

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

Annual Report for the Year Ended: December 31, 2021

As of December 31, 2021, the number of shares outstanding of our Common Stock was: 1,058,303

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

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 Control¹ of the company has occurred over this reporting period:

Yes: No:

¹ "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: 12/31/2021
Total shares outstanding: 1,058,303 as of date: 12/31/2021
Number of shares in the Public Float²: 261,993 as of date: 12/31/2021
Total number of shareholders of record: approx. 41 as of date: 12/31/2021

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

Transfer Agent

Name: American Stock Transfer & Trust
Phone: 718-921-8124
Email: admin3@astfinancial.com
Address: 6201 15th Avenue, Brooklyn, NY 11219

Is the Transfer Agent registered under the Exchange Act?³ Yes: No:

² "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.

³ 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>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date <u>12/31/2019</u> Common: <u>1,746,449</u> Preferred: <u>-0-</u>									
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>1/14/2021</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 & 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. & 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 & 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 & Donald Blaser, JT JEN</u>	<u>Cash issuance</u>	<u>Restricted</u>	<u>N/A</u>

Shares Outstanding on Date of This Report: <div style="text-align: right;"><u>Ending Balance:</u></div> Date: <u>12/31/2021</u> Common: <u>1,058,303</u> Preferred: <u>-0-</u>	
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Example: A company with a fiscal year end of December 31st, 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)⁴:

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.

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.

⁴ 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 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 Europe Limited, organized under the laws of the United Kingdom
SL Technology, Inc., a Missouri corporation
Reliv Online Global, Inc., a Missouri corporation

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>258,403</u>	<u>Common</u>	<u>24.4%</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><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><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>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 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 30, 2022

/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 30, 2022

/s/ Steven D. Albright

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



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

Consolidated Financial Statements

Years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Reliv' International, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of net loss and comprehensive loss, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Reliv' International, Inc. and Subsidiaries as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Consolidated Financial Statements

The consolidated financial statements of Reliv' International, Inc. and Subsidiaries as of December 31, 2020, were audited by other auditors whose report dated March 30, 2021, expressed an unmodified opinion on those consolidated statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



An independent firm
associated with Moore
Global Network Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Reliv' International, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reliv' International, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Armanino LLP

Armanino^{LLP}
St. Louis, Missouri

March 25, 2022

Reliv' International, Inc. and Subsidiaries

Consolidated Balance Sheets

	December 31	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,339,729	\$ 7,030,156
Accounts receivable, less allowances of \$17,950 in 2021 and \$5,000 in 2020	30,477	124,403
Notes & accounts receivables and deposits - related parties	1,268,141	1,303,636
Inventories:		
Finished goods	2,444,007	1,874,004
Raw materials	343,728	146,799
Sales aids and promotional materials	103,976	76,277
Total inventories	2,891,711	2,097,080
Refundable income taxes	23,367	19,583
Prepaid expenses and other current assets	392,367	488,484
Total current assets	8,945,792	11,063,342
Notes and accounts receivables - related parties	1,348,257	2,260,649
Operating lease right-to-use assets	264,737	282,094
Intangible assets, net	1,270,307	1,496,293
Equity investment, at cost	505,000	505,000
Property, plant, and equipment	14,406,077	14,429,203
Less accumulated depreciation	10,549,779	10,296,740
Property, plant, and equipment, net	3,856,298	4,132,463
Total assets	\$ 16,190,391	\$ 19,739,841

Reliv' International, Inc. and Subsidiaries

Consolidated Balance Sheets (continued)

