

WHOLE KIDS FOUNDATION

**Consolidated Financial Statements
as of and for the Years Ended
December 31, 2017 and 2016 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 consolidated financial statements of Whole Kids Foundation (U.S.), Whole Kids Foundation (Canada) and Whole Kids Foundation (U.K.) (collectively, the "Foundation") (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits 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 from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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.

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, 2017 and 2016, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating schedule of financial position and consolidating schedule of activities for the year ended December 31, 2017 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maxwell Locher: Ritter LLP

Austin, Texas
April 24, 2018

WHOLE KIDS FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,786,891	\$ 4,362,959
Contributions receivable	940,126	804,289
Investments	2,362,428	1,640,387
Other assets	-	36,952
Total current assets	<u>8,089,445</u>	<u>6,844,587</u>
INVESTMENTS	<u>-</u>	<u>15,080</u>
TOTAL ASSETS	<u><u>\$ 8,089,445</u></u>	<u><u>\$ 6,859,667</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES-		
Accounts payable	\$ 39,160	\$ 448
NET ASSETS:		
Unrestricted:		
Undesignated	7,530,285	5,824,139
Board designated	520,000	520,000
Temporarily restricted	-	515,080
Total net assets	<u>8,050,285</u>	<u>6,859,219</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,089,445</u></u>	<u><u>\$ 6,859,667</u></u>

See notes to consolidated financial statements.

WHOLE KIDS FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions	\$ 5,847,799	-	5,847,799
Investment income	250,228	-	250,228
Net assets released from restrictions	<u>515,080</u>	<u>(515,080)</u>	<u>-</u>
Total revenues and net assets released from restrictions	6,613,107	(515,080)	6,098,027
EXPENSES:			
Programs	4,175,740	-	4,175,740
Management and general	512,448	-	512,448
Fundraising and communications	<u>243,870</u>	<u>-</u>	<u>243,870</u>
Total expenses	<u>4,932,058</u>	<u>-</u>	<u>4,932,058</u>
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	1,681,049	(515,080)	1,165,969
Foreign currency translation adjustments	<u>25,097</u>	<u>-</u>	<u>25,097</u>
CHANGE IN NET ASSETS	1,706,146	(515,080)	1,191,066
NET ASSETS, beginning of year	<u>6,344,139</u>	<u>515,080</u>	<u>6,859,219</u>
NET ASSETS, end of year	<u><u>\$ 8,050,285</u></u>	<u><u>-</u></u>	<u><u>8,050,285</u></u>

See notes to consolidated financial statements.

WHOLE KIDS FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions	\$ 5,204,510	5,034	5,209,544
Investment income	93,912	6,344	100,256
Net assets released from restrictions	50,677	(50,677)	-
Total revenues and net assets released from restrictions	5,349,099	(39,299)	5,309,800
EXPENSES:			
Programs	4,390,587	-	4,390,587
Management and general	439,941	-	439,941
Fundraising and communications	172,217	-	172,217
Total expenses	5,002,745	-	5,002,745
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	346,354	(39,299)	307,055
Foreign currency translation adjustments	11,712	-	11,712
CHANGE IN NET ASSETS	358,066	(39,299)	318,767
NET ASSETS, beginning of year	5,986,073	554,379	6,540,452
NET ASSETS, end of year	\$ 6,344,139	515,080	6,859,219

See notes to consolidated financial statements.

WHOLE KIDS FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,191,066	\$ 318,767
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	3,112
Realized and unrealized gain on investments	(206,961)	(73,180)
Changes in operating assets and liabilities that used cash:		
Contributions receivable	(135,837)	(369,759)
Other assets	36,952	(14,779)
Accounts payable	38,712	448
	<u>923,932</u>	<u>(135,391)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES-		
Purchases of investments	<u>(500,000)</u>	<u>(500,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	423,932	(635,391)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,362,959</u>	<u>4,998,350</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,786,891</u>	<u>\$ 4,362,959</u>

See notes to consolidated financial statements.

