



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

DIRECT RELIEF AND AFFILIATES

June 30, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors
Direct Relief and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Direct Relief and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Direct Relief and Affiliates as of June 30, 2021, and the change in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Direct Relief and Affiliates adopted Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to all contracts. 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, 2020 consolidated financial statements, and our report dated October 20, 2020, 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, 2020, 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 statement of financial position as of June 30, 2021 with summarized totals for 2020 on page 24; the consolidating statement of activities for the year ended June 30, 2021 with summarized totals for 2020 on page 25; and 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 years ended June 30, 2021 with summarized totals for 2020 on pages 26–27. 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
November 3, 2021

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

	June 30,	
	2021	2020
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 186,993	\$ 159,052
Investments	72,254	45,055
Contributions and other receivables, net	11,201	10,143
Inventories, net	747,673	754,042
Prepaid expenses	8,043	7,230
Property and equipment, net	40,495	39,797
Other assets	231	1
Total assets	\$ 1,066,890	\$ 1,015,320
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,624	\$ 4,475
Accrued liabilities	8,795	12,404
Long-term debt	6,000	6,000
Total liabilities	24,419	22,879
NET ASSETS		
Without donor restrictions		
Board-designated investment fund	62,341	34,600
Undesignated	826,541	810,582
Total without donor restrictions	888,882	845,182
With donor restrictions	153,589	147,259
Total net assets	1,042,471	992,441
Total liabilities and net assets	\$ 1,066,890	\$ 1,015,320

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

	For the Year Ended June 30, 2021			Summarized Totals for 2020
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT				
In cash and securities				
Contributions	\$ 36,636	\$ 68,090	\$ 104,726	\$ 61,691
Business and foundation grants	5,099	56,277	61,376	105,163
Workplace giving campaigns	2,409	2,467	4,876	4,384
Special events	-	-	-	14
Total public support from cash and securities	<u>44,144</u>	<u>126,834</u>	<u>170,978</u>	<u>171,252</u>
From contributed goods and services				
Pharmaceuticals, medical supplies, and equipment	1,750,554	-	1,750,554	1,821,478
Contributed freight	1,184	1,575	2,759	2,679
Contributed goods – other	10	400	410	864
Professional services received	<u>1,072</u>	<u>-</u>	<u>1,072</u>	<u>1,349</u>
Total from contributed goods and services	<u>1,752,820</u>	<u>1,975</u>	<u>1,754,795</u>	<u>1,826,370</u>
Total public support	<u>1,796,964</u>	<u>128,809</u>	<u>1,925,773</u>	<u>1,997,622</u>
REVENUE				
Investment income, net	889	48	937	2,316
Realized gain on investments	1,211	2,505	3,716	1,007
Unrealized gain (loss) on investments	<u>7,929</u>	<u>6</u>	<u>7,935</u>	<u>(1,971)</u>
Total revenue	<u>10,029</u>	<u>2,559</u>	<u>12,588</u>	<u>1,352</u>
Net assets released from restrictions	<u>125,038</u>	<u>(125,038)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,932,031</u>	<u>6,330</u>	<u>1,938,361</u>	<u>1,998,974</u>
PROGRAM SERVICES				
Pharmaceuticals, medical supplies, equipment, and related expenses	<u>1,878,533</u>	<u>-</u>	<u>1,878,533</u>	<u>1,555,605</u>
SUPPORTING SERVICES				
Administration	6,345	-	6,345	5,867
Fundraising	<u>3,453</u>	<u>-</u>	<u>3,453</u>	<u>2,953</u>
Total supporting services	<u>9,798</u>	<u>-</u>	<u>9,798</u>	<u>8,820</u>
Total expenses	<u>1,888,331</u>	<u>-</u>	<u>1,888,331</u>	<u>1,564,425</u>
CHANGE IN NET ASSETS	43,700	6,330	50,030	434,549
NET ASSETS, beginning of year	<u>845,182</u>	<u>147,259</u>	<u>992,441</u>	<u>557,892</u>
NET ASSETS, end of year	<u>\$ 888,882</u>	<u>\$ 153,589</u>	<u>\$ 1,042,471</u>	<u>\$ 992,441</u>

