



dōTERRA Healing Hands Foundation

Financial Statements with Independent
Auditor's Report

For the Year Ended December 31, 2017

dōTERRA Healing Hands Foundation

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 9



Tel: 801-269-1818
Fax: 801-266-3481
www.bdo.com

299 South Main Street, 10th Floor
Salt Lake City, UT 84111

Independent Auditor's Report

Board of Directors
dōTERRA Healing Hands Foundation
Pleasant Grove, UT

We have audited the accompanying financial statements of dōTERRA Healing Hands Foundation, which comprise the statement of financial position as of December 31, 2017, 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.

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 dōTERRA Healing Hands 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.

BDO USA, LLP

BDO USA, LLP
Salt Lake City, UT
October 29, 2018

dōTERRA Healing Hands Foundation
Statement of Financial Position
At December 31, 2017

	2017
ASSETS	
Cash and cash equivalents	\$ 2,075,030
Accounts receivable	1,173,561
Pledges receivable	1,014,427
Donated products	595,840
Total assets	\$ 4,858,858
 LIABILITIES AND NET ASSETS	
Accrued expenses	\$ 33,000
Grants payable	2,254,088
Total liabilities	\$ 2,287,088
 Net Assets	
Unrestricted net assets	\$ 1,076,984
Temporarily restricted net assets	1,494,786
Total net assets	2,571,770
Total liabilities and net assets	\$ 4,858,858

See accompanying notes to the financial statements

dōTERRA Healing Hands Foundation
Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Public contributions:			
Cash	\$ 1,511,776	\$ 1,053,808	\$ 2,565,584
In-kind	880,160	-	880,160
dōTERRA contributions:			
Cash	321,048	-	321,048
Proceeds from Hope Oil sales	-	1,868,570	1,868,570
Proceeds from Rose Lotion sales	1,103,896	-	1,103,896
Proceeds from sales of other products	99,999	-	99,999
In-kind	576,216	-	576,216
Total contributions	<u>4,493,095</u>	<u>2,922,378</u>	<u>7,415,473</u>
Net assets released from restrictions	<u>1,511,042</u>	<u>(1,511,042)</u>	<u>-</u>
Total support and revenue	<u>6,004,137</u>	<u>1,411,336</u>	<u>7,415,473</u>
Expenses			
Program services	6,497,066	-	6,497,066
General and administrative paid by dōTERRA	100,277	-	100,277
Fundraising paid by dōTERRA	56,704	-	56,704
Total expenses	<u>6,654,047</u>	<u>-</u>	<u>6,654,047</u>
Change in net assets	(649,910)	1,411,336	761,426
Net assets as of beginning of year	<u>1,726,894</u>	<u>83,450</u>	<u>1,810,344</u>
Net assets as of end of year	<u>\$ 1,076,984</u>	<u>\$ 1,494,786</u>	<u>\$ 2,571,770</u>

See accompanying notes to the financial statements

dōTERRA Healing Hands Foundation
Statement of Cash Flows
For the Year Ended December 31, 2017

	2017
Cash Flows from Operating Activities	
Change in net assets	\$ 761,426
Adjustments to reconcile change in net assets to net cash from operating activities:	
Change in assets and liabilities	
Accounts receivable	191,778
Pledges receivable	(943,907)
Donated products	(595,840)
Accrued expenses	5,000
Grants payable	2,177,088
Net cash provided by operating activities	1,595,545
Net change in cash and cash equivalents	1,595,545
Cash and cash equivalents as of beginning of year	479,485
Cash and cash equivalents as of end of year	\$ 2,075,030

See accompanying notes to the financial statements

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 1. NATURE OF OPERATIONS

Organization and Nature of Activities

Founded as a public charity in June 2012, dōTERRA Healing Hands Foundation (the "Foundation") is a Utah nonprofit corporation that began operations to serve people and communities in need. They do this by partnering with organizations and dōTERRA Wellness Advocates to offer hope to millions around the world. Through the Foundation's efforts, lives are freed of disease and poverty, and communities are empowered with the tools needed to become self-reliant. The Foundation is affiliated with dōTERRA International, LLC ("dōTERRA"), which provides significant support; including contributions of proceeds from Hope Oil and Rose Lotion sales, and sales of other inventory products, matching contributions and paying all administrative and fundraising costs for the Foundation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting and follows accounting principles generally accepted in the United States of America ("U.S. GAAP") for nonprofit organizations. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of restricted net assets is determined by the nature of donor-imposed restrictions.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds. The Foundation reports contributions restricted by donors as increases in unrestricted net assets if the restrictions are met in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets are subject to donor-imposed restrictions requiring that neither expire by the passage of time nor can be fulfilled or otherwise removed by the action of the Foundation. The restrictions require the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. At December 31, 2017 the Foundation did not have any permanently restricted net assets.

