



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**DIRECT RELIEF AND AFFILIATES**

June 30, 2020 and 2019

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## Report of Independent Auditors

To the Board of Directors  
Direct Relief and Affiliates

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Direct Relief and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Direct Relief and Affiliates as of June 30, 2020, and the change in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 to the consolidated financial statements, Direct Relief and Affiliates adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is applied on a modified prospective basis. Our opinion is not modified with respect to this matter.

## **Other Matters**

### **Report on Summarized Comparative Information**

We have previously audited the Direct Relief and Affiliate's June 30, 2019, consolidated financial statements, and our report dated October 17, 2019, expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information includes the consolidating statements of financial position as of June 30, 2020, and consolidating statements of activities for the year ended June 30, 2020, on pages 23–24, for the entity as a whole. Consolidating statements of financial position and consolidating statements of activities have been summarized as of and for the year ended June 30, 2019. The supplementary information of the statements of functional expenses of Direct Relief, exclusive of its affiliates ("Direct Relief Foundation," "Direct Relief International-South Africa," "Direct Relief-Mexico" and "DR Property 1, LLC"), for the year ended June 30, 2020, is on pages 25–26. The statements of functional expenses have been summarized for the year ended June 30, 2019. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Moss Adams LLP*

Los Angeles, California  
October 20, 2020

**Direct Relief and Affiliates**  
**Consolidated Statements of Financial Position**  
Amounts are Presented in Thousands

<b>ASSETS</b>		June 30,	
		2020	2019
<b>ASSETS</b>			
Cash and cash equivalents	\$	159,052	\$ 87,422
Investments		45,055	51,805
Contributions and other receivables, net		10,143	12,431
Inventories, net		754,042	386,361
Prepaid expenses		7,230	3,094
Property and equipment, net		39,797	38,986
Other assets		1	1
Total assets	\$	1,015,320	\$ 580,100
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$	4,475	\$ 3,628
Accrued liabilities		12,404	5,180
Long-term debt		6,000	13,400
Total liabilities		22,879	22,208
<b>NET ASSETS</b>			
Without donor restrictions			
Board-designated investment fund		34,600	36,976
Undesignated		810,582	417,678
Total without donor restrictions		845,182	454,654
With donor restrictions			
		147,259	103,238
Total net assets		992,441	557,892
Total liabilities and net assets	\$	1,015,320	\$ 580,100

**Direct Relief and Affiliates**  
**Consolidated Statements of Activities with Comparative Information**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2020			Summarized
	Without Donor	With Donor	Total	Totals for
	Restrictions	Restrictions		2019
				Total
<b>PUBLIC SUPPORT</b>				
In cash and securities				
Contributions	\$ 21,321	\$ 40,370	\$ 61,691	\$ 29,884
Business and foundation grants	4,903	100,260	105,163	62,799
Workplace giving campaigns	2,534	1,850	4,384	1,746
Special events	-	14	14	86
Total public support from cash and securities	<u>28,758</u>	<u>142,494</u>	<u>171,252</u>	<u>94,515</u>
From contributed goods and services				
Pharmaceuticals, medical supplies, and equipment	1,821,478	-	1,821,478	1,334,805
Contributed freight	1,062	1,617	2,679	1,944
Contributed goods – other	864	-	864	116
Professional services received	<u>549</u>	<u>800</u>	<u>1,349</u>	<u>508</u>
Total from contributed goods and services	<u>1,823,953</u>	<u>2,417</u>	<u>1,826,370</u>	<u>1,337,373</u>
Total public support	1,852,711	144,911	1,997,622	1,431,888
<b>REVENUE</b>				
Investment income, net	1,244	1,072	2,316	2,260
Realized gain on investments	1,003	4	1,007	1,266
Unrealized loss on investments	<u>(1,791)</u>	<u>(180)</u>	<u>(1,971)</u>	<u>(48)</u>
Total revenue	456	896	1,352	3,478
Net assets released from restrictions	<u>101,786</u>	<u>(101,786)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	1,954,953	44,021	1,998,974	1,435,366
<b>PROGRAM SERVICES</b>				
Pharmaceuticals, medical supplies, equipment, and related expenses	1,555,605	-	1,555,605	1,171,628
<b>SUPPORTING SERVICES</b>				
Administration	5,867	-	5,867	4,824
Fundraising	<u>2,953</u>	<u>-</u>	<u>2,953</u>	<u>2,641</u>
Total supporting services	<u>8,820</u>	<u>-</u>	<u>8,820</u>	<u>7,465</u>
Total expenses	<u>1,564,425</u>	<u>-</u>	<u>1,564,425</u>	<u>1,179,093</u>
CHANGE IN NET ASSETS	390,528	44,021	434,549	256,273
NET ASSETS, beginning of year	<u>454,654</u>	<u>103,238</u>	<u>557,892</u>	<u>301,619</u>
NET ASSETS, end of year	<u>\$ 845,182</u>	<u>\$ 147,259</u>	<u>\$ 992,441</u>	<u>\$ 557,892</u>

