

## Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

### **Reliv International, Inc.**

136 Chesterfield Industrial Blvd., Chesterfield, MO 63005

Company Phone: (636) 537-9715

Website: www.reliv.com

Email: shareholderinfo@relivinc.com

SIC Code: 2834

### **Quarterly Report for the Period Ended: June 30, 2021**

As of June 30, 2021, the number of shares outstanding of our Common Stock was: 1,058,303

As of March 31, 2021, the number of shares outstanding of our Common Stock was: 1,053,901

As of December 31, 2020, the number of shares outstanding of our Common Stock was: 1,746,449

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name and address of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Reliv International, Inc.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Reliv International, Inc., a Delaware corporation, Active standing

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

In January 2021, Reliv International executed a 2,000-for-1 reverse stock split, followed by a redemption of all fractional shares at a pre-split price of \$3.75 per share. All remaining shares were then subject to a forward split of 1-for-2,000. In this process, the company acquired 692,548 pre-split shares at a cost of \$2.6 million.

The address of the issuer's principal executive office:

136 Chesterfield Industrial Blvd., Chesterfield, MO 63005

The address(es) of the issuer's principal place of business:

*Check box if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes:  No:

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

N/A

## 2) Security Information

Trading symbol: RELV  
Exact title and class of securities outstanding: Reliv International, Inc. Common Stock  
CUSIP: 75952R308  
Par or stated value: Par value \$0.001

Total shares authorized: 5,000,000 as of date: 6/30/2021  
Total shares outstanding: 1,058,303 as of date: 6/30/2021  
Number of shares in the Public Float<sup>2</sup>: 267,488 as of date: 6/30/2021  
Total number of shareholders of record: approx. 31 as of date: 6/30/2021

All additional class(es) of publicly traded securities (if any): **None**

### Transfer Agent

Name: American Stock Transfer & Trust  
Phone: 347-461-7037  
Email: mmerced@astfinancial.com  
Address: 6201 15<sup>th</sup> Avenue, Brooklyn, NY 11219

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes:  No:

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<sup>2</sup> "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

### 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

#### A. Changes to the Number of Outstanding Shares

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance Date <u>12/31/2018</u> Common: <u>1,845,160</u> Preferred: <u>-0-</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>1/1/2019</u>	<u>Returned to treasury</u>	<u>(98,711)</u>	<u>Common</u>	<u>\$5.45</u>	<u>N/A</u>	<u>Carl Hastings, Brett Hastings, and Steven Hastings</u>	<u>Shares exchanged in Purchase Agreement</u>	<u>N/A</u>	<u>N/A</u>
<u>1/14/2021</u>	<u>Cancellation</u>	<u>(692,548)</u>	<u>Common</u>	<u>\$3.75</u>	<u>N/A</u>	<u>N/A</u>	<u>Fractional share redemption</u>	<u>N/A</u>	<u>N/A</u>
<u>5/3/2021</u>	<u>New Issuance</u>	<u>400</u>	<u>Common</u>	<u>\$3.75</u>	<u>No</u>	<u>Susan C. Brusa</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>
<u>5/3/2021</u>	<u>New Issuance</u>	<u>609</u>	<u>Common</u>	<u>\$3.75</u>	<u>No</u>	<u>Amanda &amp; Mark Schwarz, JT TEN</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>
<u>5/3/2021</u>	<u>New Issuance</u>	<u>1,000</u>	<u>Common</u>	<u>\$3.75</u>	<u>No</u>	<u>David A. Mahle</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>
<u>5/3/2021</u>	<u>New Issuance</u>	<u>438</u>	<u>Common</u>	<u>\$3.75</u>	<u>No</u>	<u>Carla J. &amp; Quinn Pence, JT TEN</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>
<u>5/3/2021</u>	<u>New Issuance</u>	<u>514</u>	<u>Common</u>	<u>\$3.75</u>	<u>No</u>	<u>Christine A. Toriello &amp; Mark W. Gauger, JT TEN</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>

<u>5/3/2021</u>	<u>New Issuance</u>	<u>1,441</u>	<u>Common</u>	<u>\$3.75</u>	<u>No</u>	<u>Amy &amp; Donald Blaser, JT JEN</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>
Shares Outstanding on Date of This Report:									
Ending Balance:									
Date <u>6/30/2021</u>	Common: <u>1,058,303</u>								
Preferred: <u>-0-</u>									

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its quarter ended September 30, 2020, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2018 through September 30, 2020 pursuant to the tabular format above.

**B. Debt Securities, Including Promissory and Convertible Notes**

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

#### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

- U.S. GAAP  
 IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

Name: Steven D. Albright  
Title: Sr. Vice President, Chief Financial Officer  
Relationship to Issuer: Officer of Reliv International, Inc.

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- C. Balance sheet;
- D. Statement of income;
- E. Statement of cash flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

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Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

**See Appendix A at end of document for the Unaudited Consolidated Financial Statements.**

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<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

## 5) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

A. Summarize the issuer's business operations. (If the issuer does not have current operations, state "no operations")

Reliv International, Inc. is a developer and marketer of a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management and sports nutrition. We sell our products through an international network marketing system using independent distributors. We have sold products in the United States since 1988 and in selected international markets since 1991.

