

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

- (Mark One)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended **December 31, 2020**
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO**

Commission File Number **000-27517**

**Gaia**  
**GAIA, INC.**

(Exact name of Registrant as specified in its Charter)

**Colorado**  
(State or other jurisdiction of  
incorporation or organization)

**84-1113527**  
(I.R.S. Employer  
Identification No.)

**833 WEST SOUTH BOULDER ROAD  
LOUISVILLE, CO 80027**

(Address of principal executive offices, including zip code)  
**(303) 222-3600**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Trading Symbol(s)

**GAIA**

Name of Each Exchange on Which Registered

**NASDAQ Global Market**

Title of Each Class  
**Class A Common Stock, \$,0001 Par Value**

Securities registered pursuant to Section 12(g) of the Act:  
**None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NASDAQ Stock Market on June 28, 2020, was \$100,640,000. The registrant does not have non-voting common equity.

The number of shares of each of the Registrant's classes of common stock outstanding as of February 25, 2021 was 13,801,028 shares of Class A common stock and 5,400,000 shares of Class B common stock.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates by reference certain portions of the definitive proxy statement for the registrant's 2021 Annual Meeting of Shareholders to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

GAIA, INC.

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2020

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## PART I

### Item 1. Business

#### Our Business

Gaia, Inc. was incorporated under the laws of the State of Colorado on July 7, 1988, and operates a global digital video subscription service and on-line community that caters to a unique and underserved member base. Our digital content library includes approximately 8,000 titles, with a growing selection of titles available in Spanish, German and French. Our members have unlimited access to this vast library of inspiring films, cutting edge documentaries, interviews, yoga classes, transformation-related content, and more – 80% of which is exclusively available to our members for digital streaming on most internet-connected devices anytime, anywhere, commercial free.

Our mission is to create a transformational network that empowers a global conscious community. Content on our network is currently organized into four primary channels—Yoga, Transformation, Alternative Healing, and Seeking Truth— and delivered directly to our members through our streaming platform. We curate programming for these channels by producing content in our in-house production studios with a staff of media professionals. This produced and owned content currently represents approximately 80% of our viewership. We complement our produced and owned content through long term, predominately exclusive, licensing agreements.

#### Our Content Channels

From the beginning, we have focused on establishing exclusive rights to unique content through in-house productions, licensing and strategic content acquisitions. Today, our network includes the following channels:

**Yoga** – Through our Yoga channel, our members enjoy unlimited access to streaming yoga, Eastern arts, and other movement-based classes. Currently, we are one of the world’s largest providers of streaming yoga classes. Blending ancient philosophy with anytime, anywhere access through modern technology, our classes on Eastern arts like T’ai Chi, Qigong, Ayurveda and more encourage the holistic integration of body, mind and spirit.

**Transformation** – Through our Transformation channel, we feature a wealth of content in the niche areas of spiritual growth, personal development and expanded consciousness. Our original and licensed content empowers members to live stronger, healthier, more productive and enlightened lives.

**Alternative Healing** – Our Alternative Healing channel features content focused on food and nutrition, holistic healing, alternative and integrative medicines, and longevity. Blending modern science with cutting edge research around neuroplasticity, energy healing, aging, and wellness, this channel fuels our members’ pursuit of optimal health.

**Seeking Truth** – As an alternative to mainstream media, our Seeking Truth channel provides new and enlightening perspectives for today’s changing world. Through thought-provoking questions like “who are we” and “why are we here”, and topics that include ancient wisdom and metaphysics, we go beyond the boundaries of mainstream media, and encourage our viewers to find empowerment through knowledge and awareness. Through this channel, our members have access to top names in the genre who conduct exclusive interviews and presentations not found anywhere else.

#### The Streaming Video Market and Gaia

Consumption of streaming video is expanding rapidly as more and more people augment their use of, or replace broadcast television with, streaming video to watch their favorite content on a growing array of digital streaming services. The streaming video market includes various free, ad-supported and subscription service offerings focused on various genres, including films, broadcast and original series, fitness and educational content.

Gaia’s position in the streaming video landscape is firmly supported by its wide variety of exclusive and unique content, which provides a complementary offering to other, mostly entertainment-based, streaming video services. Our original content is developed and produced in-house in our production studios near Boulder, Colorado. Over 80% of our content is available for streaming exclusively on Gaia to most internet-connected devices. By offering exclusive and unique content over a streaming service, we believe we will be able to significantly expand our target member base. Gaia believes the current size of our potential target market represents approximately 15% of internet users that currently pay for a streaming video service.

## Competitive Strengths

We believe that we differentiate ourselves from our competition and have been able to grow our business through the following demonstrated competitive strengths:

**Exclusive Content and Ubiquitous Access** – We have amassed a library of unique content for which we hold exclusive worldwide streaming distribution rights and have established exclusive relationships with certain key talent in our areas of focus. Over 80% of our titles are available to our members for streaming on virtually any internet-connected device exclusively on Gaia.

**Proprietary and Curated Content** – Proprietary and curated content lies at the core of our business model. Our media offerings introduce members to us and help establish Gaia as an authority in the conscious media market. Our in-house produced and owned content represents approximately 80% of our members' viewing time. Our licensed content has initial terms ranging predominately from 3 to 10 years. With the growth in demand for digital rights, we expect that our large library of produced and acquired content combined with our internal production capabilities will be a key driver in our ability to grow efficiently and act as a hedge against the rising costs of digital rights.

**International Rights** – The strength of our proprietary content library created by our original content production strategy and our unique approach to content licensing have provided us with a library of niche content to which we hold exclusive worldwide distribution rights that we believe would be difficult to acquire in today's market. By obtaining these rights, we have created a meaningful barrier to entry for competitors in our content niches and have given ourselves the potential to reach a worldwide member base with no additional licensing costs.

**Unique Member Base** – We believe that our unique and exclusive content allows us to cater to a member base that traditional media companies have mostly ignored. We believe this member base can be significantly expanded as more and more people enter our niche categories and begin accessing streaming content over the internet.

**Unique Content Strength** – We believe that our unique focus, combined with our content exclusivity, positions us as a complementary service to larger streaming video providers who are primarily entertainment driven. In addition, this focus has allowed an opportunity for significant advantages:

- **Yoga**— We continue to build on our yoga heritage by expanding the teachers and styles in our vast content library. We understand yoga is more than just a physical practice and have a variety of content focused on the lifestyle and philosophy of yoga, which helps set us apart from other yoga streaming providers.
- **Transformation**— We bring a unique focus to an otherwise crowded field. This channel empowers members through programs about meditation to expand consciousness, develop and understand spirituality in a modern world, and other shows on conscious topics that puts Gaia in the center of a rapidly growing market.
- **Alternative Healing**— We offer depth and breadth of content on emerging topics including neuroplasticity, alternative and integrative medicines, holistic healing and longevity. Included in this channel are hundreds of recipes to help our members put their new knowledge into practice in the kitchen.
- **Seeking Truth**— We offer category-leading talent that enables us to draw the most popular and authentic speakers, authors and experts in the alternative media world.

## Growth Drivers

Our core strategy is to grow our subscription business domestically and internationally using the following drivers:

**Investment in Streaming Content** – We believe that our investment in streaming content leads to more awareness and viewership of our unique content. This leads to member acquisition and revenue growth, allowing us to invest more into our content library and enabling the growth cycle to continue. By investing in our in-house studios, digital asset management system and digital delivery platforms, we can produce and distribute new digital content at low incremental costs. With our end-to-end production capabilities and unique, exclusive relationships with thought leaders in our areas of focus, we believe we can develop content much more efficiently than our competitors.

**Continuous Service Improvements** – We have found that incremental improvements in our service and quality enhance our member satisfaction and retention. We have built our platform to optimize the speed and performance of streaming video playback, provide a unique and customized site experience for every member and provide the foundation for our expansion into foreign languages. We continue to refine our technology, user interfaces, recommendation algorithms and delivery infrastructure to improve the member experience.

**Overall Adoption and Growth of Internet TV on Every Screen** – Domestically, cable TV members have been declining, while the demand for digital content services accessible on various devices has continued to grow. Gaia is accessible on a broad array of devices, including, but not limited to: Apple TV, iPad, iPhone, Android devices, Roku, Amazon Fire, select smart TV's, and Chromecast. Through this accessibility, we believe that we enhance the value of our service to members as well as position ourselves for continued growth as internet and mobile delivery of content becomes more popular.

**International Market Expansion** – We believe the international streaming segment represents a significant long-term growth opportunity for us as people around the world begin to adopt the viewing behaviors of the U.S. market. Our exclusive worldwide streaming rights have allowed us to expand internationally by adding foreign language support to our service without having to invest in local foreign operations. Today, approximately 35% of our members are outside of the United States.

**Live Access Premium Membership and GaiaSphere** – In 2019, we held our inaugural event at the GaiaSphere, a 300-person live event studio located on our campus in Colorado. With the opening of the GaiaSphere, we also launched the Live Access premium annual membership to allow for access to exclusive live streaming of events. Through GaiaSphere and the Live Access premium offering, we have expanded our reach to a larger audience of talent that will contribute to our content library, as well as drive incremental revenue growth. We had to temporarily suspend live events during 2020 due to the global pandemic but intend to relaunch them as local ordinances allow.

**Member Driven Growth Enablement** – We believe the empowerment of our existing members to drive awareness of and interest in Gaia will be a key driver of future growth and engagement of the Gaia global community. We recently enabled a product feature to support existing members ability to share Gaia content with their connections free of charge over a limited time window. This product feature allows us to leverage our existing members' desire to share our content to ultimately drive more interest and awareness, which will lead to member growth that is not wholly dependent on marketing expenditures.

**Complement our Existing Business with Selective Strategic Acquisitions** – Our growth strategy is not dependent on acquisitions. However, we will consider strategic acquisitions that complement our existing business, increase our content library, expand our geographical reach and add to our member base. We will focus on companies with unique media content, a strong brand identity and members that augment our existing member base.

## **Marketing**

We build awareness and demand for the Gaia brand through various channels focusing on mobile and video. Organic search, paid search, digital and social media, email marketing, ambassador marketing, as well as various strategic partnerships make up our continually optimized portfolio of member acquisition and retention tools. Rejoining members are an important source of member additions, many of which come back to Gaia after receiving special communications via email.

## **History**

Gaia started as a conscious media and products company distributing conscious and non-theatrical media.

In October 2012, we launched our streaming video service and focused our efforts on growing domestically and internationally by expanding our streaming content, enhancing our user interface and extending our streaming content to even more internet-connected devices. In 2016, we divested all of our non-streaming businesses and focused on scaling our streaming video service. The following year, we launched Spanish, German and French language offerings. We have continued to invest in our international offerings, including original programming in these languages.

In 2019, we further expanded the alternative healing content available to our members and expanded our presence and member base in this growing area of interest through our acquisition of Food Matters TV. In 2020, we achieved our goal of reaching positive net income and cash flows in June and have continued to operate with positive net income and cash flows since.

These investments in our subscription business have been instrumental in our ability to grow by expanding our streaming video on demand capabilities and increasing our library of unique content of transformational media, intended to awaken and inspire viewers around the world.

## **Regulatory Matters**

A number of existing and proposed laws restrict disclosure of consumers' personal information, which may make it more difficult for us to generate additional names for our direct marketing and restrict our ability to send unsolicited electronic mail. Although we believe we are generally in compliance with current laws and regulations and that these laws and regulations have not had a significant impact on our business to date, it is possible that existing or future regulatory requirements will impose a significant burden on us.

## **Competition**

While our content offering is unique, the market for subscription-based content delivered over the internet is intensely competitive and subject to rapid change. Many consumers maintain simultaneous relationships with multiple providers and can easily shift spending from one provider to another. We are a focused provider within the streaming video market that is able to compete by providing exclusive content available on almost any device. Our principal competitors vary by world geographic region and include multichannel video programming distributors and internet-based movie and TV content providers, including those that provide legal and illegal (pirated) streaming video content. We believe that due to the exclusivity of our content, we are positioning ourselves as a complementary service to large general content providers such as television broadcasters, cable television channels, and an array of other entertainment based streaming services.

## **Seasonality**

Our member base growth reflects seasonal variations driven primarily by periods when consumers typically spend more time indoors and, as a result, tend to increase their viewing, similar to those of traditional TV and cable networks. Our member growth is generally greatest in the fourth and first quarters (October through February), and slowest during May through August. This drives quarterly variations in our spending on member acquisition efforts but does not result in a corresponding seasonality in net revenue. As we continue to expand internationally, we expect regional seasonality trends to demonstrate more predictable seasonal patterns as our service offering in each market becomes more established and we have a longer history to assess such patterns.

**Employees**

As of March 1, 2021, we had approximately 123 employees, all of which are full-time employees. None of our employees are covered by a collective bargaining agreement.

**Intellectual Property and Other Proprietary Rights**

We regard our trademarks, service marks, copyrights, domain names, trade secrets, proprietary technologies and similar intellectual property as important to our success. We use a combination of trademark, copyright and trade secret laws and confidentiality agreements to protect our proprietary intellectual property. Our ability to protect and enforce our intellectual property rights is subject to certain risks, and from time to time we encounter disputes over rights and obligations concerning intellectual property. We cannot provide assurance that we will prevail in any intellectual property disputes.

**Website and Available Information**

Our corporate website [www.gaia.com](http://www.gaia.com) provides information about us, our history, goals and philosophy, as well as certain financial reports and corporate press releases. Our [www.gaia.com](http://www.gaia.com) website also features a library of information and articles on personal development and healthy lifestyles, along with an extensive offering of video content. We believe our website provides us with an opportunity to deepen our relationships with our members and investors, educate them on a variety of issues, and improve our service. As part of this commitment, we have a link on our corporate website to our Securities and Exchange Commission filings, including our reports on Forms 10-K, 10-Q and 8-K and amendments thereto. We make those reports available through our website, free of charge, as soon as reasonably practicable after these reports are filed with the Securities and Exchange Commission.

We have included our website address only as inactive textual reference, and the information contained on our website is not incorporated by reference into this Form 10-K.