Direct Relief and Affiliates
Consolidated Statements of Functional Expenses
Amounts are Presented in Thousands

	For the Year Ended June 30, 2021		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	\$ 4,336	\$ 3,307	\$ 7,643
Payroll taxes	298	221	519
Employee benefits	805	596	1,401
Total compensation and related benefits	5,439	4,124	9,563
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	242,660	1,377,342	1,620,002
Pharmaceuticals, medical equipment, and supplies distributed – procured	10,295	23,945	34,240
Inventory adjustment (expired pharmaceuticals)	99,017	37,238	136,255
Accounting and legal fees	127	48	175
Advertising	37	-	37
Bank charges	-	1	1
Contract services	2,172	1,767	3,939
Contributed services	437	164	601
Contributed freight	1,554	1,109	2,663
Contributed goods	5	2	7
Disposal costs (expired pharmaceuticals)	335	123	458
Dues and subscriptions	182	160	342
Duplicating and printing	48	21	69
Equipment and software maintenance	124	65	189
Equipment rental	58	19	77
Freight and transportation	2,328	5,684	8,012
Grants and stipends	36,264	20,301	56,565
Insurance	268	160	428
Interest	174	70	244
Meetings, conferences, special events	27	-	27
Miscellaneous	6	8	14
Outside computer services	3	2	5
Postage and mailing services	12	10	22
Rent and other occupancy	251	204	455
Supplies	1,673	396	2,069
Taxes, licenses, and fees	57	22	79
Training and education	6	3	9
Travel and automobile	45	130	175
Utilities and telephone	184	84	268
Web hosting	170	127	297
Total expenses before depreciation	403,958	1,473,329	1,877,287
Depreciation and amortization	895	351	1,246
Total functional expenses June 30, 2021	<u>\$ 404,853</u>	<u>\$ 1,473,680</u>	<u>\$ 1,878,533</u>
Total functional expenses June 30, 2020	<u>\$ 331,269</u>	<u>\$ 1,224,336</u>	<u>\$ 1,555,605</u>

See accompanying notes.

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

	For the Year Ended June 30, 2021			Summarized Total Program and Supporting Services for 2020
	Supporting Services		Total Program and Supporting Services	
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 2,703	\$ 1,749	\$ 12,095	\$ 10,635
Payroll taxes	145	114	778	712
Employee benefits	406	309	2,116	1,979
Total compensation and related benefits	3,254	2,172	14,989	13,326
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,620,002	1,396,398
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	34,240	12,077
Inventory adjustment (expired pharmaceuticals)	-	-	136,255	62,328
Accounting and legal fees	220	2	397	421
Advertising	47	113	197	114
Bank charges	477	-	478	639
Contract services	770	227	4,936	3,368
Contributed services	536	536	1,673	750
Contributed freight	-	-	2,663	2,735
Contributed goods	-	-	7	864
Disposal costs (expired pharmaceuticals)	-	-	458	538
Dues and subscriptions	186	87	615	410
Duplicating and printing	10	7	86	106
Equipment and software maintenance	31	123	343	347
Equipment rental	2	1	80	67
Freight and transportation	-	-	8,012	8,558
Grants and stipends	-	-	56,565	55,098
Insurance	156	84	668	485
Interest	11	6	261	450
Meetings, conferences, special events	1	-	28	308
Miscellaneous	340	-	354	556
Outside computer services	2	1	8	2
Postage and mailing services	4	4	30	79
Rent and other occupancy	12	7	474	338
Supplies	56	16	2,141	1,202
Taxes, licenses, and fees	19	1	99	72
Training and education	16	-	25	13
Travel and automobile	12	-	187	667
Utilities and telephone	23	13	304	441
Web hosting	70	-	367	387
Total expenses before depreciation	6,255	3,400	1,886,942	1,563,144
Depreciation and amortization	90	53	1,389	1,281
Total functional expenses June 30, 2021	\$ 6,345	\$ 3,453	\$ 1,888,331	
Total functional expenses June 30, 2020	\$ 5,867	\$ 2,953		\$ 1,564,425