B. Please list any subsidiaries, parents, or affiliated companies.

Reliv, Inc., an Illinois corporation  
Reliv World Corporation, an Illinois corporation  
Reliv Europe, Inc., an Illinois corporation  
Reliv Australia Pty, Limited, organized under the laws of Australia  
Reliv New Zealand, Limited, organized under the laws of New Zealand  
Reliv Now de Mexico, S. de R.L. de C.V., organized under the laws of Mexico  
Reliv Philippines, Inc., organized under the laws of the Philippines  
Reliv Canada Company, organized under the laws of Canada  
Reliv International Sdn. Bhd., organized under the laws of Malaysia  
Reliv Singapore Pte Ltd., organized under the laws of Singapore  
Reliv Europe Limited, organized under the laws of the United Kingdom  
SL Technology, Inc., a Missouri corporation

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All of our subsidiaries conduct business under their legal names as stated above.

C. Describe the issuers' principal products or services.

See response to Item 5) A. above

## 6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

<u>Location</u>	<u>Nature of Use</u>	<u>Square Feet</u>	<u>Owned/Leased</u>
Chesterfield, MO, USA	corporate headquarters/call center/manufacturing/warehouse	126,000	Owned
Seven Hills (Sydney), Australia	central office/call center	1,000	Leased
Oakville, Ontario, Canada	warehouse/distribution	2,100	Leased
Guadalajara, Mexico	central office/warehouse/call center	2,300	Leased
Makati City (Manila), Philippines	central office/warehouse/distribution	5,000	Leased
Redditch (Birmingham), England, UK	central office/warehouse/distribution	1,700	Leased
Subang Jaya (Kuala Lumpur), Malaysia	central office/call center	300	Leased

The Chesterfield, Missouri corporate headquarters facility is mortgaged under a \$4.0 million term loan entered into in November 2020. The loan is also secured by the personal guarantees of three of our significant stockholders.

On January 1, 2019, we sold substantially all of the machinery, equipment, inventory, tools and other assets and materials used in our manufacturing operations to Nutracom, LLC, (“Nutracom”). Effective January 1, 2019, we leased 96,450 square feet of manufacturing and office space in our Chesterfield facility to Nutracom for a period of seven years with a five-year option. We also entered into agreements whereby Nutracom will continue to manufacture our core products on our premises for a period of seven years.



## 7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>Robert L. Montgomery</u>	<u>Chairman of the Board</u>	<u>Chesterfield, MO</u>	<u>251,354</u>	<u>Common</u>	<u>23.8%</u>	_____
<u>Ryan A. Montgomery</u>	<u>Chief Executive Officer, Director</u>	<u>St. Albans, MO</u>	<u>100,781</u>	<u>Common</u>	<u>9.5%</u>	_____
<u>Donald L. McCain</u>	<u>Director</u>	<u>Las Vegas, NV</u>	<u>72,802</u>	<u>Common</u>	<u>6.9%</u>	_____
<u>R. Scott Montgomery</u>	<u>President of Operations/Director</u>	<u>Defiance, MO</u>	<u>104,063</u>	<u>Common</u>	<u>9.8%</u>	_____
<u>Melisa B. McCain</u>	<u>5% Owner/ Employee</u>	<u>Wildwood, MO</u>	<u>100,000</u>	<u>Common</u>	<u>9.4%</u>	<u>(1)</u>
<u>Stephen M. Merrick</u>	<u>Secretary/Director</u>	<u>Fairhope, AL</u>	<u>63,191</u>	<u>Common</u>	<u>6.0%</u>	<u>(2)</u>
<u>Thomas W. Pinnock</u>	<u>President of Sales/Director</u>	<u>St. Albans, MO</u>	<u>4,991</u>	<u>Common</u>	<u>&lt;1.0%</u>	_____
<u>Steven D. Albright</u>	<u>Chief Financial Officer</u>	<u>Wildwood, MO</u>	<u>5,438</u>	<u>Common</u>	<u>&lt;1.0%</u>	_____
<u>John M. Klimek</u>	<u>General Counsel</u>	<u>Inverness, IL</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____
<u>Debra P. Bernardoni</u>	<u>Chief Operating Officer</u>	<u>O'Fallon, MO</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____
<u>Kurt C. Wulff</u>	<u>Sr. VP of Marketing</u>	<u>Ballwin, MO</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____
<u>James Lahm</u>	<u>VP of Information Technology</u>	<u>St. Louis, MO</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____

### Notes:

- (1) Mrs. McCain holds 69,129 shares through Montgomery Enterprises, Ltd., for which she has voting control of these shares.
- (2) Mr. Merrick holds 63,191 shares through Merrick & Company, for which he has voting control of these shares.

