REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

DIRECT RELIEF AND AFFILIATES

June 30, 2018 and 2017

MOSSADAMS

Table of Contents

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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, 2018, 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, 2018, and the change in their net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Direct Relief and Affiliate's June 30, 2017 consolidated financial statements, and our report dated October 19, 2017, 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, 2017, 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 at June 30, 2018, and consolidating statements of activities for the year ended June 30, 2018, 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, 2017. 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 ending June 30, 2018, is on pages 26–27. The statements of functional expenses have been summarized for the year ended June 30, 2017. 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, 2018

Direct Relief and Affiliates
Consolidated Statements of Financial Position
June 30, 2018 and 2017
Amounts Are Presented in Thousands

ASSETS		2018		2017
ASSETS				
Cash and cash equivalents	$	47,360	$	4,542
Investments		48,934		36,858
Contributions and other receivables, net		10,238		10,293
Inventories, net		178,180		241,328
Prepaid expenses		911		405
Property and equipment, net		39,024		22,600
Other assets		460		22
Total assets	$	325,107	$	316,048

LIABILITIES AND NET ASSETS		2018		2017
LIABILITIES				
Accounts payable	$	5,985	$	2,178
Accrued liabilities		4,102		2,476
Long-term debt		13,400		6,000
Deferred compensation		-		9
Total liabilities		23,487		10,663
NET ASSETS				
Unrestricted net assets				
Board-designated investment fund		27,759		28,522
Undesignated		211,691		256,469
Total unrestricted net assets		239,450		284,991
Temporarily restricted assets		62,170		20,394
Total net assets		301,620		305,385
Total liabilities and net assets	$	325,107	$	316,048

See accompanying notes.

Direct Relief and Affiliates
Consolidated Statements of Activities
For The Years Ended June 30, 2018 and 2017 with Summarized Totals for 2017
Amounts Are Presented in Thousands

	2018			2017
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
PUBLIC SUPPORT AND REVENUE				
Public support				
In cash and securities				
Contributions	$ 16,251	$ 26,128	$ 42,379	$ 13,868
Business and foundation grants	4,142	44,697	48,839	13,942
Workplace giving campaigns	1,608	1,068	2,676	483
Special events	-	-	-	3
Total public support from cash and securities	22,001	71,893	93,894	28,296
From contributed goods and services				
Pharmaceuticals, medical supplies and equipment	1,133,001	-	1,133,001	1,077,939
Contributed freight	1,020	767	1,787	1,687
Contributed goods - other	239	5	244	596
Professional services received	594	220	814	597
Total from contributed goods and services	1,134,854	992	1,135,846	1,080,819
Total public support	1,156,855	72,885	1,229,740	1,109,115
REVENUE				
Investment income	858	347	1,205	627
Realized gain on investments	405	-	405	1,074
Unrealized gain on investments	1,151	-	1,151	441
Realized gain on other assets	3,724	-	3,724	-
Total revenue	6,138	347	6,485	2,142
Net assets released from restrictions	31,456	(31,456)	-	-
Total public support and revenue	1,194,449	41,776	1,236,225	1,111,257
PROGRAM SERVICES				
Pharmaceuticals, medical supplies, equipment and related expenses	1,231,891	-	1,231,891	1,004,006
SUPPORTING SERVICES				
Administration	5,406	-	5,406	4,222
Fundraising	2,693	-	2,693	1,846
Total supporting services	8,099	-	8,099	6,068
Total expenses	1,239,990	-	1,239,990	1,010,074
Change in net assets	(45,541)	41,776	(3,765)	101,183
Net assets, beginning of year	284,991	20,394	305,385	204,202
Net assets, end of year	$ 239,450	$ 62,170	$ 301,620	$ 305,385

Direct Relief and Affiliates
Consolidated Statements of Functional Expenses
For The Years Ended June 30, 2018 and 2017 with Summarized Totals for 2017
Amounts Are Presented in Thousands

