivable - In-unit fundraisers	749,741
Other receivables	642,968
Prepaid expenses	129,827
Total Current Assets	3,185,219
Investments	7,895,712
Property and equipment, net	14,985
	$ 11,095,916

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 67,340
Grant obligations - short term	2,523,718
Accrued expenses	173,647
Total Current Liabilities	2,764,705
Grant obligations - long term	604,411
	3,369,116
Net Assets	
Without donor restrictions	
Board designated for Arby's Foundation initiatives	7,331,792
Board designated for Buffalo Wild Wings Foundation initiatives	350,838
Board designated for Sonic Foundation initiatives	21,403
Board designated for Inspire Brands Foundation initiatives	22,767
Total Net Assets	7,726,800
	$ 11,095,916

The accompanying notes are an integral part to these financial statements.

INSPIRE BRANDS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions
Support and Revenues	
In-unit fundraiser proceeds	$ 8,513,947
Partner proceeds	2,920,352
Other income	33,452
Total Support and Revenues	11,467,751
Expenses	
Program services - grants and charitable contributions	8,441,375
Program services - other	1,201,809
Fundraising	1,555,345
Management and general	544,812
Total Expenses	11,743,341
Decrease in Net Assets Before Investment Return	(275,590)
Investment Return, Net	1,332,886
Increase in Net Assets	1,057,296
Net Assets, Beginning of Year	6,669,504
Net Assets, End of Year	$ 7,726,800

The accompanying notes are an integral part to these financial statements.

INSPIRE BRANDS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Programs	Fundraising	Management and General	Total
Grants	$ 8,441,375	$ -	$ -	$ 8,441,375
Salaries and related benefits	382,506	368,566	354,633	1,105,705
Restaurant fundraising	-	572,402	-	572,402
Fundraising events	-	570,091	-	570,091
Impact and awareness	416,101	-	-	416,101
Professional services	291,463	-	105,027	396,490
Administrative expenses	49,118	31,705	60,258	141,081
Community engagement	50,040	-	-	50,040
Rent	12,581	12,581	15,658	40,820
Depreciation	-	-	9,236	9,236
Total	$ 9,643,184	$ 1,555,345	$ 544,812	$ 11,743,341

The accompanying notes are an integral part to these financial statements.

INSPIRE BRANDS FOUNDATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Change in Net Assets	$ 1,057,296
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	9,236
Net unrealized and realized gains on investments	(1,140,963)
Loss on disposal of property and equipment	987
Changes in assets and liabilities:	
Accounts receivable - In-unit fundraisers	(589,437)
Other receivables	(271,332)
Prepaid expenses	(118,713)
Accounts payable	19,728
Accrued expenses	18,416
Grant obligation	1,546,377
Total Adjustments	(525,701)
Net Cash Provided by Operating Activities	531,595
Cash Flows from Investment Activities:	
Purchases of property and equipment	(6,124)
Purchases of investments	(2,525,569)
Proceeds from sales of investments	2,342,774
Net Cash Required by Investing Activities	(188,919)
Increase in Cash	342,676
Cash at Beginning of Year	1,320,007
Cash at End of Year	$ 1,662,683

The accompanying notes are an integral part of these financial statements.

INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Inspire Brands Foundation, Inc., formerly known as Arby's Foundation (the "Foundation"), can also operate as Arby's Foundation, Buffalo Wild Wings Foundation, Sonic Foundation and Jimmy John's Foundation. The Foundation is a non-profit corporation formed on April 24, 1986 to make charitable contributions. The Internal Revenue Service has determined that the Foundation is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The Foundation is classified as a publicly supported charitable organization. The mission of the Foundation is defined as a "non-profit, non-sectarian grant giving organization investing in the resources and experiences kids need to unlock their potential."

Basis of Accounting

The Foundation follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP").

Accounting Pronouncement Adopted

In June 2018, the FASB issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The Foundation adopted ASU 2018-08 in 2019. There was no material impact to the financial position, statement of activities or net assets of the Foundation as a result of implementation.

Presentation

The accompanying financial statements present "net assets". Net assets, along with revenues, expenses, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation (Continued)

- Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in these financial statements. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are recorded at the amount of cash estimated as realizable. Uncollectible accounts receivable balances, if any, are charged against bad debt expense when that determination is made. Accounts receivable balances are considered delinquent based upon individual contractual terms. As of December 31, 2019, there was no allowance for uncollectible accounts.

