REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

DIRECT RELIEF AND AFFILIATES

June 30, 2019 and 2018

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Report of Independent Auditors

The Board of Directors
Direct Relief and Affiliates

Report on Consolidated 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, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial position of Direct Relief and Affiliates as of June 30, 2019, and the change in their net assets and 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. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which is applied on a retrospective 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, 2018, consolidated financial statements, and our report dated October 17, 2018, 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, 2018, 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, 2019, and consolidating statements of activities for the year ended June 30, 2019, on pages 24–25, 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, 2018. 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, 2019, is on pages 26–27. The statements of functional expenses have been summarized for the year ended June 30, 2018. 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 17, 2019

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

ASSETS

	June 30, 2019	June 30, 2018
ASSETS		
Cash and cash equivalents	$ 87,422	$ 47,360
Investments	51,805	48,934
Contributions and other receivables, net	12,431	10,238
Inventories, net	386,361	178,180
Prepaid expenses	3,094	911
Property and equipment, net	38,986	39,024
Other assets	1	460
Total assets	$ 580,100	$ 325,107

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable	$ 3,628	$ 5,985
Accrued liabilities	5,180	4,102
Long-term debt	13,400	13,400
Total liabilities	22,208	23,487
NET ASSETS		
Without donor restrictions		
Board-designated investment fund	36,976	27,759
Undesignated	417,678	211,691
Total without donor restrictions	454,654	239,450
With donor restrictions	103,238	62,170
Total net assets	557,892	301,620
Total liabilities and net assets	$ 580,100	$ 325,107

Direct Relief and Affiliates
Consolidated Statements of Activities
Amounts Are Presented in Thousands

	For the Year Ended June 30, 2019			Summarized Totals for 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
PUBLIC SUPPORT				
In cash and securities				
Contributions	$ 16,247	$ 13,637	$ 29,884	$ 42,379
Business and foundation grants	3,058	59,741	62,799	48,839
Workplace giving campaigns	1,303	443	1,746	2,677
Special events	-	86	86	-
Total public support from cash and securities	20,608	73,907	94,515	93,895
From contributed goods and services				
Pharmaceuticals, medical supplies, and equipment	1,334,805	-	1,334,805	1,133,001
Contributed freight	944	1,000	1,944	1,787
Contributed goods – other	116	-	116	244
Professional services received	508	-	508	814
Total from contributed goods and services	1,336,373	1,000	1,337,373	1,135,846
Total public support	1,356,981	74,907	1,431,888	1,229,741
REVENUE				
Investment income, net	937	1,323	2,260	1,205
Realized gain on investments	1,227	39	1,266	405
Unrealized gain (loss) on investments	(240)	192	(48)	1,151
Realized gain on other assets	-	-	-	3,724
Total revenue	1,924	1,554	3,478	6,485
Net assets released from restrictions	35,392	(35,392)	-	-
Total public support and revenue	1,394,297	41,069	1,435,366	1,236,226
PROGRAM SERVICES				
Pharmaceuticals, medical supplies, equipment, and related expenses	1,171,628	-	1,171,628	1,231,891
SUPPORTING SERVICES				
Administration	4,824	-	4,824	5,406
Fundraising	2,641	-	2,641	2,693
Total supporting services	7,465	-	7,465	8,099
Total expenses	1,179,093	-	1,179,093	1,239,990
CHANGE IN NET ASSETS	215,204	41,069	256,273	(3,764)
NET ASSETS, beginning of year	239,450	62,169	301,619	305,385
NET ASSETS, end of year	$ 454,654	$ 103,238	$ 557,892	$ 301,621

