

# **WHOLE KIDS FOUNDATION**

**Consolidated Financial Statements  
as of and for the Year Ended  
December 31, 2013, with  
Supplementary Information and  
Independent Auditors' Report**

MAXWELL  
& LOCKE  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Whole Kids Foundation:

We have audited the accompanying consolidated financial statements of Whole Kids Foundation (U.S.) and Whole Kids Foundation (Canada) (collectively, the "Foundation") (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2013, and the change 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.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
April 2, 2014

# WHOLE KIDS FOUNDATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2013

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### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents	\$ 3,576,198
Contributions receivable	136,061
Other assets	<u>7,961</u>

Total current assets 3,720,220

INVESTMENTS 172,226

FIXED ASSETS, net 8,539

TOTAL ASSETS \$ 3,900,985

### NET ASSETS

#### Unrestricted:

Undesignated	\$ 3,281,680
Board designated	420,000
Temporarily restricted	<u>199,305</u>

TOTAL NET ASSETS \$ 3,900,985

See notes to consolidated financial statements.

# WHOLE KIDS FOUNDATION

## CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

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<b>REVENUES:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions	\$ 3,811,622	170,430	3,982,052
Interest income	1,659	-	1,659
Unrealized gain on investments	-	65,413	65,413
Net assets released from restrictions	<u>1,152,866</u>	<u>(1,152,866)</u>	<u>-</u>
Total revenues and net assets released from restrictions	4,966,147	(917,023)	4,049,124
<b>EXPENSES:</b>			
Program	3,835,376	-	3,835,376
Management and general	457,065	-	457,065
Fundraising and communications	<u>141,723</u>	<u>-</u>	<u>141,723</u>
Total expenses	<u>4,434,164</u>	<u>-</u>	<u>4,434,164</u>
<b>CHANGE IN NET ASSETS</b>	531,983	(917,023)	(385,040)
<b>NET ASSETS, beginning of year</b>	<u>3,169,697</u>	<u>1,116,328</u>	<u>4,286,025</u>
<b>NET ASSETS, end of year</b>	<u><u>\$ 3,701,680</u></u>	<u><u>199,305</u></u>	<u><u>3,900,985</u></u>

See notes to consolidated financial statements.

# WHOLE KIDS FOUNDATION

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2013

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (385,040)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	4,388
Unrealized gain on investments	(65,413)
Changes in operating assets and liabilities that used cash:	
Contributions receivable	(127,124)
Other assets	(5,453)
	<hr/>
Net cash used by operating activities	(578,642)

### CASH FLOWS FROM INVESTING ACTIVITIES -

Purchases of fixed assets	<hr/> (5,065)
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**NET CHANGE IN CASH AND CASH EQUIVALENTS** (583,707)

**CASH AND CASH EQUIVALENTS, beginning of year** 

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4,159,905

**CASH AND CASH EQUIVALENTS, end of year** 

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\$ 3,576,198

See notes to consolidated financial statements.

# WHOLE KIDS FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2013

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### 1. NATURE OF OPERATIONS

Whole Kids Foundation (U.S.) is a nonprofit organization that was established by Whole Foods Market, Inc. (“Whole Foods Market”) and was incorporated in 2011. Whole Kids Foundation (Canada) is a nonprofit organization that was created during 2013, and the organizations together are collectively referred to as the “Foundation.” 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.

Consolidation of Whole Kids Foundation (Canada) by Whole Kids Foundation (U.S.) is required since Whole Kids Foundation (U.S.) has both control and economic interest in the organization. All intercompany transactions have been eliminated in consolidation. Whole Kids Foundation (U.K.) was formed in 2013 and did not have any transactions during 2013.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** - The accompanying consolidated 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 Accounting Standards Codification.

**Classification of Net Assets** - The Foundation is required to report information regarding its consolidated 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, 2013.

**Use of Estimates** - The preparation of consolidated 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.

**Contributions Receivable** - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are not included in revenue until the conditions are substantially met. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Management has determined that all contributions receivable are fully collectable; therefore, no allowance for uncollectable contributions was considered necessary at December 31, 2013.

**Investments** - Investments consist of Whole Foods Market stock appreciation rights and are recorded at fair value using the income approach with inputs considered Level 2 under the fair value hierarchy. Any changes in fair value are reported in the consolidated 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 \$420,000 of net assets to be used for an investment fund 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 consolidated statement of activities. Accordingly, certain costs have been allocated based on estimates provided by management.

