

BURGER KING FOUNDATION INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Burger King Foundation Inc.
Miami, Florida

We have audited the accompanying financial statements of Burger King Foundation Inc. (the "Foundation") (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019 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 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 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 the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Vrdyq, De Armas, & Trujillo LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
April 30, 2021

BURGER KING FOUNDATION INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS					
	Without Donor Restrictions		With Donor Restrictions		Total
	Operating Fund	Board Designated Fund	Other Donor Restricted Funds	Time Restricted Gift	
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,115,975	\$ 650,371	\$ 2,839,643	\$ 300,623	\$ 4,906,612
Contributions receivable, net	251,990	-	2,006,274	-	2,258,264
Pledge receivable, current	-	-	125,000	-	125,000
Prepaid expenses	20,109	-	-	-	20,109
TOTAL CURRENT ASSETS	1,388,074	650,371	4,970,917	300,623	7,309,985
OTHER ASSETS					
Investments	1,177,102	14,926,633	2,390,545	5,931,128	24,425,408
Due (to) from funds	(493,719)	341,984	1,984,071	(1,832,336)	-
TOTAL OTHER ASSETS	683,383	15,268,617	4,374,616	4,098,792	24,425,408
TOTAL ASSETS	\$ 2,071,457	\$ 15,918,988	\$ 9,345,533	\$ 4,399,415	\$ 31,735,393
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 309,856	\$ -	\$ 22,704	\$ -	\$ 332,560
TOTAL CURRENT LIABILITIES	309,856	-	22,704	-	332,560
TOTAL LIABILITIES	309,856	-	22,704	-	332,560
COMMITMENTS AND CONTINGENCIES					
NET ASSETS					
Without donor restrictions	1,761,601	15,918,988	-	-	17,680,589
With donor restrictions	-	-	9,322,829	4,399,415	13,722,244
TOTAL NET ASSETS	1,761,601	15,918,988	9,322,829	4,399,415	31,402,833
TOTAL LIABILITIES AND NET ASSETS	\$ 2,071,457	\$ 15,918,988	\$ 9,345,533	\$ 4,399,415	\$ 31,735,393

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

BURGER KING FOUNDATION INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS					
	Without Donor Restrictions		With Donor Restrictions		Total
	Operating Fund	Board Designated Fund	Other Donor Restricted Funds	Time Restricted Gift	
CURRENT ASSETS					
Cash and cash equivalents	\$ 430,486	\$ 3,018,047	\$ 1,823,893	\$ 463,456	\$ 5,735,882
Contributions receivable, net	583,247	-	628,960	-	1,212,207
Pledge receivable, current	-	-	125,000	-	125,000
Prepaid expenses	29,934	-	-	-	29,934
TOTAL CURRENT ASSETS	1,043,667	3,018,047	2,577,853	463,456	7,103,023
OTHER ASSETS					
Pledges receivable, long-term, net	-	-	115,570	-	115,570
Investments	1,365,574	10,265,871	3,964,930	5,052,773	20,649,148
Due (to) from funds	(443,549)	283,071	1,277,292	(1,116,814)	-
TOTAL OTHER ASSETS	922,025	10,548,942	5,357,792	3,935,959	20,764,718
TOTAL ASSETS	\$ 1,965,692	\$ 13,566,989	\$ 7,935,645	\$ 4,399,415	\$ 27,867,741
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 158,675	\$ -	\$ 1,063	\$ -	\$ 159,738
TOTAL CURRENT LIABILITIES	158,675	-	1,063	-	159,738
TOTAL LIABILITIES	158,675	-	1,063	-	159,738
COMMITMENTS AND CONTINGENCIES					
NET ASSETS					
Without Donor Restrictions	1,807,017	13,566,989	-	-	15,374,006
With Donor Restrictions	-	-	7,934,582	4,399,415	12,333,997
TOTAL NET ASSETS	1,807,017	13,566,989	7,934,582	4,399,415	27,708,003
TOTAL LIABILITIES AND NET ASSETS	\$ 1,965,692	\$ 13,566,989	\$ 7,935,645	\$ 4,399,415	\$ 27,867,741

