

**TIM HORTON CHILDREN'S FOUNDATION (US), INC.**

**Financial Statements as of  
October 31, 2023**

**Together with  
Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

August 22, 2024

To the Board of Directors of  
Tim Horton Children's Foundation (US), Inc. :

### Qualified Opinion

We have audited the accompanying financial statements of Tim Horton Children's Foundation (US), Inc. (a nonprofit organization), (the Foundation) which comprise the statement of financial position as of October 31, 2023 and the related statement of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our audit report, the financial statements referred to above present fairly, in all material respects, the financial position of Tim Horton Children Foundation (US), Inc. as of October 31, 2023, 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.

### Basis for Qualified Opinion

We did not obtain sufficient appropriate audit evidence over the amount of support and contribution revenue because no accounting controls or records are maintained over collections prior to the initial entry of such donations and contributions. We were unable to obtain sufficient appropriate audit evidence over support and contribution revenue by other auditing procedures.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Tim Horton Children's Foundation (US), Inc. and to meet our ethical responsibilities in accordance with the relevant ethical requirements to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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## **INDEPENDENT AUDITOR'S REPORT (Continued)**

### **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 Tim Horton Children's Foundation (US), Inc. ability to continue as a going concern within one year after 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, 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 Tim Horton Children's Foundation (US), Inc. 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 Tim Horton Children's Foundation (US), Inc.'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.

**TIM HORTON CHILDREN'S FOUNDATION (US), INC.**

**STATEMENT OF FINANCIAL POSITION  
OCTOBER 31, 2023**

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**ASSETS**

CURRENT ASSETS:

Cash	\$	1,043,024
Prepaid expenses and other current assets		<u>50,699</u>
Total current assets		<u>1,093,723</u>

OTHER ASSETS:

Due from related party		51,599
Property and equipment, net		<u>1,191,069</u>
Total other assets		<u>1,242,668</u>

Total assets \$ 2,336,391

**LIABILITIES AND NET ASSETS**

LIABILITIES:

Accounts payable and accrued expenses	\$	118,941
Due to related party		<u>1,177,839</u>
Total liabilities		<u>1,296,780</u>

NET ASSETS:

Without donor restrictions		<u>1,039,611</u>
Total net assets		<u>1,039,611</u>
Total liabilities and net assets	\$	<u>2,336,391</u>

The accompanying notes are an integral part of these statements.

**TIM HORTON CHILDREN'S FOUNDATION (US), INC.**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED OCTOBER 31, 2023**

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CONTRIBUTION REVENUES:

Camp day	\$	863,353
Coin program donations		108,293
Corporate and individual donations		142,435
Related party contributions		202,460
Warm wishes		<u>105,008</u>

Total support and contribution revenues 1,421,549

OTHER REVENUES:

Employee retention credits		144,836
Other revenue		<u>52,895</u>

Total other revenues 197,731

Total revenues 1,619,280

EXPENSES:

Program services -		
Wages and benefits		536,575
Food and beverage		47,862
Equipment and supplies		102,928
Site and maintenance		83,410
Transportation		26,810
Carolee House Leadership		39,600
Utilities		47,434
Depreciation		288,217
Program innovation and oversight		106,648
Insurance		<u>78,584</u>

Total program services 1,358,068

Management and general		153,428
Fundraising		<u>107,784</u>

Total expenses 1,619,280

CHANGE IN NET ASSETS -

NET ASSETS - beginning of year 1,039,611

NET ASSETS - end of year \$ 1,039,611

The accompanying notes are an integral part of these statements.

**TIM HORTON CHILDREN'S FOUNDATION (US), INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED OCTOBER 31, 2023**

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CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ -
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	288,217
Changes in:	
Prepaid expenses and other current assets	(16,943)
Due to/from related party	466,890
Accounts payable and accrued expenses	<u>46,890</u>
Net cash flow from operating activities	<u>785,054</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	<u>(112,909)</u>
Net cash flow from investing activities	<u>(112,909)</u>
CHANGE IN CASH	672,145
CASH - beginning of year	<u>370,879</u>
CASH - end of year	<u>\$ 1,043,024</u>

The accompanying notes are an integral part of these statements.

**TIM HORTON CHILDREN'S FOUNDATION (US), INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2023**

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**1. THE ORGANIZATION**

Tim Horton Children's Foundation (US), Inc. (the Foundation) was founded on December 28, 1998. The Foundation is incorporated without share capital under the Kentucky Non-profit Corporation Act. The Foundation is a charitable organization and is exempt from income taxes by virtue of paragraph 501 (c)(3) of the United States Internal Revenue Code. The Foundation's identification number is 31-1681446.

