KPMG

JOY IN CHILDHOOD FOUNDATION, INC.

Financial Statements

December 31, 2019

(With Independent Auditors’ Report Thereon)

JOY IN CHILDHOOD FOUNDATION, INC.

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Directors
Joy in Childhood Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of Joy in Childhood Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, 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 U.S. generally accepted accounting principles; 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 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 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 Joy in Childhood Foundation as of December 31, 2019, and the results of its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 9 to the financial statements, during the year ended December 31, 2019 Joy in Childhood Foundation adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU No. 2018-08, C*larifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

KPMG LLP

Boston, Massachusetts
June 8, 2020

JOY IN CHILDHOOD FOUNDATION, INC.

Statement of Financial Position

December 31, 2019

Assets

Current assets:		
Cash and cash equivalents	$	1,037,731
Contributions receivable (note 3)		4,060,031
Investments, short-term (note 5)		1,478,451
Prepaid expenses and other current assets		21,452
Total current assets		6,597,665
Contributions receivable, long-term (note 3)		122,549
Investments, long-term (note 5)		1,009,197
Total assets	$	7,729,411

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	$	211,673
Grants payable (note 4)		943,642
Total current liabilities		1,155,315
Long-term liabilities:		
Grants payable, long-term (note 4)		388,331
Net assets:		
Without donor restrictions		5,123,030
With donor restrictions (note 6)		1,062,735
Total net assets		6,185,765
Total liabilities and net assets	$	7,729,411

See accompanying notes to financial statements.

JOY IN CHILDHOOD FOUNDATION, INC.

Statement of Activities and Changes in Net Assets

Year ended December 31, 2019

		Without donor restriction	With donor restriction	Total
Revenue and other support:				
Contributions	$	1,264,309	75,099	1,339,408
Fundraising		5,586,723	107,687	5,694,410
Services received from personnel of Dunkin' Brands Group, Inc. and affiliates (note 2(d))		226,099	—	226,099
Net investment income		65,033	—	65,033
Net assets released from restriction		1,353,851	(1,353,851)	—
		8,496,015	(1,171,065)	7,324,950
Expenses:				
Grants		5,696,509	—	5,696,509
Program		579,019	—	579,019
General and administrative		354,374	—	354,374
Services received from personnel of Dunkin' Brands Group, Inc. and affiliates (note 2(d))		226,099	—	226,099
Fundraising		1,221,852	—	1,221,852
		8,077,853	—	8,077,853
Change in net assets		418,162	(1,171,065)	(752,903)
Net assets, beginning of year		4,704,868	2,233,800	6,938,668
Net assets, end of year	$	5,123,030	1,062,735	6,185,765

See accompanying notes to financial statements.

JOY IN CHILDHOOD FOUNDATION, INC.

Statement of Functional Expenses

Year ended December 31, 2019

	Program activities			Supporting activities			
	Grants	**Program**	**Total program expenses**	**General and administrative**	**Fundraising**	**Inkind**	**Total expenses**
Expenses:							
Grants	$ 5,696,509	—	5,696,509	—	—	—	5,696,509
Event expenses	—	—	—	—	313,188	—	313,188
Canister expenses	—	—	—	—	35,746	—	35,746
Support and venue rentals	—	—	—	—	450,425	—	450,425
Merchandise and branded goods	—	64,841	64,841	26,344	—	—	91,185
Public relations	—	38,890	38,890	71,326	—	—	110,216
Advertising and communications	—	13,343	13,343	12,782	22,691	—	48,816
Management fees	—	97,887	97,887	40,981	270,910	—	409,778
Professional fees	—	—	—	104,033	—	—	104,033
Dog expenses	—	9,266	9,266	—	—	—	9,266
Printing expenses	—	483	483	677	40,111	—	41,271
Software, maintenance and training	—	—	—	45,569	—	—	45,569
Bank and credit card fees	—	—	—	9,773	55,074	—	64,847
Travel and meeting expenses	—	7,034	7,034	13,826	6,549	—	27,409
State filing fees	—	—	—	10,972	—	—	10,972
Insurance and office related expenses	—	45	45	18,091	6	—	18,142
Bad debt expenses	—	—	—	—	27,152	—	27,152
Services received from personnel of Dunkin' Brands Group, Inc. and affiliates (note 2(d))	—	—	—	—	—	226,099	226,099
Inkind contributions and services	—	347,230	347,230	—	—	—	347,230
Total expenses	$ 5,696,509	579,019	6,275,528	354,374	1,221,852	226,099	8,077,853

See accompanying notes to financial statements.

