WHOLE CITIES FOUNDATION

**Financial Statements
as of and for the Year Ended
December 31, 2016, with
Supplementary Information and
Independent Auditors' Report**

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& LOCKE
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Whole Cities Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of Whole Cities Foundation (the "Foundation") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 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 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 the Foundation as of December 31, 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of funding commitments is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Maxwell Locke & Ritter LLP

Austin, Texas
March 27, 2017

WHOLE CITIES FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	1,825,276
Contributions receivable		1,607,149
Other assets		62
Total current assets		3,432,487
INVESTMENTS		40,469
LONG-TERM CONTRIBUTIONS RECEIVABLE, net		5,203,938
FIXED ASSETS, net		2,254
TOTAL ASSETS	$	8,679,148
LIABILITIES AND NET ASSETS		
LIABILITIES-		
Grants payable	$	119,465
NET ASSETS:		
Unrestricted		3,265,710
Temporarily restricted		5,293,973
Total net assets		8,559,683
TOTAL LIABILITIES AND NET ASSETS	$	8,679,148

See notes to financial statements.

WHOLE CITIES FOUNDATION

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions	$ 2,721,409	5,263,905	7,985,314
Investment (loss) income	(15,297)	6,344	(8,953)
Other income	1,010	-	1,010
Net assets released from restrictions	22,939	(22,939)	-
Total revenues and net assets released from restrictions	2,730,061	5,247,310	7,977,371
EXPENSES:			
Program	923,296	-	923,296
Management and general	185,082	-	185,082
Fundraising and communications	78,958	-	78,958
Total expenses	1,187,336	-	1,187,336
CHANGE IN NET ASSETS	1,542,725	5,247,310	6,790,035
NET ASSETS, beginning of year	1,722,985	46,663	1,769,648
NET ASSETS, end of year	$ 3,265,710	5,293,973	8,559,683

See notes to financial statements.

WHOLE CITIES FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 6,790,035
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	166
Change in discount on contributions receivable	396,062
Unrealized loss on investments	8,953
Changes in operating assets and liabilities that used cash:	
Contributions receivable	(6,806,740)
Other assets	(62)
Grants payable	19,465
Net cash provided by operating activities	407,879
NET CHANGE IN CASH AND CASH EQUIVALENTS	407,879
CASH AND CASH EQUIVALENTS, beginning of year	1,417,397
CASH AND CASH EQUIVALENTS, end of year	$ 1,825,276

See notes to financial statements.

1. NATURE OF OPERATIONS

Whole Cities Foundation (the "Foundation") is a nonprofit organization that was established by Whole Foods Market, Inc. ("Whole Foods Market") and was incorporated on September 7, 2012. The Foundation's mission is to improve individual and community health through collaborative partnerships, education, and broader access to nutritious food in the communities it serves.

Programs available include:

- Access to Healthy Foods
- Collaborative Partnerships
- Healthy Eating and Wellness Education

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"). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. 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 **-** Net assets not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. 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, which limit their use by the Foundation to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets **-** Net assets 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 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.

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

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 - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Management has determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible contributions was considered necessary at December 31, 2016. 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.

Investments - Investments consist of contributed Whole Foods Market stock appreciation rights, 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 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.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate 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. Management believes there has been no impairment of such assets as of December 31, 2016.

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.

Income Tax Status - The Foundation 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. The Foundation did not incur any significant tax liabilities due to unrelated business income during the year ended December 31, 2016. The Organization 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.

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 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, however it will be required for an entity 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 financial statements.

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.

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 statement of financial position.

The Foundation does not maintain collateral for its receivables and does not believe significant risk exists at December 31, 2016. The Foundation received 97% of its revenue from Whole Foods Market during the year ended December 31, 2016.

4. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2016.

