

THE YOUNG LIVING FOUNDATION
AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Young Living Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Young Living Foundation (a Utah nonprofit organization), which comprise the statement of financial position as of December 31, 2019, the related statements of activities, functional expenses, 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.

Auditor's 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 auditor's 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 Young Living Foundation as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited The Young Living Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Squire & Company, PC

Orem, Utah
May 27, 2020

THE YOUNG LIVING FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2019 with Comparative Totals for 2018

	2019	2018
ASSETS		
Current Assets:		
Cash	\$ 6,925,574	\$ 5,071,784
Contributions receivable	375,870	861,960
Prepaid expenses	6,415	23,108
Investments	<u>1,010</u>	<u>1,010</u>
Total current assets	<u>\$ 7,308,869</u>	<u>\$ 5,957,862</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued expenses	\$ 24,333	\$ 7,697
Net Assets:		
Without donor restrictions	5,632,579	3,786,798
With donor restrictions	<u>1,651,957</u>	<u>2,163,367</u>
Total net assets	<u>7,284,536</u>	<u>5,950,165</u>
Total liabilities and net assets	<u>\$ 7,308,869</u>	<u>\$ 5,957,862</u>

The accompanying notes are an integral part of this financial statement.

THE YOUNG LIVING FOUNDATION
STATEMENT OF ACTIVITIES

Year Ended December 31, 2019 with Comparative Totals for 2018

	2019	2018
Net Assets Without Donor Restrictions:		
Revenues and support:		
Contributions	\$ 6,646,996	\$ 5,703,537
In-kind contributions	173,061	195,065
Net assets released from restrictions	<u>1,670,932</u>	<u>961,549</u>
Total revenues and support	8,490,989	6,860,151
Expenses:		
Program services:		
Direct assistance to other organizations	3,947,130	2,969,599
Service trips and other program services	1,627,164	1,316,065
Supporting services:		
Management and general	589,401	450,468
Fundraising	<u>481,513</u>	<u>491,408</u>
Total expenses	<u>6,645,208</u>	<u>5,227,540</u>
Change in net assets without donor restrictions	1,845,781	1,632,611
Net Assets With Donor Restrictions:		
Contributions	1,159,522	1,923,269
Net assets released from restrictions	<u>(1,670,932)</u>	<u>(961,549)</u>
Change in net assets with donor restrictions	<u>(511,410)</u>	<u>961,720</u>
Change in Net Assets	1,334,371	2,594,331
Net Assets at Beginning of Year	<u>5,950,165</u>	<u>3,355,834</u>
Net Assets at End of Year	<u><u>\$ 7,284,536</u></u>	<u><u>\$ 5,950,165</u></u>

The accompanying notes are an integral part of this financial statement.

THE YOUNG LIVING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019 with Comparative Totals for 2018

	Program Services		Supporting Services		Total	2018
	Direct Assistance to Other Organizations	Service Trips and Other Program Services	Management and General	Fundraising		
Salaries and benefits	\$ -	\$ 889,652	\$ 237,240	\$ 59,310	\$ 1,186,202	\$ 966,566
Awards and grants	3,947,130	-	-	-	3,947,130	2,969,599
Supplies and equipment	-	34,082	9,088	2,272	45,442	74,802
Office	-	31,151	8,307	2,076	41,534	26,925
Insurance	-	-	624	-	624	624
Occupancy	-	5,094	1,358	340	6,792	76,274
Professional fees	-	87,029	196,458	5,801	289,288	101,964
Travel	-	580,156	84,310	21,078	685,544	496,200
Promotion and marketing	-	-	52,016	390,636	442,652	514,586
Total expenses	<u>\$ 3,947,130</u>	<u>\$ 1,627,164</u>	<u>\$ 589,401</u>	<u>\$ 481,513</u>	<u>\$ 6,645,208</u>	<u>\$ 5,227,540</u>

The accompanying notes are an integral part of this financial statement.

