TACO BELL FOUNDATION, INC.

(A NONPROFIT FOUNDATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

TACO BELL FOUNDATION, INC.
(A NONPROFIT FOUNDATION)
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December 31, 2015 and 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Taco Bell Foundation, Inc.
Irvine, California

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, 2015, 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 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, 2015, and the changes in 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

October 11, 2016

TACO BELL FOUNDATION, INC.
(A NONPROFIT FOUNDATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(with Comparative Totals as of December 31, 2014)

ASSETS

	2015	2014
Current assets		
Cash	$ 10,241,211	$ 6,850,572
Contributions receivable	568,673	631,288
Contributions receivable - related parties	186,150	57,757
Inventory	6,573	7,445
Total assets	**$ 11,002,607**	**$ 7,547,062**

LIABILITIES AND NET ASSETS

	2015	2014
Current liabilities		
Accounts payable and accrued expenses	$ 299,800	$ 135,489
Accounts payable - related party	2,444,456	218,315
Total current liabilities	2,744,256	353,804
Commitments (Note 4)		
Net assets		
Unrestricted	8,258,351	7,193,258
Total liabilities and net assets	**$ 11,002,607**	**$ 7,547,062**

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

TACO BELL FOUNDATION, INC.
(A NONPROFIT FOUNDATION)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(with Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Net revenue and support		
Fundraising activities		
Canister collections		
Canister collections	$ 2,564,714	$ 2,776,349
Direct expenses	586,670	562,684
Net direct support from canister collections	1,978,044	2,213,665
Other fundraisers		
Other fundraiser revenue	6,662,538	5,266,280
Direct expenses	663,711	393,443
Net direct support from other fundraisers	5,998,827	4,872,837
Total net fundraising revenue	7,976,871	7,086,502
Grants and contributions	7,451,799	2,986,857
Interest and other income	7,448	7,842
Total net revenue and support	15,436,118	10,081,201
Functional expenses		
Program services	13,501,169	11,699,268
Supporting services	869,856	916,345
Total functional expenses	14,371,025	12,615,613
Change in net assets	1,065,093	(2,534,412)
Net assets, beginning of year	7,193,258	9,727,670
Net assets, end of year	**$ 8,258,351**	**$ 7,193,258**

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

TACO BELL FOUNDATION, INC.

(A NONPROFIT FOUNDATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015
(with Comparative Totals for the Year Ended December 31, 2014)

	Program Services	Supporting Services	2015 Total	2014 Total
Functional expenses				
Advertising	2,201,187	-	2,201,187	441,930
Boys and Girls Club of America - National	2,000,000	-	2,000,000	1,800,000
Canister repairs	178,129	-	178,129	140,920
Depreciation	-	-	-	84,907
District management account grant expense	6,166,900	-	6,166,900	6,203,551
Get Schooled	1,100,000	-	1,100,000	600,000
Loss on disposal of property and equipment	-	-	-	298,743
	-	-	-	
Miscellaneous	3,945	696	4,641	3,177
Office supplies	99,306	17,524	116,830	157,955
Other grant expense	561,108	-	561,108	1,133,627
Outside services	-	-	-	12,884
Payroll taxes	38,802	6,847	45,649	45,247
Professional fees	-	635,068	635,068	482,622
Registration fees	-	6,463	6,463	7,043
Rent	104,444	18,431	122,875	132,894
Salaries and benefits	931,254	164,339	1,095,593	723,058
Travel	116,094	20,488	136,582	347,055
Total functional expenses	**13,501,169**	**869,856**	**14,371,025**	**12,615,613**

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

TACO BELL FOUNDATION, INC.
(A NONPROFIT FOUNDATION)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(with Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 1,065,093	$ (2,534,412)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	-	84,907
Loss on disposal of property and equipment	-	298,743
(Increase) decrease in		
Contributions receivable	62,615	267,806
Contributions receivable - related parties	(128,393)	113,690
Inventory	872	156,355
Prepaid expenses	-	2,500
Increase (decrease) in		
Accounts payable and accrued expenses	164,311	(225,835)
Accounts payable - related party	2,226,141	(121,323)
Net cash flows from operating activities	3,390,639	(1,957,569)
Net change in cash	3,390,639	(1,957,569)
Cash, beginning of year	6,850,572	8,808,141
Cash, end of year	**$ 10,241,211**	**$ 6,850,572**

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. Permanently restricted net assets include those net assets that must be maintained in perpetuity. There were no temporarily or permanently restricted net assets for the years ended December 31, 2015 and 2014.

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.

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, 2014, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fair Value of Financial Instruments
The carrying value of the Foundation's cash, contributions receivable, contributions receivable - related parties, donated assets, prepaid expenses, accounts payable and accrued expenses and accounts payable - related party reported in the balance sheet approximate fair value due to the short maturity of the instruments and are classified as Level 1 in the fair value hierarchy.