	2018		
	Program Services: Pharmaceuticals, Medical Supplies,		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 1,863	$ 2,372	$ 4,235
Payroll taxes	123	150	273
Employee benefits	309	382	691
Total compensation and related benefits	2,295	2,904	5,199
Other expenses			
Pharmaceuticals, medical equipment and supplies distributed - donated	240,548	818,154	1,058,702
Pharmaceuticals, medical equipment and supplies distributed - procured	1,699	1,016	2,715
Inventory adjustment (expired pharmaceuticals)	65,466	72,280	137,746
Accounting and legal fees	6	18	24
Advertising	1	-	1
Bank charges	-	3	3
Contract services	494	458	952
Contributed services	115	137	252
Contributed freight	687	770	1,457
Contributed goods	28	32	60
Disposal costs (expired pharmaceuticals)	96	57	153
Dues and subscriptions	44	59	103
Duplicating and printing	12	14	26
Equipment and software maintenance	89	113	202
Equipment rental	84	30	114
Freight and transportation	1,891	2,118	4,009
Grants and stipends	13,787	2,501	16,288
Insurance	28	37	65
Interest	128	149	277
Meetings, conferences, special events	77	45	122
Miscellaneous	8	27	35
Outside computer services	1	1	2
Postage and mailing services	23	17	40
Rent and other occupancy	287	378	665
Supplies	607	399	1,006
Taxes, licenses and fees	30	-	30
Training and education	6	6	12
Travel and automobile	243	283	526
Utilities and telephone	82	97	179
Web hosting	105	143	248
Total expenses before depreciation	326,672	899,342	1,226,014
Depreciation and amortization	302	376	678
Total functional expenses June 30, 2018	$ 329,269	$ 902,622	$ 1,231,891
Total functional expenses June 30, 2017	$ 156,570	$ 847,436	$ 1,004,006

Direct Relief and Affiliates
Consolidated Statements of Functional Expenses (Continued)
For The Years Ended June 30, 2018 with Summarized Totals for 2017
Amounts Are Presented in Thousands

	2018			2017
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 2,106	$ 1,243	$ 7,584	$ 6,732
Payroll taxes	134	80	487	453
Employee benefits	328	201	1,220	1,124
Total compensation and related benefits	2,568	1,524	9,291	8,309
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	1,058,702	919,296
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	2,715	2,082
Inventory adjustment (expired pharmaceuticals)	-	-	137,746	62,126
Accounting and legal fees	313	3	340	214
Advertising	87	226	314	190
Bank charges	536	-	539	215
Contract services	916	134	2,002	1,453
Contributed services	298	372	922	597
Contributed freight	-	-	1,457	1,700
Contributed goods	18	14	92	641
Disposal costs (expired pharmaceuticals)	-	-	153	147
Dues and subscriptions	54	26	183	144
Duplicating and printing	9	6	41	57
Equipment and software maintenance	12	52	266	230
Equipment rental	2	2	118	50
Freight and transportation	-	-	4,009	3,773
Grants and stipends	-	-	16,288	5,177
Insurance	39	3	107	84
Interest	22	14	313	128
Meetings, conferences, special events	42	40	204	245
Miscellaneous	16	13	64	41
Outside computer services	-	50	52	47
Postage and mailing services	19	16	75	39
Rent and other occupancy	8	5	678	737
Supplies	177	112	1,295	500
Taxes, licenses and fees	3	-	33	31
Training and education	9	-	21	20
Travel and automobile	149	33	708	557
Utilities and telephone	24	15	218	177
Web hosting	29	2	279	313
Total expenses before depreciation	2,782	1,138	1,229,934	1,001,011
Depreciation and amortization	56	31	765	754
Total functional expenses June 30, 2018	$ 5,406	$ 2,693	$ 1,239,990	
Total functional expenses June 30, 2017	$ 4,222	$ 1,846		$ 1,010,074

Direct Relief and Affiliates
Consolidated Statements of Cash Flows
For The Years Ended June 30, 2018 and 2017
Amounts Are Presented in Thousands