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

BURGER KING FOUNDATION INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions		With Donor Restrictions		Total
	Operating Fund	Board Designated Fund	Other Donor Restricted Funds	Time Restricted Gift	
SUPPORT AND REVENUES					
Contributions and donations	\$ 714,359	\$ 384,655	\$ 5,515,331	\$ -	\$ 6,614,345
In-kind contributions	201,876	-	-	-	201,876
Net assets released from restrictions	5,609,367	-	(5,609,367)	-	-
TOTAL SUPPORT AND REVENUES	6,525,602	384,655	(94,036)	-	6,816,221
EXPENSES					
Program services	6,007,126	-	-	-	6,007,126
Management and general	554,911	-	-	-	554,911
Fundraising	217,914	-	-	-	217,914
TOTAL EXPENSES	6,779,951	-	-	-	6,779,951
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	(254,349)	384,655	(94,036)	-	36,270
Interest and dividend income, net	46,365	385,926	215,582	-	647,873
Net realized and unrealized gain on investments	162,568	1,581,418	1,266,701	-	3,010,687
TOTAL INVESTMENT INCOME	208,933	1,967,344	1,482,283	-	3,658,560
CHANGE IN NET ASSETS AFTER INVESTMENT INCOME	(45,416)	2,351,999	1,388,247	-	3,694,830
NET ASSETS - BEGINNING OF YEAR	1,807,017	13,566,989	7,934,582	4,399,415	27,708,003
NET ASSETS - END OF YEAR	\$ 1,761,601	\$ 15,918,988	\$ 9,322,829	\$ 4,399,415	\$ 31,402,833

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

BURGER KING FOUNDATION INC.
FOR THE YEAR ENDED STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

	Without Donor Restrictions		With Donor Restrictions		Total
	Operating Fund	Board Designated Fund	Other Donor Restricted Funds	Time Restricted Gift	
SUPPORT AND REVENUES					
Contributions and donations	\$ 1,042,957	\$ 561,832	\$ 6,098,258	\$ -	\$ 7,703,047
In-kind contributions	201,878	-	-	-	201,878
Net assets released from restrictions	5,137,405	-	(5,137,405)	-	-
TOTAL SUPPORT AND REVENUES	6,382,240	561,832	960,853	-	7,904,925
EXPENSES					
Program services	4,898,129	-	-	-	4,898,129
Management and general	519,197	-	-	-	519,197
Fundraising	689,948	-	-	-	689,948
TOTAL EXPENSES	6,107,274	-	-	-	6,107,274
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME	274,966	561,832	960,853	-	1,797,651
Interest and dividend income	61,323	245,686	176,980	-	483,989
Net realized and unrealized gain on investments	240,530	1,918,728	1,426,858	-	3,586,116
TOTAL INVESTMENT INCOME	301,853	2,164,414	1,603,838	-	4,070,105
CHANGE IN NET ASSETS AFTER INVESTMENT INCOME	576,819	2,726,246	2,564,691	-	5,867,756
NET ASSETS - BEGINNING OF YEAR	1,230,198	10,840,743	5,369,891	4,399,415	21,840,247
NET ASSETS - END OF YEAR	\$ 1,807,017	\$ 13,566,989	\$ 7,934,582	\$ 4,399,415	\$ 27,708,003

