Arby's Foundation

Arby's Foundation, Inc.

Atlanta, Georgia

Financial Statements

For the Years Ended December 31, 2016 and 2015

ARBY'S FOUNDATION, INC.
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees of
Arby's Foundation, Inc.:

We have audited the accompanying financial statements of Arby's Foundation, Inc. (a Georgia corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arby's Foundation, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of expenses shown on pages 16-19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Atlanta, Georgia
May 12, 2017

ARBY'S FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
ASSETS		
Current assets:		
Cash	$ 1,600,469	$ 1,083,334
Accounts receivable - In-unit fundraisers	121,555	12,774
Other receivables	178,681	202,427
Prepaid expenses	16,352	3,364
Total current assets	1,917,057	1,301,899
Investments	6,715,402	6,570,474
Property and equipment, net	20,685	15,872
Total assets	$ 8,653,144	$ 7,888,245

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Current liabilities:		
Accounts payable	$ 45,815	$ 10,946
Charitable donations payable	78,456	36,015
Summer innovation strategy obligation	-	458,458
Grant obligation - short term	40,000	60,000
Accrued expenses	123,435	97,096
Total current liabilities	287,706	662,515
Grant obligation - long term	16,825	40,096
Total liabilities	304,531	702,611
NET ASSETS		
Unrestricted net assets:		
Undesignated	1,878,252	1,416,079
Board designated - endowment	6,435,361	5,709,555
Temporarily restricted	35,000	60,000
Total net assets	8,348,613	7,185,634
Total liabilities and net assets	$ 8,653,144	$ 7,888,245

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

ARBY'S FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total 2016
Support and revenues			
In-unit fundraisers proceeds	$ 4,481,721	$ -	$ 4,481,721
Sponsors income	1,372,273	35,000	1,407,273
Vendors and other contributions	871,643	-	871,643
Restaurant promotions - Kids Meal income	126,801	-	126,801
Other income	88,716	-	88,716
Net assets released from restrictions	60,000	(60,000)	-
Total support and revenues	7,001,154	(25,000)	6,976,154
Expenses			
Program services - grants and charitable contributions	3,746,264	-	3,746,264
Program services - other	891,230	-	891,230
Management and general	485,163	-	485,163
Fundraising	1,017,858	-	1,017,858
Total expenses	6,140,515	-	6,140,515
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	860,639	(25,000)	835,639
INVESTMENT INCOME	327,340	-	327,340
CHANGE IN NET ASSETS	1,187,979	(25,000)	1,162,979
NET ASSETS			
Beginning of year	7,125,634	60,000	7,185,634
NET ASSETS			
End of year	$ 8,313,613	$ 35,000	$ 8,348,613

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

ARBY'S FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total 2015
Support and revenues			
In-unit fundraisers proceeds	$ 3,766,932	$ -	$ 3,766,932
Sponsors income	1,072,126	50,000	1,122,126
Vendors and other contributions	844,763	-	844,763
Restaurant promotions - Kids Meal income	133,209	-	133,209
School's Out Food's In income	81,076	-	81,076
Other income	68,462	10,000	78,462
Net assets released from restrictions	50,000	(50,000)	-
Total support and revenues	6,016,568	10,000	6,026,568
Expenses			
Program services - grants and charitable contributions	3,533,278	-	3,533,278
Program services - other	844,106	-	844,106
Management and general	584,992	-	584,992
Fundraising	668,689	-	668,689
Total expenses	5,631,065	-	5,631,065
CHANGE IN NET ASSETS BEFORE INVESTMENT LOSS	385,503	10,000	395,503
INVESTMENT LOSS	(87,047)	-	(87,047)
CHANGE IN NET ASSETS	298,456	10,000	308,456
NET ASSETS			
Beginning of year	6,827,178	50,000	6,877,178
NET ASSETS			
End of year	$ 7,125,634	$ 60,000	$ 7,185,634