Revenue Recognition

Revenues generated from restaurant fundraising are recorded as In-unit fundraiser proceeds on the statement of activities.

Contributions are recognized when the donor makes a promise to give to the Foundation 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 are met in the same year in which the contributions are recognized. All other donor-restricted contributions, if any, are reported as increases in net assets with donor restrictions.

Contributions in-kind are recognized as contributions if the item (a) creates or enhances non-financial assets or (b) requires specialized skill, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the year ended December 31, 2019, the Foundation recorded contributions in-kind at the estimated fair value at the date of donation for donations related to program events, valued at $402,121. Contributions in-kind are included in Partner proceeds in the statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Additions and replacements are charged to the property and equipment accounts, while repairs and maintenance are charged to expenses as incurred. The threshold for capitalization is $1,000. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, which range from three to four years.

Functional Expense

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel.

Investments

The Foundation's investment categories include equities, money market funds, U.S. treasuries, and corporate bonds that are carried at fair value based on quoted market prices. Investments also include government related securities and fixed income mutual funds, which are valued based on quoted market prices for similar assets. The Foundation has one holding in a money market fund whose valuation is determined using the net asset value ("NAV") per share as a practical expedient. The fund maintains a $1 NAV per share for which shares can be redeemed. The Foundation has the ability to redeem this holding with the investee at NAV per share at the measurement date.

Investment earnings, including interest income and unrealized and realized gains and losses, are recorded in net assets without donor restrictions unless the income's use is donor restricted by explicit donor stipulations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measured on Recurring Basis

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The table below represents fair value measurement hierarchy of the assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	NAV	Total
Equities	$ 5,059,981	$ -	$ -	$ -	$ 5,059,981
Money market funds	244	-	-	290,660	290,904
U.S. Treasuries	320,276	-	-	-	320,276
Corporate bonds	-	461,342	-	-	461,342
Government related securities	-	495,218	-	-	495,218
Fixed income funds	1,267,991	-	-	-	1,267,991
Total Investments	$ 6,648,492	$ 956,560	$ -	$ 290,660	$ 7,895,712

NOTE 2 – PROPERTY AND EQUIPMENT

The Foundation's property and equipment at December 31, 2019 consists of the following:

Computers	$	15,554
Other equipment		43,412
Subtotal		58,966
Less accumulated depreciation		(43,981)
Total Property and Equipment	$	14,985

The Foundation recognized depreciation expense of $9,236 for the year ended December 31, 2019.

NOTE 3 – BOARD DESIGNATED STRATEGIC RESERVES

The Board of Directors has designated all net assets without donor restrictions to be a Strategic Operating Reserve Fund (“Strategic Reserves”) to ensure long-term sustainability of the mission, programs, and ongoing operations of the Foundation. The Strategic Reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Strategic Reserves may also be used for one-time, non-recurring expenses that will build long-term capacity. The Board of Directors is required to approve any request for use of the Strategic Reserves. The Strategic Reserves target minimum is equal to six months of average annual operating costs. Average annual operating costs do not include depreciation, in-kind and other non-cash expenses, one-time or unusual expenditures or capital purchases.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Foundation rents office space from a related party on a month-to-month basis. Rent paid for office space was $37,744 for the year ended December 31, 2019. There were no accounts payable to the related party as of December 31, 2019.

Board members of the Foundation or employees of Inspire Brands, Inc. and subsidiaries made cash contributions or sponsorships totaling $682,096 for the year ended December 31, 2019, of which $663,630 is recorded in Partner proceeds, and $18,466 in Other income in the accompanying statement of activities.

NOTE 4 – RELATED PARTY TRANSACTIONS (Continued)

The Arby's and Buffalo Wild Wings' corporate and franchisee restaurants ran in-unit restaurant promotions in which customers could make a contribution and receive a coupon. Buffalo Wild Wings' restaurants also ran a community day promotion in which a minimum of 10% of each customer's sales were received as a contribution. The Foundation received revenues of $8,513,947 for the year ended December 31, 2019 from these promotions.

Certain key employees of a related party have donated services to the Foundation in the following areas: benefits, design, communications and accounting. These services were provided in connection with the individuals' responsibilities as employees of Inspire Brands, Inc. These contributed services amounted to $14,953 for the year ended December 31, 2019. These in-kind contributions are included in Partner proceeds in the accompanying statement of activities.

