Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information for

Direct Relief and Affiliates

June 30, 2016 and 2015

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Direct Relief and Affiliates

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Direct Relief and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

MOSS ADAMS LLP

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Direct Relief and Affiliates as of June 30, 2016, and the change in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Direct Relief and Affiliate's June 30, 2015 consolidated financial statements, and our report dated September 28, 2015, 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, 2015, 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 for the schedules of the consolidating statements of financial position and consolidating statements of activities as of June 30, 2016, and for the year then ended, are on pages 25–26, for the entity as a whole. Consolidating statement of financial position and consolidating statement of activities balances have been summarized for the year ended June 30, 2015. The supplementary information for the schedule of the statement of functional expenses of Direct Relief, exclusive of its affiliates (Direct Relief Foundation, Direct Relief International-South Africa, Direct Relief-Mexico and DR Property 1, LLC), for the year ending June 30, 2016, is on pages 27-28. The balances of statement of functional expenses have been summarized for the year ended June 30, 2015. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Los Angeles, California
October 5, 2016

DIRECT RELIEF AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

ASSETS	2016	2015
ASSETS		
Cash and cash equivalents	$ 8,278	$ 7,260
Investments	35,573	35,769
Contributions and other receivables, net	12,021	6,753
Inventories, net	144,776	265,979
Prepaid expenses	454	314
Property and equipment, net of accumulated depreciation of $6,914 for 2016 and $6,205 for 2015	5,755	5,512
Other assets	524	669
Total assets	$ 207,381	$ 322,256

LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 635	$ 1,086
Other current liabilities	1,261	1,159
Long-term debt	1,252	1,293
Deferred compensation	19	29
Distribution payable - split-interest agreement	12	14
Total liabilities	3,179	3,581
NET ASSETS		
Unrestricted net assets		
Board-designated investment fund	29,087	34,760
Undesignated	149,330	264,708
Total unrestricted net assets	178,417	299,468
Temporarily restricted assets	25,785	19,207
Total net assets	204,202	318,675
Total liabilities and net assets	$ 207,381	$ 322,256

See accompanying notes.

DIRECT RELIEF AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016				2015
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
PUBLIC SUPPORT AND REVENUE					
Public support					
In cash and securities					
Contributions	$ 5,987	$ 9,602	$ -	$ 15,589	$ 19,216
Business and foundation grants	763	12,538	-	13,301	12,202
Workplace giving campaigns	324	12	-	336	364
Special events	-	139	-	139	157
Total public support from cash and securities	7,074	22,291	-	29,365	31,939
From contributed goods and services					
Pharmaceuticals, medical supplies and equipment	746,678	-	-	746,678	858,656
Contributed freight	1,841	-	-	1,841	2,152
Contributed goods - other	64	-	-	64	41
Professional services received	960	-	-	960	3,736
Total from contributed goods and services	749,543	-	-	749,543	864,585
Total public support	756,617	22,291	-	778,908	896,524
REVENUE					
Investment income	624	18	-	642	559
Realized gain on investments	864	-	-	864	2,661
Unrealized loss on investments	(1,506)	-	-	(1,506)	(1,771)
Program service fees	201	-	-	201	106
Total revenue	183	18	-	201	1,555
Net assets released from restrictions	15,731	(15,731)	-	-	-
Total public support and revenue	772,531	6,578	-	779,109	898,079
PROGRAM SERVICES					
Pharmaceuticals, medical supplies, equipment and related expenses	888,544	-	-	888,544	714,561
SUPPORTING SERVICES					
Administration	3,057	-	-	3,057	3,948
Fundraising	1,981	-	-	1,981	2,331
Total supporting services	5,038	-	-	5,038	6,279
Total expenses	893,582	-	-	893,582	720,840
Change in net assets	(121,051)	6,578	-	(114,473)	177,239
Net asset, beginning of year	299,468	19,207	-	318,675	141,436
Net asset, end of year	$ 178,417	$ 25,785	$ -	$ 204,202	$ 318,675

See accompanying notes.