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

BURGER KING FOUNDATION INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2020</u>	<u>2019</u>
Change in net assets	\$ 3,694,830	\$ 5,867,756
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Reduction) provision for bad debt	(64,186)	50,411
Net realized and unrealized gains on investments	(3,010,687)	(3,586,116)
Pledge discount adjustment	(9,430)	(13,876)
(Increase) decrease in operating assets:		
Contributions receivable	(981,871)	(532,530)
Pledge receivable	125,000	125,000
Prepaid expenses	9,825	799
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	172,822	(39,886)
TOTAL ADJUSTMENTS	<u>(3,758,527)</u>	<u>(3,996,198)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(63,697)</u>	<u>1,871,558</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) proceeds of investments	<u>(765,573)</u>	<u>1,182,337</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(765,573)</u>	<u>1,182,337</u>
NET (DECREASE) INCREASE IN CASH	(829,270)	3,053,895
CASH AT BEGINNING OF YEAR	<u>5,735,882</u>	<u>2,681,987</u>
CASH AT END OF YEAR	<u>\$ 4,906,612</u>	<u>\$ 5,735,882</u>

SUPPLEMENTAL DISCLOSURES OF NON-CASH TRANSACTIONS

In-kind services	<u>\$ 201,876</u>	<u>\$ 201,878</u>
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The accompanying notes are an integral part of these financial statements.

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 – ORGANIZATION

The BURGER KINGSM Foundation Inc. (the “Foundation”) is a U.S. based 501(c)(3) public nonprofit incorporated in October 2005 in the state of Florida. Its mission is to create brighter futures by empowering individuals and feeding potential through education and emergency relief. The Foundation supports children and families by funding scholarships through the BURGER KINGSM Scholars program, creating education spaces, and providing emergency relief grants to BURGER KING[®] employees. The BURGER KINGSM Scholars program awards scholarships between \$1,000 and \$50,000 to high school students and BURGER KING[®] employees, their children and partners across the U.S., Canada and Puerto Rico based on academics and community service. Education spaces are funded to meet local need focused on literacy and girls’ education. The BK[®] Family Fund provides immediate, short-term financial assistance to victims of a natural disaster, medical hardship, death, or other emergency hardship situations through grant amounts ranging from \$100 to \$4,500. Programs are supported through voluntary donations from BURGER KING[®] Corporation (“BKC”) employees, Restaurant Brands International, Inc. (“RBI”) employees, and BURGER KING[®] franchisees, vendors, suppliers, and restaurant guests. BKC is an indirect subsidiary of RBI, which is a publicly traded company.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (“ASC”). Consequently, the Organization’s resources are classified and reported in the accompanying financial statements as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restriction

Net assets without donor restriction include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Management or the governing board has discretionary control to use these funds in carrying on the mission of the Foundation.

Net assets with donor restriction

Net assets with donor restriction represent net assets whose use by the Foundation has been limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. These include donor restrictions requiring that the net assets be held in perpetuity or for a specified term with the investment return available for operations. See Note 7.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statement of activities as net assets without donor restrictions.

Use of Estimates

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

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are comprised of interest-bearing cash accounts. Short-term, highly liquid investments are treated as cash equivalents. Investments are presented in the Statements of Financial Position at their fair market values.

Investments

The Foundation reports its investments under an accounting standard where a not-for-profit organization is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value, with realized and unrealized gains and losses included in the statements of activities. The fair value of marketable securities is determined by quoted market prices.

Property and Equipment, net

Property and equipment owned by the Foundation are recorded at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. The Foundation's property and equipment are fully depreciated at December 31, 2020 and 2019.

Income Tax

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements. The Foundation recognizes and measures tax positions taken or expected to be taken in its tax return based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction and Florida are the major tax jurisdictions where the Foundation files tax returns. The Foundation is generally no longer subject to U.S. Federal or State examinations by tax authorities for years before 2017.

Revenue Recognition

Contributions and donations

The Foundation's contributions consist primarily of voluntary donations from BKC employees, BURGER KING® restaurant guests, and from other interested organizations such as franchisees, vendors, and suppliers.

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Unconditional pledges to give cash and other assets are reported at fair value at the date the pledge is received to the extent it is estimated to be collectible by the Foundation. Pledges received with donor restrictions that limit the use of the donated assets are reported as net assets with donor restrictions. Pledges receivable due in excess of one year are discounted to present value. For pledges received during the year ended December 31, 2019, the discount rate used was 4%. There was no discount required for the year ended December 31, 2020. Pledges are classified as net assets with donor restrictions.

