

## Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

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

136 Chesterfield Industrial Blvd., Chesterfield, MO 63005

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Company Phone: (636) 537-9715

Website: [www.reliv.com](http://www.reliv.com)

Email: [shareholderinfo@relivinc.com](mailto:shareholderinfo@relivinc.com)

SIC Code: 2834

### **Annual Report for the Year Ended: December 31, 2020**

As of March 15, 2021, the number of shares outstanding of our Common Stock was: 1,053,901

As of December 31, 2019, the number of shares outstanding of our Common Stock was: 1,746,449

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: 12/31/2020  
Total shares outstanding: 1,746,449 as of date: 12/31/2020  
Total shares outstanding: 1,053,901 as of date: 3/15/2021  
Number of shares in the Public Float<sup>2</sup>: 264,759 as of date: 3/15/2021  
Total number of shareholders of record: approx. 27 as of date: 3/15/2021

*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: <u>Opening Balance</u> 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>Hastings family</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>
Shares Outstanding on Date of This Report: <u>Ending Balance:</u> Date <u>3/15/2021</u> Common: <u>1,053,901</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 F at end of document for the Audited 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.

<b><u>Location</u></b>	<b><u>Nature of Use</u></b>	<b><u>Square Feet</u></b>	<b><u>Owned/Leased</u></b>
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>244,801</u>	<u>Common</u>	<u>23.2%</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>9.6%</u>	_____
<u>John M. Klimek</u>	<u>Director</u>	<u>Inverness, IL</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____
<u>Robert M. Henry</u>	<u>Director</u>	<u>Newport Coast, CA</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____
<u>Paul J. Adams</u>	<u>Director</u>	<u>Cross Roads, TX</u>	<u>-0-</u>	<u>N/A</u>	<u>----</u>	_____
<u>R. Scott Montgomery</u>	<u>President of Operations</u>	<u>Defiance, MO</u>	<u>103,985</u>	<u>Common</u>	<u>9.9%</u>	_____
<u>Melisa B. McCain</u>	<u>5% Owner/ Employee</u>	<u>Wildwood, MO</u>	<u>100,000</u>	<u>Common</u>	<u>9.5%</u>	(1)
<u>Stephen M. Merrick</u>	<u>Secretary/General Counsel</u>	<u>Fairhope, AL</u>	<u>63,191</u>	<u>Common</u>	<u>6.0%</u>	(2)
<u>Thomas W. Pinnock</u>	<u>President of Sales</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>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>Donald L. McCain</u>	<u>5% Owner</u>	<u>Las Vegas, NV</u>	<u>71,532</u>	<u>Common</u>	<u>6.8%</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: Ernst & Young LLP  
Address 1: 7676 Forsyth Blvd., Suite 2600  
Address 2: St. Louis, MO 63105  
Phone: (314) 290-1000

### 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 Annual 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.

March 31, 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 Annual 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.

March 31, 2021

/s/ Steven D. Albright

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



**Reliv' International, Inc.  
and Subsidiaries**

**Consolidated Financial Statements**

Years ended December 31, 2020 and 2019

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**Consolidated Financial Statements:**

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7676 Forsyth Boulevard  
Saint Louis MO 63105

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ey.com

## Report of Independent Auditors

To the Stockholders and the Board of Directors  
Reliv' International, Inc.

We have audited the accompanying consolidated financial statements of Reliv' International, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of net income (loss) and comprehensive income (loss), changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 consolidated financial position of Reliv' International, Inc. and Subsidiaries at December 31, 2020 and 2019, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

March 30, 2021

Reliv' International, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,030,156	\$ 1,630,779
Accounts receivable, less allowances of \$5,000 in 2020 and 2019	124,403	107,369
Notes & accounts receivables and deposits - related parties	1,303,636	1,099,228
Inventories:		
Finished goods	1,874,004	2,275,306
Raw materials	146,799	305,571
Sales aids and promotional materials	76,277	120,811
Total inventories	2,097,080	2,701,688
Refundable income taxes	19,583	22,406
Prepaid expenses and other current assets	488,484	304,048
Total current assets	11,063,342	5,865,518
Notes and accounts receivables - related parties	2,260,649	2,418,921
Operating lease right-to-use assets	282,094	354,440
Intangible assets, net	1,496,293	1,722,277
Equity investment	505,000	505,000
Property, plant, and equipment	14,429,203	14,527,400
Less accumulated depreciation	10,296,740	10,086,560
Property, plant, and equipment, net	4,132,463	4,440,840
 Total assets	 <u>\$ 19,739,841</u>	 <u>\$ 15,306,996</u>

Reliv' International, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31	
	2020	2019
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,050,276	\$ 3,131,209
Income taxes payable	40,561	121,177
Operating lease liabilities	165,826	236,771
Revolving line of credit	-	500,000
Current portion of long-term debt	74,489	-
Total current liabilities	3,331,152	3,989,157
Noncurrent liabilities:		
Operating lease liabilities	104,817	103,580
Long-term debt, less current portion	3,665,424	-
Other noncurrent liabilities	154,814	112,616
Total noncurrent liabilities	3,925,055	216,196
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 500,000 shares authorized; -0- shares issued and outstanding in 2020 and 2019	-	-
Common stock, par value \$0.001 per share; 5,000,000 shares authorized, 2,110,013 shares issued and 1,746,449 shares outstanding in 2020 and 2019	2,110	2,110
Additional paid-in capital	30,643,771	30,643,771
Accumulated deficit	(11,424,494)	(12,755,495)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(886,330)	(937,320)
Treasury stock	(5,851,423)	(5,851,423)
Total stockholders' equity	12,483,634	11,101,643
Total liabilities and stockholders' equity	\$ 19,739,841	\$ 15,306,996

