

Firehouse Subs Public Safety Foundation, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

Independent Auditor's Report

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

Opinion

We have audited the 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year of the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

FORVIS

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

**Jacksonville, FL
May 16, 2023**

Firehouse Subs Public Safety Foundation, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,439,447	\$ 4,682,096
Marketable securities	12,830,253	13,686,117
Contributions receivable	483,633	425,546
Due from related party	155,070	187,411
Other current assets	32,271	58,796
Total current assets	<u>17,940,674</u>	19,039,966
Property and equipment, net	<u>680</u>	<u>2,590</u>
Total assets	<u><u>\$ 17,941,354</u></u>	<u><u>\$ 19,042,556</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 168,844	\$ 74,731
Due to related party	76,389	166,048
Grants payable	647,969	1,017,376
Total current liabilities	<u>893,202</u>	<u>1,258,155</u>
Net assets:		
Without donor restrictions:		
Board appropriated	12,830,253	13,686,117
Unappropriated	3,052,924	2,336,048
With donor restrictions	1,164,975	1,762,236
Total net assets	<u>17,048,152</u>	<u>17,784,401</u>
Total liabilities and net assets	<u><u>\$ 17,941,354</u></u>	<u><u>\$ 19,042,556</u></u>

Firehouse Subs Public Safety Foundation, Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and other revenue:						
Contributions	\$ 9,804,222	\$ 1,136,053	\$ 10,940,275	\$ 10,225,107	\$ 1,691,028	\$ 11,916,135
Investment gain (loss), net	(1,855,864)	-	(1,855,864)	1,946,535	-	1,946,535
Other income	356,942	-	356,942	19,268	-	19,268
Special events	560,329	-	560,329	603,743	-	603,743
Direct expenses	(184,261)	-	(184,261)	(193,099)	-	(193,099)
Total support	8,681,368	1,136,053	9,817,421	12,601,554	1,691,028	14,292,582
Net assets released from restrictions	1,733,314	(1,733,314)	-	1,342,920	(1,342,920)	-
Total support and other revenue	10,414,682	(597,261)	9,817,421	13,944,474	348,108	14,292,582
Expenses:						
Program services	8,842,115	-	8,842,115	9,537,752	-	9,537,752
Supporting services:						
Fundraising	1,173,125	-	1,173,125	990,171	-	990,171
General and administrative	538,430	-	538,430	515,793	-	515,793
Total support services	1,711,555	-	1,711,555	1,505,964	-	1,505,964
Total expenses	10,553,670	-	10,553,670	11,043,716	-	11,043,716
Change in net assets	(138,988)	(597,261)	(736,249)	2,900,758	348,108	3,248,866
Net assets, beginning of year	16,022,165	1,762,236	17,784,401	13,121,407	1,414,128	14,535,535
Net assets, end of year	\$ 15,883,177	\$ 1,164,975	\$ 17,048,152	\$ 16,022,165	\$ 1,762,236	\$ 17,784,401

See accompanying notes.

Firehouse Subs Public Safety Foundation, Inc.
Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

	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, 2022</u>								
Grant expense: Cash donations	\$ 5,668,706	\$ 190,629	\$ 107,616	\$ 408,916	\$ 157,550	\$ -	\$ -	\$ 6,533,417
Grant expense: Equipment donations	1,876,022	16,050	-	61,491	-	-	-	1,953,563
Grant expense: Food and supplies	-	-	-	7,813	-	-	-	7,813
Advertising and promotions	2,308	1,700	-	-	-	378,650	90	382,748
Insurance	-	-	-	-	-	-	2,717	2,717
Licenses and permits	-	-	-	-	-	-	22,987	22,987
Salaries and benefits	217,628	44,155	7,957	28,455	16,425	391,559	290,935	997,114
Professional fees	-	-	-	-	-	-	114,614	114,614
Telephone	2,504	415	111	197	85	1,929	2,555	7,796
Travel	24,936	-	-	-	-	4,322	10,705	39,963
Awards and prizes	-	-	-	-	-	135,239	-	135,239
Other expenses	432	14	-	-	-	261,426	93,827	355,699
Total expenses	<u>\$ 7,792,536</u>	<u>\$ 252,963</u>	<u>\$ 115,684</u>	<u>\$ 506,872</u>	<u>\$ 174,060</u>	<u>\$ 1,173,125</u>	<u>\$ 538,430</u>	<u>\$ 10,553,670</u>
<u>Year ended December 31, 2021</u>								
Grant expense: Cash donations	\$ 5,438,440	\$ 146,394	\$ 84,140	\$ 120,622	\$ -	\$ -	\$ -	\$ 5,789,596
Grant expense: Equipment donations	3,275,272	62,472	-	15,910	14,000	-	-	3,367,654
Grant expense: Food and supplies	-	-	-	23,917	-	-	-	23,917
Advertising and promotions	5	1,203	-	-	-	317,311	-	318,519
Insurance	-	-	-	-	-	-	2,778	2,778
Licenses and permits	-	-	-	-	-	-	15,495	15,495
Salaries and benefits	235,123	40,262	10,857	42,197	22,964	343,962	229,827	925,192
Professional fees	-	-	-	-	-	-	114,862	114,862
Telephone	1,217	194	18	103	156	2,858	2,615	7,161
Travel	2,206	-	-	-	-	548	1,467	4,221
Awards and prizes	-	-	-	-	-	105,823	-	105,823
Other expenses	80	-	-	-	-	219,669	148,749	368,498
Total expenses	<u>\$ 8,952,343</u>	<u>\$ 250,525</u>	<u>\$ 95,015</u>	<u>\$ 202,749</u>	<u>\$ 37,120</u>	<u>\$ 990,171</u>	<u>\$ 515,793</u>	<u>\$ 11,043,716</u>

See accompanying notes.