## 8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

No

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

No

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

No

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

### Securities Counsel

Name: Jude M. Sullivan  
Firm: Howard & Howard  
Address 1: 200 S. Michigan Ave., Ste. 1100  
Address 2: Chicago, IL 60604  
Phone: (312) 456-3646

Email: jms@h2law.com

### Accountant or Auditor

Firm: Armanino LLP  
Address 1: 6 CityPlace Dr., Suite 900  
Address 2: St. Louis, MO 63141  
Phone: (314) 983-1200

### Investor Relations

Name: None

### Other Service Providers

Name: None

## 10) Issuer Certification

### *Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Ryan A. Montgomery certify that:

1. I have reviewed this Quarterly Disclosure Statement of Reliv International, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 10, 2021

/s/ Ryan A. Montgomery

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

### *Principal Financial Officer:*

I, Steven D. Albright certify that:

1. I have reviewed this Quarterly Disclosure Statement of Reliv International, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 10, 2021

/s/ Steven D. Albright

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

## APPENDIX A

### Condensed Consolidated Financial Statements for the Quarter Ending June 30, 2021

Reliv International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	June 30 2021 <u>(unaudited)</u>	December 31 2020 <u></u>
Assets		
Current assets:		
Cash and cash equivalents	\$3,969,229	\$7,030,156
Accounts receivable, less allowances of \$5,000 in 2021 and 2020	64,738	124,403
Notes & accounts receivables and deposits - related parties	1,380,430	1,303,636
Inventories		
Finished goods	2,254,440	1,874,004
Raw materials	231,892	146,799
Sales aids and promotional materials	85,042	76,277
Total inventories	<u>2,571,374</u>	<u>2,097,080</u>
Refundable income taxes	64,119	19,583
Prepaid expenses and other current assets	558,360	488,484
Total current assets	<u>8,608,250</u>	<u>11,063,342</u>
Notes and accounts receivables - related parties	2,098,692	2,260,649
Operating lease right-to-use assets, net	308,712	282,094
Intangible assets, net	1,383,300	1,496,293
Equity investment	505,000	505,000
Property, plant and equipment:		
Land and land improvements	905,190	905,190
Building	10,140,059	10,135,641
Office & other equipment	1,203,221	1,207,059
Computer equipment & software	2,191,579	2,181,313
	<u>14,440,049</u>	<u>14,429,203</u>
Less: Accumulated depreciation	10,446,645	10,296,740
Net property, plant and equipment	<u>3,993,404</u>	<u>4,132,463</u>
Total assets	<u><u>\$16,897,358</u></u>	<u><u>\$19,739,841</u></u>

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

	June 30 2021 <u>(unaudited)</u>	December 31 2020 <u></u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses:		
Trade accounts payable and other accrued expenses	\$1,369,584	\$1,338,046
Distributors' commissions payable	936,324	945,025
Sales taxes payable	152,898	167,420
Payroll and payroll taxes payable	245,316	310,507
Total accounts payable and accrued expenses	<u>2,704,122</u>	<u>2,760,998</u>
Income taxes payable	-	40,561
Deferred revenue	294,495	289,278
Operating lease liabilities	160,961	165,826
Current portion of long-term debt	78,204	74,489
Total current liabilities	<u>3,237,782</u>	<u>3,331,152</u>
Noncurrent liabilities:		
Operating lease liabilities	132,627	104,817
Long-term debt, less current portion	3,624,935	3,665,424
Other noncurrent liabilities	158,619	154,814
Total noncurrent liabilities	<u>3,916,181</u>	<u>3,925,055</u>
Stockholders' equity:		
Preferred stock, par value \$.001 per share; 500,000 shares authorized; -0- shares issued and outstanding in 2021 and 2020	-	-
Common stock, par value \$.001 per share; 5,000,000 authorized; 1,421,867 shares issued and 1,058,303 shares outstanding as of 6/30/2021; 2,110,013 shares issued and 1,746,449 shares outstanding as of 12/31/2020	1,422	2,110
Additional paid-in capital	27,993,259	30,643,771
Accumulated deficit	(11,515,412)	(11,424,494)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(884,451)	(886,330)
Treasury stock	<u>(5,851,423)</u>	<u>(5,851,423)</u>
Total stockholders' equity	<u>9,743,395</u>	<u>12,483,634</u>
Total liabilities and stockholders' equity	<u><u>\$16,897,358</u></u>	<u><u>\$19,739,841</u></u>

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Condensed Consolidated Statements of Net Income (Loss)  
and Comprehensive Income (Loss)

(unaudited)	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Product sales	\$6,996,051	\$7,371,162	\$15,243,427	\$16,919,979
Freight income	446,921	446,707	936,280	1,004,802
Other revenue	183,045	198,691	372,424	374,444
Net sales	7,626,017	8,016,560	16,552,131	18,299,225
Costs and expenses:				
Cost of goods sold	2,080,184	2,202,488	4,400,028	4,857,331
Distributor royalties and commissions	2,455,095	2,590,078	5,332,287	5,918,533
Selling, general and administrative	3,420,814	3,501,104	6,921,084	7,278,786
Total costs and expenses	7,956,093	8,293,670	16,653,399	18,054,650
Income (loss) from operations	(330,076)	(277,110)	(101,268)	244,575
Other income (expense):				
Interest income	36,253	39,048	73,569	78,710
Interest expense	(57,679)	(7,933)	(113,889)	(14,038)
Other income	56,502	100,938	64,670	30,032
Income (loss) before income taxes	(295,000)	(145,057)	(76,918)	339,279
Provision (benefit) for income taxes	7,000	54,000	14,000	(124,000)
Net income (loss)	(\$302,000)	(\$199,057)	(\$90,918)	\$463,279
Other comprehensive income (loss):				
Foreign currency translation adjustment	(1,656)	(13,796)	1,879	(53,407)
Comprehensive income (loss)	(\$303,656)	(\$212,853)	(\$89,039)	\$409,872
Earnings (loss) per common share - Basic & Diluted	(\$0.29)	(\$0.11)	(\$0.08)	\$0.27
Weighted average shares	1,057,000	1,746,000	1,097,000	1,746,000