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

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

	Year ended December 31	
	2020	2019
Product sales	\$ 32,852,759	\$ 32,298,533
Freight income	1,966,056	1,973,320
Other revenue	810,287	783,462
Net sales	35,629,102	35,055,315
Costs and expenses:		
Cost of goods sold	9,424,689	9,557,116
Distributor royalties and commissions	11,532,957	11,259,071
Selling, general, and administrative	14,508,290	14,798,586
Income (loss) from operations	163,166	(559,458)
Other income (expense):		
Interest income	163,225	177,810
Interest expense	(60,228)	(47,180)
Other income	154,838	17,922
PPP loan forgiveness income	862,000	-
Gain on sale of fixed assets	-	434,549
Income before income taxes	1,283,001	23,643
Provision (benefit) for income taxes	(48,000)	468,000
Net income (loss) available to common shareholders	\$ 1,331,001	\$ (444,357)
Other comprehensive income (loss):		
Foreign currency translation adjustment	50,990	44,775
Comprehensive income (loss)	\$ 1,381,991	\$ (399,582)
Earnings (loss) per common share - Basic & Diluted	\$0.76	(\$0.25)
Weighted average shares	1,746,000	1,746,000

See accompanying notes.



Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
Balance at December 31, 2018	2,110,013	\$ 2,110	\$ 30,622,547	\$ (12,311,138)	\$ (982,095)	264,853	\$ (5,338,560)	\$ 11,992,864
Net loss	-	-	-	(444,357)	-	-	-	(444,357)
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	44,775	-	-	44,775
Total comprehensive loss								(399,582)
Treasury stock acquired	-	-	-	-	-	99,200	(540,144)	(540,144)
Other	-	-	-	-	-	(489)	27,281	27,281
Stock-based compensation	-	-	21,224	-	-	-	-	21,224
Balance at December 31, 2019	2,110,013	2,110	30,643,771	(12,755,495)	(937,320)	363,564	(5,851,423)	11,101,643
Net income	-	-	-	1,331,001	-	-	-	1,331,001
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	50,990	-	-	50,990
Total comprehensive income								1,381,991
Balance at December 31, 2020	2,110,013	\$ 2,110	\$ 30,643,771	\$ (11,424,494)	\$ (886,330)	363,564	\$ (5,851,423)	\$ 12,483,634

*See accompanying notes.*

# Reliv' International, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

	Year ended December 31	
	2020	2019
<b>Operating activities</b>		
Net income (loss)	\$ 1,331,001	\$ (444,357)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	570,777	583,824
Stock-based compensation	-	21,224
Non-cash PPP loan forgiveness income	(862,000)	-
Non-cash debt issuance expense	8,737	-
Non-cash other revenue	-	(345,732)
Non-cash miscellaneous loss	-	24,618
Gain on sale of property, plant and equipment	-	(434,549)
Foreign currency transaction (gain)/loss	(19,095)	11,450
(Increase) decrease in trade, accounts & notes receivable, and deposits - related parties	(189,384)	(644,823)
(Increase) decrease in inventories	629,539	843,881
(Increase) decrease in refundable income taxes	2,823	306
(Increase) decrease in prepaid expenses and other current assets	(179,170)	142,614
Increase (decrease) in income taxes payable	(84,567)	82,833
Increase (decrease) in accounts payable & accrued expenses, deferred revenue, and non-current liabilities	(85,654)	(783,880)
Net cash provided by (used in) operating activities	1,123,007	(942,591)
<b>Investing activities</b>		
Purchase of property, plant, and equipment	(34,619)	(98,773)
Payments received on notes receivables - related parties	130,629	162,457
Net cash provided by investing activities	96,010	63,684
<b>Financing activities</b>		
Proceeds from revolving line of credit borrowings	-	500,000
Repayment of revolving line of credit borrowings	(500,000)	-
Proceeds from PPP loan borrowing	862,000	-
Proceeds from term loan borrowing	4,000,000	-
Debt issuance financing costs paid	(256,214)	-
Principal payments on long-term borrowings	(12,610)	-
Net cash provided by financing activities	4,093,176	500,000
Effect of exchange rate changes on cash and cash equivalents	87,184	19,712
Increase (decrease) in cash and cash equivalents	5,399,377	(359,195)
Cash and cash equivalents at beginning of year	1,630,779	1,989,974
Cash and cash equivalents at end of year	\$ 7,030,156	\$ 1,630,779

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year ended December 31	
	2020	2019
<hr/>		
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 36,900</u>	<u>\$ 47,700</u>
Income taxes paid, net	<u>\$ 43,000</u>	<u>\$ 355,000</u>
Non-cash investing & financing transactions (Note 3):		

*See accompanying notes.*

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2020

### **1. Nature of Business and Significant Accounting Policies**

#### ***Nature of Business***

Reliv' International, Inc. (the Company) develops and markets a proprietary line of nutritional supplements addressing basic nutrition, specific wellness needs, weight management, and sports nutrition. These products are sold by subsidiaries of the Company to a sales force of independent distributors of the Company that sell products directly to consumers. The Company and its subsidiaries sell products to distributors throughout the United States and in Australia, Austria, Canada, France, Germany, Ireland, Malaysia, Mexico, the Netherlands, New Zealand, the Philippines, and the United Kingdom.