Tim Horton Children's Foundation, Inc. (the Canadian Foundation) is incorporated without share capital under the Ontario Corporations Act. The Canadian Foundation is a charitable organization under the Income Tax Act (Canada). As such, it is exempt from income taxes by virtue of paragraph 149(1)(f) of the Income Tax Act (Canada). The Canadian Foundation's Canadian federal charitable registration number is 11926 4885 RR0001.

The Canadian Foundation is the sole member of the Foundation and thereby controls the Foundation. Directors of the Foundation consist of employees of Restaurant Brands International (RBI), directors of the Canadian Foundation and USA Tim Hortons restaurant owners (restaurant owner).

As fully described in Footnote 4, The Foundation and Canadian Foundation, formed a Joint Venture agreement (the joint venture agreement) to operate a camp in Campbellsville, Kentucky for economically disadvantaged youth.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting**

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (U.S GAAP). The Foundation reports information regarding its financial position and activities using the following categories:

• **Net Assets Without Donor Restrictions**

Net assets without donor restrictions include operating resources available for the support of the Foundation's operating activities. In addition, they include resources of the Foundation designated by its Board of Directors (the board) for specific purposes. The Board has the authority to release these funds for other purposes. As of October 31, 2023, the Board had not designated any net assets.

• **Net Assets With Donor Restrictions**

Net assets with donor restrictions include resources that have been donated to the Foundation subject to restrictions as defined by the donor. The satisfaction of these restrictions is reflected as net assets released from restrictions in the statements of activities. In addition, net assets with donor restrictions include resources that have donor-imposed restrictions that stipulate the resources be maintained in perpetuity. As of October 31, 2023, the Foundation did not have any net assets with donor restrictions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Reporting (Continued)

Unconditional contributions are recorded as support and revenues when received. Conditional contributions are recorded as support and revenues when the conditions have been met. Contributions are considered available for general use unless specifically restricted by the donor.

Support and revenue are classified into net assets without donor restrictions and net assets with donor restrictions based upon the existence or absence of donor-imposed restrictions.

Support that is without donor-imposed restrictions is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions is reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### Cash

Cash consists of various bank demand deposits held and maintained in U.S. Dollars. The Foundation's cash balances may at times exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

### Prepays and Other Current Assets

Prepaid expenses and other assets represent costs that are paid in advance of incurring the related expense.

### Property and Equipment

Property is recorded at cost, if purchased, or fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life as described below. The Foundation capitalizes items over \$1,000. Expenses for repairs and maintenance are charged to expense as incurred.

<u>Asset Type</u>	<u>Estimated Useful Life</u>
Building	25 years
Paving	15 years
Machinery and Equipment	5-10 years
Vehicles	5 years
Computers	3 years

### Due to Related Party

As fully described in Footnote 9, a liability exists and the Foundation owes the Canadian Foundation \$1,177,839 as of October 31, 2023.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue Recognition

The Foundation historically receives substantially all of its donations from the following:

- Restaurant Owners
- RBI, its employees and their suppliers
- Directors of the Foundation
- General public through donation options located inside Tim Hortons restaurants

Such donations are recorded as support without donor restrictions.

These unconditional revenue contributions are recognized when earned, which is at point of collection. There are no contribution receivables as of October 31, 2023.

### Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions (such as management and general and fundraising, when applicable). Those program services expenses include salaries and benefits, food, beverages and facilities expenses, and depreciation.

### Tax Status

The Foundation is a Kentucky based not-for-profit corporation, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

### Functional Currencies

The Foundation's financial statements are presented in U.S. Dollars as the majority of transactions occur in U.S. Dollars, with the exception of immaterial in-kind donations.

### Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

### **3. LIQUIDITY**

The Foundation has a goal to maintain financial assets on hand to meet normal operating expenses. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of October 31, 2023, the Foundation's financial assets available within one year of the statement of financial position date for general expenditure are comprised of cash which is \$1,043,024.

### **4. JOINT-VENTURE AGREEMENT WITH THE CANADIAN FOUNDATION**

Through the joint venture agreement created on December 15, 2000, the Foundation operates a camp in Campbellsville, Kentucky for economically disadvantaged youth. The joint venture agreement incorporates a formal cost sharing agreement with the Foundation in that the Canadian Foundation will fund, on an annual basis, the amounts required to operate the camp to the extent the Foundation is unable to fund these costs.