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

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected from public support and other program services	\$ 166,497	\$ 172,441
Cash paid for goods and services	(123,371)	(100,628)
Interest paid	(261)	(450)
Investment income	937	2,150
	<u>43,802</u>	<u>73,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(23,359)	(27,946)
Proceeds from sale of investments	10,876	35,560
Proceeds from sale of property and equipment	-	8
Purchase of property and equipment	(3,378)	(2,105)
	<u>(15,861)</u>	<u>5,517</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid under long-term debt	-	(7,400)
	<u>-</u>	<u>(7,400)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,941	71,630
CASH AND CASH EQUIVALENTS, beginning of year	159,052	87,422
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 186,993</u>	<u>\$ 159,052</u>

Direct Relief and Affiliates

Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

Note 1 – Organization

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

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

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

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

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

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

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

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions;
- Net assets with donor restrictions consist of contributed funds, subject to specific donor-imposed or legal restrictions, contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds; and
- Net assets with donor restrictions are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations or other donor-specified purposes. At June 30, 2021 and 2020, the Organization had no perpetually maintained net assets.

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

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

Direct Relief and Affiliates

Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

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.

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

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

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

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

	<u>2021</u>	<u>2020</u>
Pharmaceuticals	\$ 743,986	\$ 748,805
Medical supplies/kits	16,621	15,880
Equipment	6,086	6,136
Inventory reserve	<u>(19,020)</u>	<u>(16,779)</u>
Total inventories	<u>\$ 747,673</u>	<u>\$ 754,042</u>

The Organization recorded approximately \$19.0 million and \$16.8 million inventory reserve as of June 30, 2021 and 2020, 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 ten thousand dollars. Donated assets are capitalized at the estimated fair value on the date of receipt. The Organization did not apply depreciation to land and improvements or construction in progress. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

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

Grants payable – Grants payable represent all unconditional grants that have been authorized by the Organization prior to year end, but remain unpaid as of the statements of financial position dates. Conditional grants are expensed and considered payable in the period conditions are substantially satisfied. The conditions in each grant agreement vary by partner and project and the Organization requires an internal review of progress made against project milestones before subsequent awards are made. As of June 30, 2021 and 2020, the Organization had a grant payable liability of \$5.4 million and \$6.1 million, respectively, included in accrued liabilities on the consolidated statements of financial position. All grants payable outstanding as of June 30, 2021, are expected to be paid within the next eighteen months.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

The Organization reports contributions in net assets with donor restrictions if they are received with donor-imposed restrictions as to their use. When the restriction expires (the time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the consolidated statements of activities. Donor-restricted contributions are initially reported in net assets with donor restrictions, even if it is anticipated that such restrictions will be met in the current reporting year. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions receivable are recorded at fair value using a discount rate commensurate with the risk involved. Contributions receivable are reviewed for collectability, and reserves for uncollectible amounts are established when needed. For the years ended June 30, 2021 and 2020, there was no allowance for bad debt.

The Organization received 51% of total public support from four corporate donors during the year ended June 30, 2021. The Organization received 40% of total public support from two corporate donors during the year ended June 30, 2020.

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

Direct Relief and Affiliates

Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

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

Joint costs – During the years ended June 30, 2021 and 2020, the Organization did not incur any joint costs.

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

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Organization is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701d. Therefore, no amounts for income taxes are reflected in the accompanying consolidated financial statements. The Organization had inconsequential unrelated business income tax during the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

Recently adopted accounting pronouncement – As of July 1, 2020, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The provisions of the ASU clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The Organization adopted this ASU using the modified retrospective approach. There was determined to be no cumulative effect to opening net assets after applying the new guidance to all contracts with customers that were not completed as of June 30, 2020. The adoption of this guidance did not have a significant impact on the financial statements.

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 November 3, 2021, which is the date the consolidated financial statements were available to be issued.