**Direct Relief and Affiliates**  
**Consolidated Statements of Functional Expenses with Comparative Information**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2020		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	\$ 2,660	\$ 4,049	\$ 6,709
Payroll taxes	184	276	460
Employee benefits	523	784	1,307
Total compensation and related benefits	<u>3,367</u>	<u>5,109</u>	<u>8,476</u>
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	248,931	1,147,467	1,396,398
Pharmaceuticals, medical equipment, and supplies distributed – procured	4,616	7,461	12,077
Inventory adjustment (expired pharmaceuticals)	16,503	45,825	62,328
Accounting and legal fees	90	65	155
Advertising	2	2	4
Bank charges	-	1	1
Contract services	1,075	1,517	2,592
Contributed services	53	149	202
Contributed freight	721	2,014	2,735
Contributed goods	156	320	476
Disposal costs (expired pharmaceuticals)	150	388	538
Dues and subscriptions	67	206	273
Duplicating and printing	45	39	84
Equipment and software maintenance	65	146	211
Equipment rental	31	33	64
Freight and transportation	3,128	5,430	8,558
Grants and stipends	50,192	4,906	55,098
Insurance	62	162	224
Interest	111	300	411
Meetings, conferences, special events	175	72	247
Miscellaneous	439	14	453
Outside computer services	2	-	2
Postage and mailing services	24	43	67
Rent and other occupancy	88	230	318
Supplies	421	683	1,104
Taxes, licenses, and fees	16	35	51
Training and education	2	7	9
Travel and automobile	214	387	601
Utilities and telephone	102	286	388
Web hosting	110	218	328
Total expenses before depreciation	<u>327,591</u>	<u>1,218,406</u>	<u>1,545,997</u>
Depreciation and amortization	<u>311</u>	<u>821</u>	<u>1,132</u>
Total functional expenses June 30, 2020	<u>\$ 331,269</u>	<u>\$ 1,224,336</u>	<u>\$ 1,555,605</u>
Total functional expenses June 30, 2019	<u>\$ 218,286</u>	<u>\$ 953,342</u>	<u>\$ 1,171,628</u>

See accompanying notes.

**Direct Relief and Affiliates**  
**Consolidated Statements of Functional Expenses with Comparative Information**  
**(Continued)**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2020			Summarized Total for 2019
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 2,423	\$ 1,503	\$ 10,635	\$ 8,600
Payroll taxes	153	99	712	574
Employee benefits	391	281	1,979	1,528
Total compensation and related benefits	2,967	1,883	13,326	10,702
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,396,398	1,093,372
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	12,077	3,812
Inventory adjustment (expired pharmaceuticals)	-	-	62,328	38,698
Accounting and legal fees	264	2	421	249
Advertising	39	71	114	84
Bank charges	638	-	639	293
Contract services	590	186	3,368	1,931
Contributed services	274	274	750	551
Contributed freight	-	-	2,735	1,913
Contributed goods	243	145	864	117
Disposal costs (expired pharmaceuticals)	-	-	538	162
Dues and subscriptions	85	52	410	306
Duplicating and printing	18	4	106	60
Equipment and software maintenance	27	109	347	291
Equipment rental	2	1	67	80
Freight and transportation	-	-	8,558	4,689
Grants and stipends	-	-	55,098	16,902
Insurance	253	8	485	271
Interest	25	14	450	508
Meetings, conferences, special events	25	36	308	330
Miscellaneous	70	33	556	133
Outside computer services	-	-	2	22
Postage and mailing services	5	7	79	46
Rent and other occupancy	13	7	338	333
Supplies	74	24	1,202	802
Taxes, licenses, and fees	20	1	72	61
Training and education	4	-	13	19
Travel and automobile	54	12	667	794
Utilities and telephone	35	18	441	214
Web hosting	56	3	387	314
Total expenses before depreciation	2,814	1,007	1,549,818	1,167,357
Depreciation and amortization	86	63	1,281	1,034
Total functional expenses June 30, 2020	\$ 5,867	\$ 2,953	\$ 1,564,425	
Total functional expenses June 30, 2019	\$ 4,824	\$ 2,641		\$ 1,179,093



**Direct Relief and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Amounts are Presented in Thousands**

	Years Ended June 30,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash collected from public support and other program services	\$ 172,441	\$ 92,309
Cash paid for goods and services	(100,628)	(49,079)
Interest paid	(450)	(508)
Investment income	2,150	2,260
	73,513	44,982
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(27,946)	(71,136)
Proceeds from sale of investments	35,560	69,851
Proceeds from sale of property and equipment	8	-
Purchase of property and equipment	(2,105)	(3,635)
	5,517	(4,920)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal paid under long-term debt	(7,400)	-
	(7,400)	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	71,630	40,062
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	87,422	47,360
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 159,052	\$ 87,422

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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#### **Note 1 – Organization**

Direct Relief (the “Organization”) is a California non-profit public benefit corporation founded in 1948 whose mission is to improve the health and lives of people affected by poverty or emergency situations by mobilizing and providing essential medical resources needed for their care.

Direct Relief’s program services consist of providing essential pharmaceuticals, medical supplies, and medical equipment to support health services in medically underserved communities on an ongoing humanitarian basis and in response to emergency situations and disasters around the world. In the United States (U.S.), Direct Relief’s activities focus on the delivery of donated medicines and supplies to underserved and uninsured patients through the support of nonprofit clinics and health centers treating low-income patients as well as financial assistance initiatives. In addition to its support of all 50 U.S. states and territories, Direct Relief also retains its longstanding local focus in Santa Barbara and surrounding communities, through programs dedicated to improving the oral health of children from low-income families, supporting more than 40 social service organizations and the populations they care for, and enhancing disaster preparedness efforts with the County and other agencies. Under agreements with local emergency response authorities, Direct Relief assists in management of the County’s medical inventories and any support requested in the event of a local health emergency.