**Item 1A. Risk Factors**

We caution you that there are risks and uncertainties that could cause our actual results to be materially different from those indicated by forward looking statements that we make from time to time in filings with the Securities and Exchange Commission, news releases, reports, communications to shareholders and other written and oral communications. These risks and uncertainties include those risks described below of which we are presently aware. Historical results are not necessarily an indication of future results. The risk factors below discuss important factors that could cause our business, financial condition, operating results and cash flows to be materially adversely affected.

**Risks Related to our Business and Industry**

**Impacts of COVID-19 on our business**

The global spread of COVID-19 and the various measures to contain it are affecting the macroeconomic environment and while the full impact remains uncertain, our business and results of operations could be materially adversely affected. We have experienced some increase in member growth and utilization as more people stayed at home and relied on video content, but the longer-term economic impact is expected to adversely affect consumer spending on discretionary items and may decrease demand for our service. The impact on our business will depend on a number of factors such as the duration of COVID-19, the adoption and effectiveness of COVID-19 vaccines, governmental actions, changes in consumer behavior, responses of our third-party business partners that offer our content through their platforms, and general economic activity.

We are attempting to conduct business as usual to the extent possible and are complying with the applicable orders issued by the Governor of Colorado. Commencing in March 2020, we canceled or postponed live events that were scheduled at GaiaSphere, our 300-person live event studio located on our campus in Colorado. We intend to begin hosting live events once the orders are rescinded, however we do not yet know when this may occur or if they will be subsequently reinstated. The loss of revenue and exposure from these events will negatively affect us.

**If our efforts to attract and retain members are not successful, our business will be adversely affected.**

We have experienced significant member growth since we began our digital subscription business in 2013. Our ability to continue to attract members will depend in part on our ability to consistently provide our members with a valuable and quality streaming experience. Furthermore, the relative service levels, content offerings, pricing and related features of our competitors may adversely impact our ability to attract and retain members. We compete for screen viewing time with multichannel video programming distributors providing free-on-demand content through authenticated internet applications, internet-based movie and TV content providers, including both those that provide legal and illegal (or pirated) streaming video content, and streaming video retail stores, among others. If consumers do not perceive our service offering to be of value, or if we introduce new or adjust existing features or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain members.

In addition, many of our members originate from word-of-mouth advertising from existing members. If our efforts to satisfy our existing members are not successful, we may not be able to attract new members, and as a result, our ability to maintain and/or grow our business will be adversely affected. Members cancel our service for many reasons, including a perception that they do not use the service sufficiently, the need to cut household expenses, unsatisfactory availability of content, competitive services providing a better value or experience and customer service issues not satisfactorily resolved. We must continually add new members both to replace members who cancel and to grow our business beyond our current member base. If too many of our members cancel our service, or if we are unable to attract new members in numbers sufficient to sustain and grow our business, our operating results will be adversely affected. If we are unable to successfully compete with current and new competitors in both retaining our existing members and attracting new members, our business will be adversely affected. Further, if excessive numbers of members cancel our service, we may be required to incur significantly higher marketing expenditures than we currently anticipate in order to replace these members with new members.



**If we are unable to compete effectively, our business will be adversely affected.**

The market for streaming content is intensely competitive and subject to rapid change. New technologies and evolving business models for delivery of streaming content continue to develop at a fast pace. Through new and existing distribution channels, consumers are afforded various means for consuming streaming content. The various economic models underlying these differing means of streaming content delivery include subscription, transactional, ad-supported and piracy-based models. All of these have the potential to capture meaningful segments of the streaming content market. Several competitors have longer operating histories, larger customer bases, and stronger brand recognition than we do and have significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to technology and marketing. New entrants may enter the market with unique service offerings or approaches to providing streaming content and other companies also may enter into business combinations or alliances that strengthen their competitive positions. If we are unable to successfully compete with current and new competitors, programs and technologies, our business will be adversely affected, and we may not be able to increase market share and revenues, and achieve profitability.

**We could be harmed by data loss or other security breaches.**

As a result of our services being internet-based and the fact that we process, store, and transmit data, including personal information, for our members, failure to prevent or mitigate data loss or other security breaches, including breaches of our suppliers' technology and systems, could expose us or our members to a risk of loss or misuse of such information, adversely affect our operating results, result in litigation or potential liability for us, and otherwise harm our business. We use third-party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to members, back-office support, and other functions. Although we have implemented systems and processes that are designed to protect member information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third-party supplier, such measures cannot provide absolute security.

**We have had operating losses, and we cannot assure future profitability.**

We reported net income of \$0.5 million in 2020 following a net loss of \$17.9 million in 2019 and net losses during several prior years as a result of continued investment in subscription acquisition efforts to drive revenue growth. We cannot assure you that we will operate profitably in future periods and, if we do not, we may not be able to meet any future debt service requirements, working capital requirements, capital expenditure plans, production slate, acquisition plans or other cash needs. Our inability to meet those needs could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects.

**If we are not able to manage change and growth, our business could be adversely affected.**

We are expanding our operations internationally, scaling our streaming service to effectively and reliably handle anticipated growth in both members and features related to our service. As we expand internationally, we are managing our business to address varied content offerings, consumer customs and practices, in particular those dealing with e-commerce and internet video, as well as differing legal and regulatory environments. As we scale our streaming service, we are developing technology and utilizing third-party internet-based or "cloud" computing services. If we are not able to manage the growing complexity of our business, including improving, refining or revising our systems and operational practices related to our streaming operations, our business could be adversely affected.

**If our efforts to build unique brand identity and improve member satisfaction and loyalty are not successful, we may not be able to attract or retain members, and our operating results may be adversely affected.**

We must continue to build and maintain a unique brand identity. We believe that a unique brand identity will be important in attracting and retaining members who have a number of choices from which to obtain streaming content. To build a unique brand identity we believe we must continue to offer content and service features that our members value and enjoy. We also believe that these must be coupled with effective consumer communications, such as marketing, customer service and public relations. If our efforts to promote and maintain our brand identity are not successful, our ability to attract and retain members may be adversely affected. Such a result may adversely affect our operating results.

With respect to our expansion into international markets, we will also need to establish our brand identity in new markets and languages, and to the extent we are not successful, our business in new markets may be adversely impacted.

**Changes in our member acquisition sources could adversely affect our marketing expenses and member levels may be adversely affected.**

We utilize a broad mix of marketing and public relations programs, including social media websites such as Facebook and YouTube, to promote our service to potential new members. We may limit or discontinue use or support of certain marketing sources or activities if advertising rates increase or if we become concerned that members or potential members deem certain marketing practices intrusive or damaging to our brand. If available marketing channels are limited or curtailed, our ability to attract new members may be adversely affected.

Companies that currently promote our services may cease promoting our services, may determine to compete more directly with our business or enter a similar business, or may decide to exclusively support our competitors. If we no longer have access to such marketing channels, our marketing efforts may be adversely affected. If we are unable to maintain or replace our sources of members with similarly effective sources, or if the cost of our existing sources increases, our member levels and marketing expenses may be adversely affected.

**We face risks, such as unforeseen costs, and potential liabilities in connection with content we produce, license and/or distribute through our service.**

As a producer and distributor of content, we face potential liability for defamation, negligence, copyright or trademark infringement, misinformation, personal injury torts or other claims based on the nature and content of materials that we produce, license and/or distribute. We also face potential liability for content used in promoting our service, including marketing materials and features on our platform such as member reviews. Allegations of impropriety, even if unfounded, could have a material adverse effect on our reputation and our business.

We are responsible for production costs and other expenses related to our original content. We also take on risks associated with this production, such as completion and key talent risk. To the extent we do not accurately anticipate costs or mitigate risks, or if we become liable for content we produce, license and/or distribute, our business may suffer. Litigation to defend these claims could be costly and the expenses and damages arising from any liability or unforeseen production risks could harm our results of operations. We may not be indemnified to cover claims or costs of these types and we may not have insurance coverage for these types of claims.

**Problematic content accessed through our service, including content that violates our content guidelines or the content guidelines of our partners, could damage our reputation and hurt our ability to retain and expand our base of members and partners.**

Our ability to maintain and protect our brand depends, in part, on our ability to maintain the quality and integrity of the content and other information accessed through our streaming service. While we undertake efforts to detect and prevent problematic content and to ensure our content complies with our content guidelines and the content guidelines of our third-party partners, no assurance can be given that such efforts will be error-free.

If we fail to either detect and prevent problematic content or effectively promote high-quality content, it could hurt our reputation and confidence in our brand, thereby negatively affecting the use of our service and our financial performance. In addition, our partners may refuse to carry the Gaia “app” on their platform if our content violates their content guidelines. Problematic content accessed through our service may also subject us to media, legal or regulatory scrutiny, which could adversely affect our reputation and brand.

**We rely upon a number of partners to offer instant streaming of content to various devices.**

We currently offer members the ability to receive streaming content through a host of internet-connected devices, including internet-enabled TVs, digital video players and mobile devices. We intend to continue to broaden our capability to instantly stream content to other platforms over time. If we are not successful in maintaining existing relationships and creating new ones, or if we encounter technological, content licensing or other impediments to our streaming content, our ability to grow our business could be adversely impacted.

We have agreements with third party partners, pursuant to which each makes available an “app” for viewing our content on its platform. Our agreements with our partners are typically between one and three years in duration and our business could be adversely affected if, upon expiration, our partners do not continue to provide access to our service or are unwilling to do so on terms acceptable to us, which terms may include the degree of accessibility and prominence of our service. We may be further harmed if these partners decide to remove our apps from their respective platforms for any other reason at any time.

Furthermore, the devices consumers use to access our content are manufactured and sold by entities other than Gaia and the devices' performance and the connection between these devices and our service may result in consumer dissatisfaction that could result in claims against us or otherwise adversely impact our business. In addition, technology changes to our streaming functionality may require that partners update their devices. If partners do not update or otherwise modify their devices, our service and our members' use and enjoyment could be negatively impacted.

**Any significant disruption in our network or information systems or those of third parties that we utilize in our operations could result in a loss or degradation of service and could adversely impact our business.**

Our reputation and ability to attract, retain and serve our members is dependent upon the reliable performance of our network and information systems and those of third parties that we utilize in our operations. We experience occasional system interruptions and delays that make our websites and services unavailable or slow to respond and prevent us from efficiently providing services to our members, which may reduce the attractiveness of our services. If we are unable to effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency of our systems, we could face system interruptions or delays that may adversely affect our operating results.

Our systems may be subject to damage or interruption from adverse weather conditions, natural disasters, terrorist attacks, power loss, telecommunications failures, computer viruses, computer denial of service attacks, or other attempts to harm these systems. Interruptions in these systems, or to the internet in general, could make our service unavailable or degraded or otherwise hinder our ability to deliver content to our members. Service interruptions, errors in our software or the unavailability of network or information systems used in our operations could diminish the overall attractiveness of our membership service to existing and potential members.

We utilize third-party internet-based or "cloud" computing services in our business operations. We also utilize third-party content delivery networks to help us stream content in high volume to our members over the internet. Problems with these systems faced by us or our service providers, including technological or business-related disruptions, could adversely impact the experience of our members.

**Any significant disruption in or unauthorized access to our network or information systems or those of third parties that we utilize in our operations arising from cyber-attacks could result in a loss or degradation of service, unauthorized disclosure of data (including member and corporate information), or theft of intellectual property, including digital content assets, which could adversely impact our business.**

Our network and information systems and those of third parties we use in our operations are vulnerable to cybersecurity threats, including cyber-attacks such as computer viruses, denial of service attacks, physical or electronic break-ins and similar disruptions. These systems may experience directed attacks intended to lead to interruptions and delays in our service and operations as well as loss, misuse or theft of data or confidential information. Additionally, outside parties may attempt to fraudulently induce employees or users to disclose sensitive or confidential information in order to gain access to data. Any successful attempt by hackers to obtain our data (including members and corporate information) or intellectual property (including digital content assets), disrupt our service, or otherwise access our systems (or those of third parties we use), could harm our business, be expensive to remedy and damage our reputation. We have implemented certain systems and processes to thwart hackers and protect our data and systems, but techniques used to gain unauthorized access to data and software are constantly evolving, and we may be unable to anticipate or prevent unauthorized access. To date hackers have not had a material impact on our service or systems, although a risk remains that hackers may be successful in the future. Our insurance does not cover expenses related to such disruptions or unauthorized access. Efforts to prevent hackers from disrupting our service or otherwise accessing our systems are expensive to develop, implement and maintain. These efforts require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated and may limit the functionality of or otherwise negatively impact our service offering and systems. Any significant disruption to our service or access to our systems could result in a loss of members and adversely affect our business and results of operations. Further, a penetration of our systems or a third party's systems or other misappropriation or misuse of personal information could subject us to business, regulatory, litigation and reputation risk, which could have a negative effect on our business, financial condition and results of operations.

**Our reputation and relationships with members would be harmed if our member data, particularly payment data, were to be accessed by unauthorized persons.**

We maintain personal data regarding our members, including names and payment data. This data is maintained on our own systems as well as that of third parties we use in our operations. With respect to payment data, such as credit and debit card numbers, we rely on licensed encryption and authentication technology to secure such information. We take measures to protect against unauthorized intrusion into our members' data. Despite these measures, our payment processing services or other third-party services we use, could experience an unauthorized intrusion into our members' data. In the event of such a breach, current and potential members may become unwilling to provide the information to us necessary for them to remain or become members. We may also be required to notify regulators about any actual or perceived data breach (including the EU Lead Data Protection Authority) as well as the individuals who are affected by the incident within strict time periods. Additionally, we could face legal claims or regulatory fines or penalties for such a breach. The costs relating to any data breach could be material, and we currently do not carry insurance against the risk of a data breach. For these reasons, should an unauthorized intrusion into our members' data occur, our business could be adversely affected.

