



REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

DIRECT RELIEF AND AFFILIATES

June 30, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
Direct Relief and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Direct Relief and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Direct Relief and Affiliates as of June 30, 2022, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Direct Relief and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Direct Relief and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Direct Relief and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Direct Relief and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Direct Relief and Affiliates adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, using the retrospective method. 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, 2021 consolidated financial statements, and our report dated November 3, 2021, 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, 2021, 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, 2022, with summarized totals for 2021 on page 26; the consolidating statement of activities for the year ended June 30, 2022, with summarized totals for 2021 on page 27; 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, 2022, with summarized totals for 2021 on pages 28–29. 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 2, 2022

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

		June 30,	
		2022	2021
ASSETS			
ASSETS			
Cash and cash equivalents	\$	235,533	\$ 186,993
Investments		65,901	72,254
Contributions and other receivables, net		13,605	11,201
Inventories, net		656,509	747,673
Prepaid expenses		8,385	8,043
Property and equipment, net		39,580	40,495
Other assets		229	231
Total assets	\$	<u>1,019,742</u>	<u>\$ 1,066,890</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$	6,314	\$ 9,624
Accrued liabilities		9,936	8,795
Long-term debt		-	6,000
Total liabilities		<u>16,250</u>	<u>24,419</u>
NET ASSETS			
Without donor restrictions			
Board-designated investment fund		58,702	62,341
Undesignated		<u>757,278</u>	<u>826,541</u>
Total without donor restrictions		815,980	888,882
With donor restrictions		<u>187,512</u>	<u>153,589</u>
Total net assets		<u>1,003,492</u>	<u>1,042,471</u>
Total liabilities and net assets	\$	<u>1,019,742</u>	<u>\$ 1,066,890</u>

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

	For the Year Ended June 30, 2022			Summarized Totals for 2021
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT				
In cash and securities				
Contributions	\$ 27,411	\$ 42,306	\$ 69,717	\$ 104,726
Business and foundation grants	6,501	85,860	92,361	61,376
Workplace giving campaigns	3,023	3,670	6,693	4,876
Total public support from cash and securities	36,935	131,836	168,771	170,978
From contributed goods and services				
Pharmaceuticals, medical supplies, and equipment	2,045,970	-	2,045,970	1,750,554
Contributed freight	1,576	1,150	2,726	2,759
Contributed goods – other	5	-	5	410
Professional services received	399	-	399	1,072
Total from contributed goods and services	2,047,950	1,150	2,049,100	1,754,795
Total public support	2,084,885	132,986	2,217,871	1,925,773
REVENUE				
Investment income, net	1,520	233	1,753	937
Realized gain on investments	4,703	-	4,703	3,716
Unrealized (loss) gain on investments	(9,832)	(146)	(9,978)	7,935
Total revenue	(3,609)	87	(3,522)	12,588
Net assets released from restrictions	99,150	(99,150)	-	-
Total public support and revenue	2,180,426	33,923	2,214,349	1,938,361
PROGRAM SERVICES				
Pharmaceuticals, medical supplies, equipment, and related expenses	2,243,249	-	2,243,249	1,878,533
SUPPORTING SERVICES				
Administration	6,615	-	6,615	6,345
Fundraising	3,464	-	3,464	3,453
Total supporting services	10,079	-	10,079	9,798
Total expenses	2,253,328	-	2,253,328	1,888,331
CHANGE IN NET ASSETS	(72,902)	33,923	(38,979)	50,030
NET ASSETS, beginning of year	888,882	153,589	1,042,471	992,441
NET ASSETS, end of year	\$ 815,980	\$ 187,512	\$ 1,003,492	\$ 1,042,471