JOY IN CHILDHOOD FOUNDATION, INC.

Statement of Cash Flows

Year ended December 31, 2019

Cash flows from operating activities:		
Change in net assets	$	(752,903)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Accretion of long-term grants payable to present value		5,960
Changes in operating assets and liabilities:		
Contributions receivable		635,706
Prepaid expenses and other current assets		(6,087)
Accounts payable and accrued expenses		14,964
Grants payable		(56,312)
Net cash used in operating activities		(158,672)
Cash flows from investing activities:		
Purchases of investments		(2,218,000)
Maturity of investments		1,972,000
Net cash used in investing activities		(246,000)
Net decrease in cash and cash equivalents		(404,672)
Cash and cash equivalents, beginning of year		1,442,403
Cash and cash equivalents, end of year	$	1,037,731

See accompanying notes to financial statements.

(1) Organization

Joy in Childhood Foundation, Inc. (formerly known as The Dunkin' Donuts & Baskin-Robbins Community Foundation, Inc.) (the Foundation) was created in July 2007. The Foundation is a not-for-profit corporation that serves its neighborhoods by providing financial assistance, building capacity, developing partnerships, and encouraging volunteerism. Through charitable grants and partnerships, the Foundation ensures the basic needs of communities are met through hunger relief and children's health. The majority of the Foundation's officers and directors consist of employees of Dunkin' Brands Group, Inc. and franchisees under the Dunkin' Donuts and Baskin-Robbins brands.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(b) Financial Statement Presentation

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 958-205, *Not-for-Profit Entities Presentation of Financial Statements*, provides guidance on the presentation of financial statements for not-for-profit entities.

Accordingly, net assets and changes therein are classified as follows:

(1) Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions. The Foundation may designate portions of its net assets not subject to donor-imposed restrictions as board designated for various purposes.

(2) With Donor Restrictions

Net assets subject to donor-imposed stipulations that may be met either by actions of the Foundation and/or the passage of time. In most cases, the donor imposed stipulations are temporary in nature and the assets are released from restrictions when the specified time elapses or actions have been taken to meet the restrictions.

(c) Contributions

Unconditional promises to give are recognized as revenue when a donor commitment is received. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as with donor restrictions contributions.

Contributions to be received in future years are discounted at the Foundation's borrowing rate. Amortization of the discount is recorded as additional contribution revenue.

(Continued)

Unconditional promises to give are recorded in the financial statements as contributions receivable and revenue in the appropriate net asset category. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A donor restriction expires when a stipulated time restriction ends or when a purpose is accomplished. Upon expiration, with donor restricted net assets are reclassified to without donor restricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

(d) Services Received from Personnel of Dunkin' Brands Group, Inc.

The Foundation recognizes as revenue and expense all services received from personnel of Dunkin' Brands Group, Inc. and affiliates that directly benefit the Foundation. Those services are measured at the cost recognized by Dunkin' Brands Group, Inc. and affiliates for the personnel providing those services. Based on an analysis of the estimated percentage of time individuals who were identified as supporting the Foundation spend in a given year and the annual salary and benefits of each individual, the Foundation recognized $226,099 for the year ended December 31, 2019, as revenue and expense.

(e) Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation. The Foundation recognized noncash donations of $347,230 for the year ended December 31, 2019.

(f) Grants

Unconditional grants are recognized in the financial statements when the Foundation makes a written or oral agreement to contribute to an organization or when approved by the board of directors and the Foundation has an obligation to an organization. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. Grants to be paid in future years are discounted at the Foundation's borrowing rate. Amortization of the discount is recorded as additional grant expense.

(g) Income Taxes

The Foundation is recognized by the Internal Revenue Service (IRS) as an organization described in Internal Revenue Code (IRC) Section 501(c) and is generally exempt from federal income taxes under IRC Section 501(a). The Foundation met the IRS qualifications for public charity status for the 60 month period ended December 31, 2019 and, as such, has terminated private foundation status and is currently operating as a public charity organized under IRS Section 501(c)(3).

The Foundation follows the guidance of FASB ASC 740, *Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation believes it has taken no significant uncertain tax positions as of December 31, 2019.

(h) Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents in accounts that may, at times, exceed insurers' limits. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk relating to its cash and cash equivalents.