THE YOUNG LIVING FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended December 31, 2019 with Comparative Totals for 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,334,371	\$ 2,594,331
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	486,090	(548,217)
Prepaid expenses	16,693	(19,500)
Accrued expenses	16,636	(94,947)
Net cash provided by operating activities / net change in cash	1,853,790	1,931,667
Cash at Beginning of Year	<u>5,071,784</u>	<u>3,140,117</u>
Cash at End of Year	<u><u>\$ 6,925,574</u></u>	<u><u>\$ 5,071,784</u></u>

Supplementary Data:

The Organization paid no interest or income taxes during the year ended December 31, 2019.

The Organization had several vehicles valued at \$140,692 donated during the year ended December 31, 2019.

The accompanying notes are an integral part of this financial statement.

THE YOUNG LIVING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Young Living Foundation (the Foundation) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization

The Young Living Foundation was incorporated in 2003 in the state of Utah. The mission of the Foundation is to empower individuals to achieve their potential and to defy limitations by providing wellness and education opportunities to underserved communities. The Foundation seeks to accomplish this mission primarily through assistance to other organizations around the world. The Foundation also collects and disburses donations to areas impacted by natural disaster.

Income Taxes

The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(a) and is classified as a Section 501(c)(3) public charity. Contributions to the Foundation are tax deductible to donors under Section 170 of the IRC. Also, the Foundation is exempt from state income taxes.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation’s management and board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services and indirect costs are allocated to programs based on personnel costs.

THE YOUNG LIVING FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

Management and general expenses include those expenses that are not directly identifiable with any specific function, but provide for the overall support and direction of the Foundation. Fundraising expenses include those activities involved in soliciting contributions, conducting fundraising events, and other similar activities.

New Accounting Pronouncement

The Foundation has adopted Accounting Standards Update (ASU) 2014-09 – *Revenue from Contracts with Customers* (Topic 606). Analysis of various provisions of this ASU resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required.

Summarized Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended December 31, 2018, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events

The Foundation has evaluated subsequent events through May 27, 2020, the date which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Foundation’s financial assets at December 31, 2019:

Financial assets at year end:	
Cash	\$ 6,925,574
Contributions receivable	375,870
Total financial assets	<u>7,301,444</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	1,651,957
Less net assets with donor restrictions to be met in less than a year	<u>(1,100,000)</u>
Amounts not available to be used within one year	<u>551,957</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 6,749,487</u></u>

The Foundation’s goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$1,100,000).

THE YOUNG LIVING FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – RELATED PARTY TRANSACTIONS

The Foundation was created and is operated by Young Living Essential Oils, LC (YLEO). YLEO employees serve as Foundation board members. YLEO has committed to donate sufficient funds to cover the Foundation’s general and administrative costs so that contributions received from YLEO members will be available for program services.

The Foundation received cash donations totaling \$2,245,123 and noncash donations totaling \$32,371 from YLEO during the year ended December 31, 2019. These contributions represented the amounts paid by YLEO on behalf of the Foundation (cash donations) and the value of office space and professional services provided by YLEO (noncash donations).

YLEO employees perform Foundation functions and the portion of their wages attributable to the Foundation are presented as Foundation expenses.

In addition to the amounts YLEO paid on the Foundation’s behalf, YLEO contributed \$405,011 to the Foundation during the year ended December 31, 2019.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

A summary of net assets with donor restrictions consisted of the following at December 31, 2019:

Healing Faith (Uganda)	\$ 15,061
Hope for Justice (Cambodia)	356,861
Rebuild Nepal (Nepal)	91,758
Sole Hope (Uganda)	14,802
Young Living Academy (Ecuador)	721,108
Young Living Academy Endowment	330,365
Disaster Relief	122,002
	<u>\$ 1,651,957</u>

NOTE 5 – CONCENTRATIONS

At December 31, 2019, the Foundation’s carrying amount of cash was \$6,925,574 and the bank balance was \$6,847,283, of which \$250,000 was covered by federal depository insurance.

The Foundation received all of its contributions from YLEO or YLEO members.