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

	For the Year Ended June 30, 2022		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	\$ 1,615	\$ 6,913	\$ 8,528
Payroll taxes	107	468	575
Employee benefits	265	1,111	1,376
Total compensation and related benefits	1,987	8,492	10,479
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	193,755	1,740,371	1,934,126
Pharmaceuticals, medical equipment, and supplies distributed – procured	2,547	8,800	11,347
Inventory adjustment (expired pharmaceuticals)	10,984	188,781	199,765
Accounting and legal fees	9	46	55
Advertising	159	-	159
Bank charges	-	2	2
Contract services	1,795	2,763	4,558
Contributed services	-	-	-
Contributed freight	129	2,559	2,688
Contributed goods	-	7	7
Disposal costs (expired pharmaceuticals)	36	607	643
Dues and subscriptions	117	260	377
Duplicating and printing	12	74	86
Equipment and software maintenance	64	221	285
Equipment rental	31	73	104
Freight and transportation	2,004	11,776	13,780
Grants and stipends	39,269	20,704	59,973
Insurance	121	348	469
Interest	16	190	206
Meetings, conferences, special events	33	39	72
Miscellaneous	3	31	34
Outside computer services	2	4	6
Postage and mailing services	14	12	26
Rent and other occupancy	58	460	518
Supplies	42	1,013	1,055
Taxes, licenses, and fees	3	47	50
Training and education	5	13	18
Travel and automobile	91	215	306
Utilities and telephone	35	357	392
Web hosting	104	238	342
Total expenses before depreciation	253,425	1,988,503	2,241,928
Depreciation and amortization	103	1,218	1,321
Total functional expenses June 30, 2022	\$ 253,528	\$ 1,989,721	\$ 2,243,249
Total functional expenses June 30, 2021	\$ 404,853	\$ 1,473,680	\$ 1,878,533

See accompanying notes.

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

	For the Year Ended June 30, 2022			Summarized
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services for 2021
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 2,719	\$ 1,906	\$ 13,153	\$ 12,095
Payroll taxes	166	125	866	778
Employee benefits	297	297	1,970	2,116
Total compensation and related benefits	3,182	2,328	15,989	14,989
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,934,126	1,620,002
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	11,347	34,240
Inventory adjustment (expired pharmaceuticals)	-	-	199,765	136,255
Accounting and legal fees	222	3	280	397
Advertising	105	127	391	197
Bank charges	700	-	702	478
Contract services	926	212	5,696	4,936
Contributed services	199	199	398	1,673
Contributed freight	-	-	2,688	2,663
Contributed goods	5	3	15	7
Disposal costs (expired pharmaceuticals)	-	-	643	458
Dues and subscriptions	140	236	753	615
Duplicating and printing	34	17	137	86
Equipment and software maintenance	28	75	388	343
Equipment rental	-	-	104	80
Freight and transportation	-	-	13,780	8,012
Grants and stipends	-	-	59,973	56,565
Insurance	353	115	937	668
Interest	8	6	220	261
Meetings, conferences, special events	53	14	139	28
Miscellaneous	283	3	320	354
Outside computer services	2	1	9	8
Postage and mailing services	3	5	34	30
Rent and other occupancy	14	10	542	474
Supplies	86	31	1,172	2,141
Taxes, licenses, and fees	21	-	71	99
Training and education	19	4	41	25
Travel and automobile	41	8	355	187
Utilities and telephone	30	17	439	304
Web hosting	96	1	439	367
Total expenses before depreciation	6,550	3,415	2,251,893	1,886,942
Depreciation and amortization	65	49	1,435	1,389
Total functional expenses June 30, 2022	\$ 6,615	\$ 3,464	\$ 2,253,328	
Total functional expenses June 30, 2021	\$ 6,345	\$ 3,453		\$ 1,888,331

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

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash collected from public support and other program services	\$ 166,790	\$ 166,497
Cash paid for goods and services	(113,976)	(123,371)
Interest paid	(220)	(261)
Investment income	1,753	937
Net cash provided by operating activities	54,347	43,802
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,156)	(23,359)
Proceeds from sale of investments	6,893	10,876
Purchase of property and equipment	(544)	(3,378)
Net cash provided by (used in) investing activities	193	(15,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid under long-term debt	(6,000)	-
Net cash used in financing activities	(6,000)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	48,540	27,941
CASH AND CASH EQUIVALENTS, beginning of year	186,993	159,052
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 235,533</u>	<u>\$ 186,993</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 65 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 of accounting in accordance with accounting principles generally accepted in the United States of America.

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 (the Foundation, Direct Relief-SA, Direct Relief-MX, and the 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, 2022 and 2021, 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 statements 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.