Amounts Are Presented in Thousands

	For the Year Ended June 30, 2019		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program
	USA	International	Services
Compensation and related benefits			
Salaries	$ 2,051	$ 3,004	$ 5,055
Payroll taxes	138	204	342
Employee benefits	368	525	893
Total compensation and related benefits	2,557	3,733	6,290
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	182,411	910,961	1,093,372
Pharmaceuticals, medical equipment, and supplies distributed – procured	2,231	1,581	3,812
Inventory adjustment (expired pharmaceuticals)	13,849	24,849	38,698
Accounting and legal fees	20	46	66
Advertising	3	-	3
Bank charges	-	1	1
Contract services	605	567	1,172
Contributed services	11	18	29
Contributed freight	685	1,228	1,913
Contributed goods	24	36	60
Disposal costs (expired pharmaceuticals)	81	81	162
Dues and subscriptions	75	95	170
Duplicating and printing	17	13	30
Equipment and software maintenance	68	113	181
Equipment rental	27	48	75
Freight and transportation	1,866	2,823	4,689
Grants and stipends	12,259	4,643	16,902
Insurance	73	132	205
Interest	167	295	462
Meetings, conferences, special events	116	71	187
Miscellaneous	11	41	52
Outside computer services	-	-	-
Postage and mailing services	16	20	36
Rent and other occupancy	70	240	310
Supplies	238	424	662
Taxes, licenses, and fees	23	24	47
Training and education	5	8	13
Travel and automobile	284	390	674
Utilities and telephone	62	113	175
Web hosting	92	145	237
Total expenses before depreciation	215,389	949,006	1,164,395
Depreciation and amortization	340	603	943
Total functional expenses June 30, 2019	$ 218,286	$ 953,342	$ 1,171,628
Total functional expenses June 30, 2018	$ 329,269	$ 902,622	$ 1,231,891

Direct Relief and Affiliates
Consolidated Statements of Functional Expenses (Continued)
Amounts Are Presented in Thousands

	For the Year Ended June 30, 2019			Summarized Total for 2018
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 2,208	$ 1,337	$ 8,600	$ 7,584
Payroll taxes	144	88	574	487
Employee benefits	401	234	1,528	1,220
Total compensation and related benefits	2,753	1,659	10,702	9,291
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,093,372	1,058,702
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	3,812	2,715
Inventory adjustment (expired pharmaceuticals)	-	-	38,698	137,746
Accounting and legal fees	178	5	249	340
Advertising	25	56	84	314
Bank charges	292	-	293	539
Contract services	607	152	1,931	2,002
Contributed services	266	256	551	922
Contributed freight	-	-	1,913	1,457
Contributed goods	35	22	117	92
Disposal costs (expired pharmaceuticals)	-	-	162	153
Dues and subscriptions	63	73	306	183
Duplicating and printing	20	10	60	41
Equipment and software maintenance	19	91	291	266
Equipment rental	3	2	80	118
Freight and transportation	-	-	4,689	4,009
Grants and stipends	-	-	16,902	16,288
Insurance	57	9	271	107
Interest	29	17	508	313
Meetings, conferences, special events	34	109	330	204
Miscellaneous	60	21	133	64
Outside computer services	5	17	22	52
Postage and mailing services	3	7	46	75
Rent and other occupancy	14	9	333	678
Supplies	106	34	802	1,295
Taxes, licenses, and fees	14	-	61	33
Training and education	4	2	19	21
Travel and automobile	85	35	794	708
Utilities and telephone	26	13	214	218
Web hosting	74	3	314	279
Total expenses before depreciation	2,019	943	1,167,357	1,229,934
Depreciation and amortization	52	39	1,034	765
Total functional expenses June 30, 2019	$ 4,824	$ 2,641	$ 1,179,093	
Total functional expenses June 30, 2018	$ 5,406	$ 2,693		$ 1,239,990

Amounts Are Presented in Thousands

	Years Ended June 30, 2019	Years Ended June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected from public support and other program services	$ 92,309	$ 94,348
Cash paid for goods and services	(49,079)	(37,247)
Interest paid	(508)	(313)
Dividend and interest income	2,260	1,204
Net cash provided by operating activities	44,982	57,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(71,136)	(22,247)
Proceeds from sale of investments	69,851	11,707
Proceeds from sale of land and building	-	6,700
Purchase of property and equipment	(3,635)	(17,526)
Net cash used in investing activities	(4,920)	(21,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on long-term debt	-	7,400
Principal paid under long-term debt	-	(1,208)
Net cash provided by financing activities	-	6,192
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,062	42,818
CASH AND CASH EQUIVALENTS, beginning of year	47,360	4,542
CASH AND CASH EQUIVALENTS, end of year	$ 87,422	$ 47,360

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, 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, 2017. 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.

