

**THE YOUNG LIVING FOUNDATION**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2017

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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 statements of financial position as of December 31, 2017, and 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, 2017, 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 Matters***

***Report on Summarized Comparative Information***

We have previously audited The Young Living Foundation's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Squire & Company, PC*

Orem, Utah  
May 24, 2018

**THE YOUNG LIVING FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2017 with Comparative Totals for 2016

|                                   | 2017                | 2016                |
|-----------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                     |                     |                     |
| <b>Current Assets:</b>            |                     |                     |
| Cash                              | \$ 3,140,117        | \$ 1,846,544        |
| Contributions receivable          | 313,743             | 262,925             |
| Prepaid expenses                  | 3,608               | -                   |
| Investments                       | 1,010               | 1,010               |
| Total current assets              | <u>\$ 3,458,478</u> | <u>\$ 2,110,479</u> |
| <b>LIABILITIES AND NET ASSETS</b> |                     |                     |
| <b>Current Liabilities:</b>       |                     |                     |
| Accrued expenses                  | \$ 102,644          | \$ 39,534           |
| <b>Net Assets:</b>                |                     |                     |
| Unrestricted                      | 2,154,187           | 1,434,298           |
| Temporarily restricted            | 1,201,647           | 636,647             |
| Total net assets                  | <u>3,355,834</u>    | <u>2,070,945</u>    |
| Total liabilities and net assets  | <u>\$ 3,458,478</u> | <u>\$ 2,110,479</u> |

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

**THE YOUNG LIVING FOUNDATION**  
**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2017 with Comparative Totals for 2016

|   | 2017                       | 2016                       |
|---|----------------------------|----------------------------|
| <b>Unrestricted Net Assets:</b>             |                            |                            |
| Revenues and support:                       |                            |                            |
| Special events:                             |                            |                            |
| Revenues                                    | \$ 318,175                 | \$ 295,485                 |
| Cost of special events                      | <u>(52,584)</u>            | <u>(177,739)</u>           |
| Net special event revenue                   | 265,591                    | 117,746                    |
| Contributions                               | 3,957,904                  | 3,140,353                  |
| In-kind contributions                       | 123,173                    | 203,180                    |
| Interest income                             | 1                          | -                          |
| Net assets released from restrictions       | <u>506,770</u>             | <u>65,045</u>              |
| Total revenues and support                  | 4,853,439                  | 3,526,324                  |
| Expenses:                                   |                            |                            |
| Program services:                           |                            |                            |
| Direct assistance to other organizations    | 2,464,199                  | 1,645,462                  |
| Service trips and other program services    | 998,718                    | 928,648                    |
| Supporting services:                        |                            |                            |
| Management and general                      | 447,870                    | 280,934                    |
| Fundraising                                 | <u>222,763</u>             | <u>227,104</u>             |
| Total expenses                              | <u>4,133,550</u>           | <u>3,082,148</u>           |
| Change in unrestricted net assets           | 719,889                    | 444,176                    |
| <b>Temporarily Restricted Net Assets:</b>   |                            |                            |
| Contributions                               | 1,071,770                  | 631,588                    |
| Net assets released from restrictions       | <u>(506,770)</u>           | <u>(65,045)</u>            |
| Change in temporarily restricted net assets | <u>565,000</u>             | <u>566,543</u>             |
| <b>Change in Net Assets</b>                 | 1,284,889                  | 1,010,719                  |
| <b>Net Assets at Beginning of Year</b>      | <u>2,070,945</u>           | <u>1,060,226</u>           |
| <b>Net Assets at End of Year</b>            | <u><u>\$ 3,355,834</u></u> | <u><u>\$ 2,070,945</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, 2017 with Comparative Totals for 2016