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Donated Goods and Services

The Foundation records the value of donated goods and services when there is an objective basis available to measure the value. Donated items are reflected as support in the accompanying financial statements at the fair market values at the date of receipt. However, for donated items that do not meet the criteria in FASB ASC 958-605 for recognition, the value is neither recorded nor recognized. For the years ended December 31, 2020 and 2019, donated goods and services amounted to approximately \$200,000 and \$200,000, respectively.

Adopted Accounting Pronouncements

Effective January 1, 2019 the Foundation adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Foundation’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist principally of cash and cash equivalents and investments. The Foundation tries to limit the amount of its credit risk by placing its cash with highly liquid financial institutions. At times during the years ended December 31, 2020 and 2019, the Foundation held cash and cash equivalents in excess of federally insured limits. To reduce its credit risk with respect to investment, the Foundation directs the investments of its funds in accordance with an established investment policy and in conjunction with investment guidelines. Cash and cash equivalent balances exceeding the FDIC insured limit totaled \$4,396,756 and \$5,626,540 as of December 31, 2020 and 2019, respectively. The Foundation has not experienced and does not expect to incur any losses in such accounts.

Net Assets Released From Restrictions

Net assets released from restrictions amounted to \$5,609,367 and \$5,137,405 due to expiration of time or purpose restrictions for the years ended December 31, 2020 and 2019, respectively.

Subsequent Events

The Foundation has evaluated subsequent events through April 30, 2021, which is the date the financial statements were available to be issued. See Note 13.

NOTE 3 – PLEDGE RECEIVABLE, NET

Pledge receivable includes the following unconditional promise to give as of December 31, 2020 and 2019:

Amounts due in:	2020	2019
Less than one year	\$ 125,000	\$ 125,000
One to five years	-	125,000
Total	<u>125,000</u>	<u>250,000</u>
Less: present value discount	-	(9,430)
Total pledges receivable, net	<u><u>\$ 125,000</u></u>	<u><u>\$ 240,570</u></u>

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable as of December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 2,305,100	\$ 1,323,229
Total	<u>2,305,100</u>	<u>1,323,229</u>
Less:		
Allowance for uncollectible accounts	(46,836)	(111,022)
Contributions Receivables, net	<u>\$ 2,258,264</u>	<u>\$ 1,212,207</u>

NOTE 5 – INVESTMENTS

The Foundation has investments held in an account at a licensed brokerage firm. Investments at December 31, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
	Fair	Fair
	Value	Value
Domestic fixed income	\$ 4,390,779	\$ 4,244,590
International fixed income	1,224,485	1,226,254
Domestic equity	12,140,458	8,401,315
International equity	3,986,016	4,975,572
Alternative assets	1,845,620	1,801,417
Real assets	838,050	-
Total investments	<u>\$ 24,425,408</u>	<u>\$ 20,649,148</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 647,873	\$ 483,989
Net realized and unrealized gain	3,010,687	3,586,116
Total	<u>\$ 3,658,560</u>	<u>\$ 4,070,105</u>

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Assets and liabilities that are required to be recorded at fair value in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 – Observable inputs that reflect quoted prices in active markets for identical assets or liabilities.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets where that particular asset or liability is not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The Foundation’s investments are mainly invested as follows:

Equity securities

Investments in equity securities are valued at quoted prices of active markets and are classified as Level 1 and 2 within the fair value hierarchy.

Fixed income and Alternative Assets

The fair value of fixed income securities, real estate, and other alternative assets are classified as either Level 1 or Level 2 within the fair value hierarchy based on the availability of observable inputs that reflect quoted prices in active markets for identical assets or liabilities.