	December 31	
	2021	2020
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,718,062	\$ 3,050,276
Income taxes payable	33,976	40,561
Operating lease liabilities	125,988	165,826
Current portion of long-term debt, net of unamortized debt issuance costs	82,030	74,489
Total current liabilities	<u>2,960,056</u>	<u>3,331,152</u>
Noncurrent liabilities:		
Operating lease liabilities	124,160	104,817
Long-term debt, less current portion, net of unamortized debt issuance costs	3,583,401	3,665,424
Other noncurrent liabilities	154,970	154,814
Total noncurrent liabilities	<u>3,862,531</u>	<u>3,925,055</u>
Stockholders' equity:		
Preferred stock, par value \$0.001 per share; 500,000 shares authorized; -0- shares issued and outstanding in 2021 and 2020	-	-
Common stock, par value \$0.001 per share; 5,000,000 shares authorized, 1,421,867 shares issued and 1,058,303 shares outstanding in 2021; 2,110,013 shares issued and 1,746,449 shares outstanding in 2020	1,422	2,110
Additional paid-in capital	27,993,259	30,643,771
Accumulated deficit	(11,864,542)	(11,424,494)
Accumulated other comprehensive loss:		
Foreign currency translation adjustment	(910,912)	(886,330)
Treasury stock	(5,851,423)	(5,851,423)
Total stockholders' equity	<u>9,367,804</u>	<u>12,483,634</u>
Total liabilities and stockholders' equity	<u><u>\$ 16,190,391</u></u>	<u><u>\$ 19,739,841</u></u>

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

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

	Year ended December 31	
	2021	2020
Product sales	\$ 29,899,419	\$ 32,852,759
Freight income	1,833,834	1,966,056
Other revenue	824,638	810,287
Net sales	<u>32,557,891</u>	<u>35,629,102</u>
Costs and expenses:		
Cost of goods sold	8,704,419	9,424,689
Distributor royalties and commissions	10,408,036	11,532,957
Selling, general, and administrative	13,778,764	14,508,290
Income (loss) from operations	<u>(333,328)</u>	163,166
Other income (expense):		
Interest income	142,972	163,225
Interest expense	(227,476)	(60,228)
Other income	98,784	154,838
PPP loan forgiveness income	-	862,000
Income (loss) before income taxes	<u>(319,048)</u>	1,283,001
Provision (benefit) for income taxes	<u>121,000</u>	<u>(48,000)</u>
Net income (loss) available to common shareholders	<u>\$ (440,048)</u>	<u>\$ 1,331,001</u>
Other comprehensive income (loss):		
Foreign currency translation adjustment	<u>(24,582)</u>	<u>50,990</u>
Comprehensive income (loss)	<u>\$ (464,630)</u>	<u>\$ 1,381,991</u>
Earnings (loss) per common share - Basic & Diluted	<u>(\$0.41)</u>	<u>\$0.76</u>
Weighted average shares	<u>1,078,000</u>	<u>1,746,000</u>

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, 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
Net loss	-	-	-	(440,048)	-	-	-	(440,048)
Other comprehensive income (loss):								
Foreign currency translation adjustment	-	-	-	-	(24,582)	-	-	(24,582)
Total comprehensive loss								(464,630)
Common stock purchased and retired	(692,548)	(693)	(2,667,015)	-	-	-	-	(2,667,708)
Common stock issued	4,402	5	16,503	-	-	-	-	16,508
Balance at December 31, 2021	1,421,867	\$ 1,422	\$ 27,993,259	\$ (11,864,542)	\$ (910,912)	363,564	\$ (5,851,423)	\$ 9,367,804

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year ended December 31	
	2021	2020
Operating activities		
Net income (loss)	\$ (440,048)	\$ 1,331,001
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	554,269	570,777
Non-cash PPP loan forgiveness income	-	(862,000)
Non-cash debt issuance expense	54,884	8,737
Foreign currency transaction (gain)/loss	56,920	(19,095)
(Increase) decrease in trade, accounts & notes receivable, and deposits - related parties	69,915	(189,384)
(Increase) decrease in inventories	(835,405)	629,539
(Increase) decrease in refundable income taxes	(3,784)	2,823
(Increase) decrease in prepaid expenses and other current assets	89,916	(179,170)
Increase (decrease) in income taxes payable	(4,311)	(84,567)
Increase (decrease) in accounts payable & accrued expenses, deferred revenue, and non-current liabilities	(292,394)	(85,654)
Net cash provided by (used in) operating activities	(750,038)	1,123,007
Investing activities		
Purchase of property, plant, and equipment	(54,348)	(34,619)
Payments received on notes receivables - related parties	968,705	130,629
Net cash provided by investing activities	914,357	96,010
Financing activities		
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	(129,365)	(12,610)
Common stock purchased	(2,667,708)	-
Proceeds from issuance of common stock	16,508	-
Net cash provided by (used in) financing activities	(2,780,565)	4,093,176
Effect of exchange rate changes on cash and cash equivalents	(74,181)	87,184
Increase (decrease) in cash and cash equivalents	(2,690,427)	5,399,377
Cash and cash equivalents at beginning of year	7,030,156	1,630,779
Cash and cash equivalents at end of year	\$ 4,339,729	\$ 7,030,156