|                         | Program Services                         |  | Supporting Services    |                   | Total               | 2016                |
|-------------------------|--|--|------------------------|-------------------|---------------------|---------------------|
|                         | Direct Assistance to Other Organizations | Service Trips and Other Program Services | Management and General | Fundraising       |                     |                     |
| <b>Expenses:</b>        |  |  |                        |                   |                     |                     |
| Salaries and benefits   | \$ -                                     | \$ 502,299                               | \$ 133,946             | \$ 33,487         | \$ 669,732          | \$ 364,876          |
| Awards and grants       | 2,464,199                                | -  | -                      | -                 | 2,464,199           | 1,645,462           |
| Supplies and equipment  | -  | 71,861                                   | 18,746                 | 4,686             | 95,293              | 228,244             |
| Office                  | -  | 4,331                                    | 1,155                  | 289               | 5,775               | 5,133               |
| Insurance               | -  | -  | 624                    | -                 | 624                 | 599                 |
| Occupancy               | -  | 43,494                                   | 11,598                 | 2,900             | 57,992              | 178,491             |
| Professional fees       | -  | 6,394                                    | 192,801                | 426               | 199,621             | 93,177              |
| Travel                  | -  | 370,339                                  | 26,160                 | 6,540             | 403,039             | 276,624             |
| Promotion and marketing | -  | -  | 62,840                 | 174,435           | 237,275             | 289,542             |
| Total expenses          | <u>\$ 2,464,199</u>                      | <u>\$ 998,718</u>                        | <u>\$ 447,870</u>      | <u>\$ 222,763</u> | <u>\$ 4,133,550</u> | <u>\$ 3,082,148</u> |

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

**THE YOUNG LIVING FOUNDATION**  
**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2017 with Comparative Totals for 2016

|   | 2017                       | 2016                       |
|---|----------------------------|----------------------------|
| <b>Cash Flows from Operating Activities:</b>  |                            |                            |
| Change in net assets  | \$ 1,284,889               | \$ 1,010,719               |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                            |                            |
| Changes in operating assets and liabilities:  |                            |                            |
| Contributions receivable  | (50,818)                   | 34,126                     |
| Prepaid expenses  | (3,608)                    | -                          |
| Accrued expenses  | 63,110                     | 30,504                     |
| Net cash provided by operating activities / net change in cash                              | 1,293,573                  | 1,075,349                  |
| <b>Cash at Beginning of Year</b>  | <u>1,846,544</u>           | <u>771,195</u>             |
| <b>Cash at End of Year</b>  | <u><u>\$ 3,140,117</u></u> | <u><u>\$ 1,846,544</u></u> |

**Supplementary Data:**

The Organization paid no interest or income taxes during the year ended December 31, 2017.

The Organization had three vehicles valued at \$56,923 donated during the year ended December 31, 2017.

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



## THE YOUNG LIVING FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### 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. Also, the Foundation is exempt from state income taxes.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.” Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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.

Subsequent Events - The Foundation has evaluated subsequent events through May 24, 2018, 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.

## THE YOUNG LIVING FOUNDATION NOTES TO FINANCIAL STATEMENTS

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### 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 Foundation received cash donations totaling \$1,273,023 and noncash donations totaling \$81,589 from YLEO during the year ended December 31, 2017. 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 \$134,324 to the Foundation during the year ended December 31, 2017.

### Note 3. Temporarily Restricted Net Assets

A summary of temporarily restricted net assets consisted of the following at December 31, 2017:

|                                |    |                  |
|--------------------------------|----|------------------|
| African Hearts (Uganda)        | \$ | 1,324            |
| Healing Faith (Uganda)         |    | 447              |
| Hope for Justice (Cambodia)    |    | 167,928          |
| Maestral Orphanage (Croatia)   |    | 124,477          |
| Rebuild Nepal (Nepal)          |    | 454,209          |
| Sole Hope (Uganda)             |    | 40,725           |
| Young Living Academy (Ecuador) |    | 247,975          |
| Disaster Relief:               |    |                  |
| Ecuador                        |    | 28,140           |
| Louisiana                      |    | 7,147            |
| Mexico                         |    | 1,545            |
| Other                          |    | 127,730          |
|                                |    | <u>127,730</u>   |
|                                | \$ | <u>1,201,647</u> |

### Note 4. Concentrations

At December 31, 2017, the Foundation's carrying amount of cash was \$3,140,117 and the bank balance was \$3,068,138, of which \$251,279 was covered by federal depository insurance.

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