TACO BELL FOUNDATION, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

TACO BELL FOUNDATION, INC.
(A NONPROFIT FOUNDATION)
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December 31, 2017 and 2016

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Taco Bell Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Taco Bell Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2017, the related statements of activities, functional expenses, and cash flows for the year 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 Foundation'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 Foundation'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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

July 31, 2018

TACO BELL FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(with Comparative Totals as of December 31, 2016)

ASSETS

	2017	2016
Current assets		
Cash	$ 9,717,386	$ 6,419,027
Contributions receivable	818,813	783,817
Contributions receivable - related parties	32,593	62,303
Inventory	2,400	29,393
Total current assets	10,571,192	7,294,540
Property and equipment		
Computer software	268,500	256,000
Less accumulated amortization	(151,877)	(61,828)
Total property and equipment	116,623	194,172
Total assets	**$ 10,687,815**	**$ 7,488,712**

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities		
Accounts payable and accrued expenses	$ 275,247	$ 262,466
Accounts payable - related party	245,998	80,294
Total current liabilities	521,245	342,760
Unrestricted net assets	10,166,570	7,145,952
Total liabilities and net assets	**$ 10,687,815**	**$ 7,488,712**

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

TACO BELL FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(with Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Net revenue and support		
Fundraising activities		
Canister collections		
Canister collections	$ 1,381,428	$ 1,959,390
Direct expenses	(406,300)	(568,805)
Net direct support from canister collections	975,128	1,390,585
Other fundraisers		
Graduation season fundraiser	4,540,143	2,780,257
Back to school fundraiser	3,393,874	3,401,235
Other fundraiser revenue	1,112,687	997,183
Total other fundraisers revenue	9,046,704	7,178,675
Direct expenses	(729,565)	(512,249)
Net direct support from other fundraisers	8,317,139	6,666,426
Total net fundraising revenue	9,292,267	8,057,011
Grants and contributions	5,782,672	11,979,708
Interest and other income	-	3,059
Total net revenue and support	15,074,939	20,039,778
Functional expenses		
Program services	11,188,072	20,255,343
Supporting services	866,249	896,834
Total functional expenses	12,054,321	21,152,177
Change in net assets	3,020,618	(1,112,399)
Net assets, beginning of year	7,145,952	8,258,351
Net assets, end of year	**$ 10,166,570**	**$ 7,145,952**

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

	Program Services	Supporting Services	2017 Total	2016 Total
Functional expenses				
Advertising	$ 735,738	$ -	$ 735,738	$ 8,810,862
Amortization	45,025	45,024	90,049	61,828
Boys and Girls Club of America - National	600,000	-	600,000	1,000,000
Canister repairs	-	-	-	320,987
District management account grant expense	4,517,513	-	4,517,513	4,440,600
Get Schooled	-	-	-	1,000,000
Miscellaneous	2,586	456	3,042	7,009
Office supplies	154,881	27,332	182,213	136,340
Scholarship expense	1,460,158	-	1,460,158	1,434,449
Outside services	2,489,335	-	2,489,335	1,919,094
Payroll taxes	52,023	9,181	61,204	60,976
Professional fees	-	580,403	580,403	629,637
Registration fees	-	4,299	4,299	7,147
Rent	137,264	24,223	161,487	124,221
Salaries and benefits	810,314	142,996	953,310	1,080,641
Travel	183,235	32,335	215,570	118,386
Total functional expenses	**$ 11,188,072**	**$ 866,249**	**$ 12,054,321**	**$ 21,152,177**

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

TACO BELL FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

(with Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 3,020,618	$ (1,112,399)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities		
Depreciation and amortization	90,049	61,828
(Increase) decrease in		
Contributions receivable	(34,996)	(215,144)
Contributions receivable - related parties	29,710	123,847
Inventory	26,993	(22,820)
Increase (decrease) in		
Accounts payable and accrued expenses	12,781	(37,334)
Accounts payable - related party	165,704	(2,364,162)
Net cash flows provided by (used in) operating activities	3,310,859	(3,566,184)
Cash flows from investing activities		
Purchase of property and equipment	(12,500)	(256,000)
Net cash flows used in investing activities	(12,500)	(256,000)
Net change in cash	3,298,359	(3,822,184)
Cash, beginning of year	6,419,027	10,241,211
Cash, end of year	**$ 9,717,386**	**$ 6,419,027**