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:

	2022	2021
Pharmaceuticals	\$ 652,259	\$ 743,986
Medical supplies/kits	12,466	16,621
Equipment	3,390	6,086
Inventory reserve	(11,606)	(19,020)
Total inventories	<u>\$ 656,509</u>	<u>\$ 747,673</u>

The Organization recorded an approximately \$11.6 million and \$19.0 million inventory reserve as of June 30, 2022 and 2021, 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:

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

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

Grants payable – Grants payable represent all unconditional grants that have been authorized by the Organization prior to year-end, but remain unpaid as of the consolidated 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, 2022 and 2021, the Organization had a grant payable liability of \$6.8 million and \$5.4 million, respectively, included in accrued liabilities on the consolidated statements of financial position. All grants payable outstanding as of June 30, 2022, are expected to be paid within the next year.

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, 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 related barriers have been overcome. 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 initially 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, 2022 and 2021, there was no allowance for bad debt.

The Organization received 45% of total public support from two corporate donors during the year ended June 30, 2022. At June 30, 2022, there were no outstanding receivables from these two donors. The Organization received 51% of total public support from four corporate donors during the year ended June 30, 2021. At June 30, 2021, outstanding receivables from these donors made up 1% of total net contributions and other receivables.

Direct Relief and Affiliates

Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

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. For pharmaceutical donations from European manufacturers (not commercially saleable in the U.S.), Direct Relief identified the 2021 Rand Corporation International Prescription Drug Price Comparison (Rand Study) as a comprehensive report to identify the difference in pharmaceuticals prices in the European market compared to United States market. Based on the results of the Rand Study, Direct Relief applies a discount to the Redbook WAC for branded products and no discount is applied to generic pharmaceuticals. This policy change was implemented as of March 1, 2022, as a result of increased donations for Ukraine and refugees of Ukraine.

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.

Direct Relief and Affiliates

Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions of nonfinancial assets received from donors for the years ending June 30, 2022 and 2021, are summarized below:

	Revenue Recognized for the Years Ending June 30,		Utilization in Programs	Donor Restrictions	Valuation Techniques and Inputs
	2022	2021			
Contributed materials					
Pharmaceuticals, medical supplies and equipment	\$ 2,045,970	\$ 1,750,554	Disaster, emergency, and crisis response	No donor restriction, regional distribution restrictions applied per regulatory agency	Truven Health Analytics RedBook®, WAC, Rand Study discount for European branded Rx, trade publications, Internet pricing guides, and procurement history.
Contributed services					
Freight	2,726	2,759	Disaster, emergency, and crisis response	Regional restrictions for donated charters, general freight is not restricted	Shipping is valued using the donating organization's discounted percentage of full published rates in effect at the time of shipment.
Professional services	399	1,072	Disaster, emergency, crisis response, and administrative support	No donor restrictions	Fair market value, comparable services
Other (donated use of facilities)	5	410	Administrative	No donor restrictions	Fair market value, comparable rent

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

Direct Relief and Affiliates

Notes to Consolidated Financial Statements

Amounts are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

Joint costs – During the years ended June 30, 2022 and 2021, 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.

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, 2022 and 2021, 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, 2022 and 2021.

Recently adopted accounting pronouncement – As of July 1, 2021, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The provisions of the ASU amends the presentation and disclosure requirements for contributed nonfinancial assets. The Organization adopted this ASU on a retrospective basis.

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 the 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 2, 2022, 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>2022</u>	<u>2021</u>
Financial assets at year end		
Cash and cash equivalents	\$ 235,533	\$ 186,993
Investments	65,901	72,254
Contributions and other receivables	<u>13,605</u>	<u>11,201</u>
Total financial assets	<u>315,039</u>	<u>270,448</u>
Less: amounts not available to be used within one year		
Net assets with purpose restrictions	174,795	143,180
Investments with lockup greater than one year	11,552	8,625
Contributions and other receivables with time restrictions	<u>12,717</u>	<u>10,409</u>
Total amounts not available to be used within one year	<u>199,064</u>	<u>162,214</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 115,975</u></u>	<u><u>\$ 108,234</u></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, 2022, 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, 2022, 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	\$ 21,741	\$ -	\$ -	\$ -	\$ 21,741
International	2,538	-	-	-	2,538
Equity funds					
Domestic	14,297	-	-	-	14,297
International	15,773	-	-	-	15,773
Private equity funds					
Domestic	-	-	-	11,487	11,487
International	-	-	-	63	63
Distressed debt	-	-	-	2	2
Total investments	<u>\$ 54,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,552</u>	<u>\$ 65,901</u>
Other receivables at fair value					
Organization-owned life insurance	<u>\$ -</u>	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332</u>

