



INSPIRE BRANDS FOUNDATION, INC.

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 and 2022**

**with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees of
Inspire Brands Foundation, Inc.**

Opinion

We have audited the accompanying financial statements of Inspire Brands Foundation, Inc. (the "Foundation") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 Foundation as of December 31, 2023 and 2022, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

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 Foundation's ability to continue as a going concern for one year after the date of this report.

Auditors' 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 auditors' 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 GAAS 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 can arise from fraud or error and 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 GAAS, 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 Foundation'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 Foundation'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.

Smith and Howard

Atlanta, GA
May 7, 2024

**INSPIRE BRANDS FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 7,285,998	\$ 5,191,380
Accounts receivable - In-unit fundraisers	1,077,141	1,875,105
Agency receivable	150,000	450,000
Other receivables	625,789	642,535
Prepaid expenses	<u>33,122</u>	<u>32,557</u>
Total Current Assets	9,172,050	8,191,577
Cash, Board Designated	840,699	803,424
Investments	6,872,161	6,010,532
Property and Equipment, Net	<u>4,712</u>	<u>14,265</u>
	 <u>\$ 16,889,622</u>	 <u>\$ 15,019,798</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 106,150	\$ 332,223
Grant obligations - short term	1,547,450	261,000
Accrued expenses	<u>316,146</u>	<u>271,712</u>
Total Current Liabilities	1,969,746	864,935
Grant Obligations - Long Term	<u>196,973</u>	<u>418,810</u>
	<u>2,166,719</u>	<u>1,283,745</u>
Net Assets		
Without donor restrictions		
Board designated for Arby's Strategic Operating Reserve Fund	7,712,860	6,813,956
Designated for Arby's Foundation initiatives	1,397,644	2,102,056
Designated for Buffalo Wild Wings Foundation initiatives	2,638,533	2,649,465
Designated for Sonic Foundation initiatives	941,006	669,858
Designated for Inspire Brands Foundation initiatives	909,247	65,631
Designated for Jimmy John's Foundation initiatives	<u>110,424</u>	<u>124,950</u>
Total without donor restrictions	13,709,714	12,425,916
With Donor Restrictions	<u>1,013,189</u>	<u>1,310,137</u>
Total Net Assets	<u>14,722,903</u>	<u>13,736,053</u>
	 <u>\$ 16,889,622</u>	 <u>\$ 15,019,798</u>

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

INSPIRE BRANDS FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Net Assets Without Donor Restrictions:		
Support, Revenues, and Gains		
Consumer fundraising	\$ 8,678,159	\$ 9,972,259
Partner and Corporate fundraising	8,911,891	2,443,643
Contributed nonfinancial assets	6,342,426	2,580,291
Investment return (loss), net	899,612	(1,172,508)
Other income	364,198	219,503
Total	<u>25,196,286</u>	<u>14,043,188</u>
Net Assets Released from Restrictions	<u>364,000</u>	<u>-</u>
Total Support, Revenues, and Gains	<u>25,560,286</u>	<u>14,043,188</u>
Expenses		
Program services - grants and charitable contributions	14,100,059	9,003,387
Program services - other	7,205,938	3,175,367
Fundraising	2,195,224	1,283,788
Management and general	<u>775,267</u>	<u>754,588</u>
Total Expenses	<u>24,276,488</u>	<u>14,217,130</u>
Change in Net Assets Without Donor Restrictions	1,283,798	(173,942)
Net Assets With Donor Restrictions:		
Contributions		
Sonic Foundation Disaster Relief Fund	67,052	69,167
Net assets released from restrictions	<u>(364,000)</u>	<u>-</u>
Change in Net Assets With Donor Restrictions	<u>(296,948)</u>	<u>69,167</u>
Change in Net Assets	986,850	(104,775)
Net Assets, Beginning of Year	<u>13,736,053</u>	<u>13,840,828</u>
Net Assets, End of Year	<u>\$ 14,722,903</u>	<u>\$ 13,736,053</u>

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

**INSPIRE BRANDS FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 14,100,059	\$ -	\$ -	\$ 14,100,059
Salaries and benefits	659,217	271,305	632,299	1,562,821
Restaurant fundraising	-	408,946	-	408,946
Fundraising events	10,000	1,467,119	-	1,477,119
Impact and awareness	6,309,182	144	11,415	6,320,741
Professional services	131,417	18,660	57,124	207,201
Administrative expenses	52,911	13,008	27,196	93,115
Rent	42,017	15,352	37,544	94,913
Depreciation	1,194	690	9,689	11,573
Total	<u>\$ 21,305,997</u>	<u>\$ 2,195,224</u>	<u>\$ 775,267</u>	<u>\$ 24,276,488</u>