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

NOTE 1 - BUSINESS ACTIVITY

Taco Bell Foundation, Inc. (the "Foundation") is a nonprofit California corporation established in September 1992 to receive and disburse or maintain funds to be expended for community, hospital, religious, charitable or educational purposes as determined by the Board of Directors. The Foundation's revenues are derived from donations from Taco Bell Corporation (the "Corporation") and Taco Bell Franchisees (the "Franchisees"), fundraisers at various Taco Bell Corporation and Taco Bell Franchise locations throughout the United States, and contributions collected in canisters at various Taco Bell Corporation and Taco Bell Franchise locations throughout the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Temporarily restricted net assets include those assets whose use by the Foundation has been limited by donors to later periods of time or for specified purposes. When a temporary restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets for the years ended December 31, 2017 and 2016.

Permanently restricted net assets include those net assets that must be maintained in perpetuity as required by donors. There were no permanently restricted net assets for the years ended December 31, 2017 and 2016.

If, subsequent to the period a restricted gift is made, a donor withdraws previously imposed restrictions, the related net assets are classified into the appropriate net asset category. Such reclassifications are reflected in net assets released from restrictions in the accompanying statement of activities when the restrictions are withdrawn.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior-Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions, Promises to Give, and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period the condition is met. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent.

Future promises to give are recognized and recorded as receivables at their estimated realizable value in the year during which they are promised to the Foundation.

Contributions Receivable

Contributions receivable are amounts contributed prior to year end that were not submitted to the Foundation until after year end. All contributions are expected to be collected within one year. The Foundation provides an allowance, as necessary, for uncollectible promises, based on management's evaluation of potential uncollectible contributions receivable at year end. No allowance was recorded as of December 31, 2017 and 2016.

Inventory

Inventory consists of gift cards and other rewards to be distributed to qualifying youth, for fundraising incentives to be distributed to employees at Taco Bell Corporation and Taco Bell Franchisee restaurants, and for use as raffle prizes for charity events. Certain inventory items are considered donated assets and are valued at fair market value. There were no donated assets as of December 31, 2017 and 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services
Donated goods and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet the criteria are not recognized in the financial statements, as there is no objective basis of deriving their value. The Foundation received donated services from a substantial number of volunteers who donated their time to the Foundation's programs and fundraising activities. For the years ended December 31, 2017 and 2016, the Foundation recorded estimated fair market value of goods and services received from unrelated third parties of $22,408 and $0, respectively. See Note 5 for related party contributions.

Exchange Transactions
Exchange transactions are reciprocal transfers between two entities that result in the entities acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations. The Foundation has agreements with The Boys and Girls Club of America and the Get Schooled Foundation that are accounted for as exchange based transactions and the amounts expended on a yearly basis are based on services rendered under the respective contracts (Note 4).

Income Taxes
The Foundation has been designated as tax-exempt under Internal Revenue Code Section 501(c)(3) and is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code and is not generally subject to federal or state income taxes. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as, in the opinion of management, the net income, if any, from any unrelated trade or business is not material to the basic financial statements taken as a whole.

The Foundation will recognize the impact of tax positions in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. To date, the Foundation has not recorded any uncertain tax positions.

The Foundation recognizes potential accrued interest and penalties related to uncertain tax positions in income tax expense. During the years ended December 31, 2017 and 2016, the Foundation did not recognize any amount in potential interest and penalties associated with uncertain tax positions. The Foundation's income tax returns are subject to examination for all tax years ended on or after December 31, 2013 with regards to the positions taken and results reported.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
The costs of providing the Foundation's various programs and the Foundation's administration 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 based on management's estimates.