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows  
(unaudited)

	Six months ended June 30	
	2021	2020
	<u>2021</u>	<u>2020</u>
Operating activities:		
Net income (loss)	(\$90,918)	\$463,279
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	276,339	288,273
Non-cash debt issuance expense	27,442	-
Foreign currency transaction (gain) loss	23,303	21,694
(Increase) decrease in trade, accounts & notes receivable, and deposits from related parties	10,237	30,349
(Increase) decrease in inventories	(476,680)	(380,827)
(Increase) decrease in refundable income taxes	(44,848)	(227,553)
(Increase) decrease in prepaid expenses and other current assets	(71,089)	(304,407)
Increase (decrease) in income taxes payable	(40,561)	(71,132)
Increase (decrease) in accounts payable & accrued expenses, deferred revenue, and other noncurrent liabilities	(43,662)	402,018
	<u>(430,437)</u>	<u>221,694</u>
Net cash provided by (used in) operating activities	(430,437)	221,694
Investing activities:		
Purchase of property, plant and equipment	(24,801)	(17,363)
Payments received on notes receivables - related parties	133,428	64,337
	<u>108,627</u>	<u>46,974</u>
Net cash provided by investing activities	108,627	46,974
Financing activities:		
Proceeds from PPP loan borrowing	-	862,000
Proceeds from issuance of common stock	16,508	-
Common stock purchased	(2,667,708)	-
Principal payments on long-term borrowings	(64,217)	-
	<u>(2,715,417)</u>	<u>862,000</u>
Net cash provided by (used in) financing activities	(2,715,417)	862,000
Effect of exchange rate changes on cash and cash equivalents	(23,700)	(30,775)
	<u>(3,060,927)</u>	<u>1,099,893</u>
Increase (decrease) in cash and cash equivalents	(3,060,927)	1,099,893
Cash and cash equivalents at beginning of period	<u>7,030,156</u>	<u>1,630,779</u>
Cash and cash equivalents at end of period	<u>\$3,969,229</u>	<u>\$2,730,672</u>

See notes to financial statements.

Reliv International, Inc. and Subsidiaries

Condensed Consolidated Statements of  
Stockholders' Equity

(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
	Balance at December 31, 2020	2,110,013	\$ 2,110	\$ 30,643,771	\$ (11,424,494)	\$ (886,330)	363,564	\$ (5,851,423)
Net income	-	-	-	211,082	-	-	-	211,082
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	3,535	-	-	3,535
Total comprehensive income								214,617
Common stock purchased and retired	(692,548)	(693)	(2,667,015)	-	-	-	-	(2,667,708)
Balance at March 31, 2021	1,417,465	1,417	27,976,756	(11,213,412)	(882,795)	363,564	(5,851,423)	10,030,543
Net loss	-	-	-	(302,000)	-	-	-	(302,000)
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	(1,656)	-	-	(1,656)
Total comprehensive loss								(303,656)
Common stock issued	4,402	5	16,503	-	-	-	-	16,508
Balance at June 30, 2021	1,421,867	\$ 1,422	\$ 27,993,259	\$ (11,515,412)	\$ (884,451)	363,564	\$ (5,851,423)	\$ 9,743,395

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
	Balance at December 31, 2019	2,110,013	\$ 2,110	\$ 30,643,771	\$ (12,755,495)	\$ (937,320)	363,564	\$ (5,851,423)
Net income	-	-	-	662,336	-	-	-	662,336
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	(39,611)	-	-	(39,611)
Total comprehensive income								622,725
Balance at March 31, 2020	2,110,013	2,110	30,643,771	(12,093,159)	(976,931)	363,564	(5,851,423)	11,724,368
Net loss	-	-	-	(199,057)	-	-	-	(199,057)
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	(13,796)	-	-	(13,796)
Total comprehensive loss								(212,853)
Balance at June 30, 2020	2,110,013	\$ 2,110	\$ 30,643,771	\$ (12,292,216)	\$ (990,727)	363,564	\$ (5,851,423)	\$ 11,511,515

See notes to financial statements.



Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

June 30, 2021

## **1. Accounting Policies**

### ***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements and notes thereto have been prepared in accordance with accounting principles generally accepted in the United States for the preparation of interim financial statements and reflect all adjustments (which primarily include normal recurring accruals) which we believe are necessary to present fairly the financial position, results of operations and cash flows. All significant intercompany accounts and transactions have been eliminated. These statements, however, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States. Interim results may not necessarily be indicative of results that may be expected for any other interim period or for the year as a whole. These financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Annual Report and Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines (Amended) for the year ended December 31, 2020, filed April 6, 2021 with the OTC Marketplace.