Direct Relief’s financial support is derived through contributions from individuals, corporations, and foundations. The medical material resources provided as part of Direct Relief’s assistance program are either purchased or received by donation from pharmaceutical and medical supply manufacturers, wholesalers, and other organizations involved in the health care industry.

The Direct Relief Foundation (the “Foundation”) was formed and incorporated in the state of California as a supporting organization of Direct Relief in October 2006. The Foundation is organized to operate solely and exclusively to support, benefit, or carry out the purposes of Direct Relief. The Foundation began operations on April 1, 2007.

Direct Relief International-South Africa (“Direct Relief-SA”) is a wholly owned subsidiary of Direct Relief and commenced operations in the Republic of South Africa on July 1, 2009. Direct Relief-SA was registered in South Africa as a public benefit corporation in October 2007.

Direct Relief-Mexico, (“Direct Relief-MX”) is a wholly owned subsidiary of Direct Relief and commenced operations in Mexico on August 1, 2014. Direct Relief-MX was registered in Mexico as a public benefit corporation in July 2014.

DR Property 1, LLC (the “LLC”) was established on March 9, 2016. It is a title holding company solely for the purpose of holding title to real property consisting of 7.99 acres of land and the new 155,000-square-foot facility located at 6100 Wallace Becknell Road in Santa Barbara, California. Direct Relief is the sole member of the LLC. The State of California Franchise Tax Board has determined that the LLC is tax-exempt and for federal income tax purposes, the LLC is a disregarded entity.

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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#### **Note 2 – Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

**Basis of accounting** – The consolidated financial statements have been prepared on the accrual basis.

**Principles of consolidation** – The consolidated financial statements include the accounts of Direct Relief, the Foundation, Direct Relief-SA, Direct Relief-MX and the LLC (collectively, the “Organization”). All significant balances and transactions among the entities have been eliminated in the accompanying consolidated financial statements.

The supplementary information includes schedules of the consolidating statements of financial position and consolidating statements of activities of the Organization. Additionally, the statements of functional expenses of Direct Relief, exclusive of its affiliates (“Direct Relief Foundation,” “Direct Relief International-South Africa,” “Direct Relief-Mexico” and “DR Property 1, LLC”) are included in the supplementary information.

**Consolidated financial statement presentation** – Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions;
- Net assets with donor restrictions consist of contributed funds, subject to specific donor-imposed or legal restrictions, contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds; and
- Net assets with donor restrictions are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations or other donor-specified purpose. At June 30, 2020 and 2019, the Organization had no perpetually maintained net assets.

**Cash and cash equivalents** – The Organization considers all highly liquid investments purchased with an original maturity of three months or less from the date of acquisition to be cash equivalents.

**Investments** – Investments are presented in the consolidated financial statements at fair value. Fair value is defined as the amount that would be exchanged for an asset or to transfer a liability between market participants in an orderly transaction at the consolidated statements of financial position date. These amounts are not necessarily indicative of the amounts the Organization could realize in a current market exchange. Realized and unrealized gains and losses on investments, net of direct investment expenses, are reflected in the consolidated statements of activities.

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include domestic and international fixed income funds and domestic and international equities funds.

The fair value of private equity funds is based on net asset value information provided by external fund managers and investment advisors. These securities, which include domestic and international private equity funds and distressed debt private equity funds, are based on valuations provided by the external investment managers, adjusted for receipts and disbursements of cash and distributions of securities if the date of valuation is prior to the Organization's fiscal year end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The Organization believes the net asset value (NAV) of these financial instruments is a reasonable estimate of their fair value. For those investments that are not traded on a ready market, the estimates of their fair values may differ from the values that would have been used had a ready market for those investments existed.

Other receivables consisting of the actual cash surrender value of life insurance policies are adjusted to fair value annually based on the statement of policy value.

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

The Organization uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The gain or loss on the effective portion of the hedge is included in the statement of activities as a component of unrealized gain (loss) on investments. The Organization documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Organization's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Fair value of domestic and international private equity funds and distressed debt private equity funds are valued using the net asset value practical expedient (not at a published price), or NAV, and seek to achieve capital appreciation and to maximize the total return on its investments over the short and long term. Such strategies to achieve these objectives are to invest through a combination of long- and short-term investments in various industries. Such investments include:

- Equity and debt-related securities of publicly traded and private U.S. companies.
- Equity and debt-related securities of publicly traded and private foreign companies.
- Financially troubled companies' debt-related securities.
- Partnership interests in real estate.

Investment strategies of such funds include the use of margin and other forms of leverage including taking short positions, swaps, futures, options, warrants, private placements, forward contracts, trade claims, credit default swaps, and real estate instruments, when deemed appropriate by fund managers. Other event-driven investment strategies include distressed securities and special situations. All investment objectives and strategies used by the fund managers comply with the Organization's investment policy.

The Organization's policy is to recognize transfers in and transfers out at the end of the reporting period. This policy includes transfers in and transfers out of Level 1, Level 2, and Level 3.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Investment Committee of the Organization, in conjunction with the external investment advisors, monitors the valuation and performance of the investments on a quarterly basis.