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

Note 3 – Liquidity

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 186,993	\$ 159,052
Investments	72,254	45,055
Contributions and other receivables	<u>11,201</u>	<u>10,143</u>
Total financial assets	<u>270,448</u>	<u>214,250</u>
Less: amounts not available to be used within one year		
Net assets with purpose restrictions	143,180	136,016
Investments with lockup greater than one year	8,625	5,287
Contributions and other receivables with time restrictions	<u>10,409</u>	<u>4,189</u>
Total amounts not available to be used within one year	<u>162,214</u>	<u>145,492</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 108,234</u>	<u>\$ 68,758</u>

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, 2021, the BRIF investments were sufficient to cover approximately one year of operating expenses.

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

Note 4 – Investments and fair value

At June 30, 2021, investments and other assets and liabilities at fair value consisted of the following:

	Level 1	Level 2	Level 3	Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	\$ 26,435	\$ -	\$ -	\$ -	\$ 26,435
International	2,973	-	-	-	2,973
Equity funds					
Domestic	16,067	-	-	-	16,067
International	18,154	-	-	-	18,154
Private equity funds					
Domestic	-	-	-	8,544	8,544
International	-	-	-	79	79
Distressed debt	-	-	-	2	2
Total investments	<u>\$ 63,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,625</u>	<u>\$ 72,254</u>
Other receivables at fair value					
Organization-owned life insurance	<u>\$ -</u>	<u>\$ 251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ (581)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2020, investments and other assets and liabilities at fair value consisted of the following:

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

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

Note 4 – Investments (continued)

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

	<u>Fair Value at June 30, 2021</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private equity funds				
Domestic	\$ 8,544	\$ 1,933	90 days; Not redeemable	65 days; N/A
International	79	888	180 days; Not redeemable	95 days; N/A
Distressed debt	<u>2</u>	<u>114</u>	Not redeemable	N/A
	<u>\$ 8,625</u>	<u>\$ 2,935</u>		

Note 5 – Contributions and Other Receivables

Contributions and other receivables consist of the following as of June 30, 2021:

	<u>2021</u>	<u>2020</u>
Contributions receivable, due in		
Less than one year	\$ 5,263	\$ 6,054
One to five years	740	290
More than five years	<u>5,276</u>	<u>4,851</u>
Contributions receivable, gross	11,279	11,195
Less: present value discount	<u>(1,303)</u>	<u>(1,482)</u>
Contributions receivable, net	9,976	9,713
Organization-owned life insurance receivables	251	266
Other receivables	<u>974</u>	<u>164</u>
Contributions and other receivables, net	<u>\$ 11,201</u>	<u>\$ 10,143</u>

Contributions receivable above represent unconditional promises to give and are recorded after discounting at a range from 0.64% to 2.96% at their estimated realizable value.

At June 30, 2021 and 2020, there was no allowance for doubtful pledges.

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

Note 6 – Property and Equipment

The Organization's investment in property and equipment at June 30, 2021 and 2020, consisted of the following:

	2021	2020
Land and improvements	\$ 14,700	\$ 14,689
Buildings and improvements	24,610	24,172
Construction in progress	1,297	982
Equipment and software	9,627	8,291
Total	50,234	48,134
Less: accumulated depreciation	(9,739)	(8,337)
Net property and equipment	\$ 40,495	\$ 39,797

Depreciation and amortization expense for the years ended June 30, 2021 and 2020, was \$1.4 million and \$1.3 million, respectively.

Note 7 – Long-Term Debt

In 2016, Direct Relief entered into a non-revolving loan agreement as bridge financing for the construction of its new headquarters and distribution center. Under the terms of the agreement, the Organization could borrow an aggregate principal amount not to exceed \$25 million. Borrowings may be made through August 1, 2021. As of June 30, 2021 and 2020, outstanding borrowings under the agreement was \$6 million. The loan is secured by all assets of the Organization and 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% thereafter. At June 30, 2021 and 2020, these rates were 1.95% and 1.66%, respectively. The loan requires quarterly interest payments with principal due upon maturity on March 1, 2027.

