



dōTERRA Healing Hands Foundation

**Financial Statements with Independent
Auditor's Report**

For the Year Ended December 31, 2021

dōTERRA Healing Hands Foundation

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13



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

Opinion

We have audited the financial statements of dōTERRA Healing Hands Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

July 28, 2022

dōTERRA Healing Hands Foundation
Statement of Financial Position
At December 31, 2021

ASSETS

Cash and cash equivalents	\$ 566,653
Contributions receivable, net	3,237,141
Pledges receivable, net	3,100,441
Donated products	223,000
Intangible assets, net	104,542
Total assets	<u>\$ 7,231,777</u>

LIABILITIES AND NET ASSETS

Accrued liabilities	\$ 46,000
Grants payable	3,767,132
Total liabilities	<u>3,813,132</u>

Net Assets

Without donor restrictions	15,398
With donor restrictions	3,403,247
Total net assets	<u>3,418,645</u>
Total liabilities and net assets	<u>\$ 7,231,777</u>

See notes to the financial statements

dōTERRA Healing Hands Foundation
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public contributions:			
Cash	\$ 708,895	\$ 5,252,831	\$ 5,961,726
In-kind	1,026,280	-	1,026,280
	1,735,175	5,252,831	6,988,006
dōTERRA contributions:			
Cash	418,735	2,248,890	2,667,625
Proceeds from Hope Oil sales	-	409,878	409,878
Proceeds from Rose Lotion sales	391,788	-	391,788
Proceeds from sales of other products	660,162	-	660,162
Intangible assets	5,904	-	5,904
In-kind	2,006,355	-	2,006,355
	3,482,944	2,658,768	6,141,712
Total contributions	5,218,119	7,911,599	13,129,718
Net assets released from restrictions	4,538,879	(4,538,879)	-
Total support and revenue	9,756,998	3,372,720	13,129,718
Expenses			
Program services	11,045,498	-	11,045,498
General and administrative paid by dōTERRA	219,340	-	219,340
Fundraising paid by dōTERRA	301,507	-	301,507
Total expenses	11,566,345	-	11,566,345
Change in net assets	(1,809,347)	3,372,720	1,563,373
Net assets as of beginning of year	1,824,745	30,527	1,855,272
Net assets as of end of year	\$ 15,398	\$ 3,403,247	\$ 3,418,645

See notes to the financial statements

dōTERRA Healing Hands Foundation
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Change in net assets	\$ 1,563,373
Adjustments to reconcile change in net assets to net cash from operating activities:	
Amortization	96,205
Public in-kind product contributions	(1,026,280)
dōTERRA contributions of intangible assets	(5,904)
dōTERRA in-kind product and services contributions	(2,006,355)
In-kind product donations - public	1,096,340
In-kind product donations - dōTERRA	724,882
dōTERRA in-kind services expensed	1,287,000
Change in assets and liabilities	
Contributions receivable, net	(1,966,140)
Pledges receivable, net	(2,067,825)
Accrued liabilities	(4,550)
Grants payable	683,819
Net cash used in operating activities	<u>(1,625,435)</u>
Net change in cash and cash equivalents	(1,625,435)
Cash and cash equivalents as of beginning of year	<u>2,192,088</u>
Cash and cash equivalents as of end of year	<u><u>\$ 566,653</u></u>

See notes to the financial statements

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

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 two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. Classification of restricted net assets is determined by the nature of donor-imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Contributions receivable that are to be collected within one year are recorded at the committed value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated discounted future cash flows, using a 2% discount rate:

Contributions receivable, gross	\$ 3,261,407
Present value adjustment	(24,266)
Contributions receivable, net	<u>\$ 3,237,141</u>

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable (Continued)

As of December 31, 2021, based on contribution commitments, amounts are expected to be received in the following years:

2022		\$ 2,636,490	
2023		600,651	
		\$ 3,237,141	

As of December 31, 2021, contributions receivable included contributions from dōTERRA and other donors. The receivable from dōTERRA includes amounts raised through a corporate fundraising promotion, net of the present value of the estimated discounted future cash flows, donated products comprised of emergency relief hygiene kits purchased by customers and donated to the Foundation, which had not yet been assembled or transferred to the Foundation as of year-end, and sales proceeds from dōTERRA products such as Hope Oil and Rose Lotion, which had not yet been transferred to the Foundation as of year-end. Total net contributions receivable as of December 31, 2021 included the following:

Corporate fundraising receivable, gross		\$ 2,248,890	
Present value adjustment		(24,266)	
Corporate fundraising receivable, net		2,224,624	
Donated products receivable		561,460	
Rose lotion, hope oil, other sales proceeds		401,350	
Fundraising items for events		9,300	
Contributions receivable from dōTERRA		3,196,734	
Online donations receivable		19,055	
Other contributions receivable		21,352	
Contributions receivable, net		\$ 3,237,141	

An allowance for doubtful accounts is recorded based on historical experience and management's analysis of specific balances. Contributions receivable are considered fully collectible; accordingly, no allowance for uncollectible contributions receivable has been recorded as of December 31, 2021.