**Risks and uncertainties** – In March 2020, the World Health Organization declared COVID-19, the novel coronavirus, a global pandemic. COVID-19 has caused significant volatility and disruption to the global economy. Management has been closely monitoring the effect of COVID-19 on the Organization's operations. Direct Relief does not foresee any increased risk related to the ability to collect outstanding receivables and holds sufficient cash reserves for its operations, which will help offset any investment or revenue volatility. The duration and impact of COVID-19 on the Organization is unknown.

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Inventories** – Purchased inventory is carried at the lesser of average cost or net realizable value. Donated inventory is carried at average estimated wholesale value, which approximates the net realizable value, as of the date of receipt. Inventory balances as of June 30 were composed of the following:

	<u>2020</u>	<u>2019</u>
Pharmaceuticals	\$ 748,805	\$ 376,532
Medical supplies/kits	15,880	8,437
Equipment	6,136	5,321
Inventory reserve	<u>(16,779)</u>	<u>(3,929)</u>
Total inventories	<u>\$ 754,042</u>	<u>\$ 386,361</u>

The Organization recorded approximately \$16.8 million and \$3.9 million inventory reserve as of June 30, 2020 and 2019, respectively. These amounts represent materials in stock that had expired, were set to expire within thirty days, or items the Organization determined could not be distributed.

**Property and equipment** – Property and equipment purchased are recorded at cost. The Organization’s capitalization policy is to capitalize purchases of property and equipment in excess of three thousand dollars. Donated assets are capitalized at the estimated fair value on the date of receipt. The Organization did not apply depreciation to land, a non-depreciable asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Class of Property</u>	<u>Estimated Useful Life</u>
Buildings and improvements	40 years
Equipment and software	3–10 years

**Impairment of long-lived assets** – The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**Grants payable** – Grants payable represent all unconditional grants that have been authorized by the Organization prior to year end, but remain unpaid as of the statements of financial position dates. Conditional grants are expensed and considered payable in the period conditions are substantially satisfied. The conditions in each grant agreement vary by partner and project and the Organization requires an internal review of progress made against project milestones before subsequent awards are made. For the years ended June 30, 2020 and 2019, the Organization had a grant payable liability of \$6,100,000 and \$724,000, respectively. All grants payable outstanding as of June 30, 2020, are expected to be paid within the next eighteen months.

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition** – All components of public support from cash and securities (i.e., contributions), business and foundation grants, and workplace giving campaigns and special events, which include unconditional promises to give (pledges), are recognized as revenue in the period received, unconditionally promised, or the date the event occurred. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor.

The Organization reports contributions in net assets with donor restrictions if they are received with donor-imposed restrictions as to their use. When the restriction expires (the time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the consolidated statements of activities. Donor-restricted contributions are initially reported in net assets with donor restrictions, even if it is anticipated that such restrictions will be met in the current reporting year. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions receivable are recorded at fair value using a discount rate commensurate with the risk involved. Contributions receivable are reviewed for collectability, and reserves for uncollectible amounts are established when needed. For the years ended June 30, 2020 and 2019, there was no allowance for bad debt.

**Contributed materials** – Contributions of U.S. Food and Drug Administration (FDA)-approved pharmaceuticals, branded and generic, are recorded at estimated wholesale value, which approximates fair value, on the date received, based on the Wholesale Acquisition Cost (WAC) as published in the Truven Health Analytics RedBook® (the “RedBook®”). The RedBook® is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. The Organization uses monthly pricing information available from the RedBook® online service provided by Truven Health Analytics, an IBM Watson Health company. WAC is the standard used by many U.S. states as the Federal Upper Limit pricing for drugs purchased under the Medicaid program. If the wholesale value is not available in the online RedBook® source, the wholesale value of the contribution is based on other appropriate Internet pricing sources. For non-FDA-approved pharmaceuticals, for example, products manufactured for use in non-U.S. markets, the organization uses independent pricing guides to determine the fair value of the particular manufacturer’s specific formulation. The sources of such pricing information vary, but relevant information may include the price paid by wholesalers or other third-party buyers, a price negotiated by an organization (such as the Clinton Health Access Initiative) for a particular drug, or other such reasonable basis. Contributions of medical equipment and supplies are also recorded at estimated wholesale value based upon appropriate pricing information on the specific item listed for sale in trade publications, through online Internet pricing guides, and through its own procurement history when purchasing. Such valuations typically are substantially lower than published retail prices. The Organization verifies the reasonableness of this discounting methodology on an annual basis. Contributed materials, provided to the Organization’s partners around the world, are recorded as an expense at the same fair value as they were recognized upon receipt as revenue.

## Direct Relief and Affiliates

### Notes to Consolidated Financial Statements

#### Amounts are Presented in Thousands

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#### Note 2 – Summary of Significant Accounting Policies (continued)

**Contributed services** – Donated or contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Donated shipping is valued at the Organization’s discounted percentage of full published rates in effect at the time of shipment. The value of donated services and shipping is also recorded as an equivalent expense in the period incurred.

