



Reliv Kalogris Foundation

Financial Statements

Years Ended December 31, 2018 and 2017



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Reliv Kalogris Foundation

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Report of Independent Auditors

Board of Directors
Reliv Kalogris Foundation
Chesterfield, Missouri

We have audited the accompanying financial statements of Reliv Kalogris Foundation (the “Foundation”) (a Non-Profit Organization), which comprise the statements of cash receipts and cash disbursements and statements of functional expenses for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management’s Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 cash receipts and cash disbursements of Reliv Kalogris Foundation for the years ended December 31, 2018 and 2017, in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Mueller Prost LC

August 5, 2019
St. Louis, Missouri

Certified Public Accountants

Reliv Kalogris Foundation

Statements of Cash Receipts and Cash Disbursements

Year Ended December 31

	<u>2018</u>	<u>2017</u>
Support and Revenue from Cash Receipts Without Donor Restrictions		
Contributions	\$ 708,904	\$ 827,491
Fundraising	11,154	14,170
Donation from Foundation Sponsor	3,820	-
Interest	<u>6,524</u>	<u>4,341</u>
Total Cash Receipts	730,402	846,002
 Cash Disbursements		
Program Services	809,281	783,432
Support Services:		
General and Administrative	22,942	22,380
Fundraising	<u>581</u>	<u>2,730</u>
Total Cash Disbursements	<u>832,804</u>	<u>808,542</u>
 Surplus (Deficiency) of Cash Receipts over Cash Disbursements	 (102,402)	 37,460
 Cash Balance -- Beginning of Year	 633,977	 596,517
 Cash Balance -- End of Year	 <u>\$ 531,575</u>	 <u>\$ 633,977</u>

Reliv Kalogris Foundation
Statements of Functional Expenses
For the Year Ended December 31, 2018

	Program Services			Support Services			Total
	<i>Nourish Our World</i>	Nutritional Centers	Total Programs	Fund- raising	General and Administrative	Total Support Services	
<u>Cash Disbursements - Unrestricted</u>							
Products and Distribution	\$ 670,995	\$ -	\$ 670,995	\$ -	\$ -	\$ -	\$ 670,995
Program Managers' Stipend	98,502	-	98,502	-	-	-	98,502
Travel	30,843	-	30,843	-	-	-	30,843
Special Event	-	-	-	56	-	56	56
Fundraising	-	-	-	525	-	525	525
Accounting & Consulting Fees	-	-	-	-	11,761	11,761	11,761
Government Registration Fees	-	-	-	-	10,485	10,485	10,485
Supplies and Other	8,006	935	8,941	-	696	696	9,637
	\$ 808,346	\$ 935	\$ 809,281	\$ 581	\$ 22,942	\$ 23,523	\$ 832,804

See accompanying notes to financial statements.

Reliv Kalogris Foundation
Statements of Functional Expenses
For the Year Ended December 31, 2017

	Program Services			Support Services			Total
	<i>Nourish Our World</i>	Nutritional Centers	Total Programs	Fund- raising	General and Administrative	Total Support Services	
<u>Cash Disbursements - Unrestricted</u>							
Nutritional Products (including distribution)	\$ 651,535	\$ -	\$ 651,535	\$ -	\$ -	\$ -	\$ 651,535
Program Managers' Stipend	97,316	-	97,316	-	-	-	97,316
Travel	22,809	-	22,809	-	-	-	22,809
Special Event	-	-	-	2,230	-	2,230	2,230
Accounting & Consulting Fees	-	-	-	-	14,941	14,941	14,941
Government Registration Fees	-	-	-	-	4,976	4,976	4,976
Supplies and Other	9,828	1,944	11,772	500	2,463	2,963	14,735
	\$ 781,488	\$ 1,944	\$ 783,432	\$ 2,730	\$ 22,380	\$ 25,110	\$ 808,542

See accompanying notes to financial statements.

Reliv Kalogris Foundation

Notes to Financial Statements

1. Nature and Purpose of the Organization

The Reliv Kalogris Foundation (the “Foundation”) (formerly Kalogris Foundation) is an Illinois not-for-profit corporation and registered in all states in which it conducts business. The Internal Revenue Service has issued a ruling that the Foundation is a Section 501(c)(3) charitable organization and qualifies as a public charity under Section 509(a)(1) of the Internal Revenue Code. As such, it is exempt from federal income taxation on related income.

It is the mission of the Foundation to provide needy individuals (the indigent and victims of natural disasters) with nutritional products. This mission is accomplished by one overall program through gifts of nutritional products directly to needy individuals as well as food banks, homeless shelters, rehabilitation centers, and disaster relief groups in the United States and selected foreign countries. The Foundation’s goal is to *Nourish our World* through the delivery of its nutritional products to the needy.

The Foundation is sponsored by Reliv International, Inc. (Reliv), a for-profit corporation which is headquartered in Chesterfield, Missouri. Reliv conducts its operations and sells its products through an international network marketing system using independent distributors. The Foundation’s primary source of revenue is donations from Reliv’s independent distributors.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the cash basis of accounting. Under this methodology, revenue and expenses are recorded when cash is received or paid by the Foundation. This method differs from the accrual basis of accounting under US generally accepted accounting principles in which revenue and expenses are recognized in the financial statements when earned or incurred. Also, under the cash basis of accounting, non-cash contributions are not recognized. Accordingly, the accompanying financial statements are not intended to present the financial position or results of operations in conformity with US generally accepted accounting principles.

Cash Equivalents

Cash and cash equivalents include bank demand deposits and certificates of deposit funds with a maturity date of one year or less when purchased.