Pledges Receivable

Pledges receivable that are to be collected within one year are recorded at the committed 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, using a 2% discount rate:

Pledges receivable, gross		\$ 3,152,463	
Present value adjustment		(52,022)	
Pledges receivable, net		\$ 3,100,441	

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

As of December 31, 2021, based on pledge agreements, amounts are expected to be received in the following years:

2022	\$ 2,302,863
2023	264,706
2024	259,516
2025	138,946
Thereafter	134,410
	\$ 3,100,441

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, 2021. 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 without donor restrictions, or with donor restrictions 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. During the year ended December 31, 2021 there were no conditional pledges.

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. Public in-kind contributions received by the Foundation are product contributions of emergency relief hygiene kits. dōTERRA provides in-kind donations of both products and services. dōTERRA product donations include various inventory items. In-kind services contributions include salaries and wages, payroll taxes, employee benefits and facilities associated with dōTERRA employees supporting the Foundation. In-kind services contributions are recorded at the estimated cost recognized by dōTERRA in accordance with ASC 958. See Note 7. In-Kind Contributions.

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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note 8. Analysis of Expenses.

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.

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations (Continued)

The Foundation relies upon donations from corporate and private donors. For the year ended December 31, 2021, dōTERRA contributions comprised 47% 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 2018 and forward.

New Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued an Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958) - Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends various Subtopics. The amendments in this update address presentation and disclosure of contributed nonfinancial assets. The amendments in this update are effective for annual periods beginning after June 15, 2021 with early adoption permitted. The Foundation is currently evaluating the impact of this update on the financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year of December 31, 2021 are as follows:

Cash and cash equivalents	\$	566,653
Contributions receivable:		
Rose lotion and other sales proceeds		353,929
Online donations receivable		19,055
Fundraising items for events		9,300
Other contributions receivable		21,352
Pledges receivable:		
Various pledges for general funds		974
Financial assets available within one year	\$	971,263

The Foundation manages its financial assets to be liquid and available as liabilities and project expenses become due. The Foundation's available financial assets exclude the net corporate fundraising receivable, donated products receivable, the receivable for Hope oil proceeds (see Note 2), donor-restricted pledges receivable, product donations, and intangible assets, as the Foundation would not be able to use these assets for general expenditures. Nearly all pledges receivable as of December 31, 2021 had donor-imposed restrictions for specific purposes.

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 4. INTANGIBLE ASSETS

During the year ended December 31, 2021, dōTERRA paid \$5,904 for intangible assets on behalf of the Foundation for continued development of the Foundation’s website. The intangible asset representing website improvements was placed in service and donated to the Foundation on January 25, 2021. These costs have been capitalized and will be amortized on a straight-line basis over a three-year period, beginning with the capitalization date. The total intangible assets balance and accumulated amortization at December 31, 2021 is as follows:

Capitalization of intangible assets	\$ 304,534
Less: Accumulated amortization	<u>(199,992)</u>
Intangible assets, net	<u>\$ 104,542</u>

Amortization expense of intangibles totaled \$96,205 for the year ended December 31, 2021. Estimated amortization over the next two years related to existing intangible assets is expected to be as follows:

2022	\$ 63,936
2023	<u>40,606</u>
	<u>\$ 104,542</u>

NOTE 5. GRANTS PAYABLE

Grants payable consists of approved unconditional grant commitments. As of December 31, 2021, grants payable totaled \$3,767,132. All grants payable as of December 31, 2021 are expected to be paid within one year and are recorded at the committed value.

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Assets released from restrictions during the year ended December 31, 2021 were as follows:

Global health	\$ 2,059,688
Supporting children	905,487
Anti-human trafficking	846,770
Empowering women	371,804
Self-reliance	212,459
Clean water and sanitation	90,245
Disaster relief	<u>52,426</u>
	<u>\$ 4,538,879</u>

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Global health	\$ 3,278,247
Self-reliance	100,000
Anti-human trafficking	<u>25,000</u>
	<u>\$ 3,403,247</u>

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 7. IN-KIND CONTRIBUTIONS

Total donated products as of December 31, 2021 was comprised of in-kind product contributions from both public donors and dōTERRA, and was as follows:

	Public	dōTERRA	Total Donated Products
On-hand at December 31, 2020	\$ -	\$ 5,527	\$ 5,527
In-kind product contributions	1,026,280	719,355	1,745,635
Change in donated products receivable	293,060	-	293,060
Product donations	(1,096,340)	(724,882)	(1,821,222)
On-hand at December 31, 2021	<u>\$ 223,000</u>	<u>\$ -</u>	<u>\$ 223,000</u>

In-Kind Contributions - Public

During the year ended December 31, 2021, the Foundation received public in-kind product contributions of emergency relief hygiene kits totaling \$1,026,280. The receivable from dōTERRA for emergency relief hygiene kits purchased by customers and donated to the Foundation, which had not yet been assembled or transferred to the Foundation as of year-end decreased by \$293,060. Additionally, during the year ended December 31, 2021, the Foundation distributed kits to emergency relief efforts totaling \$1,096,340. As of December 31, 2021, the total value of these donated products remaining on hand was \$223,000.