Firehouse Subs Public Safety Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (736,249)	\$ 3,248,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	1,910	1,910
Bad debt expense	4,787	5,375
Unrealized gain (loss) on marketable securities	1,855,864	(1,946,535)
Changes in operating assets and liabilities:		
Contributions receivable	(62,874)	454,597
Other current assets	26,525	1,021
Accounts payable and accrued expenses	94,113	(18,757)
Grants payable	(369,407)	(331,263)
Due to/from related parties	(57,318)	(157,211)
	<u>757,351</u>	<u>1,258,003</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of marketable securities	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net cash used by investing activities	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net change in cash	(242,649)	258,003
Cash and cash equivalents, beginning of year	<u>4,682,096</u>	<u>4,424,093</u>
Cash and cash equivalents, end of year	<u>\$ 4,439,447</u>	<u>\$ 4,682,096</u>

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 veterans of 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. These net assets may be used at the discretion of the Foundation's management and the board of directors.
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.

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

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. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Statement of Activities.

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.

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 the Foundation 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. Investment activity is presented net of investment expense.

Contributions receivable and revenue recognition

In accordance with Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Receive and Contributions Made*, contributions are recognized when the donor makes an unconditional promise to give to the Foundation and are recorded under contributions and special events. The Foundation determines whether a contribution is unconditional based on the absence of any specific barriers and a right of return. Conditional contributions are recognized when the Foundation has overcome any barriers related to the contribution. The Foundation determines whether a contribution is conditional based on the existence of a barrier and a right of return.

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. No allowance for doubtful accounts was deemed necessary at December 31, 2022 and 2021 based on this evaluation.

Property and equipment

Property and equipment, consisting of computer equipment, are recorded at cost which was \$123,878 at December 31, 2022 and 2021. Depreciation is computed by straight-line methods applied to individual items, based on estimated useful lives of three years. Accumulated depreciation was \$123,198 and \$121,288 at December 31, 2022 and 2021, 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.

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

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 fund 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.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2022 and December 31, 2021 were \$382,748 and \$318,519, 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. Salaries and benefits are allocated based on an estimate of time and effort.

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.

2. Availability of Financial Assets

The following reflects the Foundation's financial assets as of the statement of financial position date reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,439,447	\$ 4,682,096
Contributions receivable	483,633	425,546
Marketable securities	12,830,253	13,686,117
Due from related parties	<u>155,070</u>	<u>187,411</u>
	17,908,403	18,981,170
Unavailable for general expenditures within one year due to:		
Donor-imposed restrictions with time or purpose restrictions	(1,164,975)	(1,762,236)
Quasi-endowment fund, primarily for long-term investing	<u>(12,830,253)</u>	<u>(13,686,117)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,913,175</u>	<u>\$ 3,532,817</u>

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 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 board appropriated quasi-endowment as described in Note 1 to be available to meet liquidity needs.

3. 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, 2022 and 2021 to the Foundation's valuation techniques used to measure asset and liability fair values on a recurring basis.

At December 31, 2022 and 2021, all marketable securities were equity fund mutual funds classified as Level 1.

The Foundation has \$4,439,447 and \$4,682,096 in cash and cash equivalents as of December 31, 2022 and 2021, which was not classified as a Level as prescribed within the fair value hierarchy.

4. 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, 2022 and 2021, the Foundation considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. There was bad debt expense of \$4,787 in 2022 (\$5,375 in 2021).

5. Related Party Transactions

The Foundation received contributions from Firehouse Subs of approximately \$111,000 and \$108,000 for the years ended December 31, 2022 and 2021, respectively.

The Foundation incurred expenses of approximately \$1,000,000 (\$930,000 in 2021) paid to Firehouse Subs for reimbursement of the Foundation executive director, director of development, director of marketing and communications, director of finance and compliance, manager of development and outreach, manager of procurement and grants, and administrative assistant salary and benefits.

Firehouse Subs operates as a common paymaster for the Foundation resulting in certain amounts due to related parties. These transactions are in the ordinary course of business and are settled monthly.

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, 2022 and 2021, whereby FOA donated to the Foundation a sum equivalent to 0.11% of all gross sales generated during the fiscal years 2022 and 2021. 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. Approximately \$1,017,000 and \$1,237,000 was contributed to the Foundation in 2022 and 2021 respectively and was recorded with donor restrictions classification.

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

6. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021 consist of amounts received by the Foundation designated by donors generally for specific disaster relief and United States military veterans' initiatives.

7. Board Designated Endowment

The Board of Directors (“the Board”) established a quasi-endowment fund (the “quasi-endowment fund”) to invest certain unrestricted contributions as approved by the Board. 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 net assets without donor restrictions, board appropriated.

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 13,686,117	\$ 10,739,582
Contributions	1,000,000	1,000,000
Investment gain (loss)	<u>(1,855,864)</u>	<u>1,946,535</u>
Ending balance	<u>\$ 12,830,253</u>	<u>\$ 13,686,117</u>

8. Concentrations

The Foundation receives substantially 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 16, 2023, which is the date the financial statements were available to be issued.