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

The consolidated financial statements include the accounts of the Company and its foreign and domestic subsidiaries. All significant intercompany accounts and transactions have been eliminated.

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

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the U.S. and the world and has resulted in government authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will have on our future 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 which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments may direct resulting in an extended period of continued business disruption and 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

### **1. Nature of Business and Significant 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 date of issuance of these consolidated financial statements. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under unanticipated conditions or assumptions.

#### ***Cash Equivalents***

Our policy is to consider the following as cash and cash equivalents: demand deposits and short-term investments with a maturity of three months or less when purchased.

#### ***Property, Plant, and Equipment***

Property, plant, and equipment are stated on the cost basis. Depreciation is computed using the straight-line or an accelerated method over the useful life of the related assets. Generally, computer equipment and software are depreciated over 3 to 5 years, office and other equipment over 7 years, and real property over 39 years.

#### ***Inventories***

Inventories are valued at the lower of cost or market and are accounted for on a first-in, first-out basis. Finished goods inventories primarily consist of purchased products held for resale. On a periodic basis, we review inventory levels, as compared to future demand requirements and the shelf life of the various products. Based on this review, we record inventory write-downs when necessary.

Sales aids and promotional materials inventories represent distributor kits, product brochures, and other sales and business development materials which are held for sale to distributors. Cost of the sales aids and promotional materials held for sale are capitalized as inventories and subsequently recorded to cost of goods sold upon recognition of revenue when sold to distributors. All other advertising and promotional costs are expensed when incurred.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Nature of Business and Significant Accounting Policies (continued)

#### *Amortizable Intangible Assets*

Intangible assets are recorded based on management's determination of the fair value of the respective assets at the time of acquisition. Determining the fair value of intangible assets is judgmental and involves the use of significant estimates and assumptions of future company operations. Our fair value estimates and related asset lives are based on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from these estimates.

Intangible assets estimated to have finite lives are amortized over their estimated economic life under the straight-line method; such method correlates to management's estimate of the assets' economic benefit. Based on management's estimates at origination, these lives range from two to seventeen years. Related amortization expense is presented within Selling, General, and Administrative in the accompanying consolidated statements of net income (loss) and comprehensive income (loss).

#### *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 3 for further discussion of our relationship with Nutracom.

#### *Variable Interest Entities (VIE) - Unconsolidated*

Effective January 1, 2019, we have a financial 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 3 for further information on our financial relationship with Nutracom.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Nature of Business and Significant Accounting Policies (continued)

#### *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 no later than 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 a 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 the lessor accounting sections within this Note 1 and in Note 9.

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 December 31, 2020 and 2019, total returns as a percent of net sales were approximately 0.11% and 0.08%, respectively.

#### *Fair Value Measurements*

FASB ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements required under other accounting pronouncements. See Note 7 for further discussion.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Nature of Business and Significant Accounting Policies (continued)

#### *Basic and Diluted Earnings (Loss) per Share*

Basic earnings (loss) per common share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per common share are computed using the weighted average number of common shares and potential dilutive common shares that were outstanding, if any, during the period. Potential dilutive common shares may consist of outstanding stock options, outstanding stock warrants, and convertible preferred stock. There were not any dilutive common shares for 2020 and 2019.

#### *Foreign Currency Translation and Transaction Gains or Losses*

All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Statements of net income (loss) amounts have been translated using the average exchange rate for the year. The gains and losses resulting from the changes in exchange rates from year to year have been reported in other comprehensive income (loss). The foreign currency translation adjustment is the only component of accumulated other comprehensive loss. If applicable, foreign currency translation adjustments exclude income tax expense (benefit) as certain of our investments in non-U.S. subsidiaries are deemed to be reinvested for an indefinite period of time. Foreign currency transaction gains (losses) were \$19,095 and \$(11,450) for 2020 and 2019, respectively.

#### *Income Taxes*

The provision for income taxes is computed using the liability method. The primary differences between financial statement and taxable income result from financial statement accruals and reserves and differences between depreciation and amortization for book and tax purposes.

Unrecognized tax benefits are accounted for as required by FASB ASC Topic 740 which prescribes a more likely than not threshold for financial statement presentation and measurement of a tax position taken or expected to be taken in a tax return. See Note 12 for further discussion.

#### *Advertising*

Costs of sales aids and promotional materials are capitalized as inventories. All other advertising and promotional costs are expensed when incurred. Advertising expenses were \$37,300 and \$16,800 in 2020 and 2019, respectively.

#### *Research and Development Expenses*

Research and development expenses, which are charged to selling, general, and administrative expenses as incurred, were \$215,000 and \$185,000 in 2020 and 2019, respectively.



# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Nature of Business and Significant Accounting Policies (continued)

#### *Leases*

On January 1, 2019, we adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* (including subsequent issued lease-related ASU's).

#### Lessee Accounting

We applied the new lease accounting standard to all lessee operating leases using the prospective transition method. Under this method, prior financial reporting periods were not restated. The adoption of the new lease accounting standard resulted in the recording of assets and obligations of our operating leases of approximately \$451,000 and \$457,000, respectively, on our January 1, 2019 consolidated balance sheets. Upon adoption, certain amounts previously recorded for prepaid and accrued rent associated with historical operating leases were reclassified to the newly captioned Operating lease right-to-use assets.

We use the lease standard's practical expedient that allows lessees to treat the lease and implicit non-lease components of our leases as a single lease component and we do not record on the balance sheet leases with an initial term of twelve months or less. Fixed lease expense on all of our operating leases is recognized on a straight-line basis over the contractual lease term, including our estimate of any renewal or early termination lease terms. Operating lease expense is presented within Selling, General and Administrative expense in our operating results.