We evaluate events through the date these condensed consolidated financial statements are filed with the OTC Marketplace for events requiring adjustment to or disclosure in the condensed consolidated financial statements.

### ***Impact of COVID-19 Pandemic***

The ongoing COVID-19 pandemic and the actions taken by various governments and third parties to combat the spread of COVID-19 (including, in some cases, mandatory quarantines, travel bans and restrictions, as well as business limitations and shutdowns) have led to significant uncertain global economic conditions. To date, we have not experienced significant or widespread disruption to our supply chain or distribution channels, but we have seen supply constraints for certain raw materials used in our operations. While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations, as well as that of our distributors, customers, suppliers (including contract manufacturers) and other counterparties, for an indefinite period of time. To support the health and well-being of our employees, customers, partners and communities, a vast majority of our employees have been working remotely since March 2020.

The ultimate impact of the COVID-19 pandemic on our worldwide operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak. New information may emerge concerning the severity of the COVID-19 pandemic, possibly resulting in additional government directed preventative and protective actions that may cause extended periods of business disruption and/or reduced operations. Any resulting financial impact cannot be reasonably estimated at this time but may have a material adverse impact on our business, financial condition and results of operations.

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**1. Accounting Policies (continued)**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of the filing date of these condensed consolidated financial statements and quarterly Disclosure Statement with the OTC Marketplace. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates.

*Concentrations of Risk*

Effective January 1, 2019, we have entered into outsourcing agreements with Nutracom LLC ("Nutracom") to manufacture our nutritional and dietary supplements and for warehousing and fulfillment services for the U.S. distribution of our products. Nutracom has also issued promissory notes to us for the acquisition of our manufacturing and fulfillment operations. Any inability of Nutracom to deliver these contracted services or to repay the promissory notes could adversely impact our future operating results and valuation of our Nutracom equity investment. See Note 2 and Note 8 for further discussion of our relationship with Nutracom.

*Variable Interest Entities (VIE) - Unconsolidated*

We have a non-voting Class B 5% equity membership interest in Nutracom. If we are the primary beneficiary of a VIE, we are required to consolidate the VIE in our consolidated financial statements. To determine if we are the primary beneficiary, we evaluate whether we have the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Our VIE evaluation requires significant assumptions and judgments.

We do not have the power to direct the significant activities of Nutracom, primarily because we do not have governance rights. We also do not participate in the annual profits or losses of Nutracom. Therefore, we do not consolidate the financial results of Nutracom in our consolidated financial statements. We account for our financial interest in Nutracom as an equity investment measured at cost minus impairment, if any. A cost method equity investment is subject to periodic impairment review using the other-than-temporary impairment model, which considers the severity and duration of a decline in fair value below cost and our ability and intent to hold the investment for a sufficient period of time to allow for recovery.

See Note 2 and Note 8 for further information on our financial relationship with Nutracom.

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**1. Accounting Policies (continued)**

*New Accounting Pronouncements – Not Yet Adopted*

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) No. 2016-13, *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires entities to use a current lifetime expected credit loss methodology to measure impairments of certain financial assets. Using this methodology may result in earlier recognition of losses than under the current incurred loss approach, which requires waiting to recognize a loss until it is probable of having been incurred. There are other provisions within the standard that affect how impairments of other financial assets may be recorded and presented, and that expand disclosures. This standard will be effective for our interim and annual financial periods beginning January 1, 2023, with early adoption permitted. Adoption of this standard must be applied on a modified retrospective basis. We are evaluating the potential impact of this standard on our consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* which adds new guidance for accounting for tax law changes, year-to-date losses in interim periods, and certain franchise-type taxes, as well as other changes to simplify accounting for income taxes. This standard will be effective for our fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 31, 2022, with early adoption permitted. The adoption methodologies for this standard vary; subject to the specific provision(s) within the standard being adopted. We are evaluating the potential impact of this standard on our consolidated financial statements and related disclosures.

**2. Related Parties**

On January 1, 2019, we entered into a Purchase Agreement with Nutracom pursuant to which Nutracom purchased from us machinery, other equipment, and inventories previously used by us in our manufacturing operations. Nutracom was founded by our former manufacturing operations management.

Concurrently with the execution of the Purchase Agreement, we entered into several agreements with Nutracom including a product supply agreement for a term of seven years, a fulfillment agreement, and a facility lease agreement (see Note 8) whereby Nutracom leases manufacturing, warehouse, and certain office space of our headquarters building from us.

Included within the consideration received by us for the sale of our manufacturing operations, Nutracom issued us two interest-bearing promissory notes (as amended), a Class B equity membership interest in Nutracom, and an agreement to pay us royalties based on a percentage of Nutracom’s annual revenues (excluding Nutracom’s revenues from sales to us).

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**2. Related Parties (continued)**

The following summarizes our related party activities with Nutracom and a significant distributor of the Company.