In March 2021 Direct Relief entered into an agreement for a revolving line of credit with a total borrowing capacity of \$6,000,000. The line of credit is secured by all assets of the Organization and bears interest at a rate equal to the bank's LIBOR rate plus 1.50%. The effective interest rate as of June 30, 2021, was 1.95%. The note requires quarterly payments of interest only. The Organization is also required to reduce the outstanding principal balance to \$0 for thirty consecutive days during each calendar year. The line of credit matures on December 15, 2022. As of June 30, 2021, there was no outstanding balance on the line of credit.

In 2017, the Organization entered into a ten-year \$6 million interest rate swap agreement at 2.57% plus a loan spread of 1.5% for a total fixed rate of 4.07%, in order to hedge interest rate risk on the non-revolving loan drawings. This fixed rate swap matures on March 1, 2027. The total fair value of the interest rate swap agreement was a liability of approximately \$581 thousand and \$920 thousand, included in accrued liabilities, as of June 30, 2021 and 2020, respectively.

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

Note 7 – Long-Term Debt

As part of these agreements, the Organization is required to maintain a Liquidity Ratio of not less than 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) marketable securities without donor restrictions to the aggregate principal amount of all advances outstanding as of the close of such fiscal quarter.

Note 8 – Net Assets

Net assets consisted of the following at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 62,341	\$ -	\$ 62,341
Undesignated	826,541	-	826,541
Time-restricted	-	10,409	10,409
Purpose-restricted	-	143,180	143,180
	<u>\$ 888,882</u>	<u>\$ 153,589</u>	<u>\$ 1,042,471</u>
Total net assets			

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

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

Note 9 – Endowment Funds

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

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

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

Note 9 – Endowment Funds (continued)

For the year ended June 30, 2021, endowment net asset composition by type of fund were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	<u>\$ 62,341</u>	<u>\$ -</u>	<u>\$ 62,341</u>

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

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

Changes in the endowment net assets for the year ended June 30, 2021, were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 34,600	\$ -	\$ 34,600
Net investment return (investment income realized and unrealized gains)	10,023	-	10,023
Designations	21,314	-	21,314
Appropriation of endowment assets for expenditure	<u>(3,596)</u>	<u>-</u>	<u>(3,596)</u>
Endowment net assets, end of year	<u>\$ 62,341</u>	<u>\$ -</u>	<u>\$ 62,341</u>

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

Note 9 – Endowment Funds (continued)

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

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

Return objectives and risk parameters – The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6% 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 5% 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, 2021, \$2.8 million was approved for distribution to cover fundraising costs and the CEO’s salary incurred in fiscal year 2021. For the year ended June 30, 2020, \$2.7 million was approved for distribution to cover fundraising costs and the CEO’s salary incurred in fiscal year 2020. There was no distribution or request for extraordinary capital expenses or advance emergency disaster relief funding during the fiscal year.

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

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 5% of the employee’s annual compensation, subject to Board approval.

The Organization contributed \$513 thousand and \$420 thousand to the Plan for the years ended June 30, 2021 and 2020, 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.

**Supplementary Information on
Consolidating Financial Statements**

Direct Relief and Affiliates
Consolidating Statements of Financial Positions
June 30, 2021 with Summarized Totals for 2020
Amounts are Presented in Thousands