Operating lease liabilities and related operating lease right-to-use assets are recognized at commencement date of the lease based on the present value of lease payments over the lease term. When leases do not provide an implicit discount rate, we use a country specific incremental borrowing rate based upon the lease term.

See Note 9 for additional lease disclosures.

#### Lessor Accounting – Other Revenue

Other revenue consists of revenue derived from our leasing a portion of our headquarters building to Nutracom. 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. These same common area costs plus the tenant's share of the facilities' depreciation are recorded as cost of goods sold.

See Note 2 and Note 3 for further information on our financial relationship with Nutracom. See Note 9 for further information on our leases.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 1. Nature of Business and Significant Accounting Policies (continued)

#### ***Going Concern***

Prior to 2020, we had incurred operating losses, declining net sales, and negative net cash flows in recent years. In December 2018, our management estimated that these unfavorable trends were more likely than not to continue for the foreseeable future, and as a result, we would require additional financial support to fund our operations and execute our business plan. Accordingly, in 2018 and 2019, there was substantial doubt about our ability to continue as a going concern.

We have taken steps during 2020 which we believe has resulted in improvement in our financial position, operating results, and cash flows. These steps included obtaining new loans totaling \$4.8 million (see Note 8) and improvement in our 2020 results to show income from operations of \$163,000 and net income of \$1.3 million.

We believe that the aforementioned 2020 steps and improvement in financial results have alleviated substantial doubt about our ability to continue as a going concern

#### ***New Accounting Pronouncements – Not Yet Adopted***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 15, 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.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 2. Sale of Manufacturing Operations' Assets

On January 1, 2019, we entered into a Purchase Agreement with Nutracom pursuant to which Nutracom purchased the following assets previously used by us in our manufacturing operations:

- Inventories (sold at cost of \$1.56 million) and,
- Machinery and other equipment with a net book value of \$565,000 (sold for \$1 million; gain on disposal of \$435,000).

Nutracom was formed by our manufacturing operations management which included former officers of the Company. Employees of our manufacturing operations were offered employment by Nutracom.

Prior to its approval of the transaction, our Board of Directors formed a special committee consisting of the Board's independent directors to review the transaction. To assist in its review, the special committee engaged a qualified third-party expert to render a fairness opinion on the transaction and related agreements as detailed below.

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 whereby Nutracom will lease manufacturing, warehouse, and certain office space of our headquarters building from us for a term of seven years, with a Nutracom option for an additional five-year term. Annual lease amounts range from \$193,000 to \$410,000 per year over the seven-year term.

Nutracom provided the following consideration to us for the manufacturing operations and related identified assets and agreements:

- \$1 million secured promissory note, seven-year term, fixed interest rate of 5.5%, principal and interest payable monthly. (See June 1, 2019 note modification within this Note 2).
- \$764,344 unsecured promissory note, seven-year term, fixed interest rate of 7.0%, interest only payable for the first two years with monthly payment of principal and interest thereafter under a ten-year amortization schedule. The face value of the unsecured note includes the first year's rent due us under the facility lease agreement. (See October 1, 2019 note modification within this Note 2).
- Nutracom management transferred to us its ownership of 99,200 shares of our common stock valued at \$540,144.
- Nutracom issued to us a non-voting Class B 15% equity membership interest in Nutracom, LLC. The Class B interest does not share in any profits or losses from operations of Nutracom. As defined within the Nutracom Operating Agreement, upon any merger, consolidation, disposition, or liquidation of Nutracom, the Class B equity membership interest converts to a Class A equity membership interest. (In June 2020, Nutracom increased its total equity membership interests; reducing our Nutracom equity membership interest from 15% to 5%).
- Commencing January 1, 2020, our Class B interest is entitled to receive a percentage, (ranging from 1.0% to 1.25%) of Nutracom's annual revenues (excluding Nutracom's revenues from sales to us).

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 2. Sale of Manufacturing Operations' Assets (continued)

Our non-voting Class B equity membership interest in Nutracom was valued by the aforementioned third-party expert at \$505,000. As our non-voting membership interest does not participate in the management of Nutracom, nor do we share in any Nutracom operating profits or losses, we are accounting for our Nutracom equity investment under the cost method.

We closed on the aforementioned Nutracom Purchase Agreement and related agreements with an effective date of January 1, 2019.

#### Promissory Note Modification – June 1, 2019

On June 1, 2019, we entered into an Agreement with Nutracom to modify the Secured Promissory Note originally issued to us by Nutracom on January 1, 2019, as follows:

- Effective June 1, 2019, the outstanding balance of the Secured Promissory Note was reduced by \$500,000 to \$460,583 with a corresponding reduction of \$500,000 to our outstanding vendor obligation due Nutracom under our ongoing product supply agreement.
- The \$460,583 remaining Secured Promissory Note was exchanged with Nutracom for a newly issued June 1, 2019 Nutracom Unsecured Promissory Note for the same amount under the following terms: fixed interest rate of 6.0% with interest only payable monthly through December 2020. Beginning January 1, 2021, principal and interest of \$8,904 will be payable monthly for 60 months.