The Foundation’s brokerage firm uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, fair value is measured using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

Financial instruments measured at fair value on a recurring basis are summarized as follows at December 31, 2020:

Description	December 31, 2020	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Equity securities:				
Domestic	\$ 12,140,458	\$ 12,140,458	\$ -	\$ -
International	3,986,016	3,378,027	607,989	-
Fixed income:				
Domestic	4,390,779	3,396,005	994,774	-
International	1,224,485	1,224,485	-	-
Alternative assets	1,845,620	1,845,620	-	-
Real Estate	838,050	838,050	-	-
Total investments	<u>\$ 24,425,408</u>	<u>\$ 22,822,645</u>	<u>\$ 1,602,763</u>	<u>\$ -</u>

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

Financial instruments measured at fair value on a recurring basis are summarized as follows at December 31, 2019:

Description	December 31, 2019	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Equity securities:				
Domestic	\$ 8,401,315	\$ 8,401,315	\$ -	\$ -
International	4,975,572	4,056,896	918,676	-
Fixed income:				
Domestic	4,244,590	3,927,677	316,913	-
International	1,226,254	1,226,254	-	-
Alternative assets	1,757,272	1,757,272	-	-
Real Estate	44,145	44,145	-	-
Total investments	<u>\$ 20,649,148</u>	<u>\$ 19,413,559</u>	<u>\$ 1,235,589</u>	<u>\$ -</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are composed of amounts received by the Foundation whose use is limited by either the passage of time or stipulations set forth by the donor that cannot be removed by actions of the Foundation.

The BURGER KING/McLamore Foundation Inc. (d/b/a BURGER KING Scholars) was a nonprofit organization with the purpose to encourage, aid and promote the education of young people. The BURGER KING/ McLamore Foundation Inc., an unrelated organization to the Foundation, was dissolved on January 13, 2009. Prior to its dissolution, the organization entered into a grant agreement (the “Agreement”) with the Foundation. Pursuant to the Agreement, the Foundation was awarded a grant in the amount of \$4,500,000 of which \$4,399,415 was received, which is included in net assets with donor restrictions. These funds are to be utilized for charitable and educational purposes as stipulated by the Agreement. It is intended that the grant be managed by the Foundation as an endowment for the benefit of the Foundation. Commencing 15 years from October 22, 2007, the date of the Agreement, the Foundation may use up to 5% of the corpus of the grant each year to fund post-secondary school educational scholarship programs in the name of James W. McLamore and any related operating expense.

As of December 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020	2019
BURGER KING Scholars endowment- time restricted gift	\$ 4,399,415	\$ 4,399,415
BURGER KING Scholars endowment- accumulated earnings	1,832,336	1,116,814
BURGER KING Legacy endowment for scholars	1,002,017	532,135
Restricted for BK Scholarship Fund	5,979,129	5,550,395
Restricted for BK Family Fund	153,753	115,239
Restricted to International Education Programming	355,594	619,999
Total	<u>\$ 13,722,244</u>	<u>\$ 12,333,997</u>

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are held as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,140,266	\$ 2,287,349
Contributions and prepaid expenses	2,006,274	628,960
Pledge receivable	125,000	240,570
Investments	8,321,673	9,017,703
Due from funds	151,735	160,478
Accounts Payable	<u>(22,704)</u>	<u>(1,063)</u>
	<u><u>\$ 13,722,244</u></u>	<u><u>\$ 12,333,997</u></u>

NOTE 8- ENDOWMENTS

The Foundation’s endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Although these board-designated funds are included in net assets without donor restrictions, management and the Board of Directors segregated these funds so that the principal is designated not to be expended without Board approval. As required by accounting principles generally accepted in the United States of America, 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.

Interpretation of Relevant Law

The State of Florida enacted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”) effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment fund, (b) the original value of subsequent gifts to the donor-restricted endowment fund and (c) investment return/accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 8- ENDOWMENTS (Continued)

For the years ended December 31, 2020 and 2019, the Foundation has elected not to add appreciation for cost of living or other spending policies to its donor-restricted endowment for inflation and other economic conditions.