In-Kind Contributions - dōTERRA

During the year ended December 31, 2021, the Foundation received in-kind product contributions of various dōTERRA products totaling \$719,355 and the Foundation distributed products to partner organizations and dōTERRA Wellness Advocate partner projects totaling \$724,882. As of December 31, 2021, the value of these donated products for charitable purposes remaining on hand was \$0.

In addition to in-kind product contributions, dōTERRA provided in-kind contributions of salaries and wages, payroll taxes, employee benefits and facilities associated with dōTERRA employees supporting the Foundation. Wages, payroll taxes, and benefits were allocated across functional categories based on estimated time spent supporting each category. Aggregate in-kind contributions provided by dōTERRA during the year ended December 31, 2021 were comprised of the following:

	Program Services	General and Administrative	Fundraising	Total dōTERRA
Product contributions	\$ 719,355	\$ -	\$ -	\$ 719,355
In-kind products	719,355	-	-	719,355
Wages and benefits	1,065,050	125,300	62,650	1,253,000
Facilities	-	34,000	-	34,000
In-kind services	1,065,050	159,300	62,650	1,287,000
Total in-kind	<u>\$ 1,784,405</u>	<u>\$ 159,300</u>	<u>\$ 62,650</u>	<u>\$ 2,006,355</u>

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 8. ANALYSIS OF EXPENSES

The Foundation's functional expenses for the year ending December 31, 2021 are summarized below:

	Program Services Expense	Supporting Services Expense			Total Expenses
	Program Services	General and Administrative	Fundraising	Total Supporting Services	
Grants	\$ 8,159,226	\$ -	\$ -	\$ -	\$ 8,159,226
Donated products - public	1,096,340	-	-	-	1,096,340
Marketing and advertising*	-	-	142,652	142,652	142,652
Professional services*	-	40,411	-	40,411	40,411
Other supporting services*	-	19,629	96,205	115,834	115,834
	<u>9,255,566</u>	<u>60,040</u>	<u>238,857</u>	<u>298,897</u>	<u>9,554,463</u>
From dōTERRA in-kind contributions:					
Wages and benefits	1,065,050	125,300	62,650	187,950	1,253,000
Donated products	724,882	-	-	-	724,882
Facilities	-	34,000	-	34,000	34,000
	<u>1,789,932</u>	<u>159,300</u>	<u>62,650</u>	<u>221,950</u>	<u>2,011,882</u>
Total functional expenses	<u>\$11,045,498</u>	<u>\$ 219,340</u>	<u>\$ 301,507</u>	<u>\$520,847</u>	<u>\$11,566,345</u>

*Paid by dōTERRA

Grants are charitable costs expended for the benefit of others. See Note 7 for more information on donated products. Wages, payroll taxes, and benefits are associated with employees of dōTERRA that support the Foundation and are allocated across functional categories based on estimated time spent supporting each category (see Note 7). Marketing and advertising, professional services, and other supporting services are paid by dōTERRA on behalf of the Foundation. Other supporting services includes administrative and operational costs supporting the Foundation.

NOTE 9. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2021, the Foundation received contributions of \$6,141,712 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 \$4,129,453 which includes proceeds contributed from the sales of dōTERRA products, contributions for specific projects or events, and the payment of all fundraising and administrative costs including marketing and advertising, professional services, and other supporting services (see Note 8). dōTERRA paid \$5,904 for the continued development of a website on behalf of the Foundation and donated this intangible asset to the Foundation (see Note 4). dōTERRA made in-kind contributions of \$2,006,355, which was comprised of both product contributions and services. Product contributions had a fair value of \$719,355 and services contributions had an estimated fair value of \$1,287,000. In-kind services contributions included salaries and wages, payroll taxes, employee benefits and facilities (see Note 7). Members of the Board of Directors made net contributions of \$7,540 to the Foundation.

dōTERRA Healing Hands Foundation
Notes to Financial Statements
For the Year Ended December 31, 2021

NOTE 9. RELATED PARTY TRANSACTIONS (Continued)

For the year ended December 31, 2021, the Foundation made grants of \$203,778 to a charitable trust for which a member of the Board of Directors that oversees the trust, is also a member of the Board of Directors of the Foundation. Additionally, the Foundation made a grant of \$6,500 to an organization functioning as a scholarship implementation partner for which a member of the Board of Directors is also a member of the Board of Directors of the Foundation.

NOTE 10. RISKS AND UNCERTAINTIES

doTERRA's ongoing profitability and its ability to support the Foundation may experience instability, and estimates included in the financial statements may change, due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or Covid-19, and other global conditions. The duration and intensity of these impacts, and resulting disruption to which these events affect doTERRA's business, will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through July 28, 2022, 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. No such events were identified.