The Foundation made payments to Arby's corporate and franchisees totaling $20,469 for the year ended December 31, 2019. The payments are included in Program services – other in the accompanying statement of activities.

NOTE 5 – EMPLOYEE BENEFIT PLAN

The Foundation maintains a 401(k) defined contribution retirement plan that covers substantially all full-time employees who meet certain eligibility requirements. The Foundation will match $1 for each dollar deferred up to the first 3% of pay and $0.50 on the dollar for the next 2% of pay. The maximum matching contribution is 4% of compensation per year. Participants are fully vested in their own deferrals and the employer matching contributions. The Foundation's contribution to the plan was $33,250 for the year ended December 31, 2019.

NOTE 6 – TAXES

The Foundation is recognized by the Internal Revenue Service as being exempt from Federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "IRC") as a publicly supported organization. U.S. GAAP requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for the difference between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates. Valuation allowances are established when necessary to reduce the deferred income tax assets to an amount that is more likely than not to be realized. The Foundation is subject to IRC Section 511(a) for income taxes on unrelated business income. The Foundation has reported on its Form 990-T, the return to report unrelated business income, approximately $750,000 of net operating loss carry forwards. These net operating losses may be available to offset future unrelated business income. These net operating losses will expire between 2023 to 2026. These net operating losses resulted in approximately $193,000 of deferred income tax assets which are fully reserved for with a valuation allowance. Management does not believe it is more likely than not the future benefits of the net operating losses will be recognized.

The Foundation recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of December 31, 2019, there are no known items which result in recording a liability related to uncertain tax positions. Tax years 2016 through 2019 remain subject to examination by major tax jurisdictions (US Federal, state and local authorities).

NOTE 7 – GRANT OBLIGATIONS

In 2019, the Foundation committed by way of an unconditional promise to give of $1,550,000 to Boys & Girls Clubs of America. The Foundation will pay the grant obligation in 2020. This commitment helps Boys & Girls Clubs of America support kids across the country to learn the important skills that come with playing a sport.

In 2018, the Foundation committed by way of an unconditional promise to give of $2,000,000 to 3DE National Signature Partner Sponsorship to be paid out over 5 years. 3DE is a program for high school students that aims to make high-quality education accessible to all students. By connecting to real-world concepts, infusing business connectivity in lesson plans and providing hands-on experiences to apply knowledge, 3DE is preparing students for the demands of tomorrow. The Foundation will pay the remaining future grant obligation as follows: $333,334 in 2020, $333,333 in 2021, and $333,333 in 2022.

NOTE 7 – GRANT OBLIGATIONS (Continued)

Unconditional promises are discounted and recorded at their estimated fair value at the date they were pledged. The Foundation elected the traditional or discount rate adjustment technique in which the single set of cash flows are conditional cash flows. The risk-adjusted discount rate is derived from observed rates or return for comparable liabilities that are traded in the market. Amortization of this discount is $106,792 for the year ended December 31, 2019 and is recorded as additional contribution expense.

NOTE 8 – LIQUIDITY AND AVAILABILITY

For purposes of analyzing resources available to meet general expenditures, the Foundation considers financial assets that will be collected and available in 2020 to the Foundation. Financial assets available for general expenditures, within one year are as follows as of December 31, 2019:

Cash	$ 1,662,683
Accounts receivable - In-unit fundraisers	749,741
Other receivables	642,968
Total Liquidity	$ 3,055,392

These financial assets provide sufficient liquidity to meet the day-to-day operating cash needs of the Foundation. The Foundation's goal is generally to maintain financial assets to meet at least six months of operating expenses. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other liabilities become due. The Foundation invests cash in excess of daily requirements in money market funds.

NOTE 9 – SUBSEQUENT EVENT

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

The overall financial impact to the Foundation caused by disruption of normal business operations from COVID-19 cannot be determined through the date of this report. However, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements. The Foundation's spring fundraiser has been cancelled. In addition, the Foundation's in-unit fundraiser proceeds may be negatively impacted due to reduced customer traffic and the temporary reduction of operating hours for stores.

In April 2020, the Foundation announced it will launch a $1,000,000 COVID-19 relief fund dedicated to supporting childhood hunger and restaurant industry relief efforts.