WHOLE KIDS FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2017 AND 2016

1. NATURE OF OPERATIONS

Whole Kids Foundation (U.S.) is a nonprofit organization that was established by Whole Foods Market, Inc. (“Whole Foods Market”), a subsidiary of Amazon, and was incorporated on April 15, 2011. Whole Kids Foundation (Canada) was incorporated under the Canada Not-for-profit Corporations Act effective July 5, 2013. Whole Kids Foundation (U.K.) was incorporated in the U.K. on August 30, 2013, and has applied for nonprofit status in the U.K. Whole Kids Foundation (U.S.), Whole Kids Foundation (Canada) and Whole Kids Foundation (U.K.) together are collectively referred to as the “Foundation.” The Foundation’s mission is to improve children’s nutrition and wellness. 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 is required because Whole Kids Foundation (U.S.) has both control and economic interest in Whole Kids Foundation (Canada) and Whole Kids Foundation (U.K.). All intercompany transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - 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 (“ASC”). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Net assets are not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets are subject to donor-imposed stipulations, which limit their use by the Foundation to a specific purpose and/or the passage of time.

Permanently Restricted - Net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Foundation. The Foundation has not received any permanently restricted donations.

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 those estimates.

Cash and Cash Equivalents - The Foundation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Fair Value Measurements - 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 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 entity'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.

Contributions Receivable - Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. The Foundation had no allowance for uncollectible contribution receivables at December 31, 2017 and 2016, as management deemed all outstanding balances to be collectible. All balances were due within one year at December 31, 2017 and 2016.

Investments - Investments in mutual funds and vested holdings of Whole Foods Market stock appreciation rights are considered current investments, and holdings of non-vested Whole Foods Market stock appreciation rights are considered long-term investments. Both are recorded at fair value in the consolidated statements of financial position. Realized and unrealized gains and losses are reported in the consolidated statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. The stock appreciation rights were liquidated during 2017.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicated that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Grants Payable - Unconditional promises to grant funding to selected recipients are recorded upon the execution of the grant agreement by all parties involved. Grants payable represents unconditional promises committed to recipients not disbursed as of December 31, 2017 and 2016.

Board Designated Net Assets - The Board of Directors designated \$520,000 of net assets to be used for future operations at December 31, 2014. No additional funds were designated as of December 31, 2017 and 2016.

Contributions Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Foundation unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as temporarily restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

Foreign Currency Translation - The functional currency for Whole Kids Foundation (U.K.) and Whole Kids Foundation (Canada) is their local currency. The financial statements of the Foundation's foreign organizations have been translated into U.S. dollars. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statements of activities amounts have been translated using the average exchange rate for the year. Foreign currency translation adjustments have been reported separately in the consolidated statements of activities. Accumulated net translation adjustments have been included within unrestricted net assets in the consolidated statements of financial position.

Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in tax laws, possible limitations on foreign investments and income repatriation, government price controls, and restrictions on currency exchange.

Income Tax Status - Whole Kids Foundation (U.S.) is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. Whole Kids Foundation (U.S.) did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2017 and 2016. Whole Kids Foundation (U.S.) files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Whole Kids Foundation (Canada) is a registered charity under the Income Tax Act in Canada and is exempt from income tax under Section 149(1)(l) of the Income Tax Act. Registration remains valid so long as the Foundation continues to fulfill the requirements of the Act and regulations in respect of registered charities. Whole Kids Foundation (U.K.) has applied for nonprofit status in the U.K. Both entities monitor and are in compliance with applicable tax laws and regulations in the respective jurisdictions.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its consolidated 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*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method. Entities will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation is currently evaluating the impact the standard will have on its consolidated financial statements.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets are unchanged due to these reclassifications.

3. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to credit risk consist of cash and cash equivalents, receivables, and investments. 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.

The Foundation does not maintain collateral for its receivables. At December 31, 2017, four donors comprised 57% of the contributions receivables. The Foundation received 30% of its revenue from Whole Foods Market during both the years ended December 31, 2017 and 2016, respectively. In addition, the Foundation received 56% and 60% of its revenue from individuals who donated through Whole Foods Market during the years ended December 31, 2017 and 2016, respectively.

Investment securities 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 at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position.