Endowment net asset composition by type of fund as of December 31, 2020 was as follows:

2020	Without donor Restrictions	With donor restrictions			Total funds
		Accumulated gains (losses) and other	Time restricted gift	Total with donor restrictions	
Donor-restricted endowment funds	\$ -	\$ 2,834,353	\$ 4,399,415	\$ 7,233,768	\$ 7,233,768
Board designated endowment funds	15,918,988	-	-	-	15,918,988
Total Funds	\$ 15,918,988	\$ 2,834,353	\$ 4,399,415	\$ 7,233,768	\$ 23,152,756

Endowment net asset composition by type of fund as of December 31, 2019 was as follows:

2019	Without donor Restrictions	With donor restrictions			Total funds
		Accumulated gains (losses) and other	Time restricted gift	Total with donor restrictions	
Donor-restricted endowment funds	\$ -	\$ 1,648,949	\$ 4,399,415	\$ 6,048,364	\$ 6,048,364
Board designated endowment funds	13,566,989	-	-	-	13,566,989
Total Funds	\$ 13,566,989	\$ 1,648,949	\$ 4,399,415	\$ 6,048,364	\$ 19,615,353

Changes in endowment net assets for the year ended December 31, 2020 was as follows:

2020	Without donor restrictions	With donor restrictions			Total funds
		Accumulated gains (losses) and other	Time restricted gift	Total with donor restrictions	
Endowment net assets, beginning of year	\$ 13,566,989	\$ 1,648,949	\$ 4,399,415	\$ 6,048,364	\$ 19,615,353
Investment return:					
Investment income	385,926	139,099	-	139,099	525,025
Net appreciation (realized and unrealized)	1,581,418	926,700	-	926,700	2,508,118
Total investment return	1,967,344	1,065,799	-	1,065,799	3,033,143
Contributions	384,655	411,183	-	411,183	795,838
Appropriation of endowment assets for expenditure		(291,578)	-	(291,578)	(291,578)
Endowment net assets, end of year	\$ 15,918,988	\$ 2,834,353	\$ 4,399,415	\$ 7,233,768	\$ 23,152,756

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8- ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2019 was as follows:

2019	With donor restrictions				Total funds
	Without donor restrictions	Accumulated gains (losses) and other	Time restricted gift	Total with donor restrictions	
Endowment net assets, beginning of year	\$ 10,840,743	\$ 465,303	\$ 4,399,415	\$ 4,864,718	\$ 15,705,461
Investment return:					
Investment income	245,686	121,071	-	121,071	366,757
Net appreciation (realized and unrealized)	1,918,728	940,934	-	940,934	2,859,662
Total investment return	2,164,414	1,062,005	-	1,062,005	3,226,419
Contributions	561,832	370,208	-	370,208	932,040
Appropriation of endowment assets for expenditure	-	(248,567)	-	(248,567)	(248,567)
Endowment net assets, end of year	<u>\$ 13,566,989</u>	<u>\$ 1,648,949</u>	<u>\$ 4,399,415</u>	<u>\$ 6,048,364</u>	<u>\$ 19,615,353</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donors or FUPMIFA require the Foundation to retain as a fund of perpetual duration. In accordance with GAAP and the Board of Directors interpretations, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2020 and 2019.

NOTE 9 - RELATED PARTY TRANSACTIONS

BKC and RBI provide significant in-kind support to the Foundation, which enables the Foundation to operate. Such in-kind support includes corporate office space, BKC and RBI employees assigned to the task of providing general support, processing and distribution of grants, and other ancillary infrastructure support. These donated services were valued at \$201,876 and \$201,878 for the years ended December 31, 2020 and 2019. BKC also provides support to the Foundation through contributions, event sponsorships, and the facilitation of fundraisers at its company-owned and franchised restaurants, of which the proceeds collected are remitted to the Foundation. Contributions from these efforts totaled \$649,515 and \$470,094 during the years ended December 31, 2020 and 2019, respectively.