	2018	2017
Cash flows from operating activities		
Cash collected from public support and other program services	$ 94,348	$ 29,965
Cash paid for goods and services	(37,247)	(22,780)
Interest paid	(313)	(128)
Dividend and interest income	1,204	627
Net cash provided by operating activities	57,992	7,684
Cash flows from investing activities		
Purchase of investments	(22,247)	(79,011)
Proceeds from sale of investments	11,707	79,379
Proceeds from sale of land and building	6,700	-
Purchase of property and equipment	(17,526)	(17,744)
Net cash used in investing activities	(21,366)	(17,376)
Cash flows from financing activities		
Borrowings on long-term debt	7,400	6,000
Principal paid under long-term debt	(1,208)	(44)
Net cash provided by financing activities	6,192	5,956
Net change in cash and cash equivalents	42,818	(3,736)
Cash and cash equivalents, beginning of year	4,542	8,278
Cash and cash equivalents, end of year	$ 47,360	$ 4,542

	2018	2017
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ (3,765)	$ 101,183
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	765	754
Loss on exchange rate	(16)	8
Bad debt expense	12	-
Realized gain from investments	(405)	(1,074)
Unrealized gain from investments	(1,151)	(441)
Change in inventories	63,148	(96,552)
Net donated goods and services (provided) used	(376)	58
Gain on sale of land and building	(3,724)	-
Increase (decrease) in cash due to change in operating assets and liabilities:		
Contributions and other receivables	453	1,670
Prepaid expenses and other assets	(943)	550
Accounts payable and accrued liabilities	4,003	1,550
Distribution payable	-	(12)
Deferred compensation	(9)	(10)
Net cash provided by operating activities	$ 57,992	$ 7,684

Note 1 – Organization

Direct Relief 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 uninsured patients through the support of nonprofit clinics and health centers treating low-income patients. In Santa Barbara and surrounding communities, Direct Relief conducts programs dedicated to improving the oral health of children from low-income families and enhancing disaster preparedness efforts. Under agreements with local emergency response authorities, Direct Relief's medical inventories are available on an as-needed basis in the event of a 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 (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 DR Property 1, 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:

- Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions;

- Temporarily restricted net assets 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

- Permanently restricted net assets 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, 2018 and 2017, the Organization had no permanently restricted 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 are reflected in the consolidated statements of activities.

Note 2 – Summary of Significant Accounting Policies (continued)

Investments (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 and international government debt funds.

The fair value of private equity funds are 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 at fair value consist of the actual cash surrender value of life insurance policies.

Note 2 – Summary of Significant Accounting Policies (continued)

Investments (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 and 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.

Amounts Are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

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

	2018	2017
Pharmaceuticals	$ 252,467	$ 245,586
Medical supplies/kits	8,648	7,102
Equipment	1,012	1,412
Inventory reserve	(83,947)	(12,772)
Total inventories	$ 178,180	$ 241,328

The Organization recorded approximately $83.9 million and $12.8 million inventory reserve as of June 30, 2018 and 2017, 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.

Revenue recognition – All components of public support from cash and securities (i.e. contributions), business and foundation grants, workplace giving campaigns and special events, which include unconditional promises to give (pledges), are recognized as revenue in the period received, promised or the date the event occurred. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – The Organization reports contributions in the temporarily or permanently restricted net asset class 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), temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statements of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, 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, 2018 and 2017, there was no allowance for bad debt.

Contributed materials – Contributions of U.S. Food and Drug Administration 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© is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For the year ended June 30, 2018 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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily 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, 2018 and June 30, 2017, 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.

Amounts Are Presented in Thousands

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 year ended June 30, 2018 and 2017, 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, 2018 and 2017.

Upcoming 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. Management is currently evaluating the impact of the provisions of ASU No. 2016-14 on the consolidated financial statements.

Note 3 – Investments

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 3 – Investments (continued)

At June 30, 2017, investments consisted of the following:

	Level 1	Level 2	Level 3	Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	$ 16,388	$ -	$ -	$ -	$ 16,388
International	1,060	-	-	-	1,060
International government debt funds	3	-	-	-	3
Equity funds					
Domestic	7,030	-	-	-	7,030
International	6,582	-	-	-	6,582
Private equity funds					
Domestic	-	-	-	4,370	4,370
International	-	-	-	1,309	1,309
Distressed debt	-	-	-	116	116
	$ 31,063	$ -	$ -	$ 5,795	$ 36,858

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, 2018	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds				
Domestic	$ 4,632	$ 99	90 days; Not redeemable	65 days; N/A
International	1,349	1,317	180 days; Not redeemable	95 days; N/A
Distressed debt	65	114	Not redeemable	N/A
	$ 6,046	$ 1,530		

Amounts Are Presented in Thousands

Note 4 – 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 1.56% to 2.96% at their estimated fair value.