ASSETS	<u>Direct Relief</u>	<u>Direct Relief Foundation</u>	<u>Direct Relief Mexico</u>	<u>Direct Relief South Africa</u>	<u>DR Property 1</u>	<u>Eliminations</u>	<u>2021</u>	<u>2020</u>
ASSETS								
Cash and cash equivalents	\$ 184,257	\$ 1,318	\$ 242	\$ 13	\$ 1,163	\$ -	\$ 186,993	\$ 159,052
Investments	-	72,254	-	-	-	-	72,254	45,055
Contributions and other receivables, net	10,867	3,666	-	-	-	(3,332)	11,201	10,143
Inventories, net	747,667	-	6	-	-	-	747,673	754,042
Prepaid expenses	8,043	-	-	-	-	-	8,043	7,230
Property and equipment, net	1,957	-	-	-	38,538	-	40,495	39,797
Investment in subsidiaries	42,367	-	-	-	-	(42,367)	-	-
Other assets	225	-	6	-	-	-	231	1
Total assets	\$ 995,383	\$ 77,238	\$ 254	\$ 13	\$ 39,701	\$ (45,699)	\$ 1,066,890	\$ 1,015,320
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	\$ 9,501	\$ -	\$ -	\$ -	\$ 123	\$ -	\$ 9,624	\$ 4,475
Accrued liabilities	8,204	3,912	11	-	-	(3,332)	8,795	12,404
Long-term debt	-	6,000	-	-	-	-	6,000	6,000
Total liabilities	17,705	9,912	11	-	123	(3,332)	24,419	22,879
NET ASSETS								
Without donor restrictions	830,356	62,341	1	13	38,538	(42,367)	888,882	845,182
With donor restrictions	147,322	4,985	242	-	1,040	-	153,589	147,259
Total net assets	977,678	67,326	243	13	39,578	(42,367)	1,042,471	992,441
Total liabilities and net assets	\$ 995,383	\$ 77,238	\$ 254	\$ 13	\$ 39,701	\$ (45,699)	\$ 1,066,890	\$ 1,015,320

Direct Relief and Affiliates
Consolidating Statements of Activities
For the Year Ended June 30, 2021 with Summarized Totals for 2020
Amounts are Presented in Thousands

	2021						2020	
	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	\$ 107,960	\$ 21,507	\$ 685	\$ 60	\$ -	\$ (25,486)	\$ 104,726	\$ 61,691
Business and foundation grants	61,344	-	32	-	-	-	61,376	105,163
Workplace giving campaigns	4,876	-	-	-	-	-	4,876	4,384
Special events	-	-	-	-	-	-	-	14
Total public support from cash and securities	174,180	21,507	717	60	-	(25,486)	170,978	171,252
From contributed goods and services:								
Pharmaceuticals, medical supplies, and equipment	1,749,388	-	1,166	-	-	-	1,750,554	1,821,478
Contributed freight	2,759	-	-	-	-	-	2,759	2,679
Contributed goods - other	410	-	-	-	-	-	410	864
Professional services received	1,072	-	-	-	-	-	1,072	1,349
Total from contributed goods and services	1,753,629	-	1,166	-	-	-	1,754,795	1,826,370
Total public support	1,927,809	21,507	1,883	60	-	(25,486)	1,925,773	1,997,622
REVENUE								
Investment income, net	56	881	-	-	-	-	937	2,316
Realized gain on sale of investments	2,504	1,212	-	-	-	-	3,716	1,007
Unrealized gain (loss) on investments	5	7,930	-	-	-	-	7,935	(1,971)
Total revenue	2,565	10,023	-	-	-	-	12,588	1,352
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	1,930,374	31,530	1,883	60	-	(25,486)	1,938,361	1,998,974
PROGRAM SERVICES								
Pharmaceuticals, medical supplies, equipment, and related expenses	1,897,445	3,440	2,228	49	857	(25,486)	1,878,533	1,555,605
SUPPORTING SERVICES								
Administration	5,898	385	21	-	41	-	6,345	5,867
Fundraising	3,430	-	-	-	23	-	3,453	2,953
Total supporting services	9,328	385	21	-	64	-	9,798	8,820
Total expenses	1,906,773	3,825	2,249	49	921	(25,486)	1,888,331	1,564,425
CHANGE IN NET ASSETS	23,601	27,705	(366)	11	(921)	-	50,030	434,549
NET ASSETS, beginning of year	954,077	39,621	609	2	40,499	(42,367)	992,441	557,892
NET ASSETS, end of year	\$ 977,678	\$ 67,326	\$ 243	\$ 13	\$ 39,578	\$ (42,367)	\$ 1,042,471	\$ 992,441

**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 Year Ended June 30, 2021 with Summarized Totals for 2020
Amounts are Presented in Thousands