**We rely on proprietary technology to stream content and to manage other aspects of our operations, and the failure of this technology to operate effectively could adversely affect our business.**

We continually enhance or modify the technology used for our operations. We cannot be sure that any enhancements or other modifications we make to our operations will achieve the intended results or otherwise be of value to our members. Future enhancements and modifications to our technology could consume considerable resources. If we are unable to maintain and enhance our technology to manage the streaming of content to our members in a timely and efficient manner, or if our technology, or that of third parties we utilize in our operations, fails or otherwise operates improperly, our ability to retain existing members and to add new members may be impaired. Also, any harm to our members' personal computers or other devices caused by software used in our operations could have an adverse effect on our business, results of operations and financial condition.

**Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business.**

We rely upon the ability of consumers to access our service through the internet. To the extent that network operators implement usage-based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses and our member acquisition and retention could be negatively impacted. Furthermore, to the extent network operators were to create tiers of internet access service and either charge us for, or prohibit us from, being available through these tiers, our business could be negatively impacted.

**Increases in payment processing fees, changes to operating rules, the acceptance of new types of payment methods or payment fraud could increase our operating expenses and adversely affect our business and results of operations.**

Our members pay for our services predominately using credit and debit cards. Our acceptance of these payment methods requires our payment of certain fees. From time to time, these fees may increase, either as a result of rate changes by the payment processing companies or as a result of a change in our business practices which increase the fees on a cost-per-transaction basis. Such increases may adversely affect our results of operations.

We are subject to rules, regulations and practices governing our accepted payment methods. These rules, regulations and practices could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept these payment methods, and our business and results of operations would be adversely affected.

We accept payment methods other than credit and debit cards. As our service continues to evolve and expand internationally, we will likely continue to explore accepting various forms of payment, which may have higher fees and costs than our currently accepted payment methods. If more consumers utilize higher cost payment methods our payment costs could increase and our results of operations could be adversely impacted.

In addition, we do not obtain signatures from members in connection with their use of payment methods. To the extent we do not obtain members' signatures, we may be liable for fraudulent payment transactions, even when the associated financial institution approves payment of the orders. From time to time, fraudulent payment methods are used to obtain service. While we do have safeguards in place, we nonetheless experience some fraudulent transactions. We do not currently carry insurance against the risk of fraudulent payment transactions. A failure to adequately control fraudulent payment transactions would harm our business and results of operations.

**If our trademarks and other proprietary rights are not adequately protected to prevent unauthorized use or appropriation, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.**

We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright and trade secret protection laws, to protect our proprietary rights. We may also seek to enforce our proprietary rights through court proceedings. We may file trademark applications from time to time. These applications may not be approved, third parties may challenge any trademarks issued to or held by us, third parties may knowingly or unknowingly infringe our trademarks and other proprietary rights, and we may not be able to prevent infringement or misappropriation without substantial expense to us.

We currently hold various domain names, including [www.gaia.com](http://www.gaia.com) and [www.gaiamtv.com](http://www.gaiamtv.com). Failure to protect our domain names could adversely affect our reputation and make it more difficult for users to find our website and our service. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

**Intellectual property claims against us could be costly and result in the loss of significant rights related to, among other things, our website, title selection processes and marketing activities.**

Our intellectual property rights extend to our technology, business processes and the content on our website. We use the intellectual property of third parties in marketing and providing our services through contractual and other rights. From time to time, third parties may allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use, or develop non-infringing technology and content or otherwise alter our business practices on a timely basis in response to claims of infringement, misappropriation, misuse or other violation of third-party intellectual property rights, our business and competitive position may be adversely affected.

Many companies devote significant resources to developing patents that could potentially affect many aspects of our business. There are numerous patents that broadly claim means and methods of conducting business on the internet. We have not searched patents relative to our technology. Defending ourselves against intellectual property claims, whether they are with or without merit or are determined in our favor, will result in costly litigation and diversion of technical and management personnel. Infringement claims also may result in our inability to use our current website, streaming technology, our recommendation and personalization technology or inability to market our service. As a result of disputes, we may have to develop non-infringing technology, enter into royalty or licensing agreements, adjust our merchandising or marketing activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us.

**Piracy of video, including digital and internet piracy, could adversely affect our business.**

Video piracy is extensive in many parts of the world and has been made easier by technological advances and the conversion of video into digital formats. These trends facilitate the creation, transmission and sharing of high-quality unauthorized copies of content on DVDs, Blu-ray discs, and the internet. We may have to implement elaborate and costly security and anti-piracy measures, which could result in significant expenses and losses of revenue. We cannot assure you that security and anti-piracy measures will prevent the piracy of our content. The proliferation of unauthorized copies of our content could have an adverse effect on our business, by reducing the revenues we receive from our subscription service.

**Our online activities are subject to a variety of laws and regulations relating to privacy which, if violated, could subject us to an increased risk of litigation and regulatory actions.**

In addition to our websites and applications, we use third-party applications, websites, and social media platforms to promote our service and engage consumers, as well as monitor and collect certain information about users of our service. There are a variety of laws and regulations governing individual privacy and the protection and use of information collected from such individuals, particularly in relation to an individual's personally identifiable information (e.g., credit card numbers). Many foreign countries have adopted similar laws governing individual privacy, some of which are more restrictive than similar U.S. laws. If our online activities were to violate any applicable current or future laws and regulations, we could be subject to litigation and regulatory actions, including fines and other penalties.

**We may be subject to litigation or regulatory proceedings that could cause us to incur substantial losses.**

From time to time during the normal course of operating our businesses, we are subject to various litigation claims, regulatory proceedings and legal disputes. Some of these matters may not be covered under our insurance policies, or our insurance carriers may seek to deny coverage. As a result, we might be required to incur significant legal fees, which may have a material adverse effect on our financial position. In addition, because we cannot accurately predict the outcome of any dispute, it is possible that, as a result of current and/or future matters, we will be subject to adverse judgments or settlements that could significantly reduce our earnings or result in losses.

**If government regulations relating to the internet or other areas of our business change, we may need to alter the manner in which we conduct our business or incur greater operating expenses.**

The adoption or modification of laws or regulations relating to the internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. In addition, the continued growth and development of the market for online commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our business model.

The adoption or modification of any laws or regulations that adversely affect the growth, popularity or use of the internet, including laws impacting internet neutrality, could decrease the demand for our service and increase our cost of doing business. For example, as a result of the repeal of internet neutrality regulations in the United States, broadband internet access providers may be able to charge web-based services such as ours for priority access to members, which could result in increased costs and a loss of existing users, impairment of our ability to attract new users, and material adverse effects on our business and opportunities for growth. Additionally, as we expand internationally, government regulation concerning the internet, and in particular, network neutrality, may be nascent or non-existent. Within such a regulatory environment, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

**We could be subject to economic, political, regulatory and other risks arising from international operations.**

Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that may be different from and incremental to those in the United States. In addition to the risks that we face in the United States, our international operations may involve risks that could adversely affect our business, including the following: the need to adapt our content and user interfaces for specific cultural and language differences, including licensing a certain portion of our content library before we have developed a full appreciation for its performance within a given territory; difficulties and costs associated with staffing and managing foreign operations; management distraction; political or social unrest and economic instability; compliance with U.S. laws, such as the Foreign Corrupt Practices Act, export controls and economic sanctions, and local laws prohibiting corrupt payments to government officials; unexpected changes in regulatory requirements; less favorable foreign intellectual property laws; adverse tax consequences such as those related to repatriation of cash from foreign jurisdictions into the United States, non-income related taxes such as value-added tax or other indirect taxes, changes in tax laws or their interpretations, or the application of judgment in determining our global provision for income taxes and other tax liabilities given inter-company transactions and calculations where the ultimate tax determination is uncertain; fluctuations in currency exchange rates, which could impact revenues and expenses of our international operations and expose us to foreign currency exchange rate risk; profit repatriation and other restrictions on the transfer of funds; differing payment processing systems as well as consumer use and acceptance of electronic payment methods, such as credit and debit cards; new and different sources of competition; different and more stringent user protection, data protection, privacy and other laws; and availability of reliable broadband connectivity and wide area networks in targeted areas for expansion.

Our failure to manage any of these risks successfully could harm our international operations and our overall business, and results of our operations.

**We may seek additional capital that may result in shareholder dilution or that may have rights senior to those of our common shareholders.**

From time to time, we may seek to obtain additional capital, either through equity, equity-linked or debt securities. Our cash flows provided by our operating activities were negative in 2019, but as planned became positive in 2020. To the extent we are unable to maintain positive cash flows from operations, we may seek additional capital. The decision to obtain additional capital will depend on, among other things, our business plans, operating performance and condition of the capital markets. If we raise additional funds through the issuance of equity, equity-linked or debt securities, our shareholders may experience dilution, and such securities may have rights, preferences or privileges senior to the rights of our common stock. Any large equity or equity-linked offering could also negatively impact our stock price.

**We may lose key employees or may be unable to hire qualified employees.**

We rely on the continued service and performance of our senior management, in particular Jirka Rysavy, our Chairman, CEO and founder. In our industry, there is substantial and continuous competition for highly skilled business, product development, technical and other personnel. Hiring qualified management is difficult due to the limited number of qualified professionals in our industry. Failure to recruit, attract and retain personnel, particularly management personnel, could materially harm our business, financial condition, and results of operations.

**We may face quarterly and seasonal fluctuations that could harm our business.**

Our revenues and results of operations have fluctuated in the past, and will likely continue to fluctuate, on a quarterly basis. Such fluctuation is the result of a seasonal pattern that reflects variations when consumers are typically spending more time indoors and, as a result, tend to increase their viewing, similar to those of general video streaming services. Our member growth is generally greatest in the fourth and first quarters (October through February), and slowest in the May through August period.

**Acquisitions and new initiatives may harm our financial results.**

We have historically expanded our operations in part through strategic acquisitions and through new initiatives that we generate. We cannot accurately predict the timing, size and success of these efforts. Our acquisition and new initiative strategies involve significant risks that could inhibit our growth and negatively impact our operating results, including the following: our ability to identify suitable acquisition candidates or new initiatives at acceptable prices; our ability to complete the acquisitions of candidates that we identify or develop our new initiatives; our ability to compete effectively for available acquisition opportunities; increases in asking prices by acquisition candidates to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria; diversion of management's attention to expansion efforts; unanticipated costs and contingent liabilities associated with acquisitions and new initiatives; failure of acquired businesses or new initiatives to achieve expected results; our failure to retain key customers or personnel of acquired businesses and difficulties entering markets in which we have no or limited experience. In addition, the size, timing and success of any future acquisitions and new initiatives may cause substantial fluctuations in our operating results from quarter to quarter. Consequently, our operating results for any quarter may not be indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year. These fluctuations could adversely affect our results.

**Risks Related to Ownership of Our Class A Common Stock****Our founder, chairman and CEO, Jirka Rysavy, has voting control over us.**

Mr. Rysavy holds 100% of our 5,400,000 outstanding shares of Class B common stock and also owns 378,778 shares of Class A common stock. The shares of Class B common stock are convertible into shares of Class A common stock at any time. Each share of Class B common stock has ten votes per share, and each share of Class A common stock has one vote per share. Consequently, Mr. Rysavy holds approximately 80% of our voting stock and is able to exert substantial influence over and control matters requiring approval by shareholders, including the election of directors, increasing our authorized capital stock, or a merger or sale of substantially all of our assets. As a result of Mr. Rysavy's control of us, no change of control can occur without Mr. Rysavy's consent. We previously had an option to acquire certain of Mr. Rysavy's shares in the event of his death with the proceeds of a term life insurance policy on him. In December 2019, when the initial term lapsed, we elected not to renew the policy and subsequently cancelled the option.

**Our business is subject to reporting requirements that continue to evolve and change, which could continue to require significant compliance effort and resources.**

Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the SEC and NASDAQ, periodically issue new requirements and regulations. Legislative bodies also review and revise applicable laws. As interpretation and implementation of these laws and rules and promulgation of new regulations continues, we will continue to be required to commit significant financial and managerial resources and incur additional expenses.

**Risks Related to our Ownership of Real Property****Liability relating to environmental matters may impact the value of our real property.**

We may be subject to environmental liabilities arising from our ownership of real property. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances.

The presence of hazardous substances on real property owned by us may adversely affect our ability to sell such real property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such real property could adversely affect our results of operations and financial condition.

Any of these events, in combination or individually, could disrupt our business and adversely affect our business, financial condition, results of operations and cash flows.



**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our principal executive office is located in Louisville, Colorado.

	Size	Use	Owned/Leased
Louisville, CO	138,502 sq. ft.	Headquarters	Partially Owned/Leased
Louisville, CO	11,760 sq. ft.	Production Studio	Owned

On September 9, 2020, our wholly owned subsidiary Boulder Road sold a 50% undivided interest in a portion of our campus to Westside Boulder, LLC. Boulder Road retained a 50% undivided interest in the property as well as full ownership of our studio and production facilities. In connection with the transaction, Boulder Road leased the property pursuant to a master lease for a term extending through September 30, 2030, with two five-year extensions. Gaia guaranteed Boulder Road's obligations under the master lease. We believe our facility is adequate to meet our needs. Our facility is subject to a \$13.0 million mortgage with Great Western Bank as lender.

**Item 3. Legal Proceedings**

From time to time, we are involved in legal proceedings that we consider to be in the normal course of business. We record accruals that can be reasonably estimated for losses related to matters against us that we consider to be probable. In the opinion of management, based on available information, settlements, arbitration awards and final judgments, if any, that are considered probable of being rendered against us in litigation or arbitration in existence at December 31, 2020 and that can be reasonably estimated are either reserved against or would not have a material adverse effect on our financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****Stock Price History**

Our Class A common stock is listed on the NASDAQ Global Market under the symbol "GAIA". On February 22, 2021, we had 3,293 shareholders of record, 13,801,028 shares of \$.0001 par value Class A common stock outstanding, and 5,400,000 shares of \$.0001 par value Class B common stock outstanding (held by one shareholder, Mr. Rysavy).

**Issuer Purchases of Registered Equity Securities**

None.

**Dividend Policy**

No dividends were declared or paid during the twelve months ended December 31, 2020 and 2019.

**Sales of Unregistered Securities**

None.