DIRECT RELIEF AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 1,001	$ 2,713	$ 3,714
Payroll taxes	65	174	239
Employee benefits	166	450	616
Total compensation and related benefits	1,232	3,337	4,569
Other expenses			
Pharmaceuticals, medical equipment and supplies distributed - donated	124,812	633,059	757,871
Pharmaceuticals, medical equipment and supplies distributed - procured	201	2,237	2,438
Inventory adjustment (expired pharmaceuticals)	16,188	94,034	110,222
Accounting and legal fees	1	12	13
Advertising	3	1	4
Bank charges	-	-	-
Contract services	339	515	854
Contributed services	57	295	352
Contributed freight	284	1,728	2,012
Contributed goods	1	9	10
Disposal costs (expired pharmaceuticals)	58	171	229
Dues and subscriptions	15	21	36
Duplicating and printing	4	10	14
Equipment and software maintenance	35	141	176
Equipment rental	8	11	19
Freight and transportation	837	1,635	2,472
Grants and stipends	295	4,080	4,375
Insurance	9	56	65
Interest	7	29	36
Meetings, conferences, special events	40	17	57
Miscellaneous	18	4	22
Outside computer services	-	-	-
Postage and mailing services	8	10	18
Rent and other occupancy	130	568	698
Supplies	224	190	414
Taxes, licenses and fees	-	-	-
Training and education	2	9	11
Travel and automobile	99	414	513
Utilities and telephone	27	117	144
Web hosting	64	179	243
Total expenses before depreciation	143,766	739,552	883,318
Depreciation and amortization	161	496	657
Total functional expenses June 30, 2016	$ 145,159	$ 743,385	$ 888,544
Total functional expenses June 30, 2015	$ 101,235	$ 613,326	$ 714,561

DIRECT RELIEF AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016			2015
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 1,314	$ 1,100	$ 6,128	$ 5,980
Payroll taxes	82	67	388	384
Employee benefits	219	181	1,016	929
Total compensation and related benefits	1,615	1,348	7,532	7,293
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	757,871	607,939
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	2,438	2,624
Inventory adjustment (expired pharmaceuticals)	-	-	110,222	84,197
Accounting and legal fees	162	1	176	172
Advertising	72	12	88	53
Bank charges	97	-	97	113
Contract services	361	50	1,265	1,886
Contributed services	361	246	959	3,736
Contributed freight	-	-	2,012	2,056
Contributed goods	3	8	21	36
Disposal costs (expired pharmaceuticals)	-	-	229	137
Dues and subscriptions	28	16	80	121
Duplicating and printing	14	40	68	101
Equipment and software maintenance	8	26	210	184
Equipment rental	1	2	22	31
Freight and transportation	-	-	2,472	3,941
Grants and stipends	-	-	4,375	2,579
Insurance	26	2	93	64
Interest	4	3	43	35
Meetings, conferences, special events	40	37	134	84
Miscellaneous	12	-	34	64
Outside computer services	-	33	33	40
Postage and mailing services	2	15	35	40
Rent and other occupancy	13	10	721	733
Supplies	24	21	459	406
Taxes, licenses and fees	10	-	10	7
Training and education	6	1	18	8
Travel and automobile	61	36	610	607
Utilities and telephone	18	14	176	192
Web hosting	20	1	264	230
Total expenses before depreciation	1,343	574	885,235	712,417
Depreciation and amortization	99	59	815	1,130
Total functional expenses June 30, 2016	$ 3,057	$ 1,981	$ 893,582	
Total functional expenses June 30, 2015	$ 3,948	$ 2,331		$ 720,840

 See accompanying notes.

DIRECT RELIEF AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016	2015
Cash flows from operating activities		
Cash collected from public support and other program services	$ 24,299	$ 27,015
Cash paid for goods and services	(22,331)	(21,994)
Interest paid	(43)	(35)
Dividend and interest income	642	559
Net cash provided by operating activities	2,567	5,545
Cash flows from investing activities		
Purchase of investments	(4,370)	(27,964)
Proceeds from sale of investments	3,918	29,788
Purchase of property and equipment	(1,056)	(659)
Net cash (used in) provided by investing activities	(1,508)	1,165
Cash flows from financing activities		
Principal paid under long-term debt	(41)	(43)
Net cash used in financing activities	(41)	(43)
Net change in cash and cash equivalents	1,018	6,667
Cash and cash equivalents, beginning of year	7,260	593
Cash and cash equivalents, end of year	$ 8,278	$ 7,260

	2016	2015
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ (114,473)	$ 177,239
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	815	1,130
Realized gain from investments	(864)	(2,661)
Unrealized loss from investments	1,506	1,771
Change in inventories	121,203	(166,777)
Increase (decrease) in cash due to change in operating assets and liabilities:		
Contributions and other receivables	(5,266)	(5,028)
Prepaid expenses and other assets	5	(142)
Accounts payable and other current liabilities	(349)	23
Deferred compensation	(10)	(10)
Net cash provided by operating activities	$ 2,567	$ 5,545

Note 1 – Organization

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

Direct Relief's program services consist of providing essential pharmaceuticals, medical supplies and medical equipment to support health services in medically underserved communities on an ongoing humanitarian basis and in response to emergency situations and disasters around the world. In the United States, Direct Relief's activities focus on the delivery of donated medicines and supplies to uninsured patients through the support of nonprofit clinics and health centers treating low-income patients. In Santa Barbara and surrounding communities, Direct Relief conducts programs dedicated to improving the oral health of children from low-income families and enhancing disaster preparedness efforts. Under agreements with local emergency response authorities, Direct Relief's medical inventories are available on an as-needed basis in the event of a health emergency.