Contributions, Pledges 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.

Pledges for future contributions 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.

Inventory
Inventory consist 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. As of December 31, 2015 and 2014, fair market value of donated assets is $0 and $2,500, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials 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.

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 year ended December 31, 2015 and 2014, 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, 2011 with regards to the positions taken and results reported.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising
The Foundation expenses advertising costs as incurred. For the years ended December 31, 2015 and 2014, advertising costs amounted to $2,201,187 and $441,930, respectively.

Recent Accounting Pronouncements
In April 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-06, *Services Received from Personnel of an Affiliate*. This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this Update improve current U.S. GAAP by requiring all not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The changes are effective for the fiscal years beginning after June 15, 2014. The adoption of these rules did not have a material impact on the Foundation's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance established the principles to report useful information to users of the financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The new guidance affects any reporting organization that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). For nonpublic companies and organizations (including not-for-profits), the new guidance will be required for annual reporting periods beginning after December 15, 2017, and interim and annual reporting periods after those reporting periods. Nonpublic companies and organizations may elect early application, but no earlier than the effective date for public entities. The Foundation does not believe the guidance will have material impact on the Society's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
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 2014-15"). ASU 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 2014-15 is not expected to have a material effect on the Foundation's financial statements or disclosures.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation* (Topic 810): *Amendments to the Consolidation Analysis* ("ASU 2015-02"). ASU 2015-02 significantly changes the consolidation analysis required under U.S. GAAP and will require reporting entities to reevaluate previous consolidation conclusions. ASU 2015-02 is effective for annual periods ending after December 15, 2016, with early adoption permitted. The adoption of ASU 2015-02 is not expected to have a material effect on the Society's financial statements or disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"), 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 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. Management is in the process of evaluating the impact of these rules on the Foundation's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), which focuses on improving the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and early application is permitted. ASU 2016-14 should be applied on a retrospective basis in the year that it is first applied. Management is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

NOTE 3 - CONCENTRATION OF RISK

Cash
The Foundation maintains its cash balances in two financial institutions that from time to time exceed 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, 2015 and 2014, the Foundation maintained $9,546,399 and $6,524,887, 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.

Customers
As of December 31, 2015, two customers represented approximately 33% of contributions receivable. As of December 31, 2014, one customer represented approximately 21% of contributions receivable.

Vendors
As of December 31, 2015 and 2014, one vendor represented approximately 89% and 80%, respectively, 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 to improve scholastic performance through educational, recreational and vocational programming, which was extended through December 31, 2018. The Foundation's total contractual sponsorship to the national BGCA is $12,000,000, to be paid over five years. Scheduled payments under this sponsorship are as follows:

Year Ending	
2016	$ 2,400,000
2017	2,700,000
2018	3,100,000
Total contractual sponsorship	**$ 8,200,000**

NOTE 4 – COMMITMENTS (Continued)

Boys and Girls Club of America (Continued)
Total sponsorship to the BGCA for the year ended December 31, 2015 amounted to $8,166,900, which includes $6,166,900 to local BGCA affiliates. Total sponsorship to the BGCA for the year ended December 31, 2014 was $8,003,551, which includes $6,203,551 to local BGCA affiliates. 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. (See Note 7)

Get Schooled Foundation
In February 2013, the Foundation entered into a contractual agreement to support the Get Schooled Foundation, which was extended through 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 $1,100,000 and $600,000, for 2015 and 2014, respectively.

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 in addition to a fuel surcharge. As stated in the agreement, the Foundation bears responsibility for repair and replacement costs for canisters. The current contract expires on December 31, 2016.

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, 2015 and 2014, approximately $2,444,456 and $218,315, 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, 2015 and 2014, $186,150 and $57,757, respectively, was due to the Foundation for such contributions.

NOTE 5 - RELATED PARTY TRANSACTIONS AND CONTRIBUTIONS (Continued)

For the years ended December 31, 2015 and 2014, the Foundation recorded estimated fair market value of free rent of $122,875 and $132,894, respectively, paid on behalf of the Foundation, professional service expenses of $209,285 and $78,085, respectively, paid on behalf of the Foundation, benefits of $158,737 and $19,969, respectively, paid on behalf of the Foundation, inventory of $0 and $2,500, respectively, paid on behalf of the Foundation and office expenses of $137,252 and $151,794, 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

On August 8, 2016, the Foundation and Boys and Girls Club of America (the “BGCA”) amended the “TeenSupreme” program contractual sponsorship agreement (see Note 4) effective June 30, 2016. The Amendment decreased 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 under this sponsorship are as follows:

Year Ending	
2016	$ 1,000,000
2017	600,000
2018	600,000
Total contractual sponsorship	**$ 2,200,000**

Management evaluated all activity through October 11, 2016 (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.