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

ARBY'S FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,162,979	$ 308,456
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,505	29,232
Net unrealized and realized (gains) losses on investments	(117,859)	330,552
Loss on disposal of property and equipment	-	1,888
Change in accounts receivable - In-unit fundraisers	(108,781)	62,949
Change in other receivables	23,746	(5,079)
Change in prepaid expenses	(12,988)	21,017
Change in accounts payable	34,869	(52,312)
Change in charitable donations payable	42,441	(60,180)
Change in grant obligation	(43,271)	100,096
Change in Georgia community investment obligation	-	(1,000,000)
Change in Summer innovation strategy obligation	(458,458)	(896,419)
Change in accrued expenses	26,339	52
Total adjustments	(606,457)	(1,468,204)
Net cash provided by (used in) operating activities	556,522	(1,159,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(12,318)	(14,617)
Proceeds from sales of property and equipment	-	5,500
Purchases of investments	(5,153,336)	(6,753,338)
Proceeds from sales of investments	5,126,267	7,977,403
Net cash (used in) provided by investing activities	(39,387)	1,214,948
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease payments	-	(39,336)
Net cash used in financing activities	-	(39,336)
INCREASE IN CASH	517,135	15,864
CASH, Beginning of Year	1,083,334	1,067,470
CASH, End of Year	$ 1,600,469	$ 1,083,334
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ -	$ 1,132

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

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Arby's Foundation, Inc. (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 dedicated to ending childhood hunger in America, because every child deserves to learn, play and grow."

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were temporarily restricted (by time) net assets of $35,000 and $60,000 and no permanently restricted net assets as of December 31, 2016 and 2015, respectively.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash

At December 31, 2016 and 2015, the Foundation had cash deposits, including outstanding checks, in excess of the existing Federal Deposit Insurance Corporation limit of $250,000. The Foundation believes it mitigates any risk by depositing cash with major financial institutions.

Contributions

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 unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions, if any, are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Revenue

Revenues generated from restaurant fundraising are recorded as In-unit fundraisers proceeds on the Statements of Activities. The Foundation retains 10% of the in-unit fundraisers proceeds for costs related to administering the program.

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Accounts Receivable

Accounts receivable, net of allowances for uncollectible accounts, 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. There were no uncollectible accounts written off during the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, there were no allowances for uncollectible accounts.

Financial Instruments

The Foundation's financial instruments include cash, accounts receivable, investments and accounts payable. The fair value of cash, accounts receivable and accounts payable approximates book value due to their short-term nature.

For investments, valuation techniques under the accounting guidance related to fair value measurements are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. These inputs are classified into the following hierarchy:

Level 1 Inputs – Quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs – Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation.

Investments consist of 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. Unrealized and realized gains and losses on investments are reported as an increase or decrease in unrestricted net assets.

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 seven years.

Collections

Collections acquired through purchases are not recorded as assets on the Statements of Financial Position. Purchases of a collection are recorded as a decrease in unrestricted net assets in the year in which the collections are acquired. Contributed collections are not reflected on the financial statements.

Contributions In-Kind

Contributions in-kind are recognized as contributions if the item (a) creates or enhances non-financial assets or (b) require specialized skill, are performed by people with those skills, and would otherwise be purchased by the Foundation. During the years ended December 31, 2016 and 2015, the Foundation recorded contributions in-kind at the estimated fair value at the date of donation for donations related to program events, valued at $306,200 and $50,336, respectively. Contributions in-kind are included in Sponsors income in the Statements of Activities.

Subsequent Events

The Foundation discloses material events that occur after the Statement of Financial Position date but before financial statements are issued. In general, these events are recognized in the financial statements if the condition existed at the date of the Statement of Financial Position, but are not recognized if the condition did not exist at the Statement of Financial Position date. The Foundation discloses non-recognized events if required to keep the financial statements from being misleading. Management evaluated events occurring subsequent to December 31, 2016 through May 12, 2017, the date the financial statements were available for issuance.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2016, the Foundation adopted Accounting Standards Update 2015-07 (“ASU”), Disclosures for Investments in Certain Entities That Calculated Net Asset Value per Share (or Its Equivalent). The ASU removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the practical expedient. The ASU further removed the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the practical expedient. The Foundation retrospectively applied the ASU to its 2015 disclosures.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition. This new standard will replace all current Generally Accepted Accounting Principles (GAAP) guidance on this topic and eliminate all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that the Foundation should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for the Foundation beginning January 1, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize a lease liability and right-of-use asset at the commencement date for all leases, with the exception of short-term leases. This guidance will be effective for the Foundation beginning January 1, 2020. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for annual financial statements for the Foundation for fiscal year 2018. The Foundation is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

2. INVESTMENTS

As of December 31, 2016 and 2015, the only assets that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 or Level 2 of the valuation hierarchy.