Reliv' International, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Year ended December 31	
	2021	2020
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 173,100</u>	<u>\$ 36,900</u>
Income taxes paid, net	<u>\$ 101,200</u>	<u>\$ 43,000</u>

See accompanying notes.

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2021

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

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 and inflation 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, the vast majority of our employees have returned to their respective offices on a hybrid work schedule during the third quarter of 2021. We believe this hybrid approach maintains a proper balance of safety for our employees and a productive work environment.

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

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 consolidated 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.

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, Note 3, and Note 10 for further discussion of our relationship with Nutracom.

Variable Interest Entities (VIE) - Unconsolidated

Effective January 1, 2019, 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. During the years ended December 31, 2021 and 2020, there was no impairment loss.

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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.

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).

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 10.

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, 2021 and 2020, total returns as a percent of net sales were approximately 0.12% and 0.11%, 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 8 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 2021 and 2020.

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 \$(56,920) and \$19,095 for 2021 and 2020, 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 \$28,400 and \$37,300 in 2021 and 2020, respectively.

Research and Development Expenses

Research and development expenses, which are charged to selling, general, and administrative expenses as incurred, were \$111,000 and \$215,000 in 2021 and 2020, 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 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 10 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 facility's depreciation are recorded as cost of goods sold.

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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.

New Accounting Pronouncements – Adopted

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. Our required adoption of this standard in 2021 did not impact 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 10) whereby Nutracom leases 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.

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

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>	<u>December 31 2021</u>	<u>December 31 2020</u>
<u>Notes & accounts receivables and deposits - current</u>		
Deposits with Nutracom for inventory	\$ 1,014,404	\$942,271
Note receivable - distributor	33,601	138,686
Note receivable - Nutracom unsecured DTD 6/1/2019	86,455	81,432
Note receivable - Nutracom unsecured DTD 10/1/2019	54,599	50,918
Unbilled receivables: Straight line rent revenue greater than rental billings	40,068	40,068
Other miscellaneous receivables	39,014	50,261
	\$ 1,268,141	\$ 1,303,636
 <u>Notes & accounts receivables - non-current</u>		
Note receivable - distributor	\$ 281,487	\$ 1,012,757
Note receivable - Nutracom unsecured DTD 6/1/2019	292,696	379,151
Note receivable - Nutracom unsecured DTD 10/1/2019	605,646	660,245
Unbilled receivables: Straight line rent revenue greater than rental billings	168,428	208,496
	\$ 1,348,257	\$ 2,260,649
Equity investment in Nutracom, at cost	\$ 505,000	505,000
 <u>Liability captions with Nutracom balances included therein</u>		
Trade accounts payable and other accrued expenses	\$ 144,684	123,867

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

2022	\$ 174,655
2023	431,820
2024	160,227
2025	170,776
2026	417,006
Thereafter	-
	\$ 1,354,484

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

2. Related Parties (continued)

<u>Revenue and expense - related parties</u>	Year ended December 31	
	2021	2020
Other revenue	\$ 824,638	\$ 810,287
Selling, general and administrative expense:		
Fullfillment & professional fees	605,081	609,760
Interest income on promissory notes	137,736	150,461
Royalty income (other income)	105,250	73,252
Finished goods inventory purchased from Nutracom	\$ 6,010,000	5,918,000

At December 31, 2021, we had \$2.6 million in commitments (net of deposits) to purchase finished goods inventory from Nutracom.