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

**INSPIRE BRANDS FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$ 9,003,387	\$ -	\$ -	\$ 9,003,387
Salaries and benefits	540,603	301,212	583,906	1,425,721
Restaurant fundraising	-	593,762	-	593,762
Fundraising events	-	312,927	-	312,927
Impact and awareness	2,454,280	-	2,308	2,456,588
Professional services	115,749	28,948	67,262	211,959
Administrative expenses	27,858	28,897	54,843	111,598
Rent	35,077	17,329	36,737	89,143
Depreciation	1,800	713	9,532	12,045
Total	<u>\$ 12,178,754</u>	<u>\$ 1,283,788</u>	<u>\$ 754,588</u>	<u>\$ 14,217,130</u>

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

INSPIRE BRANDS FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 986,850	\$ (104,775)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,573	12,045
Net unrealized and realized gains (losses) on investments	(742,010)	1,251,685
Changes in assets and liabilities:		
Accounts receivable - In-unit fundraisers	797,964	(104,767)
Agency receivable	300,000	300,000
Other receivables	16,746	40,779
Prepaid expenses	(565)	(24,864)
Accounts payable	(226,073)	239,285
Accrued expenses	44,434	94,394
Grant obligation	1,064,613	(721,679)
Total Adjustments	<u>1,266,682</u>	<u>1,086,878</u>
Net Cash Provided by Operating Activities	<u>2,253,532</u>	<u>982,103</u>
Cash Flows from Investment Activities:		
Purchases of property and equipment	(2,020)	(1,812)
Purchases of investments	(1,063,229)	(1,324,154)
Proceeds from sales of investments	<u>943,610</u>	<u>1,259,748</u>
Net Cash Required by Investing Activities	<u>(121,639)</u>	<u>(66,218)</u>
Increase in Cash	<u>2,131,893</u>	<u>915,885</u>
Cash at Beginning of Year	<u>5,994,804</u>	<u>5,078,919</u>
Cash at End of Year	<u>\$ 8,126,697</u>	<u>\$ 5,994,804</u>
<u>Reconciliation of Cash to the Statement of Financial Position:</u>		
Cash	\$ 7,285,998	\$ 1,454,525
Cash, Board Designated	<u>840,699</u>	<u>4,540,279</u>
	<u>\$ 8,126,697</u>	<u>\$ 5,994,804</u>

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

INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Inspire Brands Foundation, Inc. (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”).

Reclassifications

Certain amounts in the December 31, 2022 financial statements have been reclassified to conform to the current year presentation.

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.
- 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.

INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, receivables and investments. At times, cash balances exceed federally insured amounts. The Foundation believes it reduces risks associated with balances in excess of federal insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

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, 2023 and 2022, 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.

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.

**INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gifts-in-Kind

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. The Foundation received gifts-in-kind for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Donated media	\$ 3,084,467	\$ 2,103,968
Brand contributions	2,338,878	-
Donated space	91,117	85,471
Donated partner support	820,439	311,207
Other	7,525	79,645
	<u>\$ 6,342,426</u>	<u>\$ 2,580,291</u>

All donated services and assets were utilized by the Foundation’s programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

Donated space is valued at the fair value of \$91,117 and \$85,471 for the years ended December 31, 2023 and 2022, respectively. Donated media are valued based on the fair value air time provided by donor on a per-ad basis, and is recorded at \$3,084,467 and \$2,103,968 for the years ended December 31, 2023 and 2022, respectively. Donor partner support includes discounts by vendors for various services and is valued on the fair market of good or services provided less the amount paid by the Foundation. Brand contributions include promotions and marketing, paid for on behalf of the Foundation, for the support of programs and events, and are valued at fair market value of the services and goods provided.

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.

**INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements 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.

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:

	<u>2023</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Equities	\$ 4,548,374	\$ -	\$ -	\$ -	\$ 4,548,374
Money market funds	-	-	-	167,376	167,376
U.S. Treasuries	419,185	-	-	-	419,185
Corporate bonds	-	354,183	-	-	354,183
Government related securities	-	171,464	-	-	171,464
Fixed income funds	1,211,579	-	-	-	1,211,579
Total Investments	<u>\$ 6,179,138</u>	<u>\$ 525,647</u>	<u>\$ -</u>	<u>\$ 167,376</u>	<u>\$ 6,872,161</u>

**INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measured on Recurring Basis (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>2022</u> <u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Equities	\$ 3,974,194	\$ -	\$ -	\$ -	\$ 3,974,194
Money market funds	-	-	-	176,046	176,046
U.S. Treasuries	131,559	-	-	-	131,559
Corporate bonds	-	312,227	-	-	312,227
Government related securities	-	362,851	-	-	362,851
Fixed income funds	<u>1,053,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,053,655</u>
Total Investments	<u>\$ 5,159,408</u>	<u>\$ 675,078</u>	<u>\$ -</u>	<u>\$ 176,046</u>	<u>\$ 6,010,532</u>

NOTE 2 – DESIGNATED NET ASSETS AND BOARD DESIGNATED STRATEGIC RESERVE

Net assets without donor restrictions are designated to each brand Foundation since funds are raised at brand-specific restaurants and given on behalf of the represented brand. In addition to this designation, Arby's Foundation has a Strategic Operating Reserve Fund ("Strategic Reserves"), governed by the Arby's Foundation Board of Directors. The Strategic Reserves are intended to provide an internal source of funds for situations such as one-time unbudgeted expenses, unanticipated loss in funding, uninsured losses or non-recurring expenses that will build long-term capacity. The Arby's Foundation Board of Directors is required to approve any request for use of the Strategic Reserves.