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 are as 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 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, 2019 and 2018, 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 as required by Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

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 measured at fair value on a recurring basis.

Amounts Are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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:

	2019	2018
Pharmaceuticals	$ 376,532	$ 252,467
Medical supplies/kits	8,437	8,648
Equipment	5,321	1,012
Inventory reserve	(3,929)	(83,947)
Total inventories	$ 386,361	$ 178,180

Amounts Are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

The Organization recorded approximately $3.9 million and $83.9 million inventory reserve as of June 30, 2019 and 2018, 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:

Class of Property	Estimated Useful Life
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, 2019 and 2018, the Organization had a grant payable liability of $724 thousand and $3.65 million, respectively. All grants payable outstanding as of June 30, 2019, are expected to be paid within the next fiscal year.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

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, 2019 and 2018, 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. For the year ended June 30, 2019, the Organization adopted a policy of using 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.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Endowments – The Board of Directors of the Organization interpret 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 year ended June 30, 2019 and June 30, 2018, 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 (GAAP) in the United States of America 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 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.

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 year ended June 30, 2019 and 2018, 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, 2019 and 2018.

Amounts Are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

Recently adopted accounting pronouncement – In August 2016 the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requiring reporting of expenses by function and nature, as well as enhanced endowment disclosures. This standard is effective for all fiscal years beginning after December 15, 2017. Direct Relief has adopted this standard as of the beginning of its current fiscal year.

Note 3 – Liquidity

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

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	$ 87,422	$ 47,360
Investments	51,805	48,934
Contributions receivable	12,431	10,238
Total financial assets	151,658	106,533
Less amounts not available to be used within one year:		
Net assets with purpose restrictions	90,833	52,863
Investments with lockup greater than one year	5,612	6,135
Contributions receivable with time restrictions	12,405	9,307
	108,850	68,305
Financial assets available to meet general expenditures over the next twelve months	$ 42,808	$ 38,228

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, 2019, the BRIF investments were sufficient to cover approximately 1.5 years of operating expenses.

Amounts Are Presented in Thousands

Note 4 – Investments

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
	$ 46,193	$ -	$ -	$ 5,612	$ 51,805
Interest rate swap agreement	$ -	$ (365)	$ -	$ -	$ -
Other receivables at fair value					
Organization-owned life insurance	$ -	$ 270	$ -	$ -	$ 270

At June 30, 2018, investments consisted of the following:

	Level 1	Level 2	Level 3	Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	$ 27,564	$ -	$ -	$ -	$ 27,564
International	1,104	-	-	-	1,104
Equity funds					
Domestic	7,454	-	-	-	7,454
International	6,678	-	-	-	6,678
Private equity funds					
Domestic	-	-	-	4,632	4,632
International	-	-	-	1,349	1,349
Distressed debt	-	-	-	65	65
Interest rate swap agreement	-	88	-	-	88
	$ 42,800	$ 88	$ -	$ 6,046	$ 48,934
Other receivables at fair value					
Organization-owned life insurance	$ -	$ 266	$ -	$ -	$ 266

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:

	Fair Value at June 30, 2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds				
Domestic	$ 4,257	$ 1,221	90 days; Not redeemable	65 days; N/A
International	1,328	32	180 days; Not redeemable	95 days; N/A
Distressed debt	27	114	Not redeemable	N/A
	$ 5,612	$ 1,367		

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 1.11% to 2.81% at their estimated fair value.

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

	2019	2018
Contributions receivable, gross	$ 14,251	$ 11,235
Less: present value discount	(1,820)	(997)
Contributions receivable, net	$ 12,431	$ 10,238
Amounts due in:		
Less than one year	$ 6,912	$ 4,988
One to five years	1,081	2,402
More than five years	4,438	2,848
	$ 12,431	$ 10,238

At June 30, 2019 and 2018, there was no allowance for doubtful pledges.

Amounts Are Presented in Thousands

Note 6 – Property and Equipment

The Organization's investment in property and equipment at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Land and improvements	$ 13,899	$ 12,467
Buildings and improvements	24,172	21,930
Construction in progress	138	3,822
Equipment and software	7,845	6,865
Total	46,054	45,084
Less: accumulated depreciation	(7,068)	(6,060)
Net property and equipment	$ 38,986	$ 39,024

Depreciation and amortization expense for the years ended June 30, 2019 and 2018, was $1.03 million and $765 thousand, respectively.