3. Notes Receivable Due From Nutracom

Included within the consideration received by us from Nutracom for the January 1, 2019 sale of our manufacturing operations, Nutracom issued us two interest-bearing promissory notes.

As amended on June 1, 2019, one promissory note consists of the following repayment terms: fixed interest rate of 6.0% with interest only paid monthly through December 2020. Beginning January 1, 2021, principal and interest of \$8,904 is payable monthly for 60 months. The outstanding balance of the June 1, 2019 note receivable was \$379,151 and \$460,583 as of December 31, 2021 and 2020, respectively.

As amended on October 1, 2019, a second promissory note consists of the following repayment terms: fixed interest rate of 7.0% with interest only paid monthly through December 2020. Beginning January 1, 2021, principal and interest of \$8,257, under a ten-year amortization schedule, is payable monthly for 60 months, with a balloon payment of all remaining principal and interest due January 1, 2026. The outstanding balance of the October 1, 2019 note receivable was \$660,245 and \$711,163 as of December 31, 2021 and 2020, respectively.

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

4. 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 was 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 made monthly payments of principal and interest under a fifteen-year amortization period.

In December 2021, the Borrower paid us a voluntary pre-payment of \$700,000. Concurrently with the prepayment, the Borrower entered into a First Amended and Restated Loan Modification Agreement with us whereby, effective January 2022, Borrower’s monthly payment of principal and interest shall be \$4,000 with a balloon payment for the outstanding balance due and payable in January 2023. The interest rate under this December 2021 modification has been revised to the greater of 5% or prime and the aforementioned Security Agreement remains.

The outstanding balance of the note receivable was \$315,088 and \$1,151,443 as of December 31, 2021 and 2020, respectively.

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Trade payables	\$ 918,435	\$ 1,338,046
Distributors' commissions	1,070,808	945,025
Sales taxes	171,305	167,420
Deferred revenue	270,271	289,278
Payroll and payroll taxes	287,243	310,507
	<u>\$ 2,718,062</u>	<u>\$ 3,050,276</u>

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

6. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 905,190	\$ 905,190
Building	10,140,725	10,135,641
Office and other equipment	1,154,595	1,207,059
Computer equipment and software	2,205,567	2,181,313
	<u>14,406,077</u>	<u>14,429,203</u>
Less accumulated depreciation	10,549,779	10,296,740
	<u>\$ 3,856,298</u>	<u>\$ 4,132,463</u>

For the years ended December 31, 2021 and 2020, depreciation expense was \$328,284 and \$344,792, respectively.

7. Amortizable Intangible Assets

Amortizable intangible assets as of December 31, 2021 and 2020 were as follows:

	<u>Gross Carrying Amount</u>		<u>Accumulated Amortization</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Distributorship and related agreements	\$2,060,000	\$2,060,000	\$1,767,023	\$1,657,156
Lunasin technology license	1,954,661	1,954,661	977,331	861,212
	<u>\$4,014,661</u>	<u>\$4,014,661</u>	<u>\$2,744,354</u>	<u>\$2,518,368</u>

As of December 31, 2021, remaining lives of intangible assets range from three to eight years. Amortization expense for intangible assets totaled \$225,985 in each of 2021 and 2020, respectively. Amortization expense for amortizable intangible assets over the next five years is estimated to be:

	<u>Intangible Amortization</u>
2022	\$226,000
2023	226,000
2024	189,000
2025	116,000
2026	116,000

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

8. Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments at December 31, 2021 and 2020 were approximately as follows:

Description	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2021</u>					
Term loan (principal)	\$3,858,025	\$3,858,025	-	\$3,858,025	-
Note receivable - distributor	315,088	315,088	-	315,088	-
Notes receivable - Nutracom	1,039,396	1,080,000	-	-	\$1,080,000
 <u>December 31, 2020</u>					
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

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 approximately one year ago at fair market value. (Fair value is only disclosed).

