

Firehouse Subs Public Safety Foundation, Inc.

Financial Statements

Years Ended December 31, 2018 and 2017

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Independent Auditors' Report

Board of Directors
Firehouse Subs Public Safety Foundation, Inc.
Jacksonville, Florida

We have audited the accompanying financial statements of Firehouse Subs Public Safety Foundation, Inc. (the "Foundation"), a non-profit corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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.

Auditors' 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Foundation adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Non-for-Profit Entities* in 2018. Our opinion is not modified with respect to that matter.

Dixon Hughes Goodman LLP

**Jacksonville, Florida
May 9, 2019**

Firehouse Subs Public Safety Foundation, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,166,673	\$ 3,304,508
Marketable securities	5,874,350	5,707,452
Contributions receivable	733,899	413,843
Due from related parties	62,141	224,645
Other current assets	<u>25,478</u>	<u>21,686</u>
Total current assets	9,862,541	9,672,134
Property and equipment, net	<u>23,740</u>	<u>54,074</u>
Total assets	<u>\$ 9,886,281</u>	<u>\$ 9,726,208</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 83,822	\$ 52,684
Due to related party	106,609	115,807
Grants payable	<u>348,263</u>	<u>515,957</u>
Total current liabilities	538,694	684,448
Net assets:		
Without donor restrictions	7,704,999	7,272,281
With donor restrictions	<u>1,642,588</u>	<u>1,769,479</u>
Total net assets	<u>9,347,587</u>	<u>9,041,760</u>
Total liabilities and net assets	<u>\$ 9,886,281</u>	<u>\$ 9,726,208</u>

See accompanying notes.

Firehouse Subs Public Safety Foundation, Inc.
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:						
Contributions	\$ 8,364,347	\$ 2,086,034	\$ 10,450,381	\$ 7,259,671	\$ 2,360,724	\$ 9,620,395
In-kind donations	7,400	-	7,400	7,400	-	7,400
Investment (loss) income	(833,102)	-	(833,102)	937,411	-	937,411
Other income	45,517	-	45,517	31,941	-	31,941
Special events	158,787	-	158,787	153,563	-	153,563
Less: direct expenses	(60,328)	-	(60,328)	(66,865)	-	(66,865)
Total support	<u>7,682,621</u>	<u>2,086,034</u>	<u>9,768,655</u>	<u>8,323,121</u>	<u>2,360,724</u>	<u>10,683,845</u>
Net assets released from restrictions	<u>2,212,923</u>	<u>(2,212,923)</u>	<u>-</u>	<u>1,645,464</u>	<u>(1,645,464)</u>	<u>-</u>
Total support and other revenue	<u>9,895,544</u>	<u>(126,889)</u>	<u>9,768,655</u>	<u>9,968,585</u>	<u>715,260</u>	<u>10,683,845</u>
Expense:						
Program services	8,543,037	-	8,543,037	6,988,726	-	6,988,726
Supporting services:						
Fundraising	584,227	-	584,227	512,725	-	512,725
General and administrative	335,564	-	335,564	312,349	-	312,349
Total support services	<u>919,791</u>	<u>-</u>	<u>919,791</u>	<u>825,074</u>	<u>-</u>	<u>825,074</u>
Total expenses	<u>9,462,828</u>	<u>-</u>	<u>9,462,828</u>	<u>7,813,800</u>	<u>-</u>	<u>7,813,800</u>
Change in net assets	<u>432,716</u>	<u>(126,889)</u>	<u>305,827</u>	<u>2,154,785</u>	<u>715,260</u>	<u>2,870,045</u>
Net assets, beginning of year	<u>7,272,283</u>	<u>1,769,477</u>	<u>9,041,760</u>	<u>5,117,498</u>	<u>1,054,217</u>	<u>6,171,715</u>
Net assets, end of year	<u>\$ 7,704,999</u>	<u>\$ 1,642,588</u>	<u>\$ 9,347,587</u>	<u>\$ 7,272,283</u>	<u>\$ 1,769,477</u>	<u>\$ 9,041,760</u>

See accompanying notes.