In addition, \$3,753 and \$169,639 is owed to the Foundation from BKC, and are included in contribution receivables in the Statements of Financial Position at December 31, 2020 and 2019, respectively. Amounts owed by the Foundation to BKC were \$274,144 and \$109,268, and are included in accounts payable and accrued expenses in the Statements of Financial Position at December 31, 2020 and 2019, respectively.

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10 – COMMITMENTS

Every year, the Foundation awards \$150,000 to three (3) students: a \$50,000 conditional scholarship per student. The \$50,000 James McLamore Whopper scholarship is paid in four (4) annual installments of \$12,500 per student. The four year commitment with the student and educational institution is dependent upon the student successfully maintaining a minimum grade point average and class standing and is therefore not recorded as a liability in the financial statements.

The Foundation entered into an agreement with Scholarship America to administer scholarships awarded under the BURGER KINGSM Scholars program. The agreement is through September 2021 and automatically renews for consecutive one-year periods unless written notice is given by either party. During the years ended December 31, 2020 and 2019, the Foundation paid fees totaling approximately \$238,000 and \$212,000, respectively, under the agreement.

NOTE 11 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising, office expenses, and travel which are directly charged to the functions that they benefit.

Functional expenses by natural classification for the year ended December 31, 2020 are as follows:

2020	Program Services	Supporting Services		
Expenses	Education	Management and General	Fundraising	Total
Bank fees	\$ 499	\$ -	\$ 333	\$ 832
Advertising	3,200	2,515	-	5,715
Professional services	990	89,904	-	90,894
Donation boxes	155,213	-	-	155,213
Printing and shipping	196,216	-	-	196,216
Grants	5,404,063	-	-	5,404,063
Legal services	13,762	1,190	-	14,952
Office expense	232,694	259,328	186,859	678,881
Special events	-	-	30,330	30,330
In-kind services	-	201,876	-	201,876
Travel	489	98	392	979
Total expenses	<u>\$ 6,007,126</u>	<u>\$ 554,911</u>	<u>\$ 217,914</u>	<u>\$ 6,779,951</u>

BURGER KING FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 11 – FUNCTIONAL EXPENSES (Continued)

Functional expenses by natural classification for the year ended December 31, 2019 are as follows:

2019	Program Services	Supporting Services		
Expenses	Education	Management and General	Fundraising	Total
Bank fees	\$ -	\$ -	\$ 150	\$ 150
Advertising	24,917	5,651	1,025	31,593
Professional services	-	114,938	-	114,938
Donation boxes	346,241	-	-	346,241
Printing and shipping	240,935	-	-	240,935
Grants	4,104,612	-	-	4,104,612
Office expense	175,716	195,588	145,306	516,610
Special events	-	-	538,901	538,901
In-kind services	-	201,878	-	201,878
Travel	5,708	1,142	4,566	11,416
	<u>\$ 4,898,129</u>	<u>\$ 519,197</u>	<u>\$ 689,948</u>	<u>\$ 6,107,274</u>

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess operating cash. The Foundation has the following financial assets that could be made readily available within one year of the statement of financial position date to fund expenses without limitations, such as donor-imposed or contractual restrictions or internal designations:

	2020	2019
Cash and cash equivalents	\$ 1,115,975	\$ 430,486
Accounts and interest receivable	251,990	583,247
Investments	1,177,102	1,365,574
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,545,067</u>	<u>\$ 2,379,307</u>

Although not expected to be needed, the Foundation also has available for spending without limitation board-designated endowment funds of \$15,918,988 and \$13,566,989 as of December 31, 2020 and 2019, respectively. These resources are invested for long-term appreciation and current income but may be spent at the discretion of the Board.

NOTE 13 – OTHER MATTERS

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a “Public Health Emergency of International Concern”, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Foundation, its programs, performance, and its financial results.