### **5. AGREEMENT WITH COMMONWEALTH OF KENTUCKY**

On July 1, 1999 the Foundation (the Lessee) entered into a lease agreement (the agreement) with the Commonwealth of Kentucky (the Lessor) to lease approximately 46 acres of land located in Green River Lake State Park for the purposes of development, construction, and operations of a camp for disadvantaged children. The agreement commences with signing by the Secretary of Finance and Administration Cabinet (acting on behalf of the Commonwealth of Kentucky), with an initial termination date of August 31, 2026.

Following a second amendment to the agreement signed in November 2021, the agreement was extended through April 30, 2049, with a possible additional 25 year renewal, upon prior written consent of all parties.

In exchange for the rights to occupy and use the premise as fully described in the agreement, the Lessee agrees to pay the sum of One U.S. Dollar (\$1.00 USD) annually due in advance without prior demand.

The Lessee agrees that any structural improvements, alterations and renovations or major repairs to or demolition of the improvements which the Lessee desires to make to the leased premise, require prior written approval. For the privilege of leasing said property, all improvements and/or additions to the property, including fixtures paid for by the Lessee, shall become the sole property of the Lessor, at the completion of the agreement. In accordance with U.S. GAAP, land, building, and/or improvements have been recorded as capital assets.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of October 31:

	<u>2023</u>
Buildings	\$ 5,913,185
Land improvements	86,378
Paving	56,862
Machinery and equipment	595,798
Computers	22,373
Vehicles	<u>93,304</u>
Total	6,767,900
Less: Accumulated depreciation	<u>(5,576,831)</u>
Property and equipment, net	<u>\$ 1,191,069</u>

Depreciation charged to expense for the years ended October 31, 2023 was \$288,217.

## 7. EMPLOYEE RETENTION CREDIT

The CARES Act included provisions for qualified employers to receive an Employee Retention Credit (ERC), which is a refundable payroll tax credit. The ERC encouraged businesses impacted by COVID-19 to keep employees on their payroll during the pandemic to avoid further economic hardship for individuals. The Foundation claimed credits in the amount of \$144,836 which is recorded as employee retention credits on the statement of activities for the year ended October 31, 2023.

## 8. RELATED PARTY TRANSACTIONS

### *Canadian Foundation:*

As a result of the joint venture agreement between the Canadian Foundation and the Foundation, as described in Footnote 4, the Foundation recorded \$337,275 in expenses allocated by the Canadian Foundation for the general and administrative costs associated with operating the facilities located in Campbellsville, Kentucky. These expenses are included in program innovation and oversight, as well as management and general and fundraising for the year ending October 31, 2023.

Methodology associated with this overhead allocation will be based upon the following:

- Indirect fundraising costs and indirect administrative costs will be allocated based upon the revenues generated by the Foundation in relation to the total revenues generated by the Foundation and Canadian Foundation.
- Shared services costs will be allocated based upon the percentage of participants attending the camp run by the Foundation in relation to the total participants for both the Foundation camps and the Canadian Foundation camps.

In addition, as a result of the joint venture agreement between the Foundation and the Canadian Foundation, instances occur in which cash advances may take place to ensure uninterrupted operations of the U.S. based camp. As of October 31, 2023 the Foundation has been advanced \$1,043,024 from the Canadian Foundation. This amount has been reflected as a due to related party on the statement of net assets as of October 31, 2023.

## **8. RELATED PARTY TRANSACTIONS (Continued)**

Lastly, in accordance with the cost sharing agreement with the Foundation, the Canadian Foundation will fund, on an annual basis, the amounts required to operate the camp to the extent the Foundation is unable to fund these costs. Due to expenses in excess of revenues, the Canadian Foundation provided further support to the Foundation in the amount of \$202,460 recorded as related party contribution for the year ending October 31, 2023.

### *Tim Hortons USA:*

Approximately 79% of the Foundation's support and contribution revenues during the year ending October 31, 2023, are generated through fundraising efforts, donations, and coin box collections at U.S. based Tim Horton Restaurants. Although specifically indeterminable, without such revenue and support, it would likely have negative impact on the Foundation's ability to continue operations.

In addition, there are amounts due from Tim Hortons USA in the amount of \$51,599 that is recorded in due from related party at October 31, 2023.

## **10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through August 22, 2024, the date the financial statements were available to be issued.