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

	Level 1	Level 2	Level 3	(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>\$ (581)</u>

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

Note 4 – Investments and Fair Value (continued)

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

	Fair Value at June 30, 2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds				
Domestic	\$ 11,487	\$ 1,909	90 days; Not redeemable	65 days; N/A
International	63	31	Not redeemable	N/A
Distressed debt	2	114	Not redeemable	N/A
	<u>\$ 11,552</u>	<u>\$ 2,054</u>		

Note 5 – Contributions and Other Receivables

Contributions and other receivables consist of the following as of June 30, 2022:

	2022	2021
Contributions receivable, due in		
Less than one year	\$ 8,324	\$ 5,263
One to five years	1,365	740
More than five years	3,941	5,276
Contributions receivable, gross	13,630	11,279
Less: present value discount	(1,237)	(1,303)
Contributions receivable, net	12,393	9,976
Organization-owned life insurance receivables	332	251
Other receivables	880	974
Contributions and other receivables, net	<u>\$ 13,605</u>	<u>\$ 11,201</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, 2022 and 2021, 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, 2022 and 2021, consisted of the following:

	2022	2021
Land and improvements	\$ 14,700	\$ 14,700
Buildings and improvements	26,248	24,610
Construction in progress	-	1,297
Equipment and software	9,708	9,627
Total	50,656	50,234
Less: accumulated depreciation	(11,076)	(9,739)
Net property and equipment	\$ 39,580	\$ 40,495

Depreciation and amortization expense for the years ended June 30, 2022 and 2021, was \$1.3 million and \$1.4 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 could be made through August 1, 2021. As of June 30, 2022, the loan was paid in full. As of June 30, 2021, the outstanding borrowings under the agreement was \$6 million and the effective interest rate was 1.95%.

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 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, 2022 and 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 was terminated in May 2022. The total fair value of the interest rate swap agreement was a liability of approximately \$581 thousand, included in accrued liabilities, as of June 30, 2021.

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

Note 7 – Long-Term Debt (continued)

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, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 58,702	\$ -	\$ 58,702
Undesignated	757,278	-	757,278
Time-restricted	-	12,717	12,717
Purpose-restricted	-	174,795	174,795
Total net assets	<u>\$ 815,980</u>	<u>\$ 187,512</u>	<u>\$ 1,003,492</u>

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
Total net assets	<u>\$ 888,882</u>	<u>\$ 153,589</u>	<u>\$ 1,042,471</u>

Note 9 – Endowment Funds

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

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

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, 2022, endowment net asset composition by type of fund were:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	<u>\$ 58,702</u>	<u>\$ -</u>	<u>\$ 58,702</u>

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

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

Changes in the endowment net assets for the year ended June 30, 2022, were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 62,341	\$ -	\$ 62,341
Net investment return (investment income realized and unrealized losses)	(83)	-	(83)
Designations	15	-	15
Appropriation of endowment assets for expenditure	<u>(3,571)</u>	<u>-</u>	<u>(3,571)</u>
Endowment net assets, end of year	<u>\$ 58,702</u>	<u>\$ -</u>	<u>\$ 58,702</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, 2021, were:

	Without Donor Restrictions	With Donor Restrictions	Total
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	(3,596)	-	(3,596)
Endowment net assets, end of year	<u>\$ 62,341</u>	<u>\$ -</u>	<u>\$ 62,341</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 Board of Directors. 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, 2022, \$3.6 million was approved for distribution to cover fundraising costs and the CEO's salary incurred in fiscal year 2022. 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. 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 \$519 and \$513 to the Plan for the years ended June 30, 2022 and 2021, 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 Position
June 30, 2022 with Summarized Totals for 2021
Amounts are Presented in Thousands