**Equity Compensation Plan Information**

The following table summarizes equity compensation plan information for our Class A common stock at December 31, 2020:

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,375,798	\$ 7.87	1,637,525
Equity compensation plans not approved by security holders	—	—	—
Total	<u>1,375,798</u>	<u>\$ 7.87</u>	<u>1,637,525</u>

**Item 6. Selected Financial Data**

As a smaller reporting company, we are not required to provide the information required by this Item.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Statements**

This report contains forward-looking statements that involve risks and uncertainties. When used in this discussion, we intend the words “anticipate,” “believe,” “plan,” “estimate,” “expect,” “strive,” “future,” “intend”, “will” and similar expressions as they relate to us to identify such forward-looking statements. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of certain factors set forth under “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-K. Risks and uncertainties that could cause actual results to differ include, without limitation, general economic conditions, ongoing losses, competition, loss of key personnel, pricing, brand reputation, acquisitions, new initiatives we undertake, security and information systems, legal liability for website content, failure of third parties to provide adequate service, future internet-related taxes, our founder’s control of us, litigation, fluctuations in quarterly operating results, consumer trends, the effect of government regulation and programs, the impact of the coronavirus (COVID-19) pandemic and our response to it, and other risks and uncertainties included in our filings with the Securities and Exchange Commission. We caution you that no forward-looking statement is a guarantee of future performance, and you should not place undue reliance on these forward-looking statements which reflect our views only as of the date of this report. We undertake no obligation to update any forward-looking information.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and related notes included elsewhere in this document. This section is designed to provide information that will assist readers in understanding our consolidated financial statements, changes in certain items in those statements from year to year, the primary factors that caused those changes and how certain accounting principles, policies and estimates affect the consolidated financial statements.

### **Overview and Outlook**

We operate a global digital video subscription service with a library of approximately 8,000 titles, with a growing selection of titles available in Spanish, German and French that caters to a unique, underserved member base. Our digital content is available to our members on most internet-connected devices anytime, anywhere, commercial-free. Through our online Gaia subscription service our members have unlimited access to a library of inspiring films, cutting edge documentaries, interviews, yoga classes, transformation related content, and more – 80% of which is exclusively available to our members for digital streaming on most internet-connected devices.

Gaia’s position in the streaming video landscape is firmly supported by its wide variety of exclusive and unique content, which provides a complementary offering to other entertainment-based streaming video services. Our original content is developed and produced in-house in our production studios near Boulder, Colorado. By offering exclusive and unique content through our streaming service, we believe we will be able to significantly expand our target member base.

Our available content is currently focused on yoga, transformation, alternative healing, seeking truth and conscious films. This content is specifically targeted to a unique member base that is interested in alternatives and supplements to the content provided by mainstream media. We have grown these content options both organically through our own productions and through strategic acquisitions. In addition, through our investments in our streaming video technology and our user interface, we have expanded the many ways our subscription member base can access our unique library of media titles.

Our core strategy is to grow our subscription business domestically and internationally by expanding our unique and exclusive content library, enhancing our user interface, extending our streaming service to new internet-connected devices as they are developed and creating a conscious community built around our content.

Our focus for 2019 was on disciplined investment in our product, content library and member acquisition efforts to allow us to reduce the cash used in operations meaningfully over the year, with a continued focus on driving sustainable growth into the future. We reduced cash used in operations over 88% from 2018 to 2019 and generated cash flows from operations in the fourth quarter of 2019. We continued this trend in 2020, generating \$11.7 million in cash flows from operations, an improvement of \$14.3 million or 550% from the year ago period. We also generated net income and positive net cash flows in the second half of 2020 as planned. We are now focused on continuing to generate net income and cash while continuing to grow revenues.

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus, or COVID-19, as a pandemic, COVID-19 continues to spread throughout the United States and the world. The full impact that COVID-19 will have on our business will depend on a number of factors such as the duration and extent of COVID-19, the adoption and effectiveness of COVID-19 vaccines, governmental actions, changes in consumer behavior, responses of our third-party business partners that offer our content through their platforms, and general economic activity, as described in Part II, Item 1A “Risk Factors” in this Form 10-K.

Commencing during the second half of March 2020 continuing through July 2020, we saw an increase in demand for our content from both current and potential members. This created a positive trend in existing member retention, costs to acquire new members, and the corresponding revenue and cash flow impacts from these higher volumes. Beginning in August 2020, we saw the online paid media advertising market start to return to historical norms with a corresponding effect on the cost of our online advertising efforts.

We reported net income of \$0.5 million for 2020, a significant improvement from a net loss of \$18.2 million for 2019.

We are a Colorado corporation. Our principal and executive office is located at 833 West South Boulder Road, Louisville, CO 80027-2452. Our telephone number at that address is (303) 222-3600.

### Results of Operations

The table below summarizes certain of our results for the periods indicated:

(in thousands, except per share data)	Years ended December 31,	
	2020	2019
Revenues, net	\$ 66,827	\$ 53,979
Cost of revenues	8,651	7,111
Gross profit	87.1 %	86.8 %
Selling and operating expenses	56,937	58,292
Corporate, general and administration expenses	5,867	5,780
Loss from operations	(4,628)	(17,204)
Interest and other income (expense), net	5,327	(643)
Income (loss) before income taxes	699	(17,847)
Income tax expense	180	45
Income (loss) from continuing operations	519	(17,892)
Loss from discontinued operations	—	(258)
Net income (loss)	\$ 519	\$ (18,150)

The following table sets forth certain financial data as a percentage of net revenues for the periods indicated:

	Years ended December 31,	
	2020	2019
Revenues, net	100.0 %	100.0 %
Cost of revenues	12.9 %	13.2 %
Gross profit	87.1 %	86.8 %
Expenses:		
Selling and operating	85.2 %	108.0 %
Corporate, general and administration	8.8 %	10.7 %
Total expenses	94.0 %	118.7 %
Loss from operations	(6.9 )%	(31.9 )%
Interest and other income (expense), net	8.0 %	(1.2 )%
Income (loss) before income taxes	1.0 %	(33.1 )%
Income tax expense	0.3 %	0.1 %
Income (loss) from continuing operations	0.8 %	(33.1 )%
Loss from discontinued operations	0.0 %	(0.5 )%
Net income (loss)	0.8 %	(33.6 )%

**Year Ended December 31, 2020 Compared to Year Ended December 31, 2019**

*Revenues, net.* Revenues increased \$12.8 million, or 23.7%, to \$66.8 million during 2020, compared to \$54.0 million during 2019. The increase was primarily driven by an increase in both members and average monthly revenue per member compared to the year-earlier period. Revenues were not significantly impacted by inflation.

*Cost of revenues.* Cost of revenues increased \$1.6 million, or 22.5%, to \$8.7 million during 2020 from \$7.1 million during 2019, with gross profit of 87.1% in 2020 compared to 86.8% in 2019. The gross profit increase was primarily due to increased revenues.

*Selling and operating expenses.* Selling and operating expenses decreased \$1.4 million, or 2.4%, to \$56.9 million during 2020 from \$58.3 million during 2019 and, as a percentage of revenues, decreased significantly to 85.2% during 2020 from 108.0% during 2019. The decrease was primarily driven by operating expense efficiencies overall as we continued to reduce our operating expense base through disciplined expense management and increased revenues.

*Corporate, general and administration expenses.* Corporate, general and administration expenses increased \$0.1 million, or 1.7%, to \$5.9 million during 2020 from \$5.8 million during 2019 and, as a percentage of net revenue, decreased to 8.8% during 2020 from 10.7% during 2019. The decrease was primarily due to disciplined costs controls and increased revenues.

*Interest and other income (expense), net.* Interest and other income (expense), net reflect the \$6.1 million gain from the sale of a portion of our corporate campus during the third quarter of 2020 and the corresponding reduction in interest expense as we used the proceeds in September 2020 to repay \$13.0 million of debt that had an interest rate of 5.75% and refinanced the remaining debt at an interest rate of 3.75% in December 2020.

*Net Income.* As a result of the above factors, net income for 2020 was \$0.5 million, or \$0.03 per share, compared to net loss of \$18.2 million, or \$1.00 per share, for 2019. Net income was not significantly impacted by either changing prices or inflation.

## Quarterly and Seasonal Fluctuations

The following tables set forth our unaudited results of operations for each of the quarters in 2020 and 2019. In our opinion, this unaudited financial information includes all adjustments, consisting solely of normal recurring accruals and adjustments, necessary for a fair presentation of the results of operations for the quarters presented. You should read this financial information in conjunction with our consolidated financial statements and related notes included elsewhere in this Form 10-K. The results of operations for any quarter are not necessarily indicative of future results of operations.

(in thousands, except per share data)	Year 2020 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues, net	\$ 14,511	\$ 16,153	\$ 17,537	\$ 18,626
Gross profit	12,610	14,070	15,273	16,223
Gross margin	86.9%	87.1%	87.1%	87.1%
Income (loss) from operations	(3,265)	(2,220)	368	489
Net income (loss)	(3,580)	(2,525)	6,314	310
Basic net income (loss) per share	\$ (0.19)	\$ (0.13)	\$ 0.33	\$ 0.02
Diluted net income (loss) per share	\$ (0.19)	\$ (0.13)	\$ 0.32	\$ 0.02
Weighted average shares outstanding - basic	18,482	18,837	19,183	19,183
Weighted average shares outstanding - diluted	18,482	18,837	19,737	19,603

(in thousands, except per share data)	Year 2019 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues, net	\$ 12,467	\$ 13,164	\$ 13,660	\$ 14,688
Gross profit	10,867	11,379	11,859	12,763
Gross margin	87.2%	86.4%	86.8%	86.9%
Loss from operations	(6,448)	(4,287)	(3,900)	(2,569)
Net loss	(6,726)	(4,468)	(4,144)	(2,812)
Basic and diluted net loss per share	\$ (0.38)	\$ (0.25)	\$ (0.23)	\$ (0.15)
Weighted average shares outstanding - basic	17,890	17,944	18,375	18,402

Our member base growth reflects seasonal variations driven primarily by periods when consumers typically spend more time indoors and, as a result, tend to increase their viewing, similar to those of traditional TV and cable networks. Our member growth is generally greatest during the fourth and first quarters (October through February), and slowest during May through August. This drives quarterly variations in our spending on member acquisition efforts but does not drive a corresponding seasonality in net revenue.

## Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States, which require us to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 2 to the consolidated financial statements in Item 8 of this Form 10-K summarizes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

We believe the following to be critical accounting policies whose application has a material impact on our financial presentation, and involve a higher degree of complexity, as they require us to make judgments and estimates about matters that are inherently uncertain.

## Media Library

Media Library represents the lower of unamortized cost or net realizable value of capitalized costs to produce our proprietary media content, rights obtained through license arrangements and digital media content acquired through asset purchases or business combinations.

The value of our produced media library consists of capitalized costs incurred to produce original media content, including salary and overhead costs of our in-house production team and other third-party costs.

Our licensed media library is obtained through license arrangements. Generally, we pay an advance against a percentage royalty or an upfront license fee in exchange for the distribution rights for a specific license window, but we may also obtain a license for a fixed fee for perpetuity. These payments are capitalized at the time of payment. Certain agreements also include an ongoing royalty obligation, which entitles the licensor to a share of the revenues generated from the licensed works. These expenses are calculated and accrued on a monthly basis and included in costs of revenues. We pay these accrued royalties on a quarterly basis and therefore have included the related liability in accrued liabilities.

The value of our acquired media library consists of the fair value of media assets obtained through asset acquisitions and business combinations recorded at the estimated fair value of the titles acquired, which is based on a number of factors, including the number of titles, the total hours of content, the production quality and age of the acquired media assets.

We amortize our media library in cost of revenues on a straight-line basis over the shorter of the license period or the estimated useful life of the titles, which typically ranges from 12 to 90 months. The amortization period begins with the first month of availability on our service.

Management reviews content viewership to determine whether viewing patterns correlate with initial estimates supporting the amortization period utilized. If current estimates indicate that viewing is significantly higher in earlier periods relative to the remaining amortization period, we will begin amortizing the respective titles on an accelerated basis over the amortization period. Due to our exclusive content and growing member base, viewership of our library continues to grow each month, therefore no additional amortization was recorded during 2020 or 2019.

Our media library is reviewed for impairment at the film group level when an event or change in circumstances indicates that the carrying amount of the film group may not be recoverable. Recoverability of the film group is measured by a comparison of the carrying amount of the film group to estimated undiscounted future cash flows expected to be generated by the film group. If the carrying amount exceeds the estimated future cash flows, an impairment charge is recognized by the amount by which the carrying value exceeds the fair value. No impairment charges were recorded during 2020 or 2019.

### ***Goodwill***

Goodwill represents the excess of the purchase consideration over the estimated fair value of assets acquired less liabilities assumed in a business acquisition. We have only one reporting unit; therefore, goodwill is assessed at the enterprise level. We review goodwill for impairment annually as of December 31. We have the option of first assessing qualitative factors to determine whether events and circumstances indicate that it is more likely than not that the estimated fair value of goodwill is less than its carrying amount. If the estimated fair value of goodwill exceeds its carrying amount, we consider the goodwill to not be impaired. If the carrying amount of goodwill exceeds its estimated fair value, we use either a comparable market approach or a traditional present value method to test for potential impairment. The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis. Application of alternative assumptions and definitions could yield significantly different results. During 2020 and 2019, no impairment of goodwill was indicated.

### ***Income Taxes and Deferred Tax Balances***

Deferred income tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for financial reporting purposes and for income tax purposes. The tax expense or benefit related to ordinary income or loss must be computed at an annual effective tax rate and the tax expense or benefit related to all other items must be individually computed and recognized as a discrete item when it occurs. Where, based on the weight of available evidence, it is more likely than not that some amount of recorded deferred tax assets will not be realized, a valuation allowance is established for the amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized. As we have historically had taxable losses, we will not release the current valuation allowance until we have cumulative taxable income for a period of 36 months.