On August 5, 2016, the LLC purchased a 7.99-acre parcel of land for $8.7 million for the purpose of building a new headquarters and distribution center. The new building construction was completed in May 2018. In the fiscal year ended June 30, 2016, the Organization executed a Purchase and Sale Agreement with the City of Goleta to sell its current facility upon the completion of its new headquarters and distribution center. The purchase and sale transaction closed in May 2018.

Note 7 – Long-Term Debt

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 $7.4 million as of June 30, 2019, 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, 2019 and 2018, these rates were 3.59% and 3.25%, respectively. The line of credit matures in August 2021 and is secured by all assets of the Organization. The Organization also has a $6 million interest rate swap agreement at 2.57% plus a loan spread of 1.2% for a total fixed rate of 3.77%. This fixed rate swap matures in 10 years on March 1, 2027. As of June 30, 2019, the total fair value of the interest rate swap agreement was a liability of approximately $365, included in accrued liabilities. As of June 30, 2018, the total fair value of the interest rate swap agreement was an asset of approximately $88, included in investments. As of June 30, 2019, the Organization had a total cumulative debt balance of $13.4 million.

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.

Amounts Are Presented in Thousands

Note 8 – Net Assets

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

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

Net assets consisted of the following at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 27,759	$ -	$ 27,759
Undesignated	211,691	-	211,691
Time-restricted	-	9,307	9,307
Purpose-restricted	-	52,863	52,863
Total net assets	$ 239,450	$ 62,170	$ 301,620

Note 9 – Endowment Funds

The Organization’s endowment consisted of the Board-Designated Investment Fund (referred to as the BRIF). As required by 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, return on the fund’s portfolio assets and operating surpluses (measured annually) in excess of current operational needs.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 36,976	$ -	$ 36,976

Amounts Are Presented in Thousands

Note 9 – Endowment Funds (continued)

For the year ended June 30, 2018, endowment net asset composition by type of fund were:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 27,759	$ -	$ 27,759

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	(1,322)	-	(1,322)
Endowment net assets, end of year	$ 36,976	$ -	$ 36,976

Changes in the endowment net assets for the year ended June 30, 2018, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 28,522	$ -	$ 28,522
Net investment return (investment income, realized and unrealized gains)	2,233	-	2,233
Contributions	385	-	385
Appropriation of endowment assets for expenditure	(3,381)	-	(3,381)
Endowment net assets, end of year	$ 27,759	$ -	$ 27,759

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 those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, and 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, 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. For the year ended June 30, 2018, $2.3 million was approved for distribution to cover fundraising costs and 50 percent of the CEO’s salary incurred in fiscal year 2018. 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 $356 thousand and $320 thousand to the Plan for the years ended June 30, 2019 and 2018, respectively.

Note 11 – Non-Qualified Deferred Compensation Agreement

The Organization is party to a non-qualified deferred compensation agreement with the surviving spouse of a co-founder of the Organization. Under the terms of the agreement, beginning January 1, 1971, the Organization is obligated to make monthly payments in acknowledgement of his 23 years of service. The agreement was terminated in May 2018. The retirement agreement expense was $9 thousand for the year ended June 30, 2018. There was no expense incurred under the agreement for the year ended June 30, 2019.

Note 12 – 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 13 – Concentration Risk

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 this donor made up 1% of total net contributions and other receivables.

The Organization received 38% of total public support from two corporate donors during the year ended June 30, 2018. At June 30, 2018, outstanding receivables from these donors made up 1% of total net contributions and other receivables.

Note 14 – Leases

The Organization leased 23,043 square feet of storage space located in Santa Barbara through May 2018 when the new facility was completed. The agreement was terminated at that time. Payments for rent and common area expenses for the lease of the facility for the year ended June 30, 2018, totaled $361 thousand.

The Organization also leased an additional 15,000 square feet of storage space located in Santa Barbara through October 2017. Payments for rent for the lease of the facility for the year ended June 30, 2018, totaled $16 thousand.