**Endowments** – The Board of Directors of the Organization interprets the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) to state that the Organization, in the absence of explicit donor stipulations to the contrary, may appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the value of gifts donated to the endowment, (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (c) appreciation and/or depreciation in fair value of the related financial instrument. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The mission of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

**Joint costs** – During the years ended June 30, 2020 and 2019, the Organization did not incur any joint costs.

**Use of estimates** – The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Functional allocation of expenses** – The costs of providing the various programs and activities have been summarized on the consolidated statement of activities on a functional basis. Accordingly, certain costs have been allocated among the program and support services based upon the square footage of facilities used or by headcount.



**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Income taxes** – The Organization is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701d. Therefore, no amounts for income taxes are reflected in the accompanying consolidated financial statements. The Organization had inconsequential unrelated business income tax during the years ended June 30, 2020 and 2019, and no tax provision has been made in the accompanying consolidated financial statements.

The Organization had no uncertain tax positions requiring accrual as of June 30, 2020 and 2019.

**Recently adopted accounting pronouncement** – In June 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard replaces existing revenue recognition rules for non-reciprocal transactions (contributions) on the basis of whether contributions are conditional and unconditional. This standard is effective for all fiscal years beginning after December 15, 2018. Direct Relief adopted this standard as of July 1, 2019, using the modified prospective method. The adoption of this standard resulted in an increase in accrued liabilities of approximately \$5.39 million as of June 30, 2020.

**Note 3 – Liquidity**

The following represents Direct Relief's financial assets at June 30:

	2020	2019
Financial assets at year end		
Cash and cash equivalents	\$ 159,052	\$ 87,422
Investments	45,055	51,805
Contributions receivable and other receivables	10,143	12,431
Total financial assets	214,250	151,658
Less amounts not available to be used within one year		
Net assets with purpose restrictions	136,016	90,833
Investments with lockup greater than one year	5,287	5,612
Contributions receivable with time restrictions	4,189	12,405
Financial assets available to meet general expenditures over the next twelve months	\$ 68,758	\$ 42,808

Direct Relief's financial assets consist of operating cash, receivables, and investments held in the Board Restricted Investment Fund (BRIF) of the Foundation. The Foundation exists solely and exclusively to support, benefit, or carry out the purposes of Direct Relief and, as of June 30, 2020, the BRIF investments were sufficient to cover approximately one year of operating expenses.

## Direct Relief and Affiliates

### Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

#### Note 4 – Investments

At June 30, 2020, investments consisted of the following:

	Level 1	Level 2	Level 3	Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	\$ 18,313	\$ -	\$ -	\$ -	\$ 18,313
International	1,742	-	-	-	1,742
Equity funds					
Domestic	9,247	-	-	-	9,247
International	10,466	-	-	-	10,466
Private equity funds					
Domestic	-	-	-	5,064	5,064
International	-	-	-	217	217
Distressed debt	-	-	-	6	6
	<u>\$ 39,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,287</u>	<u>\$ 45,055</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ (920)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (920)</u>
Other receivables at fair value					
Organization-owned life insurance	<u>\$ -</u>	<u>\$ 266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266</u>

At June 30, 2019, investments consisted of the following:

	Level 1	Level 2	Level 3	Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	\$ 28,915	\$ -	\$ -	\$ -	\$ 28,915
International	1,479	-	-	-	1,479
Equity funds					
Domestic	7,058	-	-	-	7,058
International	8,741	-	-	-	8,741
Private equity funds					
Domestic	-	-	-	4,257	4,257
International	-	-	-	1,328	1,328
Distressed debt	-	-	-	27	27
	<u>\$ 46,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,612</u>	<u>\$ 51,805</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ (365)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (365)</u>
Other receivables at fair value					
Organization-owned life insurance	<u>\$ -</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270</u>

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

**Note 4 – Investments (continued)**

The following table represents the liquidity, redemption restrictions, and future capital commitments on the financial instruments above that were valued at NAV:

	<u>Fair Value at June 30, 2020</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds				
Domestic	\$ 5,064	\$ 1,770	90 days; Not redeemable	65 days; N/A
International	217	1,001	180 days; Not redeemable	95 days; N/A
Distressed debt	6	114	Not redeemable	N/A
	<u>\$ 5,287</u>	<u>\$ 2,885</u>		

**Note 5 – Contributions Receivable**

Unconditional promises to give are included in the consolidated financial statements as contributions receivable (or pledges) and revenue of the appropriate net asset category. Contributions are recorded after discounting at a range from 0.64% to 2.96% at their estimated realizable value.

Contributions receivable include the following unconditional promises to give at June 30:

	<u>2020</u>	<u>2019</u>
Contributions receivable, gross	\$ 11,723	\$ 14,251
Less: present value discount	<u>(1,580)</u>	<u>(1,820)</u>
Contributions receivable, net	<u>\$ 10,143</u>	<u>\$ 12,431</u>
Amounts due in		
Less than one year	\$ 5,954	\$ 6,912
One to five years	281	1,081
More than five years	<u>3,908</u>	<u>4,438</u>
	<u>\$ 10,143</u>	<u>\$ 12,431</u>

At June 30, 2020 and 2019, there was no allowance for doubtful pledges.

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 6 – Property and Equipment**

The Organization's investment in property and equipment at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 14,689	\$ 13,899
Buildings and improvements	24,172	24,172
Construction in progress	982	138
Equipment and software	<u>8,291</u>	<u>7,845</u>
 Total	 48,134	 46,054
 Less: accumulated depreciation	 <u>(8,337)</u>	 <u>(7,068)</u>
 Net property and equipment	 <u>\$ 39,797</u>	 <u>\$ 38,986</u>

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, was \$1.3 million and \$1.03 million, respectively.