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

	2018	2017
Contributions receivable, gross	$ 11,235	$ 11,266
Less: Present value discount	(997)	(973)
Contributions receivable, net	$ 10,238	$ 10,293
Amounts due in:		
Less than one year	$ 4,988	$ 3,870
One to five years	2,402	4,243
More than five years	2,848	2,180
	$ 10,238	$ 10,293

At June 30, 2018 and 2017, there was no allowance for doubtful pledges.

Note 5 – Property and Equipment

The Organization's investment in property and equipment as of June 30, 2018 and 2017, consisted of the following:

	2018	2017
Land and improvements	$ 12,467	$ 10,070
Buildings and improvements	21,930	3,364
Construction in progress	3,822	9,504
Equipment and software	6,865	7,331
Total	45,084	30,269
Less: Accumulated depreciation	(6,060)	(7,669)
Net property and equipment	$ 39,024	$ 22,600

Depreciation and amortization expense for the years ended June 30, 2018 and 2017, was $765 and $754 thousand, respectively.

Amounts Are Presented in Thousands

Note 5 – Property and Equipment (continued)

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. As of June 30, 2018, $38 million had been expended on the building. 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 6 – Long-Term Debt

Direct Relief secured a $25M 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, 2018, 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. The line of credit matures in August 2021 and is secured by all assets of the Organization. Through February 28, 2017, the Organization had drawn $6 million on this line and on March 1, 2017, the Organization converted this $6 million using an interest rate swap 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, 2018, 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.

Note 7 – Net Assets

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

	Unrestricted	Temporarily Restricted	Total
Board designated	$ 27,759	$ -	$ 27,759
Unrestricted	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

Amounts Are Presented in Thousands

Note 7 – Net Assets (continued)

Net assets consisted of the following at June 30, 2017:

	Unrestricted	Temporarily Restricted	Total
Board designated	$ 28,522	$ -	$ 28,522
Unrestricted	256,469	-	256,469
Time restricted	-	10,263	10,263
Purpose restricted	-	10,131	10,131
Total net assets	$ 284,991	$ 20,394	$ 305,385

Note 8 – 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, 2018 endowment net asset composition by type of fund were:

	Unrestricted	Temporarily Restricted	Total
Board-designated endowment funds	$ 27,759	$ -	$ 27,759

For the year ended June 30, 2017 endowment net asset composition by type of fund were:

	Unrestricted	Temporarily Restricted	Total
Board-designated endowment funds	$ 28,522	$ -	$ 28,522

Amounts Are Presented in Thousands

Note 8 – Endowment Funds (continued)

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

	Unrestricted	Temporarily Restricted	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

Changes in the endowment net assets for the year ended June 30, 2017 were:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	$ 29,087	$ -	$ 29,087
Net investment return (investment income, realized and unrealized gains)	2,203	-	2,203
Contributions	830	-	830
Appropriation of endowment assets for expenditure	(3,598)	-	(3,598)
Endowment net assets, end of year	$ 28,522	$ -	$ 28,522

Note 8 – 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 unrestricted 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 & 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, 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. $385 thousand, approved in prior years for the same purpose, was distributed. For the year ended June 30, 2017, $1.6 million was approved for distribution, to cover fundraising costs, and 50 percent of the CEO's salary incurred in fiscal year 2017. There was no distribution or request for extraordinary capital expenses or advance emergency disaster relief funding during the fiscal year.

Note 9 – 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 $320 thousand and $275 thousand to the Plan for the years ended June 30, 2018 and 2017, respectively.

Note 10 – 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 retirement agreement expense was $9 thousand and $10 thousand for the years ended June 30, 2018 and 2017, respectively.

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 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.

The Organization received 58% of total public support from two corporate donors during the year ended June 30, 2017. At June 30, 2017, outstanding receivables from these donors made up 2% of total net contributions and other receivables.

Note 13 – Leases

The Organization leased 23,043 square feet of storage space located in Santa Barbara up 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 years ended June 30, 2018 and 2017, totaled $361 thousand and $390 thousand respectively.