Advertising
The Foundation expenses advertising costs as incurred. For the years ended December 31, 2017 and 2016, advertising costs amounted to $735,738 and $8,810,862, respectively.

Property and Equipment
Property and equipment are stated at cost. Amortization is provided using the straight-line method over the estimated useful lives of the various classes of property, as follows:

Software	3 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of property and equipment, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in the results of operations.

During the year ended December 31, 2017, the Foundation developed and delivered internally developed software related to customer relationship management enhancements and other specific needs for the Foundation for a total cost of $12,500. The products were launched in May 2017. The development cost was capitalized and included in the Statement of Financial Position at December 2017. The cost is to be amortized on straight-line basis over estimated useful life of 3 years. Amortization expense for the year ended December 31, 2017 amounted to $90,049.

Impairment of Long-Lived Assets
Impairment losses are recorded on long-lived assets and intangible assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2017 and 2016, management believes no indicators existed that would require an impairment to be recorded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements
In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern* (Subtopic 205-40): *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The adoption of ASU No. 2014-15 did not have a material effect on the Foundation's financial statements.

In June 2015, the FASB issued ASU No. 2015-10, *Technical Corrections and Improvements*, which clarifies the Codification, corrects unintended application of guidance, and makes minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. ASU No. 2015-10 is effective for annual reporting periods beginning after December 15, 2016. Early application is permitted. The adoption of ASU No. 2015-10 did not have a material effect on the Foundation's financial statements.

Recently Issued Accounting Pronouncements
In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*, and requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires that entities disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers—Principal versus Agent Considerations (Reporting Revenue Gross Versus Net)*, which clarifies gross versus net revenue reporting when another party is involved in the transaction. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing*, which amends the revenue guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers—Narrow-Scope Improvements and Practical Expedients*, which provides narrow-scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, which amends the guidance on performance obligation disclosures and makes technical corrections and improvements to the new revenue standard. The standard is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, and permits early adoption on a limited basis. The update permits the use of either the retrospective or cumulative effect transition method. The Foundation's management has not yet selected a transition method and management is in the process of evaluating the impact of this new guidance on the Foundation's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Issued Accounting Pronouncements (Continued)
In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Foundation for years beginning after December 15, 2018. The Foundation does not believe the adoption of the new financial instruments standard will have a material impact on the Foundation's financial statements. The Foundation elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use ("ROU") asset for all leases. For finance leases the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU No. 2016-02 is effective for annual and interim reporting periods within those years beginning after December 15, 2018 and early adoption is permitted. This update should be applied through a modified retrospective transition approach for leases existing at, or entered into after evaluating, the beginning of the earliest comparative period presented in the financial statements. The Foundation's management is in the process of evaluating the impact of this new guidance on the Foundation's financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for years beginning after December 15, 2017 and interim periods within years beginning after December 15, 2018, with early adoption permitted. ASU 2016-14 should be applied on a retrospective basis in the year that it is first applied. The Foundation's management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Issued Accounting Pronouncements (Continued)
In August 2016, the FASB issued No. ASU 2016-15, *Statement of Cash Flows* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU No. 2016-15 is effective for annual periods, beginning after December 15, 2017. Early adoption is permitted. The new guidance requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Foundation's management does not believe the guidance will have material impact on the Foundation's financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For public companies, these amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For non-public companies, these amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. ASU No. 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Foundation's management is in the process of evaluating the impact of this new guidance on the Foundation's financial statements.

NOTE 3 - CONCENTRATION OF RISK

Cash
The Foundation maintains its cash balances in one financial institution that from time to time exceeds amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits the owner may hold in the same ownership category, and the combined total insured up to at least $250,000. As of December 31, 2017 and 2016, the Foundation maintained $9,215,796 and $6,693,569, respectively, in deposits in excess of federally insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Donors
As of December 31, 2017, one donor represented approximately 21% of contributions receivable. As of December 31, 2016, four donors represented approximately 67% of contributions receivable.