The following is a summary of investments held at December 31:

December 31, 2016	Level 1	Level 2	Level 3	Investments at Net Asset Value	Total
Equities	$ 3,958,946	$ -	$ -	$ -	$ 3,958,946
Money market funds	602	-	-	162,999	163,601
U.S. Treasuries	152,251	-	-	-	152,251
Corporate bonds	421,289	-	-	-	421,289
Government related securities	-	554,325	-	-	554,325
Fixed income funds	-	1,464,990	-	-	1,464,990
Total Investments	$ 4,533,088	$ 2,019,315	$ -	$ 162,999	$ 6,715,402

December 31, 2015	Level 1	Level 2	Level 3	Investments at Net Asset Value	Total
Equities	$ 3,654,763	$ -	$ -	$ -	$ 3,654,763
Money market funds	6,679	-	-	164,863	171,542
U.S. Treasuries	175,237	-	-	-	175,237
Corporate bonds	325,858	-	-	-	325,858
Government related securities	-	182,605	-	-	182,605
Fixed income funds	-	2,060,469	-	-	2,060,469
Total Investments	$ 4,162,537	$ 2,243,074	$ -	$ 164,863	$ 6,570,474

December 31, 2016	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equities	$ 3,894,599	$ 3,958,946	$ 64,347
Money market funds	163,601	163,601	-
U.S. Treasuries	161,655	152,251	(9,404)
Corporate bonds	436,124	421,289	(14,835)
Government related securities	561,205	554,325	(6,880)
Fixed income mutual funds	1,492,427	1,464,990	(27,437)
Total Investments	$ 6,709,611	$ 6,715,402	$ 5,791

December 31, 2015	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equities	$ 3,761,045	$ 3,654,763	$ (106,282)
Money market funds	171,542	171,542	-
U.S. Treasuries	176,657	175,237	(1,420)
Corporate bonds	331,899	325,858	(6,041)
Government related securities	182,155	182,605	450
Fixed income mutual funds	2,188,515	2,060,469	(128,046)
Total Investments	$ 6,811,813	$ 6,570,474	$ (241,339)

Investment income (loss) for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividends	$ 209,481	$ 243,505
Realized (losses) gains	(129,271)	569,041
Unrealized gains (losses)	247,130	(899,593)
Net investment income (loss)	$ 327,340	$ (87,047)

3. PROPERTY AND EQUIPMENT

The Foundation's property and equipment at December 31, 2016 and 2015 consists of the following:

	2016	2015
Computers	$ 15,513	$ 15,513
Furniture and fixtures	17,362	17,362
Other equipment	37,429	68,679
Subtotal	70,304	101,554
Less accumulated depreciation	(49,619)	(85,682)
Total property and equipment	$ 20,685	$ 15,872

The Foundation recognized depreciation expense of $7,505 and $29,232 for the years ended December 31, 2016 and 2015, respectively.

4. ENDOWMENT

The State of Georgia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which concerns charities and how they manage investments and spend endowments. This affects all organizations with endowments, and accomplishes three main objectives: (a) sets standards for investment of assets for Board of Directors, (b) allows flexibility for spending of endowment funds, and (c) sets up a mechanism by which a fund can be released by the charity from donor restrictions.

The Foundation has interpreted the State of Georgia's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. At December 31, 2016 and 2015, the Foundation had no donor-restricted endowment funds.

The primary investment goal of the Foundation's adopted investment and spending policies, approved by the Board of Directors, is to preserve the real purchasing power of the assets in perpetuity and maximize the yield on investments by attaining a real total return while diversifying risk, by using funding primarily when current year operating income is insufficient. Total return is defined as the sum of total interest and dividends, appreciation, and realized and unrealized gains (losses), less all investment management costs. The Foundation's objective is to maintain appropriate liquidity ranging from meeting short-term operating needs to supporting the mission over the long term. The endowment assets are invested in a manner that is intended to produce results that exceed common benchmarks for a balanced portfolio.

An endowment is an established fund of cash, securities, or other assets (such as contributions receivable) to provide income for the maintenance of a nonprofit organization. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation's investments are included as a Board-designated unrestricted endowment.

Endowment net asset composition is all Board-designated funds (investments) of $6,435,361 and $5,709,555 as of December 31, 2016 and 2015, respectively. The changes in endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Endowment beginning of year	$ 5,709,555	$ 5,266,600
Investment income (loss)	327,340	(87,047)
Transfer from undesignated	1,302,992	1,669,698
Endowment grants	(846,264)	(1,053,279)
Investment expenses	(58,262)	(86,417)
Endowment end of year	$ 6,435,361	$ 5,709,555

5. RELATED PARTY TRANSACTIONS

The Foundation rents office space from a related party on a month-to-month basis. Rent paid for office space was $41,541 and $40,379 for the years ended December 31, 2016 and 2015, respectively. Accounts payable to the related party were $0 and $3,783 as of December 31, 2016 and 2015, respectively.