There are no future lease commitments under such leases as of June 30, 2019.

Note 15 – 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 17, 2019, which is the date the consolidated financial statements were available to be issued.

Supplementary Information on Consolidating Financial Statements

Direct Relief and Affiliates
Consolidating Statements of Financial Position
June 30, 2019 and Summarized Totals for 2018
Amounts are Presented in Thousands

ASSETS	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2019	2018
ASSETS								
Cash and cash equivalents	$ 81,626	$ 4,831	$ 90	$ 25	$ 850	$ -	$ 87,422	$ 47,360
Investments	12,712	39,093	-	-	-	-	51,805	48,934
Contributions and other receivables, net	4,321	10,234	-	-	-	(2,124)	12,431	10,238
Inventories, net	386,361	-	-	-	-	-	386,361	178,180
Prepaid expenses	3,078	7	9	-	-	-	3,094	910
Property and equipment – net	1,387	-	-	-	37,599	-	38,986	39,024
Investment in subsidiary	39,358	-	-	-	-	(39,358)	-	-
Other assets	1	-	-	-	-	-	1	460
Total assets	$ 528,844	$ 54,165	$ 99	$ 25	$ 38,449	$ (41,482)	$ 580,100	$ 325,106
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	$ 3,567	$ -	$ 9	$ -	$ 52	$ -	$ 3,628	$ 5,985
Accrued liabilities	5,180	2,124	-	-	-	(2,124)	5,180	4,102
Long-term debt	13,400	-	-	-	-	-	13,400	13,400
Total liabilities	22,147	2,124	9	-	52	(2,124)	22,208	23,487
NET ASSETS								
Without donor restrictions	419,412	36,976	-	25	37,599	(39,358)	454,654	239,450
With donor restrictions	87,285	15,065	90	-	798	-	103,238	62,169
Total net assets	506,697	52,041	90	25	38,397	(39,358)	557,892	301,619
Total liabilities and net assets	$ 528,844	$ 54,165	$ 99	$ 25	$ 38,449	$ (41,482)	$ 580,100	$ 325,106

Direct Relief and Affiliates
Consolidating Statements of Activities
For the Years Ended June 30, 2019 and Summarized Totals for 2018
Amounts are Presented in Thousands

	2019							2018
	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	Total	Total
PUBLIC SUPPORT								
In cash and securities:								
Contributions	$ 34,487	$ 19,613	$ 1,128	$ 89	$ -	$ (25,433)	$ 29,884	$ 42,379
Business and foundation grants	62,748	51	-	-	-	-	62,799	48,839
Workplace giving campaigns	1,745	1	-	-	-	-	1,746	2,677
Special events	86	-	-	-	-	-	86	-
Total public support from cash and securities	99,066	19,665	1,128	89	-	(25,433)	94,515	93,895
From contributed goods and services:								
Pharmaceuticals, medical supplies, and equipment	1,333,551	-	1,254	-	-	-	1,334,805	1,133,001
Contributed freight	1,944	-	-	-	-	-	1,944	1,787
Contributed goods - other	116	-	-	-	-	-	116	244
Professional services received	508	-	-	-	-	-	508	814
Total from contributed goods and services	1,336,119	-	1,254	-	-	-	1,337,373	1,135,846
Total public support	1,435,185	19,665	2,382	89	-	(25,433)	1,431,888	1,229,741
REVENUE								
Investment income, net	1,421	839	-	-	-	-	2,260	1,205
Realized gain on sale of investments	28	1,238	-	-	-	-	1,266	405
Unrealized gain on investments	(224)	176	-	-	-	-	(48)	1,151
Realized gain on other assets	-	-	-	-	-	-	-	3,724
Total revenue	1,225	2,253	-	-	-	-	3,478	6,485
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	1,436,410	21,918	2,382	89	-	(25,433)	1,435,366	1,236,226
PROGRAM SERVICES								
Medical supplies and related expenses	1,182,537	11,154	2,571	68	731	(25,433)	1,171,628	1,231,891
SUPPORTING SERVICES:								
Administration	4,465	222	40	-	97	-	4,824	5,406
Fundraising	2,542	74	-	-	25	-	2,641	2,693
Total supporting services	7,007	296	40	-	122	-	7,465	8,099
Total expenses	1,189,544	11,450	2,611	68	853	(25,433)	1,179,093	1,239,990
CHANGE IN NET ASSETS	$ 246,866	$ 10,468	$ (229)	$ 21	$ (853)	$ -	$ 256,273	$ (3,764)