<u>Assets and liabilities - related parties</u>	June 30 2021	December 31 2020
<u>Notes &amp; accounts receivables and deposits - current</u>		
Deposits with Nutracom for inventory	\$ 1,019,892	\$ 942,271
Note receivable - distributor	142,899	138,686
Note receivable - Nutracom unsecured DTD 6/1/2019	83,906	81,432
Note receivable - Nutracom unsecured DTD 10/1/2019	52,727	50,918
Unbilled receivables: Straight line rent revenue greater than rental billings	40,068	40,068
Other miscellaneous receivables	40,938	50,261
	<u>\$ 1,380,430</u>	<u>\$ 1,303,636</u>
<u>Notes &amp; accounts receivables - non-current</u>		
Note receivable - distributor	\$ 940,238	\$ 1,012,757
Note receivable - Nutracom unsecured DTD 6/1/2019	336,570	379,151
Note receivable - Nutracom unsecured DTD 10/1/2019	633,422	660,245
Unbilled receivables: Straight line rent revenue greater than rental billings	188,462	208,496
	<u>\$ 2,098,692</u>	<u>\$ 2,260,649</u>
Equity investment in Nutracom	\$ 505,000	\$ 505,000
<u>Liability captions with Nutracom balances included therein</u>		
Trade accounts payable and other accrued expenses	\$ 152,040	\$ 123,867

The following table presents scheduled principal payments to be received on the distributor and Nutracom promissory notes receivable:

Remainder of 2021	\$ 137,609
2022	288,294
2023	306,655
2024	326,190
2025	346,975
Thereafter	784,039
	<u>\$ 2,189,762</u>

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**2. Related Parties (continued)**

<u>Revenue and expense - related parties</u>	Six months ended June 30	
	2021	2020
Other revenue	\$ 372,424	\$ 374,444
Selling, general and administrative expense:		
Fulfillment & professional fees	310,942	316,910
Interest income on promissory notes	71,025	76,210
Royalty income (other income/expense)	51,163	30,504
Finished goods inventory purchased from Nutracom	\$ 3,136,200	\$ 3,768,800

At June 30, 2021, we had \$4.6 million in commitments (net of deposits) to purchase finished goods inventory from Nutracom.

**3. Stockholders' Equity**

In the months of October 2020 through December 2020, in a series of filings with the U.S. Securities and Exchange Commission (SEC), we announced our intention to effect a 2,000-to-1 reverse stock split of our common stock shares and a 1-to-2,000 forward stock split of our common stock shares (collectively "Stock Split"), as defined and described within the aforementioned SEC filings.

In January 2021, we executed our Stock Split plan. Upon completion of the reverse stock split portion of the Stock Split plan, stockholders with fewer than 2,000 shares had their share ownership reduced to a fractional share of less than one share of our common stock. For these stockholders with post-reverse split ownership of a fractional share of less than one share, we acquired their fractional shares of our common stock at a price of \$3.75 per share times the number of shares owned immediately prior to the execution of the reverse stock split. In January 2021, we expended approximately \$2.67 million to acquire approximately 692,500 shares on a pre-reverse stock split basis.

Following our completion of the aforementioned acquisition of fractional shares, remaining stockholders of our common stock then had their ownership shares effected by a 1-to-2,000 forward stock split.

We undertook our Stock Split plan as part of an overall plan to suspend our obligations to file periodic and current reports and other information with the SEC as our Board of Directors determined that the costs of being a public reporting company outweigh the benefits thereof. In January 2021, we completed our filings with the SEC and completed the process for delisting of our common stock from trading on the NASDAQ Stock Exchange. The remaining common shares continue to trade on the OTC Markets under the RELV ticker symbol.

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**4. Fair Value of Financial Instruments**

Fair value can be measured using valuation techniques such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The carrying amount and fair value of financial instruments were approximately as follows:

Description	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<i><u>June 30, 2021</u></i>					
Term loan (principal)	\$3,923,174	\$3,923,174	-	\$3,923,174	-
Note receivable - distributor	1,083,137	1,202,000	-	1,202,000	-
Notes receivable - Nutracom	1,106,625	1,154,000	-	-	\$1,154,000
<i><u>December 31, 2020</u></i>					
Term loan (principal)	\$3,987,391	\$3,987,391	-	\$3,987,391	-
Note receivable - distributor	1,151,443	1,321,000	-	1,321,000	-
Notes receivable - Nutracom	1,171,746	1,225,000	-	-	\$1,225,000

*Term loan:* The fair value of our term loan approximates carrying value as this loan was obtained in November 2020 at fair value. (Fair value is only disclosed).

*Note receivable - distributor:* The note receivable - distributor is a variable rate residential mortgage-based financial instrument. An average of published interest rate quotes for a fifteen-year residential jumbo mortgage, a comparable financial instrument, was used to estimate fair value of this note receivable under a discounted cash flow model. (Fair value is only disclosed).