#### Promissory Note Modification – October 1, 2019

In December 2019, we entered into an Agreement with Nutracom to modify the Unsecured Promissory Note originally issued to us by Nutracom on January 1, 2019, as follows:

- Effective October 1, 2019, the outstanding balance of the January 1, 2019 Unsecured Promissory Note of \$764,344 was reduced to \$711,163. The reduction of \$53,181 in the Note's balance represents Nutracom's return to us of now-expired inventories originally acquired by Nutracom from us on January 1, 2019.
- The \$711,163 remaining balance of the January 1, 2019 Unsecured Promissory Note was exchanged with Nutracom for a newly issued October 1, 2019 Nutracom Unsecured Promissory Note for the same amount under the following terms: fixed interest rate of 7.0% with interest only payable monthly through December 2020. Beginning January 1, 2021, principal and interest of \$8,257, under a ten-year amortization schedule, will be payable monthly for 60 months, with a balloon payment of all remaining principal and interest due January 1, 2026.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 3. Related Parties

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

	<b>December 31 2020</b>	<b>December 31 2019</b>
<u>Assets and liabilities - related parties</u>		
<u>Notes &amp; accounts receivables and deposits - current</u>		
Deposits with Nutracom for inventory	\$ 942,271	\$941,154
Note receivable - distributor (Note 11)	138,686	130,629
Note receivable - Nutracom unsecured DTD 6/1/2019	81,432	-
Note receivable - Nutracom unsecured DTD 10/1/2019	50,918	-
Unbilled receivables: Straight line rent revenue greater than rental billings	40,068	-
Other miscellaneous receivables	50,261	27,445
	<b>\$ 1,303,636</b>	<b>\$ 1,099,228</b>
<u>Notes &amp; accounts receivables - non-current</u>		
Note receivable - distributor (Note 11)	\$ 1,012,757	\$ 1,151,443
Note receivable - Nutracom unsecured DTD 6/1/2019	379,151	460,583
Note receivable - Nutracom unsecured DTD 10/1/2019	660,245	711,163
Unbilled receivables: Straight line rent revenue greater than rental billings	208,496	95,732
	<b>\$ 2,260,649</b>	<b>\$ 2,418,921</b>
Equity investment in Nutracom	\$ 505,000	505,000
<u>Liability captions with Nutracom balances included therein</u>		
Trade accounts payable and other accrued expenses	\$ 123,867	430,907

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

2021	\$ 271,036
2022	288,294
2023	306,655
2024	326,190
2025	346,975
Thereafter	784,039
	<b>\$ 2,323,189</b>

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

**3. Related Parties (continued)**

<u>Revenue and expense - related parties</u>	<b>Year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Other revenue	\$ <b>810,287</b>	\$ 783,462
Selling, general and administrative expense:		
Fullfillment & professional fees	<b>609,760</b>	622,169
Interest income on promissory notes	<b>150,461</b>	171,812
Royalty income (other income)	<b>73,252</b>	-
Gain on sale of fixed assets	-	434,549
Finished goods inventory purchased from Nutracom	\$ <b>5,918,000</b>	5,756,000

At December 31, 2020, we had \$2.5 million in commitments (net of deposits) to purchase finished goods inventory from Nutracom.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 3. Related Parties (continued)

#### Supplementary Disclosure of Cash Flows Information:

We incurred the following 2019 year noncash investing and financing transactions relating to our transactions with Nutracom:

	<u>2019</u>
<u>January 1, 2019</u>	
Sale of fixed assets	\$ 1,000,000
Sale of inventories	1,559,488
First year building rental received in advance	250,000
Acquire company common stock for treasury	540,144
Acquire equity investment in Nutracom	505,000
Secured promissory note received	1,000,000
Unsecured promissory note received	764,344
<u>June 1, 2019</u>	
Secured promissory note receivable balance decreased; applied as reduction to outstanding trade accounts payable	500,000
Unsecured promissory note received in exchange for remaining secured promissory note balance and other considerations	460,583
<u>October 1, 2019</u>	
Unsecured promissory note receivable balance decreased; applied to return of inventories previously sold under January 1, 2019 Purchase Agreement	53,181
Unsecured promissory note received in exchange for balance remaining on unsecured promissory note issued January 1, 2019	711,163

### 4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Trade payables	\$ 1,338,046	\$ 1,565,198
Distributors' commissions	945,025	891,492
Sales taxes	167,420	139,542
Deferred revenue	289,278	322,261
Payroll and payroll taxes	310,507	212,716
	<u>\$ 3,050,276</u>	<u>\$ 3,131,209</u>

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 5. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2020 and 2019, consist of the following:

	<b>2020</b>	<b>2019</b>
Land and land improvements	\$ 905,190	\$ 905,190
Building	10,135,641	10,145,005
Office and other equipment	1,207,059	1,237,142
Computer equipment and software	2,181,313	2,240,063
	<b>14,429,203</b>	14,527,400
Less accumulated depreciation	10,296,740	10,086,560
	<b>\$ 4,132,463</b>	\$ 4,440,840

For the years ended December 31, 2020 and 2019, depreciation expense was \$344,792 and \$357,839, respectively.