A tax position must meet a minimum probability threshold before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

### ***Revenues***

Revenues consist primarily of subscription fees paid by our members. We present revenues net of taxes collected from members. Members are billed in advance and revenues are recognized ratably over the subscription term. Deferred revenue consists of subscription fees collected from members that have not been earned and is recognized ratably over the remaining term of the subscription. We recognize revenue on a net basis for relationships where our partners have the primary relationship, including billing and service delivery, with the member. Payments made to partners to assist in promoting our service on their platforms are expensed as marketing expenses in the period incurred. We do not allow access to our service to be provided as part of a bundle by any of our partners.

### ***Share-Based Compensation***

We recognize compensation cost for share-based awards based on the estimated fair value of the award on the date of grant. We measure compensation cost at the grant date based on the estimated fair value of the award and recognize compensation cost upon the probable attainment of a specified performance condition over the estimated performance period or for time-based awards over the service period. Since 2019, we have only granted restricted stock units, for which we utilize the intrinsic valuation model to estimate fair value.

### ***Liquidity and Capital Resources***

Our capital needs arise from working capital required to fund operations, capital expenditures related to acquisition and development of media content, development and marketing of our digital platforms, acquisitions of new businesses and other investments, replacements, expansions and improvements to our infrastructure, and future growth. These capital requirements depend on numerous factors, including the rate of market acceptance of our offerings, our ability to expand our customer base, the cost of ongoing upgrades to our offerings, our expenditures for marketing, and other factors. Additionally, we will continue to pursue opportunities to expand our media libraries, evaluate possible investments in businesses and technologies, and increase our marketing programs as needed.

We intend to fund our budgeted content and capital expenditures for 2021 of \$16 million to \$20 million with our existing cash balance and cash flows generated from operations. These planned capital expenditures will be predominately utilized to expand our content library and build out the capabilities of our digital platforms. The planned expenditures are entirely discretionary and with our in-house production capabilities we have the ability to scale the planned expenditures based on the available cash flows from operations. We began to generate cash flows from operations in October 2019 and have continued to increase the cash flows generated from operations each subsequent quarter. We expect to continue generating cash flows from operations during 2021. We generated approximately \$4.5 million in cash flows from operations during the fourth quarter of 2020, which covered our investment of \$3.0 million in our media library and product during the period. As of December 31, 2020, our cash balance was \$12.6 million.



On April 26, 2019, we replaced the \$12.5 million line of credit of our wholly owned subsidiary Boulder Road LLC (“Boulder Road”) with a \$17.0 million mortgage with BDS III Mortgage Capital B LLC, as lender. This mortgage was paid off in September 2020 and temporarily replaced with a \$4.0 million unsecured promissory note that bore interest at 5.75% per annum. This note was paid off on December 29, 2020 with the proceeds of the mortgage discussed below that bears interest at 3.75% per annum.

On December 28, 2020, Boulder Road and Westside Boulder, LLC entered into a loan agreement with Great Western Bank, as lender, providing for a mortgage loan in the principal amount of \$13 million. The loan bears interest at a fixed rate of 3.75% per annum and matures on December 28, 2025. Westside and Boulder Road each received 50% of the proceeds and are each responsible for 50% of the monthly installments. The loan is secured by a deed of trust, assignment of rents, security agreement and fixture filing on our corporate campus and is guaranteed by Gaia. This refinancing resulted in a net increase in our cash balance as of December 31, 2020 of \$2.4 million and reduced our interest rate by 200 basis points.

In the normal course of our business, we investigate, evaluate and discuss acquisition, joint venture, minority investment, strategic relationship and other business combination opportunities in our market. For any future investment, acquisition or joint venture opportunities, we may consider using then-available liquidity, issuing equity securities or incurring indebtedness.

While there can be no assurances, we believe our cash on hand, cash expected to be generated from operations, and potential capital raising capabilities should be sufficient to fund our operations on both a short-term and long-term basis. However, our projected cash needs may change as a result of acquisitions, product development, unforeseen operational difficulties or other factors.

#### Cash Flows

The following table summarizes our primary sources (uses) of cash during the periods presented:

(in thousands)	Years ended December 31,	
	2020	2019
Net cash provided by (used in):		
Operating activities - continuing operations	\$ 11,650	\$ (2,650 )
Operating activities - discontinued operations	—	76
Operating activities	11,650	(2,574)
Investing activities	(176)	(20,275)
Financing activities	(10,363)	4,379
Net increase (decrease) in cash	\$ 1,111	\$ (18,470)

#### 2020 Compared to 2019

*Operating activities.* Cash flows from operations improved \$14.3 million during 2020 compared to 2019. The improvement was primarily driven by disciplined expense management, growth in our member base and an increase in the number of members electing to pay their annual memberships in advance.

*Investing activities.* Cash flow used in investing activities improved \$20.1 million during 2020 compared to 2019 primarily due to alignment of our content and product investments to our cash flows from operations and revenue growth and the \$13.2 million in proceeds from the sale of a portion of our corporate campus.

*Financing activities.* Cash flows from financing activities decreased \$14.7 million during 2020 compared to 2019. During 2019, we replaced our \$12.5 million line of credit with the \$17.0 million mortgage discussed above. The balance of that mortgage was repaid in September 2020 and was partially offset with a new term mortgage discussed above, of which Boulder Road’s portion is \$6.5 million.

#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Gaia, Inc.

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Gaia, Inc. (the “Company”) as of December 31, 2020, and 2019, the related statements of operations, changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### Cost Method Investment – Refer to Notes 2 and 4 to the financial statements

##### *Critical Audit Matter Description*

The Company's cost method investments are carried at cost and adjusted for other-than-temporary declines in fair value. The Company evaluates its investments for impairments annually and when factors indicate that a significant decrease in value has occurred. Variables considered in making such assessments may include near-term prospects of the investees and the investees' capital structure, as well as other economic variables which reflect assumptions market participants may use in pricing these assets. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, the Company reduces the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the investment.

We identified the Company's investments valuation as a critical audit matter. The principal considerations for our determination include the degree of judgements in determining the classification of the investment as a cost method investment and whether there is an impairment of the investment.

*How the Critical Audit Matter Was Addressed in the Audit*

The primary procedures we performed to audit this critical audit matter included the following:

- Obtained and reviewed management's memo over the measurement of the investment at cost and the impairment analysis.
- Reviewed the investment agreement and applicable amendments to evaluate whether the practical expedient for measurement at cost per ASU 2016-01 is the proper accounting treatment.
- Interviewed the audit committee chairman and representatives/scientists regarding the nature and status of the investment. Performed corroboration procedures regarding information received from interviews. These procedures included testing contracts, invoices, and payments to acquire equipment for the project.

**Media Library – Refer to Notes 2 and 3 to the financial statements**

*Critical Audit Matter Description*

Media Library represents the lower of unamortized cost or net realizable value of capitalized costs to produce the Company's proprietary media content, rights obtained through license arrangements and digital media content acquired through asset purchases or business combinations. The Company amortizes its media library in cost of revenues on a straight-line basis over the shorter of the license period or the estimated useful life of the titles, which typically ranges from 12 to 90 months. The amortization period begins with the first month of availability on the Company's service. The Company's media library is reviewed for impairment when an event or change in circumstances indicates that the carrying amount of the media library may not be recoverable. Recoverability of the media library is measured by a comparison of the carrying amount of the media library to estimated undiscounted future cash flows expected to be generated by the media library. If the carrying amount of the media library exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying value of the media library exceeds its fair value.

We identified the Company's media library valuation as a critical audit matter. The principal considerations for our determination include the degree of estimates and judgements in determining the useful life and the recoverability of the assets.

*How the Critical Audit Matter Was Addressed in the Audit*

The primary procedures we performed to audit this critical audit matter included the following:

- Tested amounts capitalized to produced media library, including both capitalized salary costs and other external costs. For capitalized salary costs, vouched salaries to third party payroll registers, performed analytics on additional capitalized employee expenses, and determined that the costs incurred by the content department meet the capitalization requirements under film production GAAP. For external costs, tested to external invoices and payments for capitalization requirements under film production GAAP.
- Tested amounts capitalized to licensed media library by reviewing the applicable contract and payments.
- Assessed amortization period by evaluating the appropriateness of inputs used in management's estimates, including the useful lives of produced media and the license period for licensed media. Evaluated proper accounting per ASU 2019-02 which allows for amortization based on usage at the aggregate film group level. Tested the existence of media library content by verifying titles are available for viewing on the platform.
- Obtained an understanding of controls over management's impairment analysis. Evaluated whether there were any events or changes in circumstances that would indicate that the carrying amount of the asset group may not be recoverable. The evaluation included comparing the subscription revenues generated by the media library to the net media library value.

We have served as the Company's auditor since 2004.

Plante Moran, PLLC

Denver, Colorado  
March 2, 2021

## GAIA, INC.

## Consolidated Balance Sheets

(in thousands, except share and per share data)	As of December 31,	
	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 12,605	\$ 11,494
Accounts receivable	2,024	2,310
Prepaid expenses and other current assets	1,746	2,443
Total current assets	16,375	16,247
Media library, software and equipment, net	39,231	36,921
Right-of-use lease asset, net	8,622	—
Investment, real estate and other assets	28,500	35,715
Goodwill	17,289	17,289
Total assets	<u>\$ 110,017</u>	<u>\$ 106,172</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable, accrued and other liabilities	\$ 8,947	\$ 10,594
Deferred revenue	12,376	8,025
Total current liabilities	21,323	18,619
Long-term mortgage, net	6,250	18,433
Long-term lease liability	7,952	—
Deferred taxes	257	206
Total liabilities	35,782	37,258
Equity:		
Gaia, Inc. shareholders' equity:		
Class A common stock, \$.0001 par value, 150,000,000 shares authorized, 13,782,951 and 13,023,231 shares issued and outstanding at December 31, 2020 and 2019, respectively	1	1
Class B common stock, \$.0001 par value, 50,000,000 shares authorized, 5,400,000 shares issued and outstanding at December 31, 2020 and 2019, respectively	1	1
Additional paid-in capital	150,067	145,265
Accumulated deficit	(75,834)	(76,353)
Total equity	<u>74,235</u>	<u>68,914</u>
Total liabilities and equity	<u>\$ 110,017</u>	<u>\$ 106,172</u>

See accompanying Notes to Consolidated Financial Statements.

## GAIA, INC.

## Consolidated Statements of Operations

(in thousands, except per share data)	Years Ended December 31,	
	2020	2019
Revenues, net	\$ 66,827	\$ 53,979
Cost of revenues	8,651	7,111
Gross profit	58,176	46,868
Expenses:		
Selling and operating	56,937	58,292
Corporate, general and administration	5,867	5,780
Total operating expenses	62,804	64,072
Loss from operations	(4,628)	(17,204)
Interest and other income (expense), net	5,327	(643)
Income (loss) before income taxes	699	(17,847)
Income tax expense	180	45
<b>Income (loss) from continuing operations</b>	519	(17,892)
Loss from discontinued operations	—	(258)
<b>Net income (loss)</b>	<u>\$ 519</u>	<u>\$ (18,150)</u>
Income (loss) per share—basic and diluted:		
Basic:		
Continuing operations	\$ 0.03	\$ (0.99)
Discontinued operations	—	(0.01)
Basic net income (loss) per share	<u>\$ 0.03</u>	<u>\$ (1.00)</u>
Diluted:		
Continuing operations	\$ 0.03	\$ (0.99)
Discontinued operations	—	(0.01)
Diluted net income (loss) per share	<u>\$ 0.03</u>	<u>\$ (1.00)</u>
Weighted-average shares outstanding:		
Basic	18,921	18,160
Diluted	19,305	18,160

See accompanying Notes to Consolidated Financial Statements.

## GAIA, INC.

## Consolidated Statement of Changes in Equity

(in thousands, except shares)	Gaia, Inc. Shareholders				
	Total Equity	Accumulated Deficit	Common Stock Amount	Additional Paid-in Capital	Common Stock Shares
Balance at December 31, 2018	\$ 81,465	\$ (58,203)	\$ 2	\$ 139,666	17,900,139
Issuance of Gaia, Inc. common stock for asset acquisition and business combination	\$ 3,500	\$ —	—	\$ 3,500	484,832
Issuance of Gaia, Inc. common stock including for stock option exercises and share-based compensation	2,099	—	—	2,099	38,260
Net loss	(18,150)	(18,150)	—	—	—
Balance at December 31, 2019	\$ 68,914	\$ (76,353)	\$ 2	\$ 145,265	18,423,231
Issuance of Gaia, Inc. common stock for note conversion and business combination	2,929	—	—	2,929	386,887
Issuance of Gaia, Inc. common stock for RSU releases, employee stock purchase plan, stock option exercises and share-based compensation	1,873	—	—	1,873	372,833
Net income	519	519	—	—	—
Balance at December 31, 2020	\$ 74,235	\$ (75,834)	\$ 2	\$ 150,067	19,182,951

See accompanying Notes to Consolidated Financial Statements.

## GAIA, INC.

## Consolidated Statements of Cash Flows

(in thousands)	Years ended December 31,	
	2020	2019
<b>Operating activities:</b>		
Net income (loss)	\$ 519	\$ (18,150)
Loss from discontinued operations	—	258
Income (loss) from continuing operations	519	(17,892)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,042	9,595
Share-based compensation expense	2,338	1,812
Gain on sale of real estate	(6,125)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	130	(976)
Prepaid expenses and other assets	601	776
Accounts payable and accrued liabilities	(2,206)	2,039
Deferred revenue	4,351	1,996
Net cash provided by (used in) operating activities - continuing operations	11,650	(2,650)
Net cash used in operating activities - discontinued operations	—	76
Net cash provided by (used in) operating activities	11,650	(2,574)
<b>Investing activities:</b>		
Acquisitions, net of cash acquired, and purchases of intangible assets	—	(1,575)
Proceeds from sale of real estate	13,150	—
Additions to media library, software and equipment	(13,326)	(18,700)
Net cash used in investing activities	(176)	(20,275)
<b>Financing activities:</b>		
Proceeds from issuance of mortgage, net of issuance costs	10,388	16,592
Proceeds from the issuance of common stock	249	287
Repayments of debt	(21,000)	(12,500)
Net cash provided by (used in) financing activities	(10,363)	4,379
Net increase (decrease) in cash	1,111	(18,470)
Cash at beginning of year	11,494	29,964
Cash at end of year	\$ 12,605	\$ 11,494
<b>Supplemental cash flow information</b>		
Interest paid	\$ 732	\$ 690
Income taxes paid	\$ 129	\$ 9

See accompanying Notes to Consolidated Financial Statements.