Included in Support and revenues on the Statements of Activities are cash contributions and sponsorships of $1,256,917 for the year ended December 31, 2016 from either vendors who are board members of the Foundation or employees of Arby’s Restaurant Group, Inc. (“ARG”) Of this total, $871,643 is included in Vendors and other contributions, $307,819 is included in Sponsors income and $77,455 is included in Other income.

Included in Support and revenues on the Statements of Activities are cash contributions and sponsorships of $1,274,260 for the year ended December 31, 2015 from either vendors who are board members of the Foundation or employees of ARG. Of this total, $844,763 is included in Vendors and other contributions, $274,533 is included in Sponsors income, $81,076 is included in School’s Out Food’s In income and $73,888 is included in Other income.

The Arby's corporate and franchisee restaurants ran in-unit restaurant promotions in which customers could make a contribution and receive a coupon. The Foundation received revenues of $4,481,721 and $3,766,932 for the years ended December 31, 2016 and 2015, respectively, 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 ARG. These contributed services amounted to $15,940 and $15,545 for the years ended December 31, 2016 and 2015, respectively. These in-kind contributions dollars are included in the Statements of Activities.

Included in Expenses on the Statements of Activities is a shared services agreement, dated September 28, 2015, for executive leadership with a related party as follows:

	2016	2015
Programs services - other	$ 11,999	$ 6,000
Management and general	2,758	2,667
Fundraising	11,999	1,333
	$ 26,756	$ 10,000

6. 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 $1.00 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 contributions to the plan were $21,187 and $20,342 for the years ended December 31, 2016 and 2015, respectively.

7. 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 $255,000 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, 2016 and 2015, there are no known items which result in recording a liability related to uncertain tax positions. Tax years 2013 through 2016 remain subject to examination by major tax jurisdictions (US Federal, state and local authorities).

8. AGENCY TRANSACTIONS

The Foundation received $23,873 and $0 in funds through various fundraising events that were agency transactions in the years ended December 31, 2016 and 2015, respectively.

9. SUMMER INNOVATION STRATEGY OBLIGATION

For the year ended December 31, 2013, the Foundation committed by way of an unconditional promise to give $4,000,000 to the Share Our Strength No Kid Hungry campaign Summer Innovation Strategy. This donation was paid out over four years: $1,000,000 in 2013, $1,500,000 in 2014, $1,000,000 in 2015 and $500,000 in 2016. Unconditional promises were discounted and recorded at their estimated fair value at the date they were pledged. The Foundation elected the traditional or discount rate adjustment (DRA) technique in which the single set of cash flows are conditional cash flows. The risk-adjusted discount rate was derived from observed rates of return for comparable liabilities that are traded in the market. Amortization of this discount was recorded as additional contribution expense.

ARBY'S FOUNDATION, INC.
SUPPLEMENTAL SCHEDULES OF PROGRAM SERVICES –
GRANTS AND CHARITABLE CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Share Our Strength	$ 2,906,000	$ 2,494,500
Community Outreach	796,992	862,230
Summer Innovation Strategy	43,272	103,580
School's Out Food's In grants	-	72,968
Total program services grants and charitable contributions	$ 3,746,264	$ 3,533,278

ARBY'S FOUNDATION, INC.
SUPPLEMENTAL SCHEDULES OF PROGRAM SERVICES – OTHER
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Salaries and related benefits	$ 309,387	$ 292,511
Professional Services	171,980	117,541
Make A Difference Day	160,776	-
Administrative	149,495	69,065
School's Out Food's In	85,745	331,983
Rent	13,847	13,460
Depreciation	-	18,415
Interest expense	-	1,131
Total program services - other	$ 891,230	$ 844,106

ARBY'S FOUNDATION, INC.
SUPPLEMENTAL SCHEDULES OF MANAGEMENT AND GENERAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Salaries and related benefits	$ 259,039	$ 342,606
Professional services	72,153	67,285
Administrative	69,208	58,633
Investment expenses	58,262	87,791
Rent	18,996	17,860
Depreciation	7,505	10,817
Total management and general	$ 485,163	$ 584,992

ARBY'S FOUNDATION, INC.
SUPPLEMENTAL SCHEDULES OF FUNDRAISING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Partner program	$ 358,764	$ 202,945
Childhood Hunger - Community Investment (in-unit fundraisers)	309,714	181,763
Salaries and related benefits	230,481	206,504
Professional Services	73,170	34,495
Administrative	31,882	22,781
Rent	13,847	13,460
School's Out Food's In expense	-	6,741
Total fundraising	$ 1,017,858	$ 668,689