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, 2018.

Note 14 – 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, 2018, 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, 2018 and Summarized Totals for 2017
Amounts are Presented in Thousands

ASSETS	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2018	2017
ASSETS								
Cash and cash equivalents	$ 39,941	$ 7,072	$ 315	$ 4	$ 28	$ -	$ 47,360	$ 4,542
Investments	16,341	32,681	-	-	-	-	49,022	36,858
Contributions and other receivables, net	7,504	6,742	-	-	914	(4,922)	10,238	10,293
Inventories, net	178,180	-	-	-	-	-	178,180	241,328
Prepaid expenses	904	-	7	-	-	-	911	405
Property and equipment - net	1,164	-	-	-	37,860	-	39,024	22,600
Investment in subsidiary	34,652	-	-	-	-	(34,652)	-	-
Other assets	369	-	3	-	-	-	372	22
Total assets	$ 279,055	$ 46,495	$ 325	$ 4	$ 38,802	$ (39,574)	$ 325,107	$ 316,048
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	$ 4,366	$ -	$ -	$ -	$ 1,618	$ -	$ 5,984	$ 2,178
Accrued liabilities	1,458	4,922	6	-	2,639	(4,922)	4,103	2,476
Long-term debt	13,400	-	-	-	-	-	13,400	6,000
Deferred compensation	-	-	-	-	-	-	-	9
Total liabilities	19,224	4,922	6	-	4,257	(4,922)	23,487	10,663
NET ASSETS								
Unrestricted/designated assets	211,819	27,759	4	4	34,517	(34,652)	239,451	284,991
Temporarily restricted assets	48,012	13,814	315	-	28	-	62,169	20,394
Total net assets	259,831	41,573	319	4	34,545	(34,652)	301,620	305,385
Total liabilities and net assets	$ 279,055	$ 46,495	$ 325	$ 4	$ 38,802	$ (39,574)	$ 325,107	$ 316,048

See accompanying report of independent auditors.

Direct Relief and Affiliates
Consolidating Statements of Activities
For the Years Ended June 30, 2018 and Summarized Totals for 2017
Amounts are Presented in Thousands

	2018							2017
	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	Total	Total
PUBLIC SUPPORT AND REVENUE								
Public support								
In cash and securities:								
Contributions	$ 49,362	$ 9,340	$ 1,185	$ 59	$ -	$ (17,567)	$ 42,379	$ 13,868
Business and foundation grants	47,654	1,185	-	-	-	-	48,839	13,942
Workplace giving campaigns	2,677	-	-	-	-	-	2,677	483
Special events	-	-	-	-	-	-	-	3
Total public support from cash and securities	99,693	10,525	1,185	59	-	(17,567)	93,895	28,296
From contributed goods and services:								
Pharmaceuticals, medical supplies and equipment	1,131,363	-	1,638	-	-	-	1,133,001	1,077,939
Contributed freight	1,787	-	-	-	-	-	1,787	1,687
Contributed goods - other	244	-	-	-	-	-	244	596
Professional services received	644	170	-	-	-	-	814	597
Total from contributed goods and services	1,134,038	170	1,638	-	-	-	1,135,846	1,080,819
Total public support	1,233,731	10,695	2,823	59	-	(17,567)	1,229,741	1,109,115
Revenue								
Investment income	490	714	-	-	-	-	1,204	627
Realized gain on sale of investments	-	405	-	-	-	-	405	1,074
Unrealized gain on investments	10	1,141	-	-	-	-	1,151	441
Realized gain on other assets	3,724	-	-	-	-	-	3,724	-
Total revenue	4,224	2,260	-	-	-	-	6,484	2,142
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	1,237,955	12,955	2,823	59	-	(17,567)	1,236,225	1,111,257
Program services								
Medical supplies and related expenses	1,237,086	9,653	2,559	60	100	(17,567)	1,231,891	1,004,006
Supporting services:								
Administration	5,199	204	(1)	-	4	-	5,406	4,222
Fundraising	2,408	282	-	-	3	-	2,693	1,846
Total supporting services	7,607	486	(1)	-	7	-	8,099	6,068
Total expenses	1,244,693	10,139	2,558	60	107	(17,567)	1,239,990	1,010,074
Change in net assets	$ (6,738)	$ 2,816	$ 265	$ (1)	$ (107)	$ -	$ (3,765)	$ 101,183