## Notes to Consolidated Financial Statements

References in this report to “we”, “us”, “our”, “Company” or “Gaia” refer to Gaia, Inc. and its subsidiaries, unless we indicate otherwise.

### 1. Organization, Nature of Operations, and Principles of Consolidation

Gaia, Inc., operates a global digital video subscription service and on-line community that caters to a unique and underserved member base. Our digital content is available to our members on most internet-connected devices anytime, anywhere commercial free. Through our online Gaia subscription service, our members have unlimited access to a vast library of inspiring films, cutting edge documentaries, interviews, yoga classes, transformation related content, and more – exclusively available to our members for digital streaming. A subscription also allows our members to download and view files from our library without being actively connected to the internet. We were incorporated under the laws of the State of Colorado on July 7, 1988.

We have prepared the accompanying consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, and they include our accounts and those of our subsidiaries, over which we exercise control. Intercompany transactions and balances have been eliminated.

### 2. Significant Accounting Policies

#### *Cash*

Cash represents on-demand accounts with financial institutions that are denominated in U.S. dollars. We consider investments in financial instruments purchased with an original maturity of 90 days or less to be cash equivalents. We also classify amounts in transit from payment processors for member credit card and debit card transactions as cash.

#### *Accounts Receivable*

Accounts receivable consists primarily of amounts due from partners who have the billing relationship with the member and collect subscription fees on our behalf. We evaluate the need for an allowance for doubtful accounts based on historical collection trends, the financial condition of the partners and other factors as appropriate and determined no allowance was needed at December 31, 2020 and 2019.

#### *Property and Equipment*

We state property and equipment at cost less accumulated depreciation and amortization. We include in property and equipment the cost of internal-use software, including software used in connection with our websites. We expense all costs related to the development of internal-use software other than those incurred during the application development stage. We capitalize the costs we incur during the application development stage and amortize them over the estimated useful life of the software, which is typically three years. We compute depreciation of property and equipment on the straight-line method over estimated useful lives, generally 3 to 45 years. We amortize building improvements over the shorter of the estimated useful lives of the assets or remaining life of the building. Depreciation expense is included in selling and operating expense, and corporate, general and administration expense in the accompanying consolidated statements of operations.

#### *Media Library*

Media Library represents the lower of unamortized cost or net realizable value of capitalized costs to produce our proprietary media content, rights obtained through license arrangements and digital media content acquired through asset purchases or business combinations.

We amortize our media library in cost of

revenues on a straight-line basis over the shorter of the license period or the estimated useful life of the titles, which typically ranges from 2 to 90 months. The amortization period begins with the first month of availability on our service.

Our media library is reviewed at the film group level for impairment when an event or change in circumstances indicates that the carrying amount may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the film group to estimated undiscounted future cash flows expected to be generated by the film group. If the carrying amount exceeds the estimated future cash flows, an impairment charge is recognized by the amount by which the carrying value exceeds the fair value.

#### *Goodwill*

Goodwill represents the excess of the purchase consideration over the estimated fair value of assets acquired less liabilities assumed in a business acquisition. We have only one reporting unit; therefore, goodwill is assessed at the enterprise level. We review goodwill for impairment annually on December 31. We have the option of first assessing qualitative factors to determine whether events and circumstances indicate that it is more likely than not that the fair value of a goodwill is less than its carrying amount. If it is determined that the estimated fair value of goodwill is more likely than not greater than the carrying amount of goodwill, then an impairment test is unnecessary. If it is determined that an impairment test is necessary, then we compare the estimated fair value of goodwill with its carrying amount. If the estimated fair value of goodwill exceeds its carrying amount, we consider the goodwill not impaired. If the carrying amount of goodwill exceeds its estimated fair value, we will record an impairment loss for the difference. We use either a comparable market approach or a traditional present value method to test for potential impairment. The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment at many points during the analysis. Application of alternative assumptions and definitions could yield significantly different results. During 2020 and 2019, no impairment of goodwill was indicated.

#### *Long-Lived Assets*

We evaluate the carrying value of long-lived assets held and used, other than goodwill, when events or changes in circumstances indicate the carrying value may not be recoverable. We consider the carrying value of a long-lived asset impaired when the total projected undiscounted cash flows from such asset are separately identifiable and are less than the carrying value. We recognize a loss based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset. We determine the estimated fair value primarily using the projected cash flows from the asset discounted at a rate commensurate with the risk involved. During 2020 and 2019, no impairment of long-lived assets was recognized.

#### *Income Taxes*

We provide for income taxes pursuant to the liability method. The liability method requires recognition of deferred income taxes based on temporary differences between financial reporting and income tax bases of assets and liabilities, using current enacted income tax rates and regulations. These differences will result in taxable income or deductions in future years when the reported amount of the asset or liability is recovered or settled, respectively. Considerable judgment is required in determining when these events may occur and whether recovery of an asset, including the utilization of a net operating loss or other carryforward prior to its expiration, is more likely than not.

#### *Revenue Recognition*

Revenues consist primarily of subscription fees paid by our members. We present revenues net of taxes collected from members. Members are billed in advance and revenues are recognized ratably over the subscription term. Deferred revenues consist of subscription fees collected from members that have not been earned and is recognized ratably over the remaining term of the subscription. We recognize revenue on a net basis for relationships where our partners have the primary relationship, including billing and service delivery, with the member. Payments made to partners to assist in promoting our service on their platforms are expensed to marketing expenses in the period incurred. We do not allow access to our service to be provided as part of a bundle by any of our partners.

#### *Marketing*

Marketing costs consist primarily of advertising expenses, which include promotional activities such as online advertising and public relations expenditures. Advertising costs are expensed as incurred. During 2020 and 2019, we expensed \$31.2 million and \$30.1 million, respectively.

### *Share-Based Compensation*

We recognize compensation cost for share-based awards based on the estimated fair value of the award on date of grant. We measure compensation cost at the grant date based on the estimated fair value of the award and recognize compensation cost upon the probable attainment of a specified performance condition over the estimated performance period or for time-based awards over the service period. Since 2019, we have only granted restricted stock units, for which we utilize the intrinsic valuation model to estimate fair value.

### *Defined Contribution Plan*

We have adopted a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code of 1986, as amended (“Internal Revenue Code”), which covers substantially all employees. Eligible employees may contribute amounts to the plan, via payroll withholding, subject to certain limitations. The 401(k) plan permits, but does not require, us to make additional matching contributions to the 401(k) plan on behalf of all participants in the 401(k) plan. We match 50% of an employee’s contribution, up to an annual maximum matching contribution of \$3,000. We made matching contributions to the 401(k) plan of \$272,000 and \$297,000 in each of the years ended December 31, 2020 and 2019, respectively.

### *Fair Value Measurements*

Fair value represents the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Assets and liabilities are valued based upon observable and non-observable inputs. Valuations using Level 1 inputs are based on unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date. Level 2 inputs utilize significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly; and valuations using Level 3 inputs are based on significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. The carrying amounts of our cash, accounts receivable, accounts payable and other current liabilities approximate their fair values.

### *Leases*

As discussed in Note 7, we entered into an operating lease in connection with the sale of a portion of our corporate campus. We record the right to use the underlying asset for the operating lease term as an asset and our obligation to make lease payments as a liability. Leases with an initial term of 12 months or less are not recognized on the balance sheet and the expense for these short-term leases are recognized on a straight-line basis over the lease term. Variable lease payments are not included in the lease payments used to measure the lease liability and are expensed as incurred.

### *Earnings Per Share*

Basic earnings per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted earnings per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of incremental shares issuable upon the assumed exercise of stock options and vesting of restricted stock units utilizing the treasury stock method.

### *Investments*

Investments in unconsolidated subsidiaries, joint ventures, and other investees in which we have an interest of 20 to 50 percent and can exercise significant influence are accounted for using the equity method. Under this method of accounting, we record our proportionate share of the net earnings or losses of the equity method investee and a corresponding increase or decrease to the investment balance. We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

Our cost method investment is carried at cost and adjusted for other-than-temporary declines in fair value. We evaluate our investment for impairment annually and when factors indicate that a significant decrease in value has occurred. Variables considered in making such assessments may include near-term prospects of the investees and the investees' capital structure, as well as other economic variables which reflect assumptions market participants may use in pricing these assets. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its quoted or estimated fair value, as applicable, and establish a new cost basis for the investment. We did not record any impairment charges on our cost method investments during the years 2020 or 2019.

#### *Use of Estimates and Reclassifications*

The preparation of financial statements in accordance with GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and disclosures. Although we base these estimates on our best knowledge of current events and actions that we may undertake in the future, actual results may be different from the estimates. We have made certain reclassifications to prior period amounts to conform to the current period presentations.

#### *Accounting Pronouncements Implemented in 2020*

In March 2019, the FASB issued ASU 2019-02, *Improvements to Accounting for Costs of Films and License Agreements for Program Materials*, in order to align the accounting for production costs of an episodic television series with the accounting for production costs of films by removing the content distinction for capitalization. ASU 2019-02 also requires reassessing estimates of the use of a film in a film group and accounting for any changes prospectively. In addition, ASU 2019-02 requires testing films and program material license agreements for impairment at a film group level when the films or license agreements are predominantly monetized with other films and license agreements. We adopted the new standard on January 1, 2020 with no material impact to our reported financial position or results of operations.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, in order to improve financial reporting of expected credit losses on financial instruments and other commitments to extend credit. ASU 2016-13 requires that an entity measure and recognize expected credit losses for financial assets held at amortized cost and replaces the incurred loss impairment methodology in prior GAAP with a methodology that requires consideration of a broader range of information to estimate credit losses. We adopted the new standard on January 1, 2020 with no material impact to our reported financial position or results of operations as credit losses are not expected to be significant based on historical collection trends, the financial condition of payment partners, and external market factors.

#### *Recently Issued Accounting Pronouncements Not Yet Adopted*

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. ASU 2019-12 removes certain exceptions for performing intraperiod tax allocations, recognizing deferred taxes for investments, and calculating income taxes in interim periods. The guidance also simplifies the accounting for franchise taxes, transactions that result in a step-up in the tax basis of goodwill, and the effect of enacted changes in tax laws or rates in interim periods. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. While we are continuing to assess the potential impacts of ASU 2019-12, we do not expect ASU 2019-12 to have a material effect, if any, on our financial statements.

With the exception of the new standard discussed above, there have been no other new accounting pronouncements that have significance, or potential significance, to our reported financial position or results of operations.

### 3. Media Library, Software and Equipment

Media library, software and equipment stated at lower of cost or estimated fair value, consists of the following as of December 31:

(in thousands)	2020	2019
Website development and other software	\$ 15,614	\$ 13,942
Studio, computer and telephone equipment	1,826	2,282
Media library:		
Acquired media	2,280	2,675
Licensed media	4,995	4,417
Produced media	34,773	27,648
Produced media in progress	2,983	3,493
	62,471	54,457
Accumulated depreciation and amortization	(23,240)	(17,536)
	<u>\$ 39,231</u>	<u>\$ 36,921</u>

As described in Note 2, Amortization is over typically 90 months commencing with the month the content is available on our site and is included in cost of revenues on the accompanying consolidated statements of operations. Amortization expense for our media library, which is only available on our service, was \$5,602 and \$4,219 during 2020 and 2019. Future depreciation and amortization consist of the following:

(in thousands)	Acquired media	Licensed media	Produced media	Website development and other software	Studio, computer and telephone equipment	Total
2021	\$ 304	\$ 839	\$ 4,926	\$ 4,494	\$ 429	\$ 10,992
2022	304	692	4,613	2,809	369	8,787
2023	304	506	4,366	915	318	6,409
2024	304	361	4,005	—	112	4,782
2025	186	240	3,378	—	—	3,804
Thereafter	147	209	4,101	—	—	4,457
	<u>\$ 1,549</u>	<u>\$ 2,847</u>	<u>\$ 25,389</u>	<u>\$ 8,218</u>	<u>\$ 1,228</u>	<u>\$ 39,231</u>

### 4. Investment, Real Estate and Other Assets

We sold a 50% undivided interest in a portion of our corporate campus on September 9, 2020 as further discussed in Note 8. As of December 31, 2020, we reported the retained interest as investment in real estate and reclassified our real estate to investment, real estate and other assets on our accompanying consolidated balance sheets. As of December 31, 2019, we presented our real estate as building and land, net in our consolidated balance sheet.

In 2016, we purchased 10% of the outstanding common stock and associated voting rights of a privately held Colorado corporation for \$0.0 million. We are accounting for this investment using the cost method. As part of our initial investment, we have the right, but not the obligation, to purchase additional shares. If we elect not to utilize our right to purchase additional shares or transfer these rights to another party by certain deadlines, we may be required to surrender and forfeit our existing stock ownership.

Investment, real estate and other assets consist of the following as of December 31:

(in thousands)	2020	2019
Corporate campus, net	\$ 13,117	\$ 20,382
Studio building, net	2,524	2,299
Cost method investment	10,000	10,000
Other assets	2,288	1,702
Other intangible assets, net	571	800
Income tax receivable	—	532
	<u>\$ 28,500</u>	<u>\$ 35,715</u>

## 5. Goodwill and Other Intangible Assets

The following table sets forth changes in goodwill:

<u>(in thousands)</u>		
Balance at December 31, 2019	\$	17,289
Additions		—
Balance at December 31, 2020	<u>\$</u>	<u>17,289</u>

The following table represents our other intangible assets by major asset class as of the dates indicated, which are included in Investments and Other Assets on the accompanying consolidated balance sheet as of December 31:

<u>(in thousands)</u>	<u>2020</u>	<u>2019</u>
<b>Amortizable Intangible Assets</b>		
Customer related		
Gross carrying amount	\$ —	\$ 550
Accumulated amortization	—	(321)
	<u>\$ —</u>	<u>\$ 229</u>
<b>Unamortized Intangible Assets</b>		
Domain names	\$ 571	\$ 571

The customer related intangible assets were amortized on a straight-line basis over 12 months. Amortization expense was \$229,000 and \$321,000 for 2020 and 2019, respectively.