Use of Estimates

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

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

As of December 31, 2017, the Foundation had a receivable from dōTERRA of \$1,173,561, which is comprised primarily of proceeds on the sale of dōTERRA products such as Hope Oil and Rose Lotion, which had not yet been contributed to the Foundation as of year-end.

Pledges Receivable

Pledges receivable that are to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated discounted future cash flows. As of December 31, 2017, based on pledge agreements, amounts are expected to be received in the following years:

2018	\$ 510,708
2019	277,367
2020	226,352
Thereafter	-
	<u>\$ 1,014,427</u>

An allowance for doubtful accounts is recorded based on historical experience and management's analysis of specific balances. Pledges receivable are considered fully collectible; accordingly, no allowance for uncollectible pledges receivable has been recorded as of December 31, 2017. Conditional pledges or indications of intentions to give are not reported until the conditions are met.

Contributions

Contributions are recognized when the donor makes a pledge to give to the Foundation that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor-imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional pledges are not recognized until the conditions on which they depend have been substantially met.

In-kind Contributions

Donated products, services, property, and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. The Foundation determines estimated fair value in accordance with fair value measurement accounting standards. dōTERRA provides in-kind donations of salaries and wages, payroll taxes, employee benefits and facilities; these are recorded at the estimated cost recognized by dōTERRA in accordance with ASC 958.

Grant Expenditures

Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations

The Foundation maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions.

The Foundation relies upon donations from corporate and private donors. For the year ended December 31, 2017, dōTERRA contributions comprised 53.5% of all contributions. The Foundation may be vulnerable to concentration risk should dōTERRA cease to support the Foundation.

Income Taxes

The Foundation is a Utah nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (vii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively.

The Foundation's Returns of Organization Exempt from Income Tax (Form 990) are subject to examination by the IRS generally for three years after they were filed. The Foundation believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination are for the tax years 2014 and forward.

New Accounting Pronouncements

In August 2016 Update 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* was issued to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted. Management is currently assessing the impact that this guidance will have on the financial statements.

NOTE 3. GRANTS PAYABLE

Grants payable consisted of approved grant commitments. As of December 31, 2017, based on grant agreements, amounts payable are expected to be paid in the following years:

2018	\$ 949,472
2019	550,000
2020	504,616
2021	250,000
Thereafter	-
	\$ 2,254,088

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 4. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Anti-Sex Trafficking Initiatives	\$ 1,360,501
Mentors International	25,080
Vital Solutions	20,000
Days for Girls	14,206
Time for Teens	10,700
Centro de Aprendizaje Ananda	10,000
Nurturing Nations	10,000
Czech Republic Project	10,000
Various other	34,299
	<u>\$ 1,494,786</u>

NOTE 5. IN-KIND CONTRIBUTIONS

For the year ended December 31, 2017, the Foundation received public in-kind product donations of \$880,160. In connection with these donations, dōTERRA contributed cash totaling \$220,040. As of December 31, 2017, the value of these donated products on hand was \$595,840.

The Foundation received in-kind contributions from dōTERRA as follows during the year ended December 31, 2017:

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Product contributions	\$ 196,003	\$ -	\$ -	\$ 196,003
Facilities	-	9,100	-	9,100
Wages and benefits	315,446	37,111	18,556	371,113
	<u>\$ 511,449</u>	<u>\$ 46,211</u>	<u>\$ 18,556</u>	<u>\$ 576,216</u>

NOTE 6. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2017, the Foundation received contributions from dōTERRA, whose members of the Board of Directors are also the members of the Board of Directors of the Foundation. dōTERRA made cash contributions of \$3,393,513 which includes proceeds contributed from the sales of dōTERRA products, contributions for specific projects or events, and the payment of all administrative and fundraising costs. dōTERRA made in-kind contributions of product with fair value of \$196,003 and in-kind services contributions of salaries and wages, payroll taxes, employee benefits and facilities with an estimated fair value of \$380,213. Members of the Board of Directors made contributions of \$1,221,973 to the Foundation, and contributions from one of these members exceeded 10% of total contribution revenue.

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 7. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 29, 2018, which is the date the financial statements were available to be issued, to determine if there are any subsequent events that provide additional information about conditions that existed at the financial position date.