	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2022	2021
ASSETS								
ASSETS								
Cash and cash equivalents	\$ 233,031	\$ 1,611	\$ 272	\$ 12	\$ 607	\$ -	\$ 235,533	\$ 186,993
Investments	79	65,822	-	-	-	-	65,901	72,254
Contributions and other receivables, net	19,838	5,752	-	-	-	(11,985)	13,605	11,201
Inventories, net	656,509	-	-	-	-	-	656,509	747,673
Prepaid expenses	8,385	-	-	-	-	-	8,385	8,043
Property and equipment, net	1,595	-	-	-	37,985	-	39,580	40,495
Investment in subsidiaries	42,367	-	-	-	-	(42,367)	-	-
Other assets	225	-	4	-	-	-	229	231
Total assets	<u>\$ 962,029</u>	<u>\$ 73,185</u>	<u>\$ 276</u>	<u>\$ 12</u>	<u>\$ 38,592</u>	<u>\$ (54,352)</u>	<u>\$ 1,019,742</u>	<u>\$ 1,066,890</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	\$ 6,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,314	\$ 9,624
Accrued liabilities	12,360	9,552	9	-	-	(11,985)	9,936	8,795
Long-term debt	-	-	-	-	-	-	-	6,000
Total liabilities	<u>18,674</u>	<u>9,552</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>(11,985)</u>	<u>16,250</u>	<u>24,419</u>
NET ASSETS								
Without donor restrictions	761,653	58,702	(5)	12	37,985	(42,367)	815,980	888,882
With donor restrictions	<u>181,702</u>	<u>4,931</u>	<u>272</u>	<u>-</u>	<u>607</u>	<u>-</u>	<u>187,512</u>	<u>153,589</u>
Total net assets	<u>943,355</u>	<u>63,633</u>	<u>267</u>	<u>12</u>	<u>38,592</u>	<u>(42,367)</u>	<u>1,003,492</u>	<u>1,042,471</u>
Total liabilities and net assets	<u>\$ 962,029</u>	<u>\$ 73,185</u>	<u>\$ 276</u>	<u>\$ 12</u>	<u>\$ 38,592</u>	<u>\$ (54,352)</u>	<u>\$ 1,019,742</u>	<u>\$ 1,066,890</u>

Direct Relief and Affiliates
Consolidating Statements of Activities
For the Year Ended June 30, 2022 with Summarized Totals for 2021
Amounts are Presented in Thousands

	2022						2021
	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	Total
PUBLIC SUPPORT							Total
In cash and securities							
Contributions	\$ 73,210	\$ 3,960	\$ 690	\$ 45	\$ -	\$ (8,188)	\$ 69,717
Business and foundation grants	91,942	-	419	-	-	-	92,361
Workplace giving campaigns	6,693	-	-	-	-	-	6,693
Total public support from cash and securities	171,845	3,960	1,109	45	-	(8,188)	168,771
From contributed goods and services							
Pharmaceuticals, medical supplies, and equipment	2,045,962	-	8	-	-	-	2,045,970
Contributed freight	2,726	-	-	-	-	-	2,726
Contributed goods - other	5	-	-	-	-	-	5
Professional services received	399	-	-	-	-	-	399
Total from contributed goods and services	2,049,092	-	8	-	-	-	2,049,100
Total public support	2,220,937	3,960	1,117	45	-	(8,188)	2,217,871
REVENUE							
Investment income, net	311	1,442	-	-	-	-	1,753
Realized gain on sale of investments	-	4,703	-	-	-	-	4,703
Unrealized (loss) gain on investments	(224)	(9,754)	-	-	-	-	(9,978)
Total revenue	87	(3,609)	-	-	-	-	(3,522)
Net assets released from restrictions	-	-	-	-	-	-	-
Total public support and revenue	2,221,024	351	1,117	45	-	(8,188)	2,214,349
PROGRAM SERVICES							
Pharmaceuticals, medical supplies, equipment, and related expenses	2,245,885	3,574	1,006	46	926	(8,188)	2,243,249
SUPPORTING SERVICES							
Administration	6,025	468	87	-	35	-	6,615
Fundraising	3,437	2	-	-	25	-	3,464
Total supporting services	9,462	470	87	-	60	-	10,079
Total expenses	2,255,347	4,044	1,093	46	986	(8,188)	2,253,328
CHANGE IN NET ASSETS	(34,323)	(3,693)	24	(1)	(986)	-	(38,979)
NET ASSETS, beginning of year	977,678	67,326	243	13	39,578	(42,367)	1,042,471
NET ASSETS, end of year	\$ 943,355	\$ 63,633	\$ 267	\$ 12	\$ 38,592	\$ (42,367)	\$ 1,042,471

See accompanying report of independent auditors.

