

# **WHOLE KIDS FOUNDATION**

**Financial Statements for the  
Period from Inception (April 15, 2011)  
to December 31, 2012 and  
Independent Auditors' Report**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Whole Kids Foundation:

We have audited the accompanying financial statements of Whole Kids Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the period from inception (April 15, 2011) to December 31, 2012, 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.

### **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 of 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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, 2012, and the changes in its net assets and its cash flows for the period from inception (April 15, 2011) to December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

*Maxwell Locke + Ritter LLP*

March 25, 2013

# WHOLE KIDS FOUNDATION

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2012

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### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents	\$ 4,159,905
Contributions receivable	8,937
Other assets	2,508
Total current assets	<u>4,171,350</u>

#### INVESTMENTS

FIXED ASSETS, net	<u>106,813</u> <u>7,862</u>
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TOTAL ASSETS	<u>\$ 4,286,025</u>
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### NET ASSETS

#### Unrestricted:

Undesignated	\$ 2,749,697
Board designated	420,000
Temporarily restricted	<u>1,116,328</u>

TOTAL NET ASSETS	<u>\$ 4,286,025</u>
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See notes to financial statements.

# WHOLE KIDS FOUNDATION

## STATEMENT OF ACTIVITIES

PERIOD FROM INCEPTION (APRIL 15, 2011) TO DECEMBER 31, 2012

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<b>REVENUES:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 4,685,095	3,113,289	7,798,384
Interest income	1,465	-	1,465
Unrealized loss on stock options	-	(33,606)	(33,606)
Net assets released from restrictions	<u>1,963,355</u>	<u>(1,963,355)</u>	<u>-</u>
Total revenues and net assets released from restrictions	6,649,915	1,116,328	7,766,243
<b>EXPENSES:</b>			
Program	2,877,421	-	2,877,421
Management and general	335,596	-	335,596
Fundraising and communications	<u>267,201</u>	<u>-</u>	<u>267,201</u>
Total expenses	<u>3,480,218</u>	<u>-</u>	<u>3,480,218</u>
<b>CHANGE IN NET ASSETS</b>	3,169,697	1,116,328	4,286,025
<b>NET ASSETS, beginning of period</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, end of period</b>	<u>\$ 3,169,697</u>	<u>1,116,328</u>	<u>4,286,025</u>

See notes to financial statements.

# WHOLE KIDS FOUNDATION

## STATEMENT OF CASH FLOWS

PERIOD FROM INCEPTION (APRIL 15, 2011) TO DECEMBER 31, 2012

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 4,286,025
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,953
Unrealized loss on investments	33,606
Donation of investments	(140,419)
Changes in operating assets and liabilities that provided (used) cash:	
Contributions receivable	(8,937)
Other assets	(2,508)
	<hr/>
Net cash provided by operating activities	4,170,720

### CASH FLOWS FROM INVESTING ACTIVITIES -

Purchases of fixed assets	(10,815)
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### NET CHANGE IN CASH AND CASH EQUIVALENTS

4,159,905

### CASH AND CASH EQUIVALENTS, beginning of period

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### CASH AND CASH EQUIVALENTS, end of period

\$ 4,159,905

See notes to financial statements.

# WHOLE KIDS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

**PERIOD FROM INCEPTION (APRIL 15, 2011) TO DECEMBER 31, 2012**

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### 1. NATURE OF OPERATIONS

Whole Kids Foundation (the “Foundation”) is a nonprofit organization that was established by Whole Foods Market, Inc. (“Whole Foods Market”) and was incorporated on April 15, 2011. The Foundation’s mission is to improve children’s nutrition and wellness with the goal of ending the childhood obesity epidemic. Through partnerships with innovative organizations, schools and educators, the Foundation works to provide children access to healthier choices. The Foundation aims to help children reach their full potential through the strength of a healthy body.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification.

**Classification of Net Assets** – The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time or the occurrence of a specific event.

Permanently restricted net assets - Net assets whose amounts are not currently available for use in the operations of the Foundation and whose limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has not received any permanently restricted net assets as of December 31, 2012.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Fair Value Measurements** - The Foundation measures and discloses fair value measurements in accordance with the authoritative literature. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Cash and Cash Equivalents** - Cash equivalents are considered highly liquid with original maturities of three months or less.

**Investments** - Investments consist of Whole Foods Market stock options, which are recorded at fair value using the market approach with inputs considered Level 2 under the fair value hierarchy. Any changes in market value are reported in the statement of activities as unrealized gains or losses.

**Fixed Assets** - The Foundation capitalizes fixed assets at cost if purchased and at fair market value at the date of receipt if donated when the value is \$1,000 or more. Lesser amounts are included in expense. Depreciation of fixed assets is computed using the straight-line method over the assets' estimated useful lives (three years for furniture and equipment). Maintenance and repairs are charged to expense as incurred.

**Board Designated Net Assets** - The Board of Directors designated net assets to be used for an endowment for the Foundation.

**Contributions Revenue** - Contributions received including unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted support in the period pledged depending on the existence and nature of any donor restrictions. Contributions received with donor-imposed restrictions that are satisfied in the same reporting period are reported as temporarily restricted revenue and released from restrictions. Conditional promises to give are recognized when the conditions on which they are dependent are substantially met.

**Functional Allocation of Expenses** - The costs of providing the programs and supporting services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated based on estimates provided by management.

**Federal Income Tax Status** - Whole Kids Foundation is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes. The Code imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations. There was no excise tax expense during the period from inception (April 15, 2011) to December 31, 2012.

### 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents. The Foundation places its cash and cash equivalents with a limited number of high quality financial institutions and at times may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the near-term could materially affect the amounts reported in the statement of financial position. The Foundation received 21% of its revenue from Whole Foods Market during the period from inception (April 15, 2011) to December 31, 2012. The Foundation received 55% of its revenue from individuals who donated through Whole Foods Market during the period from inception (April 15, 2011) to December 31, 2012.

### 4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2012:

Furniture and equipment	\$ 10,815
Less accumulated depreciation	<u>(2,953)</u>
Fixed assets, net	<u>\$ 7,862</u>

The Foundation recorded depreciation expense of \$2,953 during the period from inception (April 15, 2011) to December 31, 2012.

### 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2012:

Salad Bars program	\$ 1,000,000
School Gardens program	9,515
Stock options restricted for use in subsequent periods	<u>106,813</u>
	<u>\$ 1,116,328</u>

## 6. RELATED PARTY TRANSACTIONS

The Foundation received the following contributions from Whole Foods Market during the period from inception (April 15, 2011) to December 31, 2012:

Cash and other assets	\$ 804,529
Funded services including expenses such as salaries, benefits, travel, and external legal counsel	768,794
Professional services including accounting, legal, information technology, marketing, facilities and communication services	<u>70,890</u>
Total included in financial statements	<u>\$ 1,644,213</u>

## 7. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 25, 2013 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.