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)

Amounts Are Presented in Thousands

	2019		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 2,051	$ 2,942	$ 4,993
Payroll taxes	138	198	336
Employee benefits	368	525	893
Total compensation and related benefits	2,557	3,665	6,222
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed - donated	182,411	909,726	1,092,137
Pharmaceuticals, medical equipment, and supplies distributed - procured	2,231	1,581	3,812
Inventory adjustment (expired pharmaceuticals)	13,849	24,829	38,678
Accounting and legal fees	20	14	34
Advertising	3	-	3
Bank charges	-	1	1
Contract services	601	554	1,155
Contributed services	11	18	29
Contributed freight	685	1,228	1,913
Contributed goods	24	36	60
Disposal costs (expired pharmaceuticals)	81	81	162
Dues and subscriptions	75	95	170
Duplicating and printing	17	13	30
Equipment and software maintenance	68	113	181
Equipment rental	27	48	75
Freight and transportation	1,866	2,816	4,682
Grants and stipends	26,539	3,485	30,024
Insurance	73	132	205
Interest	167	295	462
Meetings, conferences, special events	116	62	178
Miscellaneous	11	17	28
Outside computer services	-	-	-
Postage and mailing services	16	20	36
Rent and other occupancy	61	150	211
Supplies	231	411	642
Taxes, licenses, and fees	23	24	47
Training and education	5	8	13
Travel and automobile	284	383	667
Utilities and telephone	62	113	175
Web hosting	97	141	238
Total expenses before depreciation	229,654	946,394	1,176,048
Depreciation and amortization	98	169	267
Total functional expenses June 30, 2019	$ 232,309	$ 950,228	$ 1,182,537
Total functional expenses June 30, 2018	$ 335,944	$ 901,142	$ 1,237,086

Direct Relief (A Non-Profit Corporation)
Statements of Functional Expenses
For The Year Ended June 30, 2019 with Summarized Totals for 2018
Amounts Are Presented in Thousands

	2019			2018
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 2,208	$ 1,327	$ 8,528	$ 7,407
Payroll taxes	144	88	568	487
Employee benefits	401	233	1,527	1,205
Total compensation and related benefits	2,753	1,648	10,623	9,099
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	1,092,137	1,057,141
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	3,812	2,715
Inventory adjustment (expired pharmaceuticals)	-	-	38,678	137,670
Accounting and legal fees	109	5	148	293
Advertising	25	56	84	314
Bank charges	292	-	293	536
Contract services	399	147	1,701	1,817
Contributed services	266	256	551	752
Contributed freight	-	-	1,913	1,457
Contributed goods	35	22	117	92
Disposal costs (expired pharmaceuticals)	-	-	162	153
Dues and subscriptions	63	73	306	183
Duplicating and printing	20	10	60	41
Equipment and software maintenance	19	91	291	266
Equipment rental	3	2	80	118
Freight and transportation	-	-	4,682	4,005
Grants and stipends	-	-	30,024	23,451
Insurance	45	9	259	97
Interest	29	17	508	313
Meetings, conferences, special events	34	54	266	196
Miscellaneous	40	20	88	52
Outside computer services	5	17	22	52
Postage and mailing services	3	7	46	74
Rent and other occupancy	13	8	232	597
Supplies	83	33	758	1,294
Taxes, licenses and fees	13	-	60	33
Training and education	4	2	19	21
Travel and automobile	85	35	787	708
Utilities and telephone	26	13	214	217
Web hosting	75	2	315	278
Total expenses before depreciation	1,686	879	1,178,613	1,234,936
Depreciation and amortization	26	15	308	657
Total functional expenses June 30, 2019	$ 4,465	$ 2,542	$ 1,189,544	
Total functional expenses June 30, 2018	$ 5,199	$ 2,408		$ 1,244,693

See accompanying report of independent auditors.