	For the Year Ended June 30, 2021		
	Program Services:		Total Program Services
	Medical Supplies, Equipment, and Related Expenses		
	USA	International	
Compensation and related benefits			
Salaries	\$ 4,336	\$ 3,230	\$ 7,566
Payroll taxes	298	214	512
Employee benefits	805	591	1,396
Total compensation and related benefits	5,439	4,035	9,474
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	242,660	1,375,705	1,618,365
Pharmaceuticals, medical equipment, and supplies distributed – procured	10,295	23,945	34,240
Inventory adjustment (expired pharmaceuticals)	99,017	37,238	136,255
Accounting and legal fees	127	14	141
Advertising	37	-	37
Bank charges	-	1	1
Contract services	2,172	1,762	3,934
Contributed services	437	164	601
Contributed freight	1,554	1,109	2,663
Contributed goods	5	2	7
Disposal costs (expired pharmaceuticals)	335	123	458
Dues and subscriptions	182	160	342
Duplicating and printing	48	21	69
Equipment and software maintenance	124	65	189
Equipment rental	19	5	24
Freight and transportation	2,328	5,619	7,947
Grants and stipends	57,565	20,720	78,285
Insurance	268	160	428
Interest	174	70	244
Meetings, conferences, special events	27	-	27
Miscellaneous	6	8	14
Outside computer services	3	2	5
Postage and mailing services	12	10	22
Rent and other occupancy	251	81	332
Supplies	1,670	396	2,066
Taxes, licenses, and fees	57	22	79
Training and education	6	3	9
Travel and automobile	45	130	175
Utilities and telephone	184	84	268
Web hosting	170	127	297
Total expenses before depreciation	425,217	1,471,781	1,896,998
Depreciation and amortization	314	133	447
Total functional expenses June 30, 2021	\$ 425,531	\$ 1,471,914	\$ 1,897,445
Total functional expenses June 30, 2020	\$ 332,368	\$ 1,222,513	\$ 1,554,881

Direct Relief (A Non-Profit Corporation)
Statements of Functional Expenses
For the Years Ended June 30, 2021 with Summarized Totals for 2020
Amounts are Presented in Thousands

	For the Year Ended June 30, 2021			Summarized Total Program and Supporting Services for 2020
	Supporting Services		Total Program and Supporting Services	
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 2,703	\$ 1,749	\$ 12,018	\$ 10,569
Payroll taxes	145	114	771	706
Employee benefits	406	309	2,111	1,976
Total compensation and related benefits	3,254	2,172	14,900	13,251
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,618,365	1,395,250
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	34,240	12,078
Inventory adjustment (expired pharmaceuticals)	-	-	136,255	62,190
Accounting and legal fees	171	2	314	299
Advertising	47	113	197	115
Bank charges	477	-	478	638
Contract services	513	227	4,674	3,131
Contributed services	536	536	1,673	750
Contributed freight	-	-	2,663	2,734
Contributed goods	-	-	7	864
Disposal costs (expired pharmaceuticals)	-	-	458	537
Dues and subscriptions	186	87	615	410
Duplicating and printing	10	7	86	107
Equipment and software maintenance	31	123	343	346
Equipment rental	2	1	27	66
Freight and transportation	-	-	7,947	8,549
Grants and stipends	-	-	78,285	56,719
Insurance	156	84	668	477
Interest	11	6	261	450
Meetings, conferences, special events	1	-	28	296
Miscellaneous	239	-	253	466
Outside computer services	2	1	8	2
Postage and mailing services	4	4	30	79
Rent and other occupancy	12	7	351	291
Supplies	56	16	2,138	1,153
Taxes, licenses, and fees	19	1	99	70
Training and education	16	-	25	14
Travel and automobile	12	-	187	667
Utilities and telephone	23	13	304	441
Web hosting	70	-	367	387
Total expenses before depreciation	5,848	3,400	1,906,246	1,562,827
Depreciation and amortization	50	30	527	428
Total functional expenses June 30, 2021	<u>\$ 5,898</u>	<u>\$ 3,430</u>	<u>\$ 1,906,773</u>	
Total functional expenses June 30, 2020	<u>\$ 5,473</u>	<u>\$ 2,901</u>		<u>\$ 1,563,255</u>