4. INVESTMENTS

Investments were valued at fair value using the market approach and consisted of the following at December 31, 2017:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Mutual funds	\$ 2,362,428	\$ 2,362,428	\$ -	\$ -
Stock appreciation rights	-	-	-	-
Total Investments	<u>\$ 2,362,428</u>	<u>\$ 2,362,428</u>	<u>\$ -</u>	<u>\$ -</u>

Investments consisted of the following at December 31, 2016:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Mutual funds	\$ 1,612,242	\$ 1,612,242	\$ -	\$ -
Stock appreciation rights	43,225	-	43,225	-
Total Investments	<u>\$ 1,655,467</u>	<u>\$ 1,612,242</u>	<u>\$ 43,225</u>	<u>\$ -</u>

Investment income consisted of the following for the years ended December 31:

	2017	2016
Realized and unrealized gain	\$ 250,185	\$ 100,205
Interest and dividends	43	51
Investment income	<u>\$ 250,228</u>	<u>\$ 100,256</u>

Level 1 investments have been valued using a market approach, and Level 2 investments have been valued using the income approach.

Mutual funds are valued using quoted market prices published by a securities exchange registered with the Securities and Exchange Commission and are actively traded.

Stock appreciation rights were valued using Black-Scholes.

5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, there were no temporarily restricted net assets. Temporarily restricted net assets were available for the following purposes at December 31, 2016.

Innovation grant program	\$ 500,000
Stock appreciation rights restricted for use in subsequent periods	15,080
Garden program	-
	<u>\$ 515,080</u>

6. RELATED PARTY TRANSACTIONS

The Foundation received the following contributions from Whole Foods Market for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Funded services including expenses such as salaries, benefits, travel, and external legal counsel	\$ 1,349,468	\$ 1,137,793
Cash and other assets	337,119	344,717
Professional services including accounting, legal, information technology, marketing, facilities and communication services	<u>123,854</u>	<u>90,668</u>
Total contributions included in contributions revenue	<u>\$ 1,810,441</u>	<u>\$ 1,573,178</u>

7. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through April 24, 2018 (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, 2017

	Whole Kids Foundation (U.S.)	Whole Kids Foundation (Canada)	Whole Kids Foundation (U.K.)	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 4,786,891	-	-	-	4,786,891
Contributions receivable	492,663	270,246	177,217	-	940,126
Intercompany receivable	793,210	-	-	(793,210)	-
Investments	2,362,428	-	-	-	2,362,428
TOTAL ASSETS	\$ 8,435,192	270,246	177,217	(793,210)	8,089,445
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable	\$ 39,160	-	-	-	39,160
Intercompany payable	-	500,000	293,210	(793,210)	-
Total liabilities	39,160	500,000	293,210	(793,210)	39,160
NET ASSETS:					
Unrestricted:					
Undesignated	7,876,032	(229,754)	(115,993)	-	7,530,285
Board designated	520,000	-	-	-	520,000
Total net assets	8,396,032	(229,754)	(115,993)	-	8,050,285
TOTAL LIABILITIES AND NET ASSETS	\$ 8,435,192	270,246	177,217	(793,210)	8,089,445

WHOLE KIDS FOUNDATION

CONSOLIDATING SCHEDULE OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

	Whole Kids Foundation (U.S.)	Whole Kids Foundation (Canada)	Whole Kids Foundation (U.K.)	Eliminations	Total
UNRESTRICTED NET ASSETS:					
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:					
Contributions	\$ 5,736,858	50,714	60,227	-	5,847,799
Investment income	250,228	-	-	-	250,228
Total revenues	5,987,086	50,714	60,227	-	6,098,027
Net assets released from restrictions	515,080	-	-	-	515,080
Total revenues and net assets released from restrictions	6,502,166	50,714	60,227	-	6,613,107
EXPENSES:					
Program	4,084,932	-	90,808	-	4,175,740
Management and general	508,325	-	4,123	-	512,448
Fundraising and communications	243,870	-	-	-	243,870
Total expenses	4,837,127	-	94,931	-	4,932,058
Change in unrestricted net assets from operations	1,665,039	50,714	(34,704)	-	1,681,049
Foreign currency translation adjustments	-	16,495	8,602	-	25,097
Change in unrestricted net assets	1,665,039	67,209	(26,102)	-	1,706,146
TEMPORARILY RESTRICTED NET ASSETS:					
Net assets released from restrictions	(515,080)	-	-	-	(515,080)
Change in temporarily restricted net assets	(515,080)	-	-	-	(515,080)
CHANGE IN NET ASSETS	1,149,959	67,209	(26,102)	-	1,191,066
NET ASSETS, beginning of year	7,246,073	(296,963)	(89,891)	-	6,859,219
NET ASSETS, end of year	\$ 8,396,032	(229,754)	(115,993)	-	8,050,285