## 6. Accounts Payable, Accrued and Other Liabilities

Accounts payable, accrued and other liabilities consist of the following as of December 31:

<u>(in thousands)</u>	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 4,832	\$ 6,621
Accrued compensation	1,783	2,168
Current portion of lease liability	691	—
Current portion of mortgage	138	—
Accrued expenses	1,503	1,805
	<u>\$ 8,947</u>	<u>\$ 10,594</u>

## 7. Leases

In connection with the sale of a portion of our corporate campus as further discussed in Note 8, we leased the property pursuant to a master lease for a term extending through September 30, 2030, with two five-year extensions. We record the right to use the underlying asset for the operating lease term as an asset and our obligation to make lease payments as a liability, based on the present value of the lease payments over the lease term. On commencement of the lease, we recorded a right-of-use asset and operating lease liability of \$8,841,000.

Because the rate implicit in the lease is not readily determinable, we use our incremental borrowing rate to determine the present value of lease payments. Information related to our right-of-use asset and related lease liability were as follows:

<u>(in thousands)</u>	<u>Balance Sheet Classification</u>	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Right-of-use asset	Right-of-use lease asset, net	<u>\$ 8,622</u>	<u>\$ —</u>
Operating lease liability (current)	Accounts payable, accrued and other liabilities	\$ 691	\$ —
Operating lease liability (non-current)	Long-term debt and other liabilities, net	<u>7,952</u>	<u>—</u>
		<u>\$ 8,643</u>	<u>\$ —</u>

(in thousands)	For the Year Ended December 31,	
	2020	2019
Cash paid for operating lease liabilities	\$ 321	\$ —
Right-of-use asset obtained in exchange for operating lease obligation	8,841	—

Operating lease expense is recognized on a straight-line basis over the lease term. We recognized \$27,000 in total lease costs during 2020. Future amortization of our lease liability as of December 31, 2020 was as follows:

(in thousands)		
2021	\$	1,001
2022		1,001
2023		1,001
2024		1,008
2025		1,035
Thereafter		5,397
Future lease payments, gross		10,443
Less: Imputed interest		(1,800)
Operating lease liability	\$	8,643

## 8. Debt

In June 2019, one of our wholly owned subsidiaries issued a \$1.45 million secured convertible promissory note as partial consideration for the platform acquisition discussed in Note 11. This note was converted into 206,542 shares of Class A common stock in June 2020 and cancelled.

Also in June 2019, one of our wholly owned subsidiaries issued a \$300,000 secured convertible promissory note as partial consideration for the acquisition of a library of original content discussed in Note 11. This note was converted into 40,728 shares of Class A common stock in June 2020 and cancelled.

On April 26, 2019, we replaced the line of credit of our wholly owned subsidiary Boulder Road LLC (“Boulder Road”) with a \$7.0 million mortgage with BDS III Mortgage Capital B LLC, as lender, on the office campus that houses our headquarters.

On September 9, 2020, Boulder Road sold a 50% undivided interest in a portion of the campus to Westside Boulder, LLC (“Westside”). Boulder Road retained a 50% undivided interest in the property as well as full ownership of our studio and production facilities. Boulder Road received consideration of \$13.15 million in the transaction. Simultaneously with the closing of the sale, Boulder Road used the sale proceeds, along with the proceeds of a \$4 million loan to Gaia from an affiliate of Westside, to repay all outstanding amounts secured by the mortgage. The \$4 million promissory note, which bore the same interest as the retired mortgage at 5.75% per annum, was repaid and cancelled on December 29, 2020 as discussed further below. We recorded a gain on the sale of \$0.1 million which is included in Interest and other income (expense), net on the accompanying consolidated statements of operations.

On December 28, 2020 Boulder Road and Westside entered into a loan agreement with Great Western Bank, as lender, providing for a mortgage loan in the principal amount of \$13 million. The mortgage bears interest at a fixed rate of 3.75% per annum, matures on December 28, 2025, is secured by a deed of trust on our corporate campus, a portion of which is owned by Boulder Road and Westside as tenants-in-common and the remainder of which is owned by Boulder Road. Westside and Boulder Road each received 50% of the proceeds and are each responsible for 50% of the monthly installments. Gaia guaranteed payment of the mortgage. The mortgage is subject to certain financial covenants related to the underlying property.

Maturities on long-term debt, net are as follows:

<u>(in thousands)</u>	
2021	\$ 138
2022	144
2023	150
2024	156
2025	5,800
	<u>\$ 6,388</u>

## 9. Contingencies

From time to time, we are involved in legal proceedings that we consider to be in the normal course of business. We record accruals for losses related to those matters against us that we consider to be probable and that can be reasonably estimated. Based on available information, in the opinion of management, settlements, arbitration awards and final judgments, if any, that are considered probable of being rendered against us in litigation or arbitration in existence at December 31, 2020 and that can be reasonably estimated are either reserved against or would not have a material adverse effect on our financial condition, results of operations or cash flows.

## 10. Earnings Per Share

Basic earnings per share is computed using the weighted-average number of outstanding shares of common stock during the period. Diluted earnings per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential shares of common stock outstanding during the period. Potential shares of common stock consist of incremental shares issuable upon the assumed exercise of stock options and vesting of restricted stock units utilizing the treasury stock method. The computation of earnings per share is as follows:

<u>(in thousands, except per share data)</u>	<u>For the Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
<b>Basic earnings per share:</b>		
Net income (loss)	\$ 519	\$ (18,150)
<b>Shares used in computation:</b>		
Weighted-average common stock outstanding	18,921	18,160
Basic earnings per share	<u>\$ 0.03</u>	<u>\$ (1.00)</u>
<b>Diluted earnings per share:</b>		
Net income (loss)	\$ 519	\$ (18,150)
<b>Shares used in computation:</b>		
Weighted-average common stock outstanding	18,921	18,160
Common stock equivalents	384	—
Weighted-average number of shares	19,305	18,160
Diluted earnings per share	<u>\$ 0.03</u>	<u>\$ (1.00)</u>

Employee stock options with exercise prices greater than the average market price of the common stock were excluded from the diluted calculation as their inclusion would have been anti-dilutive. The following table summarizes the potential share of common stock excluded from the diluted calculation:

<u>(in thousands)</u>	<u>For the Year Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Common stock equivalents excluded due to net loss	—	526
Employee stock options and restricted stock units	14	88
	<u>14</u>	<u>614</u>



## 11. Equity

Our common stock has two classes, Class A and Class B. Each holder of our Class A common stock is entitled to one vote for each share held on all matters submitted to a vote of shareholders. Each of our Class B common stock is entitled to ten votes on all matters submitted to a vote of shareholders. There are no cumulative voting rights. All holders of our Class A common stock and our Class B common stock vote as a single class on all matters that are submitted to the shareholders for a vote, except as provided by law or as set forth in our charter. Shareholders may consent to an action in writing and without a meeting under certain circumstances. Jirka Rysavy, our chairman and CEO, holds 100% of our 5,400,000 outstanding shares of Class B common stock and also owns 378,778 shares of Class A common stock. Consequently, our chairman holds approximately 80% of our voting stock and is able to exert substantial influence over and to control matters requiring approval by shareholders, including the election of directors, increasing our authorized capital stock, or a merger or sale of substantially all of our assets. As a result of Mr. Rysavy's control of us, no change of control can occur without Mr. Rysavy's consent.

Our Class A common stock and our Class B common stock are entitled to receive dividends, if any, as may be declared by our board of directors out of legally available funds. In the event of a liquidation, dissolution or winding up of Gaia, our Class A common stock and our Class B common stock are entitled to share ratably in our assets remaining after the payment of all of our debts and other liabilities. Holders of our Class A common stock and our Class B common stock have no preemptive, subscription or redemption rights, and there are no redemption or sinking fund provisions applicable to our Class A common stock or our Class B common stock.

Our Class B common stock may not be transferred unless converted into our Class A common stock, other than certain transfers to affiliates, a trust, family members, and charitable organizations. Shares of our Class B common stock are convertible one-for-one into shares of our Class A common stock, at the option of the holder of the Class B common stock.

During 2020 and 2019, we issued shares of our Class A common stock as shown in the table below under our 2019 Long-Term Incentive Plan (the "2019 Plan") and the 2009 Long-Term Incentive Plan (the "2009 Plan").

	For the Years Ended December 31,	
	2020	2019
Shares issued to independent directors for vesting of restricted stock units issued for services rendered, in lieu of cash compensation	18,720	—
Shares issued to employees upon exercise of stock options, vesting of restricted stock units, and employee stock purchase program	354,113	38,260

In June 2019, we issued 404,891 shares of Class A common stock as part of the consideration for an acquisition of a complementary streaming platform focused on Alternative Healing. We also issued 79,941 shares of Class A common stock as part of the consideration to acquire over 450 titles of original content, which has been integrated into our Alternative Healing channel.

In June 2020, we issued 139,617 shares of Class A common stock as additional consideration for an earnout based on the acquired platform maintaining profitability and exceeding the upper threshold of a member growth target as of June 30, 2020. We relieved the \$431,000 liability that was recorded for this additional consideration when we issued the Class A common stock. In addition, during June 2020 we issued 247,270 shares of Class A common stock upon conversion of \$1.75 million in secured convertible promissory notes issued as partial consideration for the acquisitions described above.

As of December 31, 2020, we had the following Class A common shares reserved for future issuance:

Conversion of Class B common stock	5,400,000
Reserved under the ESPP	300,000
Stock options outstanding under the 2009 Plan	319,196
Restricted stock units outstanding under the 2009 Plan	604,328
Restricted stock units outstanding under the 2019 Plan	452,274
Total shares reserved for future issuance	<u>7,075,798</u>

## 12. Share-Based Compensation

During 2019, we adopted our 2019 Employee Stock Purchase Plan (the “ESPP”). The purpose of the ESPP is to provide eligible employees an opportunity to purchase shares of our Class A common stock over time through regular payroll deductions. The ESPP initially reserved and authorized the issuance of up to a total of 300,000 shares of our Class A common stock to participating employees, subject to certain adjustments. The number of shares of Class A common stock available for issuance under the ESPP will be increased on the first day of each year beginning with 2020 in an amount equal to the number of shares issued under the ESPP in the prior year. No participant may purchase more than 1,000 shares of our Class A common stock during any offering period under the ESPP. In addition, under applicable tax rules, an employee may purchase no more than \$25,000 worth of shares of our Class A common stock, valued at the start of the offering period, under the ESPP for each calendar year.

Also during 2019, we adopted the 2019 Plan, which replaced our 2009 Plan. The authority to grant new options under the 2009 Plan expired on April 23, 2019. The purpose of the 2019 Plan is to advance the interests of our company and its shareholders by providing incentives to certain employees and other key individuals who perform services for us, including those who contribute significantly to the strategic and long-term performance objectives and growth of our company. No more than 1.8 million shares of our Class A common stock, subject to certain adjustments, may be issued under the 2019 Plan, and the 2019 Plan terminates no later than April 25, 2029.

In 2015, we commenced issuing restricted stock units (RSUs). The RSUs entitle the recipient to receive one share of Class A common stock for each RSU upon vesting. The RSUs are issued with cliff vesting in five years for employees and one year for directors, provided that the recipient is still an employee or director of Gaia on such date. The RSUs will be automatically forfeited and of no further force and effect if the vesting conditions are not met. We use intrinsic value method for RSUs, which due to the nature of these awards, is typically market price of our common stock on the date of grant. Since 2019, we have only granted restricted stock units. No options were granted during 2020 or 2019. The exercise price of our outstanding options is generally equal to the closing market price of our stock at the date of the grant. We recognize the compensation expense related to share-based payment awards on a straight-line basis over the requisite service periods of the awards, which are generally five years for employees, and one year for board members.

The table below presents a summary of activity under the 2009 Plan and the 2019 Plan, as of December 31, 2020, and changes during the year then ended:

(in thousands, except share and per share amounts)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2020	1,335,034	\$ 7.60		
Option grants	—	—		
Restricted stock unit grants	452,274	—		
Exercised options	(32,200)	5.63		
Restricted stock unit vesting	(330,432)	—		
Cancelled or forfeited options	(1,800)	7.40		
Cancelled or forfeited restricted stock units	(47,078)	—		
Outstanding at December 31, 2020	1,375,798	\$ 7.87	5.1	\$ 13,592,884
Exercisable options at December 31, 2020	314,396	\$ 7.87	5.0	\$ 3,106,232

The table below presents our valuation data:

(in thousands, except per share amounts)	2020	2019
<b>Valuation Data:</b>		
Weighted-average fair value (per share)	\$ 10.55	\$ 6.41
Total stock-based compensation expense	\$ 2,338	\$ 1,812
Total income tax impact on provision	\$ 240	\$ 372

The table below presents our outstanding RSU's by vest date:

Vest Date	RSU's
January 1, 2021	8,196
April 30, 2021	19,184
March 31, 2022	349,886
January 1, 2023	8,196
March 31, 2024	238,050
March 31, 2026	433,090
	<u>1,056,602</u>

We issue new shares upon the exercise of options and vesting of RSUs. We received approximately \$181,000 and \$235,000 in cash from stock options exercised during 2020 and 2019, respectively. The total intrinsic value of options exercised during 2020 and 2019 was \$13,000 and \$36,000, respectively. The total fair value of options vested was \$24,000 and \$231,000 during 2020 and 2019, respectively.

As of December 31, 2020, there was \$7.4 million of unrecognized cost related to non-vested share-based compensation arrangements granted under the 2009 and 2019 Plans. We expect that cost to be recognized over a weighted-average period of 4.22 years.