**Note 7 – Long-Term Debt**

In 2016, Direct Relief secured a \$25 million non-revolving line of credit as bridge financing for the construction of its new headquarters and distribution center. The line of credit, which had a balance of \$6 million as of June 30, 2020, bears interest at the bank's LIBOR rate plus 1.20% from August 2016 through July 2019 and the bank's LIBOR rate plus 1.50% from August 2019 through August 2021. At June 30, 2020 and 2019, these rates were 1.66% and 3.25%, respectively. The line of credit matures in August 2021 and is secured by all assets of the Organization.

In 2017, the Organization entered into a ten-year \$6 million interest rate swap agreement at 2.57% plus a loan spread of 1.5% for a total fixed rate of 4.07%, in order to hedge interest rate risk on the revolver drawings. This fixed rate swap matures on March 1, 2027. The total fair value of the interest rate swap agreement was a liability of approximately \$920,000 and \$365,000, included in accrued liabilities, as of June 30, 2020 and 2019, respectively.

As part of this loan agreement, the Organization is required to maintain a Liquidity Ratio of not less than 1.00 to 1.00 as of the close of each fiscal quarter. The Liquidity Ratio is defined as the sum of (i) cash and cash equivalents, and (ii) unrestricted marketable securities to the aggregate principal amount of all advances outstanding as of the close of such fiscal quarter.

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

**Note 8 – Net Assets**

Net assets consisted of the following at June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 34,600	\$ -	\$ 34,600
Undesignated	810,582	-	810,582
Time-restricted	-	11,243	11,243
Purpose-restricted	-	136,016	136,016
	<u>\$ 845,182</u>	<u>\$ 147,259</u>	<u>\$ 992,441</u>

Net assets consisted of the following at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 36,976	\$ -	\$ 36,976
Undesignated	417,678	-	417,678
Time-restricted	-	12,405	12,405
Purpose-restricted	-	90,833	90,833
	<u>\$ 454,654</u>	<u>\$ 103,238</u>	<u>\$ 557,892</u>

**Note 9 – Endowment Funds**

The Organization's endowment consisted of the Board-Designated Investment Fund (referred to as the BRIF). As required by U.S. GAAP, net assets associated with endowment funds, including Board-designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The purpose of the BRIF is to provide a reserve for future operations. The BRIF's resources come from Board-designated unrestricted bequests and gifts, and return on the fund's portfolio assets.

For the year ended June 30, 2020, endowment net asset composition by type of fund were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ 34,600</u>

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 9 – Endowment Funds (continued)**

For the year ended June 30, 2019, endowment net asset composition by type of fund were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	<u>\$ 36,976</u>	<u>\$ -</u>	<u>\$ 36,976</u>

Changes in the endowment net assets for the year ended June 30, 2020, were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 36,976	\$ -	\$ 36,976
Net investment return (investment income, realized and unrealized gains)	822	-	822
Contributions	6,679	-	6,679
Appropriation of endowment assets for expenditure	<u>(9,877)</u>	<u>-</u>	<u>(9,877)</u>
Endowment net assets, end of year	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ 34,600</u>

Changes in the endowment net assets for the year ended June 30, 2019, were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 27,759	\$ -	\$ 27,759
Net investment return (investment income, realized and unrealized gains)	2,236	-	2,236
Contributions	8,303	-	8,303
Appropriation of endowment assets for expenditure	<u>(1,322)</u>	<u>-</u>	<u>(1,322)</u>
Endowment net assets, end of year	<u>\$ 36,976</u>	<u>\$ -</u>	<u>\$ 36,976</u>

**Direct Relief and Affiliates**  
**Notes to Consolidated Financial Statements**  
**Amounts are Presented in Thousands**

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**Note 9 – Endowment Funds (continued)**

**Return objectives and risk parameters** – The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

**Strategies employed for achieving objectives** – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that currently is equally balanced between equity and fixed income investments to achieve its short-term spending needs as well as long-term objectives, within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy** – The Organization has a policy of appropriating for distribution each year an amount up to five percent of the assets of the BRIF. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. The BRIF is authorized to distribute its portfolio assets to pay for all fundraising expenses, as well as extraordinary capital expenses and advance emergency disaster relief funding as determined by the President and CEO. Upon a majority vote by the Board, the BRIF may also be utilized to meet other general operational costs. For the year ended June 30, 2020, \$2.7 million was approved for distribution to cover fundraising costs and 50 percent of the CEO's salary incurred in fiscal year 2020. For the year ended June 30, 2019, \$2.5 million was approved for distribution to cover fundraising costs and 50 percent of the CEO's salary incurred in fiscal year 2019. There was no distribution or request for extraordinary capital expenses or advance emergency disaster relief funding during the fiscal year.

**Note 10 – Retirement Plan**

The Organization established the Direct Relief 401(k) Plan (the "Plan") on January 1, 2004. Employees of the Organization are eligible to participate upon hire and are totally vested in all contributions to the Plan. The Organization matches every dollar contributed, up to five percent of the employee's annual compensation, subject to Board approval.