*Notes receivable - Nutracom:* The notes receivable - Nutracom represent two fixed rate promissory notes issued by a privately-held entity (PHE). We developed an estimated market discount rate based upon the PHE's third party incremental variable borrowing rate plus a risk-adjustment factor to estimate the fair value of these notes receivable under a discounted cash flow model. (Fair value is only disclosed).

The carrying value of other financial instruments, including cash, accounts receivable and accounts payable, and accrued liabilities approximate fair value due to their short maturities or variable-rate nature of the respective balances.

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**5. Debt**

-- 4.25% bank term loan, imputed interest rate of 5.63%	Principal Due	Unamortized Debt Issuance Costs	Term Loan Net
<i>June 30, 2021</i>			
Current portion	\$ 132,177	\$ 53,973	\$ 78,204
Long-term portion	3,790,997	166,062	3,624,935
	\$ 3,923,174	\$ 220,035	\$ 3,703,139
<i>December 31, 2020</i>			
Current portion	\$ 129,373	\$ 54,884	\$ 74,489
Long-term portion	3,858,018	192,594	3,665,424
	\$ 3,987,391	\$ 247,478	\$ 3,739,913

Principal maturities of debt at June 30, 2021 are as follows:

Remainder of 2021	\$ 65,150
2022	135,059
2023	140,995
2024	146,758
2025	3,435,212
Thereafter	-
	\$ 3,923,174

Term Loan

On November 5, 2020, we entered into a \$4,000,000 term loan agreement with our primary lender. The term loan is for a period of five years, with a fixed interest rate of 4.25%, and requires monthly payments of principal and interest of \$24,887 under a twenty-year amortization, with a balloon payment for the outstanding balance due and payable at the end of the term in November 2025.

Borrowings under the new term loan agreement are secured by all of our tangible and intangible assets and by a mortgage on the real estate of our headquarters facility. In addition, the term loan is secured by a personal guarantee(s) by three of our significant shareholders ("Guarantors"). In consideration for the personal guarantee(s), we paid a one-time aggregate payment of \$200,000 to be shared among the Guarantors. In November 2020, we recognized professional fees incurred to obtain the term loan plus the Guarantors payment, totaling \$256,214, as debt issuance costs associated with the term loan. We are amortizing the debt issuance costs to interest expense over the loan's five-year term under the effective interest method.

Proceeds from the term loan agreement were used to pay off our \$500,000 outstanding revolving line of credit balance, fund our loan Guarantors payment, and to fund our January 2021 common stock split transactions as described in Note 3, as well as provide funds for general working capital purposes.

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**5. Debt (continued)**

The term loan agreement includes an annual loan covenant, measured at year-end, requiring us to maintain a fixed coverage ratio of at least 1.1 to 1.0. The fixed charge ratio as defined includes a numerator consisting of EBITDA less: unfinanced capital expenditures, dividends and other distributions, and income tax expense/benefit. The covenant's denominator consists of the term loan's annual principal and interest payments. The term loan also includes an annual covenant requiring the Guarantors (individually) to maintain personal minimum liquidity levels. We are in compliance with our loan covenant requirements.

PPP SBA Note -- 2020

On May 4, 2020, we executed a promissory note ("SBA Note") in the amount of \$862,000 with our primary lender under the March 2020 U.S. enacted Coronavirus Aid, Relief, and Economic Security (CARES) Act Payroll Protection Program ("PPP"). In accordance with the PPP, we used the loan proceeds of \$862,000 for payroll costs. The PPP SBA Note was subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act which included the opportunity to apply for loan forgiveness for some or all of the loan amount.

The PPP loan had an interest rate of 1.0% and was scheduled to mature on April 20, 2022. In December 2020, our application for loan forgiveness of the full amount of the PPP loan was approved by the SBA. Accordingly, upon receipt of the SBA's approval, we recognized \$862,000 of loan forgiveness income in December 2020.

**6. Income Taxes**

During the fiscal years of 2016 through 2020, we determined that it was more likely than not losses generated in the U.S. and certain foreign jurisdictions will not be realized based on projections of future taxable income, estimated reversals of existing taxable timing differences, and other considerations. In prior years, we recorded a valuation allowance on all of our domestic and foreign deferred tax assets.

The effective income tax rate was (18.2)% and (36.5)% for the year to date periods ended June 30, 2021 and 2020, respectively. For each year to date period, the income tax provision amounts include estimated income taxes for one of the Company's foreign subsidiaries and certain U.S. states. In addition, we recognized the following non-recurring income tax benefits:

- In April 2021, the local taxing authority for one of the Company's foreign subsidiaries retroactively reduced its 2020 corporate income tax rate by 2.5 points and its 2021 corporate income tax by 5.0 points; resulting in a year to date 2021 income tax benefit of approximately \$22,000.
- Under the March 2020 U.S. CARES Act, U.S. Net Operating Losses (NOLs) arising in our calendar tax years 2018, 2019, and 2020 may be carried back to each of the five tax years preceding the tax year of such loss. Based on this 2020 legislation, in the first quarter ended March 31, 2020, we recognized a \$225,000 income tax benefit for NOL carryback. In July 2020, we received our requested NOL carryback refund from the Internal Revenue Service.