NOTE 3 - CONCENTRATION OF RISK (Continued)

Vendors
As of December 31, 2017, two vendors represented approximately 86% of accounts payable. As of December 31, 2016, three vendors represented approximately 98% of accounts payable.

NOTE 4 - COMMITMENTS

Boys and Girls Club of America
In May 1995, the Foundation entered into a contractual agreement with the Boys and Girls Club of America (the "BGCA") to establish the "TeenSupreme" program. This nationwide program is designed to encourage disadvantaged youths to stay off the streets and help improve scholastic performance through educational, recreational and vocational programming. The agreement runs through December 31, 2018. The Foundation's total contractual sponsorship to the national BGCA was $12,000,000, to be paid over five years. On August 8, 2016, the Foundation and Boys and Girls Club of America (the "BGCA") amended the "TeenSupreme" program contractual sponsorship agreement effective June 30, 2016. The Amendment decreased the Foundation's total contractual sponsorship to the national BGCA for the remaining years of the original contract from $8.2 million to $2.2 million. Scheduled payments remaining under this sponsorship are as follows:

Year Ending	
2018	$ 300,000
Total contractual sponsorship	**$ 300,000**

Total sponsorship to the BGCA for the year ended December 31, 2017 amounted to $5,117,513 which includes $4,517,513 to local BGCA affiliates. Total sponsorship to the BGCA for the year ended December 31, 2016 was $5,440,600, which includes $4,440,600 to local BGCA affiliates.

Get Schooled Foundation
In February 2013, the Foundation entered into a contractual agreement to support the Get Schooled Foundation, which expired on December 31, 2016. This partnership is designed to fund youth programs across the country and challenge teens to make a personal pledge to graduate high school and join the Foundation's digital community of pledges at the *Graduate for Mas* website. The Foundation paid the Get Schooled Foundation for services totaling $0 and $1,000,000, for 2017 and 2016, respectively.

NOTE 4 - COMMITMENTS (Continued)

Service Agreement
The Foundation has a contract with a third-party vendor for maintenance and coin collection services for the Foundation's fundraising canisters. The contract states that the vendor shall receive a flat fee of $28 per collection visit as a service charge, plus a fuel surcharge. As stated in the agreement, the Foundation bears responsibility for repair and replacement costs for canisters. The contract with the original third-party vendor expired on December 31, 2016, and, at such time, another third-party vendor took over providing these services for the Foundation. The new contract also states that the vendor shall receive a flat fee of $28 per collection visit as a service charge, plus a fuel surcharge. The contract can be terminated at any time with 90 days' notice.

NOTE 5 - RELATED PARTY TRANSACTIONS AND CONTRIBUTIONS

The Foundation's canisters are located at the Corporation and Franchisee locations throughout the United States. The Corporation and Franchisees provide support by way of the use of facilities and certain services at no charge, and facilitate the collection of the contributions for the Foundation. During the normal course of business, the Foundation reimburses the Corporation for the use of administrative personnel. As of December 31, 2017 and 2016, approximately $245,998 and $80,294, respectively, was due to the Corporation for accrued expenses. The Corporation also occasionally receives canister contributions on behalf of the Foundation. As of December 31, 2017 and 2016, $32,593 and $62,303, respectively, was due to the Foundation for such contributions.

For the years ended December 31, 2017 and 2016, the Foundation recorded estimated fair market value of free rent of $161,487 and $124,221, respectively, paid on behalf of the Foundation, professional service expenses of $2,513,333 and $8,927,965, respectively, paid on behalf of the Foundation, benefits of $0 and $205,307, respectively, paid on behalf of the Foundation, and office expenses of $33,800 and $14,538, respectively, paid on behalf of the Foundation as contributions in the accompanying statement of activities.

NOTE 6 - LITIGATION

From time to time, the Foundation may be named as a defendant in legal actions arising from its normal operations and is presented with claims for damages arising out of its actions. The Foundation anticipates that any damages or expenses it may incur in connection with these actions, individually and collectively, will not have a material adverse effect on the Foundation.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated all activity through July 31, 2018 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.