Reliv Kalogris Foundation
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The Foundation's reporting currency for its financial statements is the United States dollar. The Foundation also receives donations and makes expenditures in foreign currencies. In these instances, transaction amounts are translated using the transaction's actual currency exchange rate or the month-end currency exchange rate incurred upon settlement of the transaction. The exchange transactions are completed by Reliv on behalf of the Foundation before the cash is transferred to the Foundation.

Functional Expenses

The costs of the Foundation's programs and supporting services have been reported on a functional basis. This requires allocation of certain costs among the various programs and supporting services based on estimates made by management. Expenses which directly benefit programs, management and general, or fundraising are charged to the respective functional area on the basis of actual costs. Other expenses are charged and allocated to program, management and general, and fundraising based on an appropriate allocation method that would include expenses in the following categories: program managers' stipend, which are allocated on estimates of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function or program, but provide for the overall support and mission of the Foundation.

Program Services

Program services costs primarily consist of the Foundation's expenditures to purchase and distribute nutritional products to the needy in the United States and selected foreign countries. In certain impoverished foreign country locations, the Foundation has developed "nutrition programs" which serve as a central location for the needy to receive his or her daily serving of nutrition. In these instances, the Foundation may also pay a stipend to a local country-based independent contractor who coordinates the local feeding program on its behalf.

Reliv Kalogris Foundation
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

In 2018 and 2017, utilizing funds without donor restrictions, the Foundation made a series of donations or direct expenditures to local organizations for the nutritional centers totaling \$935 and \$1,944 respectively. These donations fund infrastructure improvements or maintenance to Foundation sponsored local nutrition programs, as follows:

	2018	2017
<u>Cavite, Philippines</u> : Routine facility maintenance to a building constructed with a Foundation grant in 2007 to house local feeding program.	\$ 935	\$ 677
<u>Haiti (multiple locations)</u> : Purchase and install low-volume water filtration systems needed for nutritional product preparation at local feeding programs.	-	967
<u>Other</u> : Nutrition Center infrastructure	-	300
	\$ 935	\$ 1,944

Restricted Funds

Contributions received are recorded as increases in cash with donor restrictions or cash without donor restrictions, depending on the existence and/or nature of any donor restrictions. There were no contributions with donor restrictions received in the years ended December 31, 2018 and 2017. The Foundation has not received any donations with donor restrictions that were perpetual in nature.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Therefore, there are no provisions for income taxes reflected in these financial statements. Management does not believe there are any uncertain tax positions as of December 31, 2018 and 2017, including consideration of unrelated business income tax. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2018 and 2017.

The Foundation's information returns, for the years ending 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Reliv Kalogris Foundation
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Adoption of 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 update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly for the years ended December 31, 2018 and 2017, as applicable to comply with provisions of the cash basis of accounting.

3. Liquidity and Availability

The following reflects the organization's financial assets as of the statement of statement of cash receipts and cash disbursements date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of cash receipts and cash disbursements date.

Financial assets, at December 31, 2018:	\$ 531,575
Less those unavailable for general expenditures with one year	<u> -</u>
Financial assets available to meet cash needs	
for general expenditures within one year, at December 31, 2018	\$ <u><u>531,575</u></u>

The Foundation primarily receives support without donor restrictions; such support has historically represented approximately 95% of annual program funding needs, with the remainder funded by cash reserves. The Foundation also uses an immaterial amount of investment income without donor restrictions.

The Foundation considers investment income without donor restrictions and contributions without donor restrictions for use in the current program which is ongoing, major, and central to its annual operations to be available to meet cash needs for general cash disbursements. General cash disbursements include administrative and general expenses, fundraising expenses and program commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general cash disbursements following two guiding principles:

- Operating within a prudent range of financial soundness and stability, and
- Maintaining adequate liquid assets

Reliv Kalogris Foundation Notes to Financial Statements

3. Liquidity and Availability (continued)

The Foundation's board meets annually to review and approve budgeted amounts of cash disbursements for the following year. Due to this timing, the Foundation strives to maintain financial assets available to meet general cash disbursements at a level that represents 100% of annual disbursements for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for program disbursements, which typically represents approximately 73% of the expected annual cash needs.

4. Related Party Transactions

As stated in Note 1, the Foundation's primary source of revenue is donations received from Reliv's independent distributors. Donations received from Reliv and its employees as well as proceeds from fundraising events held by the Foundation and Reliv independent distributors comprise the remainder of the Foundation's non-interest revenue.

The Foundation also receives support from Reliv consisting of the free use of Reliv's office facilities, office equipment, and overall general and administrative office support. Reliv also bears the total compensation costs of the Foundation's two full-time employees in the United States as well as other Reliv employees who, from time to time, assist with the Foundation's operations.

In 2012, an individual who previously provided Haiti region program consulting services directly to the Foundation was hired as a part-time Reliv employee to continue this work. The Foundation reimburses Reliv for the compensation costs for this individual.

To provide its program services, the Foundation purchases nutritional products from Reliv. The purchases are valued at Reliv's cost to manufacture and distribute the product. The Foundation determines the nature, timing, and distribution of all nutritional products purchased from Reliv and delivered to its recipients. For 2018 and 2017, payments to Reliv by the Foundation for products and related distribution totaled \$664,091 and \$641,646, respectively.

5. Significant Funders

The Foundation primarily solicits donations from the general public through Reliv's independent distributors. As a result, the Foundation is fully dependent upon the continued existence of Reliv and Reliv's independent distributors for cash donations, donated human resources and services, and the Foundation's purchase of nutritional products at amounts less than fair market value.

6. Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, the date the financial statements were available for issuance.

Due to civil unrest in the area, product was not distributed in Haiti from January 2019 through March 2019. Distributions resumed normal operations in April of 2019.