The Organization contributed \$420,000 and \$356,000 to the Plan for the years ended June 30, 2020 and 2019, respectively.

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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#### **Note 11 – Concentrations of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of bank and brokerage deposits. The Organization places certain temporary cash, cash equivalents, and investments with financial institutions and brokerages. At times, the Organization's cash, cash equivalents, and investment balances exceed the current insured amount under the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation. However, management believes the risk of loss to be minimal. In addition, the Organization's investments are exposed to various risks, such as interest rate fluctuations and market valuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the Organization's consolidated statements of financial position and activities.

#### **Note 12 – Concentration Risk**

The Organization received 40% of total public support from two corporate donors during the year ended June 30, 2020. At June 30, 2020, outstanding receivables from these donors made up 4% of total net contributions and other receivables.

The Organization received 43% of total public support from one corporate donor during the year ended June 30, 2019. At June 30, 2019, outstanding receivables from these donors made up 1% of total net contributions and other receivables.

#### **Note 13 – Subsequent Events**

Accounting Standards Codification (ASC) 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the consolidated statement of financial position date but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the financial position date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through October 20, 2020, which is the date the consolidated financial statements were available to be issued.



**Supplementary Information on  
Consolidating Financial Statements**

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**Direct Relief and Affiliates**  
**Consolidating Statements of Financial Positions**  
**June 30, 2020 with Summarized Totals for 2019**  
**Amounts are Presented in Thousands**

<b>ASSETS</b>	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2020	2019
<b>ASSETS</b>								
Cash and cash equivalents	\$ 158,388	\$ 173	\$ 373	\$ 2	\$ 116	\$ -	\$ 159,052	\$ 87,422
Investments	1,103	43,952	-	-	-	-	45,055	51,805
Contributions and other receivables, net	7,719	4,848	8	-	-	(2,432)	10,143	12,431
Inventories, net	753,972	-	70	-	-	-	754,042	386,361
Prepaid expenses	7,055	-	175	-	-	-	7,230	3,094
Property and equipment, net	2,130	-	-	-	37,667	-	39,797	38,986
Investment in subsidiaries	39,617	-	-	-	-	(39,617)	-	-
Other assets	1	-	-	-	-	-	1	1
<b>Total assets</b>	<b>\$ 969,985</b>	<b>\$ 48,973</b>	<b>\$ 626</b>	<b>\$ 2</b>	<b>\$ 37,783</b>	<b>\$ (42,049)</b>	<b>\$ 1,015,320</b>	<b>\$ 580,100</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 4,472	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 4,475	\$ 3,628
Accrued liabilities	11,436	3,352	17	-	31	(2,432)	12,404	5,180
Long-term debt	-	6,000	-	-	-	-	6,000	13,400
<b>Total liabilities</b>	<b>15,908</b>	<b>9,352</b>	<b>17</b>	<b>-</b>	<b>34</b>	<b>(2,432)</b>	<b>22,879</b>	<b>22,208</b>
<b>NET ASSETS</b>								
Without donor restrictions	812,298	34,600	232	2	37,667	(39,617)	845,182	454,654
With donor restrictions	141,779	5,021	377	-	82	-	147,259	103,238
<b>Total net assets</b>	<b>954,077</b>	<b>39,621</b>	<b>609</b>	<b>2</b>	<b>37,749</b>	<b>(39,617)</b>	<b>992,441</b>	<b>557,892</b>
<b>Total liabilities and net assets</b>	<b>\$ 969,985</b>	<b>\$ 48,973</b>	<b>\$ 626</b>	<b>\$ 2</b>	<b>\$ 37,783</b>	<b>\$ (42,049)</b>	<b>\$ 1,015,320</b>	<b>\$ 580,100</b>

**Direct Relief and Affiliates**  
**Consolidating Statements of Activities**  
**For The Years Ended June 30, 2020 with Summarized Totals for 2019**  
**Amounts are Presented in Thousands**

	2020						2019	
	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	Total	Total
<b>PUBLIC SUPPORT</b>								
In cash and securities:								
Contributions	\$ 69,033	\$ 1,719	\$ 573	\$ 30	\$ -	\$ (9,664)	\$ 61,691	\$ 29,884
Business and foundation grants	104,071	-	1,092	-	-	-	105,163	62,799
Workplace giving campaigns	4,384	-	-	-	-	-	4,384	1,746
Special events	14	-	-	-	-	-	14	86
Total public support from cash and securities	177,502	1,719	1,665	30	-	(9,664)	171,252	94,515
From contributed goods and services:								
Pharmaceuticals, medical supplies, and equipment	1,820,783	-	695	-	-	-	1,821,478	1,334,805
Contributed freight	2,679	-	-	-	-	-	2,679	1,944
Contributed goods - other	864	-	-	-	-	-	864	116
Professional services received	1,349	-	-	-	-	-	1,349	508
Total from contributed goods and services	1,825,675	-	695	-	-	-	1,826,370	1,337,373
Total public support	2,003,177	1,719	2,360	30	-	(9,664)	1,997,622	1,431,888
<b>REVENUE</b>								
Investment income, net	1,274	1,042	-	-	-	-	2,316	2,260
Realized gain on sale of investments	5	1,002	-	-	-	-	1,007	1,266
Unrealized gain (loss) on investments	6,179	(8,150)	-	-	-	-	(1,971)	(48)
Total revenue	7,458	(6,106)	-	-	-	-	1,352	3,478
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	2,010,635	(4,387)	2,360	30	-	(9,664)	1,998,974	1,435,366
<b>PROGRAM SERVICES</b>								
Medical supplies and related expenses	1,554,881	7,741	1,749	53	845	(9,664)	1,555,605	1,171,628
<b>SUPPORTING SERVICES</b>								
Administration	5,473	270	92	-	32	-	5,867	4,824
Fundraising	2,901	23	-	-	29	-	2,953	2,641
Total supporting services	8,374	293	92	-	61	-	8,820	7,465
Total expenses	1,563,255	8,034	1,841	53	906	(9,664)	1,564,425	1,179,093
CHANGE IN NET ASSETS	\$ 447,380	\$ (12,421)	\$ 519	\$ (23)	\$ (906)	\$ -	\$ 434,549	\$ 256,273