Firehouse Subs Public Safety Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2018 and 2017

	Program Services					Supporting Services		Total
	Public Safety Equipment	Prevention and Education	Scholarships: Firefighters and Law Enforcement	Disaster Relief	U.S. Military	Fundraising	General and Administrative	
<u>Year ended December 31, 2018</u>								
Cash donations	\$ 4,408,188	\$ 93,885	\$ 20,000	\$ 400,627	\$ 6,000	\$ -	\$ -	\$ 4,928,700
Equipment donations	2,974,582	153,134	-	49,561	40,859	-	-	3,218,136
Food and supplies	-	667	-	37,737	-	-	-	38,404
Rent	-	-	-	-	-	-	5,000	5,000
Advertising and promotions	7,176	13,762	-	-	-	267,719	314	288,971
Insurance	-	-	-	-	-	-	2,234	2,234
Licenses and permits	-	-	-	-	-	-	17,303	17,303
Salaries and benefits	253,992	13,522	741	35,993	7,264	135,061	150,086	596,659
Professional fees	-	-	-	-	-	2,352	46,163	48,515
Telephone	2,199	85	7	174	79	1,385	1,605	5,534
Travel	18,575	1,664	-	-	-	4,344	2,715	27,298
Awards and prizes	-	-	-	-	-	90,383	-	90,383
Other expenses	2,358	83	-	123	-	82,983	110,144	195,691
Total expenses	<u>\$ 7,667,070</u>	<u>\$ 276,802</u>	<u>\$ 20,748</u>	<u>\$ 524,215</u>	<u>\$ 54,202</u>	<u>\$ 584,227</u>	<u>\$ 335,564</u>	<u>\$ 9,462,828</u>
<u>Year ended December 31, 2017</u>								
Cash donations	\$ 3,396,397	\$ 101,892	\$ -	\$ 63,341	\$ 12,880	\$ -	\$ -	\$ 3,574,510
Equipment donations	2,812,196	127,097	-	8,455	66,751	-	-	3,014,499
Food and supplies	-	-	-	43,677	-	-	-	43,677
Rent	-	-	-	-	-	-	5,000	5,000
Advertising and promotions	9,598	1,607	-	6,360	-	183,062	203	200,830
Insurance	-	-	-	-	-	-	2,144	2,144
Licenses and permits	-	-	-	-	-	-	18,457	18,457
Salaries and benefits	268,386	11,439	-	14,643	9,646	104,347	131,240	539,701
Professional fees	74	-	-	-	-	5,000	54,013	59,087
Telephone	1,780	164	8	126	25	1,274	1,572	4,949
Travel	30,835	29	-	246	-	3,797	5,075	39,982
Awards and prizes	-	-	-	-	-	99,897	-	99,897
Other expenses	1,031	-	-	43	-	115,348	94,645	211,067
Total expenses	<u>\$ 6,520,297</u>	<u>\$ 242,228</u>	<u>\$ 8</u>	<u>\$ 136,891</u>	<u>\$ 89,302</u>	<u>\$ 512,725</u>	<u>\$ 312,349</u>	<u>\$ 7,813,800</u>

See accompanying notes.

Firehouse Subs Public Safety Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 305,827	\$ 2,870,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	33,073	33,541
Bad debt expense	1,280	2,324
Unrealized loss (gain) on marketable securities	833,102	(937,411)
Changes in operating assets and liabilities:		
Contributions receivable	(321,336)	182,607
Other current assets	(3,792)	(4,585)
Accounts payable	31,138	8,439
Grants payable	(167,694)	(419,729)
Net cash provided by operating activities	<u>711,598</u>	<u>1,735,231</u>
Cash flows from investing activities:		
Purchase of marketable securities	(1,000,000)	(990,605)
Purchase of property and equipment	(2,739)	(1,502)
Net cash used by investing activities	<u>(1,002,739)</u>	<u>(992,107)</u>
Cash flows from financing activities:		
Net loans (to) repayments from related parties	153,306	(164,852)
Net cash provided (used) by financing activities	<u>153,306</u>	<u>(164,852)</u>
Net change in cash	(137,835)	578,272
Cash and cash equivalents, beginning of year	<u>3,304,508</u>	<u>2,726,236</u>
Cash and cash equivalents, end of year	<u>\$ 3,166,673</u>	<u>\$ 3,304,508</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Firehouse Subs Public Safety Foundation, Inc. (the "Foundation"), a nonprofit corporation, was incorporated under the laws of the State of Florida on September 7, 2005 and started conducting operations in 2006. Its purpose is to support public safety organizations and disaster relief by providing lifesaving equipment, education scholarships and other financial support, and provide support to the United States military. The majority of revenue sourcing for the Foundation's purpose is obtained through donations from restaurant patrons and vendors of the Firehouse Restaurant Group, Inc. locations ("Firehouse Subs").