At December 31, 2023 and 2022, board designated net assets were made up from the following asset accounts in the statement of financial position:

	<u>2023</u>	<u>2022</u>
Cash, Board Designated	\$ 840,699	\$ 803,424
Investments	<u>6,872,161</u>	<u>6,010,532</u>
	<u>\$ 7,712,860</u>	<u>\$ 6,813,956</u>

**INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 – RELATED PARTY TRANSACTIONS

The value of rent gifted in-kind was \$91,117 and \$85,471 for the year ended December 31, 2023 and 2022, respectively. There were no accounts payable to the related party as of December 31, 2023 and 2022.

For the year ended December 31, 2023, Inspire Brands, Inc., Board members of the Foundation or employees of Inspire Brands, Inc. and Subsidiaries made cash contributions or sponsorships totaling \$5,744,008, of which \$5,689,689 is recorded in Partner proceeds and \$54,318 in other income in the accompanying statement of activities. For the year ended December 31, 2022, Board members of the Foundation or employees of Inspire Brands, Inc. and Subsidiaries made cash contributions or sponsorships totaling \$802,210, of which \$750,000 is recorded in Partner proceeds and \$52,210 in other income in the accompanying statement of activities.

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 \$1,128 and \$4,138 for the years ended December 31, 2023 and 2022, respectively. These in-kind contributions are included in contributed nonfinancial assets in the accompanying statement of activities.

The Foundation made payments to Inspire Brands and franchisees totaling \$248,747 and \$201,893 for the years ended December 31, 2023 and 2022, respectively. The payments are included in Program services – other in the accompanying statements of activities.

During 2021, the Foundation entered into an agreement with Inspire Brands, Inc. for Inspire Brands, Inc. to provide funding for a grant obligation to a nonprofit. At December 31, 2023 and 2022, the outstanding balance was \$150,000 and \$450,000, respectively, with the remaining payment of \$150,000 due in 2025.

The Foundation received related party revenues from Commercial co-venture promotions for the years ended December 31 as follows:

	<u>2023</u>	<u>2022</u>
Buffalo Wild Wings Foundation	\$ 910,104	\$ 1,017,960
Jimmy John's Foundation	115,029	141,800
Sonic Foundation	<u>2,767,189</u>	<u>50,000</u>
Commercial Co-Venture Promotions	<u>\$ 3,792,322</u>	<u>\$ 1,209,760</u>

**INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 – 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 \$45,448 and \$31,733 for the years ended December 31, 2023 and 2022, respectively.

NOTE 5 – INCOME 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. 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 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, 2023, there are no known items which result in recording a liability related to uncertain tax positions. In general, the Foundation is no longer subject to tax examinations for tax years ending before December 31, 2020.

NOTE 6 – GRANT OBLIGATIONS

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 \$3,027 and \$13,967 for the years ended December 31, 2023 and 2022, respectively, and is recorded as additional contribution expense.

The Foundation will pay the future grant obligations as follows for the years ended December 31:

2024	\$ 1,547,450
2025	<u>200,000</u>
	1,747,450
less discount	<u>(3,027)</u>
Total Grant Obligations	<u><u>\$ 1,744,423</u></u>

**INSPIRE BRANDS FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2023, the Foundation has net assets with donor restrictions of \$1,013,189. The funds are restricted as follows, \$850,000 for Inspire Brands Foundation and \$163,189 for Sonic Foundation. At December 31, 2022, the Foundation had net assets with donor restrictions of \$1,310,137. The funds were restricted as follows, \$1,200,000 for Inspire Brands Foundation and \$110,137 for Sonic Foundation.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures, the Foundation considers financial assets that will be collected and available in 2023 and 2022 to the Foundation. Financial assets available for general expenditures, within one year are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 8,126,697	\$ 5,994,804
Accounts receivable - In-unit fundraisers	1,077,141	1,875,105
Agency receivable	150,000	450,000
Other receivables	625,789	642,535
Investments	<u>6,872,161</u>	<u>6,010,532</u>
Financial assets, at year end	16,851,788	14,972,976
Less those unavailable for general expenditures within one year, due to:		
Board designated and donor restricted funds	(8,726,049)	(8,124,093)
Agency receivable	<u>(150,000)</u>	<u>(450,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,975,739</u>	<u>\$ 6,398,883</u>

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 EVENTS

Management has evaluated subsequent events through May 7, 2024, the date the financial statements were available to be issued.