### 13. Income Taxes

Our provision for income taxes is comprised of the following:

(in thousands)	For the Years Ended December 31,	
	2020	2019
Current:		
Federal	\$ —	\$ —
State	129	7
Total current	<u>129</u>	<u>7</u>
Deferred:		
Federal	47	36
State	4	2
Total deferred	<u>51</u>	<u>38</u>
Total income tax expense	<u>\$ 180</u>	<u>\$ 45</u>

Variations from the federal statutory rate are as follows:

(in thousands)	For the Years Ended December 31,	
	2020	2019
Expected federal income tax benefit at statutory rate of 21% in 2020 and 2019	\$ 147	\$ (3,748)
Effect of permanent other differences	239	6
Return to provision adjustments	134	79
State income tax expense (benefit), net of federal benefit tax assets	10	(268)
Valuation allowance	(350)	3,976
Total income tax expense	<u>\$ 180</u>	<u>\$ 45</u>

Deferred income taxes reflect net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the net accumulated deferred income tax assets (liabilities) are as follows:

(in thousands)	As of December 31,	
	2020	2019
Deferred tax assets (liabilities):		
Stock-based compensation	\$ 1,065	\$ 1,305
Depreciation and amortization	(1,111)	(825)
Section 181 qualified production expense	(3,960)	(4,668)
Net operating loss carryforward	20,791	21,212
Charitable carryforward	118	156
Other	417	542
Tax credits	276	276
Valuation allowance	(17,853)	(18,204)
Total deferred tax liabilities, net of valuation allowance	<u>\$ (257)</u>	<u>\$ (206)</u>

The source of income (loss) before income taxes are as follows:

(in thousands)	2020	2019
Domestic	\$ 699	\$ (17,847)

Periodically, we perform assessments of the realization of our net deferred tax assets considering all available evidence, both positive and negative. We determined that a valuation allowance against our deferred tax assets of \$17.9 million and \$18.2 million for 2020 and 2019, respectively, was necessary due to the cumulative loss incurred over a three-year period. We have federal and state net operating loss carryforwards of approximately \$92.4 million and \$24.9 million, respectively, of which \$28.7 million in federal net operating losses expire after 2037. Net operating losses generated in 2018 and beyond do not expire.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. We measure the tax benefits recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to our subjective assumptions and judgments which can materially affect amounts recognized in our consolidated balance sheets and consolidated statements of operations.

The result of our assessment of our uncertain tax positions did not have a material impact on our consolidated financial statements. Our federal and state tax returns for all years after 2015 are subject to future examination by tax authorities for all our tax jurisdictions. We recognize interest and penalties related to income tax matters in interest and other income (expense) and corporate, general and administrative expenses, respectively.

#### 14. Segment Information and Geographic Information

Our chief operating decision maker reviews operating results on a consolidated basis and we therefore have one reportable segment.

##### Geographic Information

We have members in the United States and over 185 foreign countries. The major geographic territories are the U.S., Canada and Australia are based on the billing location of the member.

The following represents geographical data for our operations:

(in thousands)	For the Years Ended December 31,	
	2020	2019
Revenue:		
United States	\$ 40,687	\$ 38,337
International	26,140	15,642
	<u>\$ 66,827</u>	<u>\$ 53,979</u>

#### 15. Quarterly Results of Operations (Unaudited)

The following tables set forth our unaudited results of operations for each of the quarters in 2020 and 2019.

(in thousands, except per share data)	Year 2020 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues, net	\$ 14,511	\$ 16,153	\$ 17,537	\$ 18,626
Gross profit	12,610	14,070	15,273	16,223
Gross margin	86.9%	87.1%	87.1%	87.1%
Income (loss) from operations	(3,265)	(2,220)	368	489
Net income (loss)	(3,580)	(2,525)	6,314	310
Basic net income (loss) per share	\$ (0.19)	\$ (0.13)	\$ 0.33	\$ 0.02
Diluted net income (loss) per share	\$ (0.19)	\$ (0.13)	\$ 0.32	\$ 0.02
Weighted average shares outstanding - basic	18,482	18,837	19,183	19,183
Weighted average shares outstanding - diluted	18,482	18,837	19,737	19,603

(in thousands, except per share data)	Year 2019 Quarters Ended			
	March 31	June 30	September 30	December 31
Revenues, net	\$ 12,467	\$ 13,164	\$ 13,660	\$ 14,688
Gross profit	10,867	11,379	11,859	12,763
Gross margin	87.2%	86.4%	86.8%	86.9%
Loss from operations	(6,448)	(4,287)	(3,900)	(2,569)
Net loss	(6,726)	(4,468)	(4,144)	(2,812)
Basic and diluted net loss per share	\$ (0.38)	\$ (0.25)	\$ (0.23)	\$ (0.15)
Weighted average shares outstanding - basic	17,890	17,944	18,375	18,402

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based upon their evaluation as of December 31, 2020, our management has concluded that those disclosure controls and procedures are effective.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, the effectiveness of our controls in future periods is uncertain and subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020 using the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission in its "*Internal Control-Integrated Framework*." Based on that assessment, our management concluded that, as of December 31, 2020, our internal control over financial reporting was effective.

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

We incorporate herein the information required by this Item by reference to our Proxy Statement for our Annual Meeting of Shareholders, to be held on April 29, 2021, to be filed with the Commission pursuant to Regulation 14A.

**Code of Ethics**

We have adopted a Code of Ethics applicable to our employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. We have posted a copy of our Code of Ethics on the corporate section of our website at <http://ir.gaia.com/governance-docs>. Our full board of directors must approve in advance any waivers of the Code of Ethics with respect to any executive officer or director. We will post any amendments or waivers from our Code of Ethics that apply to our executive officers and directors on the "Governance" section of our internet website located at <http://ir.gaia.com/governance-docs>.

**Item 11. Executive Compensation**

We incorporate herein the information required by this Item by reference to our Proxy Statement for our Annual Meeting of Shareholders, to be held on April 29, 2021, to be filed with the Commission pursuant to Regulation 14A.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

We incorporate herein the information required by this Item by reference to our Proxy Statement for our Annual Meeting of Shareholders, to be held on April 29, 2021, to be filed with the Commission pursuant to Regulation 14A.

**Equity Compensation Plan Information**

See Part II, Item 5 for information regarding securities authorized for issuance under our equity compensation plans.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

We incorporate herein the information required by this Item by reference to our Proxy Statement for our Annual Meeting of Shareholders, to be held on April 29, 2021, to be filed with the Commission pursuant to Regulation 14A.

**Item 14. Principal Accountant Fees and Services**

We incorporate herein the information required by this Item by reference to our Proxy Statement for our Annual Meeting of Shareholders, to be held on April 29, 2021, to be filed with the Commission pursuant to Regulation 14A.

**PART IV****Item 15. Exhibits and Financial Statement Schedules**

(a) Documents filed as part of this report are as follows:

1. Consolidated Financial Statements.  
See listing of Consolidated Financial Statements included as part of this Form 10-K in Item 8 of Part II.
2. Exhibits:

The following exhibits are incorporated by reference or are filed or furnished with this report as indicated below:

Exhibit No.	Description
3.1	<a href="#"><u>Amended and Restated Articles of Incorporation of Gaiam, Inc. (now known as Gaia, Inc.) dated October 24, 1999 (incorporated by reference to Exhibit 3.1 of Gaia's Form 10-Q filed August 9, 2016).</u></a>
3.2	<a href="#"><u>Articles of Amendment to Amended and Restated Articles of Incorporation of Gaiam, Inc. (now known as Gaia, Inc.) dated October 4, 2006 (incorporated by reference to Exhibit 3.2 of Gaia's Form 10-Q filed August 9, 2016).</u></a>
3.3	<a href="#"><u>Articles of Amendment to the Amended and Restated Articles of Incorporation of Gaia, Inc., dated July 14, 2016 (incorporated by reference to Exhibit 3.3 of Gaia's Form 10-Q filed August 9, 2016).</u></a>
3.4	<a href="#"><u>Amended and Restated Bylaws of Gaiam, Inc. (now known as Gaia, Inc.) (incorporated by reference to Exhibit 3.1 of Gaiam's Form 8-K filed November 30, 2007).</u></a>
4.1	<a href="#"><u>Form of Gaia, Inc. Stock Certificate (incorporated by reference to Exhibit 4.1 of Gaia's Form S-8 filed April 29, 2019).</u></a>
4.2	<a href="#"><u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 of Gaia's Form 10-K filed February 24, 2020).</u></a>
10.1*	<a href="#"><u>Gaiam, Inc. (now known as Gaia, Inc.) 2009 Long-Term Incentive Plan, dated January 15, 2009 (incorporated by reference to Exhibit A of Gaiam's proxy statement filed March 13, 2009 (No. 000-27517)).</u></a>

Exhibit No.	Description
10.2*	<a href="#">Form of Employee Stock Option Agreement, under Gaiam's (now known as Gaia) 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.15 of Gaiam's Form 10-K filed March 16, 2010 (No. 000-27517)).</a>
10.3*	<a href="#">Form of Restricted Stock Unit Awards Agreement under Gaiam's (now known as Gaia) 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Gaiam's Form 8-K filed July 8, 2016 (No. 000-27517)).</a>
10.5	<a href="#">Form of Indemnification Agreement (incorporated by reference to Exhibit 10.19 of Gaiam's (now known as Gaia) Form 10-K filed March 31, 2014 (No. 000-27517)).</a>
10.6*	<a href="#">Gaia, Inc. 2019 Long-Term Incentive Plan, dated April 25, 2019 (incorporated by reference to Exhibit A of Gaia's proxy statement filed March 8, 2019 (No. 000-27517)).</a>
10.7*	<a href="#">Gaia, Inc. 2019 Employee Stock Purchase Plan, dated April 25, 2019 (incorporated by reference to Exhibit B of Gaia's proxy statement filed March 8, 2019 (No. 000-27517)).</a>
10.8*	<a href="#">Form of Employee Stock Option Agreement, under Gaia's 2019 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.8 of Gaia's Form 10-K filed February 24, 2020 (No. 000-27517)).</a>
10.9*	<a href="#">Form of Restricted Stock Unit Awards Agreement under Gaia's 2019 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 of Gaia's Form 10-K filed February 24, 2020 (No. 000-27517)).</a>
10.10	<a href="#">Master Lease dated as of September 9, 2020, between Boulder Road LLC, as lessee, and Boulder Road LLC and Westside Boulder, LLC, tenants in common, as lessors (incorporated by reference to Exhibit 10.2 of Gaia's Form 8-K filed September 10, 2020 (No. 000-27517)).</a>
10.11	<a href="#">Loan Agreement dated as of December 28, 2020, between Boulder Road LLC and Westside Boulder Road, LLC, as borrower, and Great Western Bank, as lender (incorporated by reference to Exhibit 10.1 of Gaia's Form 8-K filed January 4, 2021 (No. 000-27517)).</a>
10.12	<a href="#">Unconditional Guaranty of Payment dated as of December 28, 2020, between Gaia, Inc., as guarantor and Great Western Bank, as lender (incorporated by reference to Exhibit 10.2 of Gaia's Form 8-K filed January 4, 2021 (No. 000-27517)).</a>
21.1	<a href="#">List of Gaia, Inc. Subsidiaries (filed herewith).</a>
23.1	<a href="#">Consent letter from Plante Moran, PLLC (filed herewith).</a>
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith).</a>
31.2	<a href="#">Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 (filed herewith).</a>
32.1	<a href="#">Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>
32.2	<a href="#">Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File

\* Indicates management contract or compensatory plan or arrangement.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GAIA, INC.

By: /s/ Jirka Rysavy  
Jirka Rysavy  
Chief Executive Officer  
March 2, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jirka Rysavy</u> Jirka Rysavy	Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2021
<u>/s/ James Colquhoun</u> James Colquhoun	Director	March 2, 2021
<u>/s/ Kristin Frank</u> Kristin Frank	Director	March 2, 2021
<u>/s/ David Maisel</u> David Maisel	Director	March 2, 2021
<u>/s/ Dae Mellencamp</u> Dae Mellencamp	Director	March 2, 2021
<u>/s/ Keyur Patel</u> Keyur Patel	Director	March 2, 2021
<u>/s/ Paul Sutherland</u> Paul Sutherland	Director	March 2, 2021
<u>/s/ Paul Tarell</u> Paul Tarell	Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2021

**GAIA, INC.  
SUBSIDIARIES**

Subsidiaries	State or Country of Incorporation or Registration
Boulder Road, LLC.	State of Colorado
Gaia International, Inc.	State of Colorado

All subsidiaries are 100% owned by Gaia, Inc.

This list omits subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary.

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Gaia, Inc.'s Registration Statements, as set forth below, of our report dated March 2, 2021, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting of Gaia, Inc., which appears in this Annual Report on Form 10-K.

<b>Form</b>	<b>Registration Statement</b>	<b>Description</b>
S-8	333-231112	Gaiam, Inc. 2009 Long-Term Incentive Plan
S-8	333-161450	Gaia, Inc. 2019 Long-Term Incentive Plan Gaia, Inc. 2019 Employee Stock Purchase Plan

Plante Moran, PLLC

March 2, 2021  
Denver, Colorado

## CERTIFICATION

I, Jirka Rysavy, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020, of Gaia, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2021

/s/ Jirka Rysavy

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Jirka Rysavy  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATION

I, Paul Tarell, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020, of Gaia, Inc.;
2. Based on my knowledge, this report 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 2, 2021

/s/ Paul Tarell

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Paul Tarell  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF CEO PURSUANT TO  
18 U.S.C. SECTION 1350  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the report of Gaia, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Jirka Rysavy, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2021

/s/ Jirka Rysavy

Jirka Rysavy  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF CFO PURSUANT TO**

**18 U.S.C. SECTION 1350**

**As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the report of Gaia, Inc. (the "Company") on Form 10-K for the year ended December 31, 2020, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Tarell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2021

/s/ Paul Tarell

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Paul Tarell  
Chief Financial Officer  
(Principal Financial Officer)