

THE YOUNG LIVING FOUNDATION

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Squire & Company, PC

Orem, Utah
June 4, 2019

THE YOUNG LIVING FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2018 with Comparative Totals for 2017

	2018	2017
ASSETS		
Current Assets:		
Cash	\$ 5,071,784	\$ 3,140,117
Contributions receivable	861,960	313,743
Prepaid expenses	23,108	3,608
Investments	<u>1,010</u>	<u>1,010</u>
Total current assets	<u>\$ 5,957,862</u>	<u>\$ 3,458,478</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued expenses	\$ 7,697	\$ 102,644
Net Assets:		
Without donor restrictions	3,786,798	2,154,187
With donor restrictions	<u>2,163,367</u>	<u>1,201,647</u>
Total net assets	<u>5,950,165</u>	<u>3,355,834</u>
Total liabilities and net assets	<u>\$ 5,957,862</u>	<u>\$ 3,458,478</u>

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

THE YOUNG LIVING FOUNDATION
STATEMENT OF ACTIVITIES

Year Ended December 31, 2018 with Comparative Totals for 2017

	2018	2017
Net Assets Without Donor Restrictions:		
Revenues and support:		
Special events:		
Revenues	\$ 396,517	\$ 318,175
Cost of special events	<u>(93,421)</u>	<u>(52,584)</u>
Net special event revenue	303,096	265,591
Contributions	5,307,020	3,957,904
In-kind contributions	195,065	123,173
Interest income	-	1
Net assets released from restrictions	<u>961,549</u>	<u>506,770</u>
Total revenues and support	6,766,730	4,853,439
Expenses:		
Program services:		
Direct assistance to other organizations	2,969,599	2,464,199
Service trips and other program services	1,316,065	998,718
Supporting services:		
Management and general	450,468	447,870
Fundraising	<u>397,987</u>	<u>222,763</u>
Total expenses	<u>5,134,119</u>	<u>4,133,550</u>
Change in net assets without donor restrictions	1,632,611	719,889
Net Assets With Donor Restrictions:		
Contributions	1,923,269	1,071,770
Net assets released from restrictions	<u>(961,549)</u>	<u>(506,770)</u>
Change in net assets with donor restrictions	<u>961,720</u>	<u>565,000</u>
Change in Net Assets	2,594,331	1,284,889
Net Assets at Beginning of Year	<u>3,355,834</u>	<u>2,070,945</u>
Net Assets at End of Year	<u><u>\$ 5,950,165</u></u>	<u><u>\$ 3,355,834</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, 2018 with Comparative Totals for 2017

	Program Services		Supporting Services		Total	2017
	Direct Assistance to Other Organizations	Service Trips and Other Program Services	Management and General	Fundraising		
Expenses:						
Salaries and benefits	\$ -	\$ 724,925	\$ 193,313	\$ 48,328	\$ 966,566	\$ 669,732
Awards and grants	2,969,599	-	-	-	2,969,599	2,464,199
Supplies and equipment	-	56,102	14,960	3,740	74,802	95,293
Office	-	20,194	5,385	1,346	26,925	5,775
Insurance	-	-	624	-	624	624
Occupancy	-	57,205	15,255	3,814	76,274	57,992
Professional fees	-	27,344	72,797	1,823	101,964	199,621
Travel	-	430,295	52,724	13,181	496,200	403,039
Promotion and marketing	-	-	95,410	325,755	421,165	237,275
Total expenses	<u>\$ 2,969,599</u>	<u>\$ 1,316,065</u>	<u>\$ 450,468</u>	<u>\$ 397,987</u>	<u>\$ 5,134,119</u>	<u>\$ 4,133,550</u>

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

THE YOUNG LIVING FOUNDATION
STATEMENT OF CASH FLOWS

Year Ended December 31, 2018 with Comparative Totals for 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,594,331	\$ 1,284,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(548,217)	(50,818)
Prepaid expenses	(19,500)	(3,608)
Accrued expenses	(94,947)	63,110
Net cash provided by operating activities / net change in cash	1,931,667	1,293,573
Cash at Beginning of Year	<u>3,140,117</u>	<u>1,846,544</u>
Cash at End of Year	<u><u>\$ 5,071,784</u></u>	<u><u>\$ 3,140,117</u></u>

Supplementary Data:

The Organization paid no interest or income taxes during the year ended December 31, 2018.

The Organization had several vehicles valued at \$93,300 donated during the year ended December 31, 2018.

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

THE YOUNG LIVING FOUNDATION

NOTES TO 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.

Cash - For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 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 – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has followed the ASU’s guidance in the presentation of these financial statements.

Reclassifications – Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements. These reclassifications have no effect on the 2017 change in net assets.

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, 2017, from which the summarized information was derived.

Subsequent Events - The Foundation has evaluated subsequent events through June 4, 2019, 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 Organization’s financial assets at December 31, 2018:

Financial assets at year end:	
Cash	\$ 5,071,784
Contributions receivable	<u>861,960</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 5,933,744</u></u>

The Foundation’s goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$850,000).

Note 2. 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 YOUNG LIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The Foundation received cash donations totaling \$1,781,630 and noncash donations totaling \$101,763 from YLEO during the year ended December 31, 2018. 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 \$488,296 to the Foundation during the year ended December 31, 2018.

Note 3. Net Assets With Donor Restrictions

A summary of net assets with donor restrictions consisted of the following at December 31, 2018:

Healing Faith (Uganda)	\$	1,132
Hope for Justice (Cambodia)		1,058,604
Maestral Orphanage (Croatia)		142,164
Rebuild Nepal (Nepal)		81,188
Sole Hope (Uganda)		56,626
Young Living Academy (Ecuador)		589,946
Young Living Academy Endowment		50,000
Disaster Relief:		
Ecuador		30,680
Louisiana		7,147
Mexico		1,008
Other		144,872
		<u>144,872</u>
	\$	<u>2,163,367</u>

Note 4. Concentrations

At December 31, 2018, the Foundation's carrying amount of cash was \$5,071,784 and the bank balance was \$5,007,767, of which \$250,764 was covered by federal depository insurance.

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