Note receivable - distributor: The note receivable - distributor is a variable rate residential mortgage-based financial instrument. This note receivable agreement was amended and re-stated in December 2021 at fair market value which includes a revised interest rate and revised re-payment terms for the note to be paid in full no later than January 2023. Accordingly, the fair value of this note approximates carrying value. (Fair value is only disclosed).

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

8. 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).

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.

9. Debt

Debt at December 31, 2021 and 2020 consists of the following:

	Principal Due	Unamortized Debt Issuance Costs	Term Loan Net
<i>December 31, 2021</i>			
Current portion	\$ 135,058	\$ 53,028	\$ 82,030
Long-term portion	3,722,967	139,566	3,583,401
	\$ 3,858,025	\$ 192,594	\$ 3,665,431
<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 December 31, 2021, are as follows:

2022	\$ 135,058
2023	140,995
2024	146,758
2025	3,435,214
2026	-
Thereafter	-
	\$ 3,858,025

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

9. Debt (continued)

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. In November 2020, 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 11, 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 charge coverage ratio of at least 1.1 to 1.0. The fixed charge coverage 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 expense. The term loan also includes an annual covenant requiring the Guarantors (individually) to maintain personal minimum liquidity levels. At December 31, 2021, our computed fixed charge coverage ratio is less than the loan covenant's minimum ratio of 1.1 to 1. In March 2022, our primary lender agreed to waive our non-compliance with the fixed charge coverage ratio for the December 31, 2021 reporting period.

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

9. Debt (continued)

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.

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.

10. 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.

Operating lease expense:	Year ended December 31	
	2021	2020
Fixed	\$ 221,339	\$ 291,875
Variable	14,250	20,935
Short-term	26,423	17,352
Total	<u>\$ 262,012</u>	<u>\$ 330,162</u>

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

10. Leases (continued)

The following represents the maturity of our operating lease liabilities as of December 31, 2021:

2022	\$	135,023
2023		60,152
2024		40,465
2025		29,317
2026		1,615
Thereafter		-
Total operating lease payments		<u>266,572</u>
Less: imputed interest		<u>(16,424)</u>
Total operating lease liabilities	\$	<u><u>250,148</u></u>

As of December 31, 2021, our operating leases have a weighted-average remaining lease term of 2.66 years and a weighted-average discount rate of 5.0%. Cash paid for amounts included in the measurement of operating lease liabilities was approximately \$214,800 and \$275,600 for the years ended December 31, 2021 and 2020, 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.

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 \$478,900 and \$464,500 for the years ended December 31, 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

10. Leases (continued)

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

	Estimated Straight-line Rent Revenue	Lease Agreement Fixed Rent
2022	\$ 345,732	385,800
2023	345,732	385,800
2024	345,732	409,913
2025	345,733	409,912
2026	-	-
Thereafter	-	-
Total	<u>\$ 1,382,929</u>	<u>\$ 1,591,425</u>

11. 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

12. Income Taxes

Components of income (loss) before income taxes:	Year ended December 31	
	2021	2020
United States	\$ (208,155)	\$ 899,251
Foreign	(110,893)	383,750
	<u>\$ (319,048)</u>	<u>\$ 1,283,001</u>

Components of provision (benefit) for income taxes:	Year ended December 31	
	2021	2020
Current:		
Federal	\$ 3,000	\$ (233,000)
State	6,000	6,000
Foreign	112,000	179,000
Total current	<u>121,000</u>	<u>(48,000)</u>
Deferred:		
Federal	-	-
State	-	-
Foreign	-	-
Total deferred	<u>-</u>	<u>-</u>
	<u>\$ 121,000</u>	<u>\$ (48,000)</u>

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

12. Income Taxes (continued)

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, 2021 and 2020, respectively. The reasons for these differences are as follows:

	Year ended December 31	
	2021	2020
Income taxes at U.S. statutory rate	\$ (67,000)	\$ 269,000
State income taxes, net of federal benefit	6,000	8,000
Higher effective taxes on earnings in foreign countries	15,000	56,000
Foreign corporate income taxes	27,000	(22,000)
PPP loan forgiveness income	-	(181,000)
Net operating loss carryback	-	(225,000)
GILTI	-	100,000
Nondeductible meals and entertainment expense	3,000	3,000
Valuation allowance, net	135,000	(53,000)
Other	2,000	(3,000)
	\$ 121,000	\$ (48,000)

During the fiscal years of 2016 through 2021, 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, we recorded a valuation allowance on all of our domestic and foreign deferred tax assets. Accordingly, the 2021 and 2020 income tax provisions include the impact of recording a full deferred tax asset valuation allowance adjustment, net, of approximately \$135,000 and \$(53,000), respectively, against the historical losses generated from a U.S. tax perspective.