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and revenue, gains, expenses and losses are required to be classified as without or with donor restrictions based upon the following criteria:

1. Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
2. Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, net assets are reclassified to without donor restrictions and are reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as net assets without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents

The Foundation considers all highly liquid investments purchased with original maturity of three months or less to be cash equivalents. The Company maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit from time to time.

Marketable securities

Marketable securities are recorded at fair value. The fair value of marketable securities is based on the last sales price on the valuation date for those securities traded on national securities exchanges. For securities traded over-the-counter, the last bid price is used. Realized and unrealized gains or losses are determined by comparison of cost to either proceeds received from sales or market values.

Firehouse Subs Public Safety Foundation, Inc.
Notes to Financial Statements

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded when earned. Dividends are recorded on the ex-dividend date. See Note 2.

Investment return objectives, risk parameters and strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to Foundation programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to produce total returns sufficient to grow the fund balance in perpetuity and to support future spending for the purposes approved by the Board of Directors or as originally directed by the donor. Endowment assets are invested in a well-diversified asset mix and the Foundation has established allowable ranges by asset class within the portfolio. These asset classes may include: core domestic and international equities, style specific domestic and international equities, small company equities, whether core or style specific, both domestic and international; domestic fixed income securities, global fixed income securities and cash equivalents. In addition, an allocation to hard assets and alternative investments may be included.

Investment performance will be reviewed at least annually by the Board of Directors to determine the continued feasibility of achieving the investment objectives. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Contributions receivable

Contributions are recognized when the donor makes an unconditional promise to give to the Foundation and are recorded under revenues, gains and other support. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, assets are reclassified to without donor restrictions.

Management evaluates total receivables and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at December 31, 2018 and 2017. No interest is charged on receivables that are past due.

Property and equipment

Property and equipment are recorded at cost which was \$119,008 and \$116,269 at December 31, 2018 and 2017, respectively. Depreciation is computed by straight-line methods applied to individual items, based on estimated useful lives of three years. Accumulated depreciation was \$95,268 and \$62,195 at December 31, 2018 and 2017, respectively. Additions exceeding \$750 are capitalized.

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized.

Grants payable

Grants payable represent amounts due to qualifying organizations and causes as approved by the Foundation's Board of Directors.

Quasi-endowment

The Foundation has established and plans to grow a quasi-endowment funds to provide income for stabilizing operations against fluctuations in the annual campaign revenue; to enhance annual campaign revenue from income generated by the endowed gifts; and to provide program funding flexibility not possible through annual campaign revenue including emergency funding, administrative costs, challenge grants and infrastructure needs.

Firehouse Subs Public Safety Foundation, Inc.
Notes to Financial Statements

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 were \$288,971 and \$200,830, respectively.

Expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Firehouse Subs Public Safety Foundation, Inc. Designated Fund

In December 2017, a related party contributed \$1,000,000 to establish the Firehouse Subs Public Safety Foundation, Inc. Designated Fund (the "Fund"). The Fund is held at The Community Foundation of Northeast Florida, Inc. (the "Community Foundation") to benefit the Foundation. The Community Foundation maintains variance power over the Fund, therefore the asset is recorded by the Community Foundation and revenue will be recognized by the Foundation as the Community Foundation releases funds to the Foundation. The Fund had a balance of \$155,853 and \$1,000,109 as of December 31, 2018 and 2017, respectively, including net investment earnings of \$4,144 since inception. The Fund released \$848,291 in grants to the Foundation in 2018.

Income taxes

The Foundation is recognized by the Internal Revenue Service as a nonprofit under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

New accounting standard

During 2018, the Foundation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2017 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented for 2018 as allowed by ASU No. 2016-14.

The net asset reclassifications resulting from the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 7,272,283	\$ -	\$ 7,272,283
Temporarily restricted	-	1,769,477	1,769,477
Permanently restricted	-	-	-
Net assets as previously presented	<u>\$ 7,272,283</u>	<u>\$ 1,769,477</u>	<u>\$ 9,041,760</u>

Firehouse Subs Public Safety Foundation, Inc.
Notes to Financial Statements

2. Availability of Financial Assets

The following reflects the Foundation's financial assets as of the balance sheet date reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date, as required by the Foundation's application of ASU 2016-14 in 2018.

Financial assets, at December 31, 2018:

Cash and cash equivalents	\$ 3,166,673
Contributions receivable	733,899
Marketable securities	<u>5,874,350</u>
	9,774,922

Less those unavailable for general expenditures within one year due to:

Donor-imposed restrictions with time or purpose restrictions	(1,642,588)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	<u>(5,874,350)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,257,984</u>
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The Foundation is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has to a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Foundation also has a significant degree of flexibility and discretion to manage its costs based on the annual contribution levels and financial assets available. In the event of an unanticipated liquidity need, the Foundation's Board could permit the Foundation's quasi-endowment as described in Note 3 to be available.