(Continued)

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(j) Subsequent Events

The Foundation has evaluated all events subsequent to the balance sheet date of December 31, 2019, through the date which the financial statements were available to be issued, June 8, 2020. In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in loss of contributions, fundraising revenues and other material adverse effects to the Foundation's financial position, results in operations and cash flows. The Foundation is not able to estimate the length of severity of this outbreak and the related financial impact. As a result, management has adjusted its planned operations for 2020 accordingly, including significant decreases in contributions and fundraising revenue and grant expenses. These conditions and events have no effect on the Foundation's ability to meet future obligations at this time, and the Foundation will continue to assess and monitor the situation as it evolves.

(3) Contributions Receivable

The Foundation has received contributions that will be paid over a period of time. Contributions that will be received beyond the next year have been presented at their net present value.

The following table summarizes the Foundation's contributions receivable as of December 31, 2019.

Receivables in less than one year	$	4,060,031
Receivables in one to five years		125,000
		4,185,031
Less discounts to net present value		(2,451)
Contributions receivable, net	$	4,182,580

(4) Grants Payable

The Foundation has grants payable in the amount of $1,331,973 as of December 31, 2019. Grants payable due more than one year from the date of the accompanying statements of financial position are recorded net of a discount to reflect the present value of future cash flows. There was an accretion of grants payable of $5,960 for the year ended December 31, 2019.

The expected payment period for the grants payable as of December 31, 2019 is as follows:

Payable in less than one year	$	943,642
Payable in one to five years		394,291
		1,337,933
Less discount to present value		(5,960)
	$	1,331,973

(5) Investments

Investments are reported at fair value. Interest and dividends on these investments, as well as both realized and unrealized gains and losses, are included in the Statement of Activities and Changes in Net Assets. The Foundation's investments consist primarily of fixed income securities as of December 31, 2019.

The Foundation utilizes the three-level hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of hierarchy consist of the following:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

Level 2 – Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 – Inputs to the valuation methodology are unobservable inputs based upon the Foundation's best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

The fair value category into which a particular asset or liability is classified is determined by the lowest level of input that is significant to measuring the value of the individual item. Assessing the significant of particular inputs to the valuation of individual assets and liabilities requires significant judgment. The Foundation has classified the securities pursuant to the fair value hierarchy utilizing the market approach. As of December 31, 2019, the carrying value of the Foundation's financial instruments were equal to the fair market value. The following table summarizes the Foundation's investments within the fair value hierarchy as of December 31, 2019:

	Fair value as of December 31, 2019	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments	$ 2,487,648	—	2,487,648	—

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of contributions received from donors whose use by the foundation is limited by donor-imposed stipulations based on time requirements. The restricted amounts, net of discounts, were $1,062,735 as of December 31, 2019.

(7) Liquidity and Availability of Financial Assets

JICF has $6,576,213 of financial assets available within one year of the balance sheet date consisting of cash of $1,037,731, contributions receivable of $4,060,031, and short-term investments of $1,478,451. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to time restrictions, but will be collected and available for use within one year.

JICF manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures. Regular reporting occurs and is reviewed by the Finance Committee on a monthly basis.

As part of its liquidity management, JICF invests cash in excess of daily requirements in various investments including certificates of deposits and treasury instruments.

(8) Related-Party Transactions

During the year ended December 31, 2019, the Foundation reimbursed Dunkin’ Brands Group, Inc. $409,777 for certain personnel costs. Additionally, as described in note 2(d), an estimate of the cost of services provided to the Foundation by Dunkin’ Brands Group, Inc. and affiliates is recognized as services are received from Dunkin’ Brands Group, Inc. and affiliates in the accompanying statement of activities.

(9) New Accounting Pronouncements

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the Foundation for the year ended December 31, 2019. The Foundation’s adoption of Topic 606 did not materially change the timing or amount of revenue recognized by The Foundation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of topic 958, Not-for-Profit entities, or as exchange transactions subject to guidance in Topic 606, and (2) determining whether a contribution is conditional. This ASU clarifies that a contribution is conditional if the agreement includes both (a) a barrier or barriers that must be overcome for the recipient to be entitled to the assets transferred and (b) a right of return for the transferred assets or a right of release of the promisor’s obligation to transfer assets. This ASU became effective for the Foundation for the year ended December 31, 2019. The Foundation’s adoption of this ASU on a modified prospective basis did not have a material effect on its financial statements.