### 6. Amortizable Intangible Assets

Amortizable intangible assets as of December 31, 2020 and 2019 were as follows:

	<b>Gross Carrying Amount</b>		<b>Accumulated Amortization</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Distributorship and related agreements	\$2,060,000	\$2,060,000	\$1,657,156	\$1,547,290
Lunasin technology license	1,954,661	1,954,661	861,212	745,094
	<b>\$4,014,661</b>	<b>\$4,014,661</b>	<b>\$2,518,368</b>	<b>\$2,292,384</b>

As of December 31, 2020, remaining lives of intangible assets range from four to nine years. Amortization expense for intangible assets totaled \$225,985 in each of 2020 and 2019, respectively. Amortization expense for amortizable intangible assets over the next five years is estimated to be:

	<b>Intangible Amortization</b>
2021	\$226,000
2022	226,000
2023	226,000
2024	189,000
2025	116,000



# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 7. Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments at December 31, 2020 and 2019 were approximately as follows:

Description	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<b><u>December 31, 2020</u></b>					
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
<b><u>December 31, 2019</u></b>					
Note receivable - distributor	\$1,282,072	\$1,400,000	-	\$1,400,000	-
Notes receivable - Nutracom	1,171,746	1,169,000	-	-	\$1,169,000
Revolving line of credit	500,000	500,000	-	500,000	-

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.

*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).

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 7. Fair Value of Financial Instruments (continued)

*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).

*Revolving line of credit:* The fair value of our revolver loan approximated carrying value as this loan had a variable market-based interest rate that resets every thirty days. (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.

### 8. Debt

Debt at December 31, 2020 and 2019 consists of the following:

	2020	2019
Term loan, net of unamortized debt issuance costs	\$ 3,739,913	\$ -
Revolving line of credit	-	500,000
	<b>3,739,913</b>	<b>500,000</b>
Less current portion	<b>74,489</b>	<b>500,000</b>
Long-term portion	<b>\$ 3,665,424</b>	<b>\$ -</b>
		Unamortized Debt Issuance Costs
<b>December 31, 2020</b>	Principal	
-- 4.25% bank term loan, imputed interest rate of 5.63% --		
Current portion	\$ 129,373	\$ 54,884
Long-term portion	<b>3,858,018</b>	<b>192,594</b>
	<b>\$ 3,987,391</b>	<b>\$ 247,478</b>

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 8. Debt (continued)

Principal maturities of debt at December 31, 2020, are as follows:

2021	\$ 129,373
2022	135,059
2023	140,995
2024	146,758
2025	3,435,206
Thereafter	-
	<u>\$ 3,987,391</u>

#### Term Loan

On November 5, 2020, we entered into a new \$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. We have 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 10, as well as provide funds for general working capital purposes.

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. At December 31, 2020, we were in compliance with our loan covenant requirements.

## Reliv' International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### **8. Debt (continued)**

##### PPP SBA Note

On May 4, 2020, we executed a promissory note ("SBA Note") dated April 20, 2020 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:

- A deferral of principal repayment and interest for six months from loan origination, and
- 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.

Under the U.S. CARES Act and the December 2020 U.S. Consolidated Appropriations Act, PPP loan forgiveness income is not taxable and PPP loan funded expenses are tax-deductible for the purpose of determining our 2020 U.S. federal income tax.

##### Revolving Line of Credit

In January 2019, we borrowed \$500,000 under our revolving line of credit agreement with our primary lender. Our revolver had originated in 2015 and had been periodically amended and extended. Utilizing the proceeds from the new term loan, the \$500,000 outstanding balance under the line of credit was paid off on November 5, 2020; ending the line of credit agreement.

#### **9. Leases**

##### Lessee

We lease certain office facilities, storage, and equipment. These leases have varying terms, are generally one to five years in length, and certain real estate leases have options to extend or early terminate. Several of our operating leases are subject to annual changes in the Consumer Price or similar indexes (CPI). The changes to the lease payment due to CPI changes are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 9. Leases (continued)

The following represents the maturity of our operating lease liabilities as of December 31, 2020:

2021	\$	<b>174,813</b>
2022		<b>66,438</b>
2023		<b>19,554</b>
2024		<b>13,583</b>
2025		<b>10,038</b>
Thereafter		<b>-</b>
Total operating lease payments		<b>284,426</b>
Less: imputed interest		<b>(13,783)</b>
Total operating lease liabilities	\$	<b>270,643</b>

Operating lease expense:

	<b>Year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Fixed	\$ <b>291,875</b>	\$ 264,131
Variable	<b>20,935</b>	17,361
Short-term	<b>17,352</b>	24,500
Total	\$ <b>330,162</b>	\$ 305,992

As of December 31, 2020, our operating leases have a weighted-average remaining lease term of 2.31 years and a weighted-average discount rate of 4.8%. Cash paid for amounts included in the measurement of operating lease liabilities was approximately \$275,600 and \$263,700 for the years ended December 31, 2020 and 2019, respectively.

### Lessor – Other Revenue

Other revenue consists of revenue derived from our 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.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 9. Leases (continued)

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 \$464,500 and \$437,700 for the years ended December 31, 2020 and 2019, respectively. These same common area costs plus the tenant's share of the facilities' depreciation are recorded as cost of goods sold.

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

	Estimated Straight-line Rent Revenue	Lease Agreement Fixed Rent
2020	\$ 345,732	385,800
2021	345,732	385,800
2022	345,732	385,800
2023	345,732	409,913
2024	345,733	409,912
Thereafter	-	-
Total	\$ 1,728,661	\$ 1,977,225

### 10. 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 \$2.6 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.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 10. Stockholders' Equity (continued)

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.

### 11. Note Receivable Due From Distributor

In March 2012, we purchased a note and mortgage ("Note") from a real estate investment management firm on certain properties in Wyoming and Idaho for \$2 million. In May 2012, we entered into a Loan Modification Agreement ("LMA") with the Note's original and present borrower ("Borrower") to restructure the Note's principal amount due and related terms. The LMA terms are for a principal balance due of \$2 million with interest only payments made monthly in 2012. The LMA's interest rate is the greater of 6% or prime and there is no prepayment penalty for voluntary principal payments. Concurrently, with the execution of the LMA, we entered into a Security Agreement with the Borrower in which repayment of the LMA is secured by the Borrower's Reliv distributorship business.