Under the 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, 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, 2021 and 2020, respectively.

The 2021 income tax provision amounts primarily represent estimated income taxes for one of our foreign subsidiaries and certain U.S. states. 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.

Reliv' International, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

12. Income Taxes (continued)

The components of our deferred tax assets and liabilities, and the related tax effects of each temporary difference at December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Inventory obsolescence reserve	\$ 15,000	\$ 29,000
Deferred revenue	15,000	76,000
Organization costs	100,000	100,000
Distributor incentives	-	84,000
Depreciation and amortization	52,000	-
Operating lease liabilities	76,000	46,000
Miscellaneous accrued expenses	31,000	9,000
Domestic net operating loss carryforwards	696,000	401,000
Foreign net operating loss carryforwards	3,149,000	3,443,000
Valuation allowance	(3,949,000)	(4,030,000)
	<u>185,000</u>	<u>158,000</u>
Deferred tax liabilities:		
Operating lease right-to-use assets	78,000	49,000
Depreciation and amortization	-	2,000
Foreign currency exchange	107,000	107,000
	<u>185,000</u>	<u>158,000</u>
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>

We have a deferred tax asset relating to domestic federal net operating loss carryforwards of approximately \$696,000 at December 31, 2021 of which approximately \$188,000 will expire between 2036 and 2038. We have a deferred tax asset of \$3,149,000 at December 31, 2021 relating to foreign net operating loss carryforwards in various jurisdictions which principally do not expire. At December 31, 2021, 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. When GILTI is applicable, our policy is to treat GILTI as a period cost when incurred.

There were no significant unrecorded tax benefits at December 31, 2021 and 2020.

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 2017 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. One of our foreign subsidiaries is under tax examination of its 2020 and 2019 local country income tax returns.

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 2021 and 2020, the Board determined that the aggregate amount of incentive compensation available under the Plan shall be equal to 15%, 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 as determined by our Board of Directors. Our expense for this incentive compensation plan was \$-0- and \$82,700 for 2021 and 2020, 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 up to defined limits. For the years ended December 31, 2021, and 2020, we matched 10% of the first 15% of the employee's eligible compensation contributed. Our matching contributions under the 401(k) plan totaled \$25,000 and \$23,000 in 2021 and 2020, 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 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Net sales to external customers		
United States	\$25,233,303	\$27,027,968
Australia/New Zealand	577,581	587,780
Canada	543,335	545,287
Mexico	659,851	582,424
Europe ⁽¹⁾	2,884,773	3,106,095
Asia ⁽²⁾	2,659,048	3,779,548
Total net sales	<u>\$32,557,891</u>	<u>\$35,629,102</u>
Assets by area		
United States	\$13,322,387	\$16,384,890
Australia/New Zealand	352,612	593,668
Canada	218,382	189,674
Mexico	143,770	112,654
Europe ⁽¹⁾	751,407	1,002,342
Asia ⁽²⁾	1,401,833	1,456,613
Total consolidated assets	<u>\$16,190,391</u>	<u>\$19,739,841</u>

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

⁽²⁾ 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>2021</u>	<u>2020</u>
Net sales by product category		
Nutritional and dietary supplements	\$27,702,864	\$30,524,133
Other supplements	1,252,833	1,220,825
Sales aids, membership fees, and other	943,722	1,107,801
Freight income	1,833,834	1,966,056
Other revenue	824,638	810,287
Total net sales	<u>\$32,557,891</u>	<u>\$35,629,102</u>

16. Subsequent Events

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