Pledges expected to be collected in:	
Less than one year	$ 1,607,149
One to five years	5,600,000
	7,207,149
Less discount on pledges receivable	(396,062)
Less allowance for uncollectible pledges	-
Pledges receivable, net	$ 6,811,087

Pledges receivable are valued based upon net present value where a stream of expected cash flows is discounted at an appropriate market interest rate. The discount rate used at December 31, 2016 was 3%.

5. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2016:

Furniture and equipment	$ 3,098
Less accumulated depreciation	(844)
Fixed assets, net	$ 2,254

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2016.

Contributions receivable due in future periods	$ 5,203,938
Fresh Foods Health program - Newark	59,967
Stock appreciation rights restricted for use in subsequent periods	30,068
Total	$ 5,293,973

7. RELATED PARTY TRANSACTIONS

The Foundation received the following contributions from Whole Foods Market at December 31, 2016:

Cash	$ 6,848,013
Funded services including expenses such as salaries, benefits, travel, and external legal counsel	842,203
Professional services including accounting, legal, information technology, marketing, facilities and communication services	33,462
Total contributions included in financial statements	$ 7,723,678

During 2016, Whole Foods Market committed $7,000,000 to the Foundation that would be payable over five years. At December 31, 2016, the remaining outstanding balance is included in contributions receivable in the statement of financial position.

8. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 27, 2017 (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.

SUPPLEMENTARY SCHEDULE

WHOLE CITIES FOUNDATION

SCHEDULE OF FUNDING COMMITMENTS
DECEMBER 31, 2016

Partner	Total Authorized	Funded as of December 31, 2016	Grants Payable Scheduled to be disbursed
Broad Community Connections	$ 100,000	$ 35,000	$ 65,000
Backyard Gardeners Network	30,200	25,200	5,000
The Food Trust	30,000	30,000	-
Foot Print Farms	30,000	30,000	-
Detroit Public Schools	3,942	3,942	-
Detroit Public Schools Community District	1,965	-	1,965
Carver 4H Club	3,000	3,000	-
Cooperative Community of New West Jackson	30,000	6,000	24,000
Good Samaritan	15,000	15,000	-
Rosemont Human Services	24,400	20,900	3,500
Ditch the Weight and Guns 5k Walk and Run	8,000	8,000	-
I Grow Chicago	8,000	8,000	-
Imagine Englewood If	8,000	8,000	-
MURAL Englewood	2,500	2,500	-
Southwest Federation of Block Clubs of Greater Englewood	7,560	7,560	-
Augusta Locally Grown	5,000	-	5,000
Bon Secours St Francis Health System	4,986	4,986	-
City Slicker Farms	5,000	5,000	-
Collective Roots	5,000	5,000	-
Community Matters	5,000	5,000	-
Cultivate Kansas City	5,000	5,000	-
Denver Food Rescue	5,000	5,000	-
Edible Flint	5,000	-	5,000
Family Day Foundation	5,000	5,000	-
Fresh Truck	5,000	-	5,000
Greater Newark Conservancy	4,993	4,993	-
Groundwork Somerville	5,000	5,000	-
Heartland Alliance for Human Needs and Human Rights	5,000	5,000	-
Hebni Nutrition Consultants	5,000	-	5,000
La Mujer Obrera	5,000	5,000	-
Lake Oswego Farmers Market	2,974	2,974	-
Lowcountry Street Grocery	10,804	10,804	-
Olivewood Gardens and Learning Center	5,000	5,000	-
Roots of All Roads	5,000	5,000	-
Smith Hill CDC	5,000	5,000	-
Solid Ground Washington	5,000	5,000	-
Sow Much Good	9,500	9,500	-
SPROUT NOLA	5,000	5,000	-
The Newtown Nation	5,000	5,000	-
TownFolk	5,000	5,000	-
Urban Tree Connection	5,000	5,000	-
Urbanstead	5,000	5,000	-
Utah Community Action	5,000	5,000	-
	$ 450,824	$ 331,359	$ 119,465