As originally structured, beginning in 2013, the LMA was to require monthly payment of principal and interest under a five-year amortization period. In February 2013, while retaining our right to require Borrower's compliance with the LMA's terms, we agreed to a verbal modification in the payment schedule in which the Borrower makes monthly payments of principal and interest under a fifteen-year amortization period. The outstanding balance of the note receivable was \$1,151,443 and \$1,282,072 as of December 31, 2020 and 2019, respectively.

### 12. Income Taxes

Components of income (loss) before income taxes:

	Year ended December 31	
	2020	2019
United States	\$ 899,251	\$ (332,929)
Foreign	383,750	356,572
	<u>\$ 1,283,001</u>	<u>\$ 23,643</u>

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 12. Income Taxes (continued)

Components of provision (benefit) for income taxes:	Year ended December 31	
	2020	2019
Current:		
Federal	\$ (233,000)	\$ (2,000)
State	6,000	5,000
Foreign	179,000	465,000
Total current	(48,000)	468,000
Deferred:		
Federal	-	-
State	-	-
Foreign	-	-
Total deferred	-	-
	<u>\$ (48,000)</u>	<u>\$ 468,000</u>

The provision (benefit) for income taxes is different from the amounts computed by applying the United States federal statutory income tax rate of 21% for the years ended December 31, 2020 and 2019, respectively. The reasons for these differences are as follows:

	Year ended December 31	
	2020	2019
Income taxes at U.S. statutory rate	\$ 269,000	\$ 5,000
State income taxes, net of federal benefit	8,000	8,000
Higher effective taxes on earnings in foreign countries	56,000	77,000
Foreign corporate income taxes	(22,000)	51,000
Foreign income tax audit settlements	-	154,000
PPP loan forgiveness income	(181,000)	-
Net operating loss carryback	(225,000)	-
GILTI	100,000	71,000
Nondeductible meals and entertainment expense	3,000	7,000
Valuation allowance, net	(53,000)	91,000
Other	(3,000)	4,000
	<u>\$ (48,000)</u>	<u>\$ 468,000</u>

During the fiscal years of 2016 through 2019, we determined that it was more likely than not that losses generated in the U.S. and certain foreign jurisdictions will not be realized. As a result, in prior years, we recorded a valuation allowance on all of our domestic and foreign deferred tax assets. Accordingly, the 2020 and 2019 income tax provisions include the impact of recording a full deferred tax asset valuation allowance adjustment, net, of approximately \$(53,000) and \$91,000, respectively, against the historical losses generated from a U.S. tax perspective.



# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 12. Income Taxes (continued)

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 new legislation, we have received our requested NOL carryback refund of \$225,000 from the Internal Revenue Service in July 2020.

Due to the NOL carryback, non-taxable PPP loan forgiveness income, valuation allowance adjustments, and other factors, the effective income tax rate percentage was not meaningful for the years ended December 31, 2020 and 2019, respectively. The 2020 income tax provision (benefit) amounts primarily represent estimated income taxes for one of our foreign subsidiaries and certain U.S. states, plus the current year income tax benefit of the CARES Act U.S. NOL carryback of \$225,000 relating to our 2018 tax year.

The 2019 income tax provision amounts primarily represent estimated income taxes for one of our foreign subsidiaries and certain U.S. states, plus the settlement of several foreign tax audits.

The components of our deferred tax assets and liabilities, and the related tax effects of each temporary difference at December 31, 2020 and 2019, are as follows:

	2020	2019
Deferred tax assets:		
Inventory obsolescence reserve	\$ 29,000	\$ 41,000
Deferred revenue	76,000	54,000
Organization costs	100,000	117,000
Distributor incentives	84,000	-
Depreciation and amortization	-	33,000
Operating lease liabilities	46,000	76,000
Miscellaneous accrued expenses	9,000	20,000
Domestic net operating loss carryforwards	401,000	649,000
Foreign net operating loss carryforwards	3,443,000	3,311,000
Valuation allowance	(4,030,000)	(4,117,000)
	<u>158,000</u>	<u>184,000</u>
Deferred tax liabilities:		
Operating lease right-to-use assets	49,000	77,000
Depreciation and amortization	2,000	-
Foreign currency exchange	107,000	107,000
	<u>158,000</u>	<u>184,000</u>
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 12. Income Taxes (continued)

We have a deferred tax asset relating to domestic federal net operating loss carryforwards of approximately \$401,000 at December 31, 2020 of which approximately \$188,000 will expire between 2036 and 2038. We have a deferred tax asset of \$3,443,000 at December 31, 2020 relating to foreign net operating loss carryforwards in various jurisdictions which principally do not expire. At December 31, 2020, we have recorded a full valuation allowance against all domestic and foreign net operating loss carryforward balances as it is more likely than not that this asset will not be realized.

The United States Tax Cuts and Jobs Act (TCJA) was enacted in December 2017, which significantly changed U.S. tax law, principally by permanently reducing the U.S. federal statutory rate to 21% effective January 1, 2018 and implementing a territorial tax system.

The TCJA introduced a new tax on global intangible low-taxed income ("GILTI") effective as of January 1, 2018. Our policy is to treat GILTI as a period cost when incurred.

At December 31, 2020 and 2019, we had \$19,000 and \$30,000, respectively, of cumulative unrecognized tax benefits, of which only the net amount of \$10,000 would impact the effective income tax rate if recognized.