In October 2020, one of our foreign subsidiaries received notification from its local tax agency of the agency's intent to commence an examination of its 2019 local country income tax return.



Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**7. Revenue Recognition**

We recognize revenue from product sales under a five step process with our independent distributors (including customers) when there is a legally enforceable contract, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Product sales revenue (principally nutritional and dietary supplements) and commission expenses are recorded when control is transferred to the independent distributors, which occurs at the time of shipment. Generally, net sales reflect product sales less the distributor discount of 20 percent to 40 percent of the suggested retail price. We present distributor royalty and commission expense as an operating expense, rather than a reduction to net sales, as these payments are not made to the purchasing distributor. At point of sale, we receive payment by credit card, personal check, or guaranteed funds for contracts from independent distributors and make related commission payments in the following month.

We recognize the performance obligation for membership fees-type revenue over the membership term of generally twelve months. We receive payment for membership fees revenue at the beginning of the membership term and recognize membership fees revenue on a straight-line basis in correlation with the completion of our performance obligation under the membership term. Our remaining unearned membership fees obligation is reported as deferred revenue liability.

We record freight income as a component of net sales and record freight costs as a component of cost of goods sold. Total sales do not include sales tax as we consider ourselves a pass-through conduit for collecting and remitting applicable sales taxes.

Other revenue is defined in Note 8 – Lease Revenue.

Actual and estimated sales returns are classified as a reduction of net sales. We estimate and accrue a reserve for product returns based on our return policy and historical experience. Our product returns policy allows for distributors to return product only upon termination of his or her distributorship. Allowable returns are limited to saleable product which was purchased within twelve months of the termination for a refund of 100% of the original purchase price less any distributor royalties and commissions received relating to the original purchase of the returned products. For the year to date periods ending June 30, 2021 and 2020, total returns as a percent of net sales were 0.11% and 0.05%, respectively.

We classify our net sales into three categories of sales products, plus freight income, and other revenue:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Net sales by product category				
Nutritional and dietary supplements	\$ 6,360,437	\$ 6,814,003	\$ 14,121,066	\$ 15,657,153
Other supplements	387,401	266,013	631,669	683,242
Sales aids, membership fees, and other	248,213	291,146	490,692	579,584
Freight income	446,921	446,707	936,280	1,004,802
Other revenue	183,045	198,691	372,424	374,444
Total net sales	<u>\$ 7,626,017</u>	<u>\$ 8,016,560</u>	<u>\$ 16,552,131</u>	<u>\$ 18,299,225</u>

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**7. Revenue Recognition (continued)**

We operate in one reportable segment, a network marketing segment consisting of six operating units that sell nutritional and dietary products to a sales force of independent distributors that sell the products directly to customers. These operating units are based on geographic regions, as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Net sales by geographic region				
United States	\$ 5,768,626	\$ 6,087,586	\$ 12,781,512	\$ 13,930,021
Australia/New Zealand	136,300	118,749	294,870	288,871
Canada	139,805	125,996	289,525	284,657
Mexico	171,392	124,554	327,763	253,175
Europe <sup>(1)</sup>	676,590	602,533	1,393,453	1,564,625
Asia <sup>(2)</sup>	733,304	957,142	1,465,008	1,977,876
Total net sales	<u>\$ 7,626,017</u>	<u>\$ 8,016,560</u>	<u>\$ 16,552,131</u>	<u>\$ 18,299,225</u>

<sup>(1)</sup> Europe consists of United Kingdom, Ireland, France, Germany, Austria, and the Netherlands.

<sup>(2)</sup> Asia consists of Philippines and Malaysia.

**8. Lease Revenue**

Other revenue consists of revenue derived from leasing a portion of our headquarters building to Nutracom effective January 1, 2019. The leased space, encompassing manufacturing, warehouse, and certain office space, is for a term of seven years, with a tenant option for an additional five-year term. Annual lease amounts range from \$193,000 to \$410,000 over the seven-year term.

We recognize lessor rent revenue on a straight-line basis over the term of the lease. As part of this straight-line methodology, the cumulative rental billings may be greater or less than the financial period's recognized revenue; such timing differences are recognized on the balance sheet as an accrued other liability or an unbilled rent revenue receivable.

Also included in other revenue are billings to the tenant for its share of the facility's common area costs such as real estate taxes, maintenance, and utilities; totaling approximately \$199,500 and \$201,600 for the six month periods ending June 30, 2021 and 2020, respectively. These same common area costs plus the tenant's share of the facilities' depreciation are recorded as cost of goods sold.

Reliv' International, Inc. and Subsidiaries  
Notes to Consolidated Financial Statements  
(Unaudited)

**8. Lease Revenue (continued)**

The following table details lessor's estimated remaining straight-line rent revenue over the seven-year lease term as compared with fixed rent amounts under the lease agreement.

	Estimated Straight-line Rent Revenue	Lease Agreement Fixed Rent
Remainder of 2021	\$ 172,866	\$ 192,900
2022	345,732	385,800
2023	345,732	385,800
2024	345,732	409,913
2025	345,733	409,912
Thereafter	-	-
Total	<u>\$ 1,555,795</u>	<u>\$ 1,784,325</u>