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)

Direct Relief (a non-profit corporation)
Statements of Functional Expenses
For the Years Ended June 30, 2018 with Summarized Totals for 2017
Amounts are Presented in Thousands

	2018		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 1,863	$ 2,277	$ 4,140
Payroll taxes	123	150	273
Employee benefits	309	382	691
Total compensation and related benefits	2,295	2,809	5,104
Other expenses			
Pharmaceuticals, medical equipment and supplies distributed - donated	240,549	816,592	1,057,141
Pharmaceuticals, medical equipment and supplies distributed - procured	1,699	1,016	2,715
Inventory adjustment (expired pharmaceuticals)	65,466	72,204	137,670
Accounting and legal fees	6	5	11
Advertising	1	-	1
Bank charges	-	1	1
Contract services	494	451	945
Contributed services	115	137	252
Contributed freight	687	770	1,457
Contributed goods	28	32	60
Disposal costs (expired pharmaceuticals)	96	57	153
Dues and subscriptions	44	59	103
Duplicating and printing	12	14	26
Equipment and software maintenance	89	113	202
Equipment rental	84	30	114
Freight and transportation	1,891	2,114	4,005
Grants and stipends	20,509	2,942	23,451
Insurance	28	37	65
Interest	128	149	277
Meetings, conferences, special events	77	37	114
Miscellaneous	8	8	16
Outside computer services	1	1	2
Postage and mailing services	24	17	41
Rent and other occupancy	287	297	584
Supplies	606	399	1,005
Taxes, licenses and fees	30	-	30
Training and education	5	6	11
Travel and automobile	243	283	526
Utilities and telephone	82	96	178
Web hosting	105	143	248
Total expenses before depreciation	333,394	898,010	1,231,404
Depreciation and amortization	255	323	578
Total functional expenses June 30, 2018	$ 335,944	$ 901,142	$ 1,237,086
Total functional expenses June 30, 2017	$ 159,950	$ 846,172	$ 1,006,122

Direct Relief (a non-profit corporation)
Statements of Functional Expenses (continued)
For the Years Ended June 30, 2018 with Summarized Totals for 2017
Amounts are Presented in Thousands

	2018			2017
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 2,106	$ 1,161	$ 7,407	$ 6,577
Payroll taxes	134	80	487	439
Employee benefits	329	185	1,205	1,109
Total compensation and related benefits	2,569	1,426	9,099	8,125
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	1,057,141	918,830
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	2,715	2,082
Inventory adjustment (expired pharmaceuticals)	-	-	137,670	62,093
Accounting and legal fees	279	3	293	166
Advertising	87	226	314	190
Bank charges	535	-	536	214
Contract services	739	133	1,817	1,263
Contributed services	298	202	752	595
Contributed freight	-	-	1,457	1,700
Contributed goods	18	14	92	641
Disposal costs (expired pharmaceuticals)	-	-	153	147
Dues and subscriptions	54	26	183	144
Duplicating and printing	9	6	41	54
Equipment and software maintenance	12	52	266	231
Equipment rental	2	2	118	50
Freight and transportation	-	-	4,005	3,773
Grants and stipends	-	-	23,451	7,951
Insurance	28	4	97	75
Interest	22	14	313	129
Meetings, conferences, special events	42	40	196	175
Miscellaneous	36	-	52	31
Outside computer services	-	50	52	47
Postage and mailing services	19	14	74	38
Rent and other occupancy	8	5	597	724
Supplies	177	112	1,294	499
Taxes, licenses and fees	3	-	33	31
Training and education	9	1	21	20
Travel and automobile	149	33	708	553
Utilities and telephone	24	15	217	175
Web hosting	28	2	278	313
Total expenses before depreciation	2,578	954	1,234,936	1,002,934
Depreciation and amortization	52	28	658	754
Total functional expenses June 30, 2018	$ 5,199	$ 2,408	$ 1,244,693	
Total functional expenses June 30, 2017	$ 4,002	$ 1,689		$ 1,011,813

See accompanying report of independent auditors.