The aggregate changes in the balance of net unrecognized tax benefits were as follows:

	2020	2019
Beginning of year	\$19,000	\$22,000
Settlements and effective settlements with tax authorities	-	-
Lapse of statute of limitations	(9,000)	(5,000)
Decrease to tax positions taken during prior periods	(3,000)	(3,000)
Increase to tax positions taken during current period	3,000	5,000
End of year	\$10,000	\$19,000

We have applied applicable guidance relating to accounting for uncertainty in income taxes. Reserves for uncertainty in income taxes are adjusted quarterly in light of changing facts and circumstances, such as the progress of tax audits, case law, and emerging legislation. The primary difference between gross unrecognized tax benefits and net unrecognized tax benefits is the U.S. federal tax benefit from state tax deductions. It is our practice to recognize interest and / or penalties related to income tax matters in income tax expense.

At December 31, 2020 and 2019, we had less than \$10,000 accrued for interest and penalties within the balance of unrecognized tax benefits. Our unrecognized tax benefits balance is included within other noncurrent liabilities on the consolidated balance sheets.

## Reliv' International, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### **12. Income Taxes (continued)**

Our domestic and foreign subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. We have concluded all U.S. federal income tax matters for years through 2017 and concluded years through 2016 with our primary state jurisdiction. During the fourth quarter of 2020, the U.S. Internal Revenue Service (IRS) completed an examination (with no adjustment) of our 2017 U.S. federal income tax return. 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.

#### Foreign Tax Audit Settlements

For the year ended December 31, 2019, our operating results include \$154,000 and \$25,000 for income tax expense and various net general administrative and interest expenses, respectively, in settlement of several years of pre-2019 tax audits for one of our foreign subsidiaries.

In December 2019, we had an agreement in principle with the local taxing authority to settle the fourth and final year's tax audit. At December 31, 2019, we had an estimated full reserve of approximately \$84,000 for resolution of this matter, with such amount remitted to the tax authority in February 2020.

#### **13. Incentive Compensation Plan**

Under a Board of Directors approved incentive compensation plan, bonuses are payable quarterly in an amount not to exceed 18% of the Company's Income from Operations for any period, subject to achieving a minimum quarterly Income from Operations of at least \$500,000. For fiscal years 2020 and 2019, the Board determined that the aggregate amount of incentive compensation available under the Plan shall be equal to 15% and 18%, respectively, of the Company's Income from Operations. The bonus pool is allocated to executives according to a specified formula, with a portion allocated to a middle management group determined by the Executive Committee of the Board of Directors. Our expense for this incentive compensation plan was \$82,700 and \$-0- for 2020 and 2019, respectively.

#### **14. Employee Benefit Plans**

We sponsor a 401(k) employee savings plan which covers substantially all U.S. employees. Employees may contribute from 1% to 50% of their eligible compensation to the plan. For the years ended December 31, 2020, and 2019, we matched 10% of the first 15% of the employee's eligible compensation contributed. Our matching contributions under the 401(k) plan totaled \$23,000 and \$24,000 in 2020 and 2019, respectively.

We sponsor an employee stock ownership plan ("ESOP") which covers substantially all U.S. employees. We fund contributions to the ESOP on a discretionary basis. In 2020 and 2019, we did not make any contributions to the ESOP.

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 15. Segment Information

#### *Description of Products and Services by Segment*

We operate in one reportable segment, a direct selling 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. Geographic data for the years ended December 31 follow:

	<b>2020</b>	<b>2019</b>
<b>Net sales to external customers</b>		
United States	<b>\$27,027,968</b>	\$25,747,158
Australia/New Zealand	<b>587,780</b>	595,349
Canada	<b>545,287</b>	616,556
Mexico	<b>582,424</b>	577,488
Europe <sup>(1)</sup>	<b>3,106,095</b>	3,224,971
Asia <sup>(2)</sup>	<b>3,779,548</b>	4,293,793
Total net sales	<b><u>\$35,629,102</u></b>	<b><u>\$35,055,315</u></b>
<b>Assets by area</b>		
United States	<b>\$16,384,890</b>	\$12,340,835
Australia/New Zealand	<b>593,668</b>	502,812
Canada	<b>189,674</b>	154,825
Mexico	<b>112,654</b>	223,238
Europe <sup>(1)</sup>	<b>1,002,342</b>	971,159
Asia <sup>(2)</sup>	<b>1,456,613</b>	1,114,127
Total consolidated assets	<b><u>\$19,739,841</u></b>	<b><u>\$15,306,996</u></b>

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

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

# Reliv' International, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

### 15. Segment Information (continued)

We classify sales into three categories of sales products plus freight income and other revenue. Net sales by product category data for the years ended December 31 follow:

	<u>2020</u>	<u>2019</u>
<b>Net sales by product category</b>		
Nutritional and dietary supplements	<b>\$30,524,133</b>	\$29,822,879
Other supplements	<b>1,220,825</b>	1,223,977
Sales aids, membership fees, and other	<b>1,107,801</b>	1,251,677
Freight income	<b>1,966,056</b>	1,973,320
Other revenue	<b>810,287</b>	783,462
Total net sales	<b><u>\$35,629,102</u></b>	<b><u>\$35,055,315</u></b>

### 16. Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, the date that the financial statements were available for issuance. Based upon this evaluation, management has identified the following subsequent event for disclosure.

As described in Note 10, in January 2021, we effected a reverse stock split of our common stock and a forward stock split of our common stock.