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

Direct Relief (A Non-Profit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2022 with Summarized Totals for 2021
Amounts are Presented in Thousands

	For the Year Ended June 30, 2022		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	\$ 1,615	\$ 6,780	\$ 8,395
Payroll taxes	107	448	555
Employee benefits	265	1,107	1,372
Total compensation and related benefits	1,987	8,335	10,322
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	193,755	1,739,979	1,933,734
Pharmaceuticals, medical equipment, and supplies distributed – procured	2,547	8,800	11,347
Inventory adjustment (expired pharmaceuticals)	10,984	188,781	199,765
Accounting and legal fees	9	13	22
Advertising	159	-	159
Bank charges	-	1	1
Contract services	1,795	2,760	4,555
Contributed services	-	-	-
Contributed freight	129	2,559	2,688
Contributed goods	-	7	7
Disposal costs (expired pharmaceuticals)	36	604	640
Dues and subscriptions	117	260	377
Duplicating and printing	12	74	86
Equipment and software maintenance	64	221	285
Equipment rental	27	4	31
Freight and transportation	2,004	11,810	13,814
Grants and stipends	43,151	21,093	64,244
Insurance	121	348	469
Interest	16	190	206
Meetings, conferences, special events	33	38	71
Miscellaneous	3	23	26
Outside computer services	2	4	6
Postage and mailing services	14	12	26
Rent and other occupancy	57	302	359
Supplies	42	1,012	1,054
Taxes, licenses, and fees	3	46	49
Training and education	5	13	18
Travel and automobile	91	215	306
Utilities and telephone	35	357	392
Web hosting	104	238	342
Total expenses before depreciation	257,302	1,988,099	2,245,401
Depreciation and amortization	57	427	484
Total functional expenses June 30, 2022	\$ 257,359	\$ 1,988,526	\$ 2,245,885
Total functional expenses June 30, 2021	\$ 425,531	\$ 1,471,914	\$ 1,897,445

Direct Relief (A Non-Profit Corporation)
Statements of Functional Expenses (Continued)
For the Years Ended June 30, 2022 with Summarized Totals for 2021
Amounts are Presented in Thousands

	For the Year Ended June 30, 2022			Summarized
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services for 2021
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 2,719	\$ 1,906	\$ 13,020	\$ 12,018
Payroll taxes	166	125	846	771
Employee benefits	297	297	1,966	2,111
Total compensation and related benefits	3,182	2,328	15,832	14,900
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,933,734	1,618,365
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	11,347	34,240
Inventory adjustment (expired pharmaceuticals)	-	-	199,765	136,255
Accounting and legal fees	155	3	180	314
Advertising	105	127	391	197
Bank charges	699	-	700	478
Contract services	546	212	5,313	4,674
Contributed services	199	199	398	1,673
Contributed freight	-	-	2,688	2,663
Contributed goods	5	3	15	7
Disposal costs (expired pharmaceuticals)	-	-	640	458
Dues and subscriptions	140	236	753	615
Duplicating and printing	34	17	137	86
Equipment and software maintenance	28	75	388	343
Equipment rental	-	-	31	27
Freight and transportation	-	-	13,814	7,947
Grants and stipends	-	-	64,244	78,285
Insurance	353	115	937	668
Interest	8	6	220	261
Meetings, conferences, special events	53	14	138	28
Miscellaneous	179	1	206	253
Outside computer services	2	1	9	8
Postage and mailing services	3	5	34	30
Rent and other occupancy	14	10	383	351
Supplies	86	31	1,171	2,138
Taxes, licenses, and fees	16	-	65	99
Training and education	19	4	41	25
Travel and automobile	41	8	355	187
Utilities and telephone	30	17	439	304
Web hosting	96	1	439	367
Total expenses before depreciation	5,993	3,413	2,254,807	1,906,246
Depreciation and amortization	32	24	540	527
Total functional expenses June 30, 2022	\$ 6,025	\$ 3,437	\$ 2,255,347	
Total functional expenses June 30, 2021	\$ 5,898	\$ 3,430		\$ 1,906,773