See accompanying report of independent auditors.

**Supplementary Information on Direct Relief,  
Exclusive of Its Affiliates (Direct Relief Foundation,  
Direct Relief International-South Africa,  
Direct Relief-Mexico, and DR Property 1, LLC)**

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**Direct Relief (A Non-Profit Corporation)**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2020 with Summarized Totals for 2019**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2020		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	\$ 2,660	\$ 3,983	\$ 6,643
Payroll taxes	184	270	454
Employee benefits	523	781	1,304
<b>Total compensation and related benefits</b>	<b>3,367</b>	<b>5,034</b>	<b>8,401</b>
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	248,931	1,146,319	1,395,250
Pharmaceuticals, medical equipment, and supplies distributed – procured	4,616	7,462	12,078
Inventory adjustment (expired pharmaceuticals)	16,503	45,687	62,190
Accounting and legal fees	89	8	97
Advertising	2	3	5
Bank charges	-	1	1
Contract services	1,075	1,512	2,587
Contributed services	53	149	202
Contributed freight	720	2,014	2,734
Contributed goods	156	320	476
Disposal costs (expired pharmaceuticals)	150	387	537
Dues and subscriptions	67	206	273
Duplicating and printing	46	39	85
Equipment and software maintenance	64	146	210
Equipment rental	30	33	63
Freight and transportation	3,129	5,420	8,549
Grants and stipends	51,513	5,206	56,719
Insurance	61	162	223
Interest	111	300	411
Meetings, conferences, special events	176	59	235
Miscellaneous	440	3	443
Outside computer services	2	-	2
Postage and mailing services	24	43	67
Rent and other occupancy	87	184	271
Supplies	409	649	1,058
Taxes, licenses, and fees	16	34	50
Training and education	3	7	10
Travel and automobile	214	387	601
Utilities and telephone	102	286	388
Web hosting	110	218	328
<b>Total expenses before depreciation</b>	<b>328,899</b>	<b>1,217,244</b>	<b>1,546,143</b>
Depreciation and amortization	102	235	337
<b>Total functional expenses June 30, 2020</b>	<b>\$ 332,368</b>	<b>\$ 1,222,513</b>	<b>\$ 1,554,881</b>
<b>Total functional expenses June 30, 2019</b>	<b>\$ 232,309</b>	<b>\$ 950,228</b>	<b>\$ 1,182,537</b>

**Direct Relief (A Non-Profit Corporation)**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2020 with Summarized Totals for 2019**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2020			Summarized Total for 2019
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 2,423	\$ 1,503	\$ 10,569	\$ 8,528
Payroll taxes	153	99	706	568
Employee benefits	391	281	1,976	1,527
Total compensation and related benefits	2,967	1,883	13,251	10,623
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,395,250	1,092,137
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	12,078	3,812
Inventory adjustment (expired pharmaceuticals)	-	-	62,190	38,678
Accounting and legal fees	200	2	299	148
Advertising	39	71	115	84
Bank charges	637	-	638	293
Contract services	358	186	3,131	1,701
Contributed services	274	274	750	551
Contributed freight	-	-	2,734	1,913
Contributed goods	243	145	864	117
Disposal costs (expired pharmaceuticals)	-	-	537	162
Dues and subscriptions	85	52	410	306
Duplicating and printing	18	4	107	60
Equipment and software maintenance	27	109	346	291
Equipment rental	2	1	66	80
Freight and transportation	-	-	8,549	4,682
Grants and stipends	-	-	56,719	30,024
Insurance	246	8	477	259
Interest	25	14	450	508
Meetings, conferences, special events	25	36	296	266
Miscellaneous	13	10	466	88
Outside computer services	-	-	2	22
Postage and mailing services	5	7	79	46
Rent and other occupancy	13	7	291	232
Supplies	72	23	1,153	758
Taxes, licenses, and fees	19	1	70	60
Training and education	4	-	14	19
Travel and automobile	54	12	667	787
Utilities and telephone	35	18	441	214
Web hosting	56	3	387	315
Total expenses before depreciation	2,450	983	1,549,576	1,178,613
Depreciation and amortization	56	35	428	308
Total functional expenses June 30, 2020	<u>\$ 5,473</u>	<u>\$ 2,901</u>	<u>\$ 1,563,255</u>	
Total functional expenses June 30, 2019	<u>\$ 4,465</u>	<u>\$ 2,542</u>		<u>\$ 1,189,544</u>