3. Marketable Securities

The Board of Directors ("the Board") established a quasi-endowment fund (the "quasi-endowment fund") in 2014 to invest certain unrestricted contributions as approved by the Board. \$1,000,000 was transferred from cash to the quasi-endowment fund in 2018 (\$1,000,000 in 2017). The overall value of the quasi-endowment fund is \$5,874,350 at December 31, 2018 (\$5,707,452 at December 31, 2017) with substantially all assets in mutual funds. It is the intention of the Foundation to have this quasi-endowment fund treated as an endowment, with principal to remain intact and only interest to be spent, although any portion may be spent at the Board's discretion. Therefore, the fund has been included in unrestricted net assets.

Investment income consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 294,717	\$ 190,606
Market appreciation (decline)	(1,082,302)	778,746
Other expenses	<u>(45,517)</u>	<u>(31,941)</u>
	<u>\$ (833,102)</u>	<u>\$ 937,411</u>

4. Fair Value Measurements

The Foundation follows accounting standards requiring a framework for measuring fair value. The framework provides 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 (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management judgment and estimation. Such investment valuations are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The Foundation uses the market approach valuation technique to value its investments.

The following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements - The fair value of mutual funds is based on quoted net asset values of the shares held by the Foundation at year end. The fair value of money market funds is based on transacted values.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no changes during the year ended December 31, 2018 and 2017 to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

At December 31, 2018 and December 31, 2017, all marketable securities were equity fund mutual funds classified as Level 1.

The Foundation has \$3,166,673 and \$3,304,508 in cash and cash equivalents as of December 31, 2018 and 2017, which was not classified as a Level as prescribed within the fair value hierarchy.

5. Contributions Receivable

Contribution receivables consist primarily of donations generated by in-restaurant initiatives at Firehouse Subs franchise locations and vendor donations. The majority of these receivables are collected within 90 days after period-end and as such there are no credit terms. The Foundation does not charge interest on past due amounts.

An allowance for uncollectible contribution receivables is estimated based on management's judgment on the collectability of these receivables. At December 31, 2018 and 2017, the Foundation considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. There was bad debt expense of \$1,280 in 2018 (\$2,324 in 2017).

6. Related Party Transactions

The Foundation received contributions from Firehouse Subs of approximately \$132,000 and \$137,000 for the years ended December 31, 2018 and 2017, respectively.

The Foundation incurred expenses of approximately \$600,000 (\$540,000 in 2017) paid to Firehouse Subs for reimbursement of the Foundation executive director, senior manager of development, senior manager of marketing and communications, senior manager of finance and compliance, events and outreach coordinator, procurement specialist, and administrative assistant salary and benefits.

The Foundation has certain amounts due to and from related parties that are unsecured and due upon demand. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Firehouse Subs provides office facilities as well as accounting assistance to the Foundation at no charge. These in-kind donations are recorded at their estimated fair value of \$7,400 as revenues and expenses in the Statements of Activities for the years ended December 31, 2018 and 2017, respectively.

Firehouse of America, LLC ("FOA") is in the business of franchising Firehouse Subs branded restaurants. FOA conducted a sales promotion for the years ended December 31, 2018 and 2017, whereby FOA donated to the Foundation a sum equivalent to 0.13% of all gross sales generated during the fiscal years 2017 and 2018. Based upon past sales revenue from the restaurants, the donation amount was a minimum guaranteed annual donation of \$1,000,000. The donation is restricted for life-saving equipment to first responders. \$1,000,000 was contributed to the Foundation in 2018 and 2017 and was recorded in the with donor restrictions classification.

In addition, the Foundation is allowed to use the Firehouse Subs trademark name in its operations.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and December 31, 2017 consist of amounts received by the Foundation designated by donors generally for specific disaster relief and United States military initiatives.

8. Concentrations

The Foundation receives almost all of its support, either directly or indirectly, from the operations of Firehouse Subs.

9. Donated Services

A substantial number of individuals and organizations have made significant contributions of time and expertise in the furtherance of the Foundation's programs. The value of contributed time and expertise is not reflected in these statements, since it does not lend itself to objective measurement.

10. Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through May 9, 2019, which is the date the financial statements were available to be issued.