**Federal Income Tax Status** - Whole Kids Foundation (U.S.) 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, except with respect to any unrelated business income. Whole Kids Foundation (U.S.) is subject to routine examinations of its returns; however, there are no examinations currently in progress. The December 31, 2011 and subsequent tax years remain subject to examination by the Internal Revenue Service. The Code imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations. Excise tax expense was \$15 for the year ended December 31, 2013. Whole Kids Foundation (Canada) is a nonprofit organization that is a registered charity in Canada.

### 3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents, investments and receivables. 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 consolidated statement of financial position. The Foundation does not maintain collateral for its receivables and does not believe significant risk exists at December 31, 2013. The Foundation received 28% of its revenue from Whole Foods Market during the year ended December 31, 2013. The Foundation received 65% of its revenue from individuals who donated through Whole Foods Market during the year ended December 31, 2013.

#### 4. **FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2013:

Furniture and equipment	\$ 15,880
Less accumulated depreciation	<u>(7,341)</u>
Fixed assets, net	<u>\$ 8,539</u>

#### 5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes at December 31, 2013:

Stock appreciation rights restricted for use in subsequent periods	\$ 172,226
Bee hive grant program	26,000
Brooklyn fig tree program	<u>1,079</u>
	<u>\$ 199,305</u>

#### 6. **RELATED PARTY TRANSACTIONS**

The Foundation received the following contributions from Whole Foods Market at December 31, 2013:

Cash and other assets	\$ 197,755
Funded services including expenses such as salaries, benefits, travel, and external legal counsel	847,415
Professional services including accounting, legal, information technology, marketing, facilities and communication services	<u>68,542</u>
Total included in consolidated financial statements	<u>\$ 1,113,712</u>

#### 7. **SUBSEQUENT EVENTS**

The Foundation has evaluated subsequent events through April 2, 2014 (the date the consolidated financial statements were available to be issued) and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.

## **SUPPLEMENTAL SCHEDULES**

# WHOLE KIDS FOUNDATION

## CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2013

	Whole Kids Foundation (U.S.)	Whole Kids Foundation (Canada)	Eliminations	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ 3,576,198	-	-	3,576,198
Contributions receivable	74,679	61,382	-	136,061
Other assets	7,961	-	-	7,961
Total current assets	3,658,838	61,382	-	3,720,220
<b>INVESTMENTS</b>	172,226	-	-	172,226
<b>FIXED ASSETS, net</b>	8,539	-	-	8,539
<b>TOTAL ASSETS</b>	<u>\$ 3,839,603</u>	<u>61,382</u>	<u>-</u>	<u>3,900,985</u>
<b>NET ASSETS</b>				
Unrestricted:				
Undesignated	3,220,298	61,382	-	3,281,680
Board designated	420,000	-	-	420,000
Temporarily restricted	199,305	-	-	199,305
<b>TOTAL NET ASSETS</b>	<u>\$ 3,839,603</u>	<u>61,382</u>	<u>-</u>	<u>3,900,985</u>

# WHOLE KIDS FOUNDATION

## CONSOLIDATING SCHEDULE OF ACTIVITIES YEAR ENDED DECEMBER 31, 2013

	Whole Kids Foundation (U.S.)	Whole Kids Foundation (Canada)	Eliminations	Total
<b>UNRESTRICTED NET ASSETS:</b>				
<b>REVENUES:</b>				
Contributions	\$ 3,747,863	63,759	-	3,811,622
Interest income	1,659	-	-	1,659
Total net revenues	3,749,522	63,759	-	3,813,281
Net assets released from restrictions	1,152,866	-	-	1,152,866
Total revenues and net assets released from restrictions	4,902,388	63,759	-	4,966,147
<b>EXPENSES:</b>				
Program	3,835,376	-	-	3,835,376
Management and general	454,688	2,377	-	457,065
Fundraising and communications	141,723	-	-	141,723
Total expenses	4,431,787	2,377	-	4,434,164
Change in unrestricted net assets	470,601	61,382	-	531,983
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>				
Contributions	170,430	-	-	170,430
Unrealized gain on stock appreciation rights	65,413	-	-	65,413
Net assets released from restrictions	(1,152,866)	-	-	(1,152,866)
Change in temporarily restricted net assets	(917,023)	-	-	(917,023)
<b>CHANGE IN NET ASSETS</b>	(446,422)	61,382	-	(385,040)
<b>NET ASSETS, beginning of year</b>	4,286,025	-	-	4,286,025
<b>NET ASSETS, end of year</b>	\$ 3,839,603	61,382	-	3,900,985