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

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

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

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

DR Property 1, LLC (LLC) was established on March 9, 2016 with Direct Relief as its sole member. There were no activities for the LLC from the date of origination to June 30, 2016.

Note 2 – Summary of Significant Accounting Policies

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

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

Principles of consolidation – The consolidated financial statements include the accounts of Direct Relief, the Foundation, Direct Relief–SA, Direct Relief–MX and DR Property 1, LLC (collectively, the Organization). All significant balances and transactions among the entities have been eliminated in the accompanying consolidated financial statements.

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

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

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

- Temporarily restricted net assets consist of contributed funds, subject to specific donor-imposed or legal restrictions, contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds; and

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations or other donor specified purpose. At June 30, 2016 and 2015, the Organization had no permanently restricted net assets.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

The Organization adopted the May 2015 accounting standards update related to Topic 820 – Fair Value Measurement promulgated by the Financial Accounting Standards Board (FASB). This update removes the requirement to categorize investments measured using the net asset value per share/unit practical expedient (not at published prices) within the fair value hierarchy. This update has been applied retrospectively and prior year disclosures have been revised accordingly.

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.

Investments are recorded at 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 statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include domestic and international fixed income funds and domestic and international equities funds and international government debt funds.

Note 2 – Summary of Significant Accounting Policies (continued)

The fair value of private equity funds are based on net asset value information provided by external fund managers and, investment advisors. These securities, which include domestic and international private equity funds, and distressed debt private equity funds are based on valuations provided by the external investment managers, adjusted for receipts and disbursements of cash and distributions of securities if the date of valuation is prior to the Organization's fiscal year end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information. The Organization believes the net asset value 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.

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

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

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

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

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 2 – Summary of Significant Accounting Policies (continued)

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

Valuation of future interests – The Organization serves as trustee of a unitrust, of which it is the charitable beneficiary. The Organization is also the beneficiary of several charitable remainder trusts. The future interests in the unitrust and charitable remainder trusts are recorded as assets and valued at fair value on the date of each gift based on the fair value of the assets in the trust. Investments in the trust are adjusted to fair value at the end of each year. The present value of the total estimated future distributions to the donors on the date of each gift is recorded as a distribution payable liability on the consolidated statements of financial position. The present value of the Organization's interest in each of the charitable remainder trusts is also adjusted on an annual basis.

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

	2016	2015
Pharmaceuticals	$ 153,698	$ 272,515
Medical supplies/kits	5,670	6,256
Equipment	715	2,149
Inventory reserve	(15,307)	(14,941)
Total inventories	$ 144,776	$ 265,979

The Organization recorded a $15.3 million and $14.9 million inventory reserve as of June 30, 2016 and 2015, 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.

Note 2 – Summary of Significant Accounting Policies (continued)

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

Class of Property	Estimated Useful Life
Buildings and improvements	20 - 40 years
Equipment and software	3 - 10 years

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

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

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor-imposed restrictions as to their use. When the restriction expires (the time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statements of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated that such restrictions will be met in the current reporting year. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions 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, 2016 and 2015, there was no allowance for bad debt.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributed materials – Contributions of U.S. Food and Drug Administration approved pharmaceuticals, branded and generic, are recorded at estimated wholesale value, which approximates fair value, on the date received, based on the Wholesale Acquisition Cost (WAC) as published in the Thomson Reuters RedBook©. The RedBook© is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For the year ended June 30, 2015 the Organization adopted a policy of using monthly pricing information available from the Thomson Reuters RedBook© online service provided by Truven Health Analytics. 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 services – Donated or contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Donated shipping is valued at the Organization's discounted percentage of full published rates in effect at the time of shipment. The value of donated services and shipping is also recorded as an equivalent expense in the period incurred.

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Joint costs – During the year ended June 30, 2016, the Organization did not incur any joint costs. During the year ended June 30, 2015, the Organization incurred joint costs of $40 thousand for informational materials that included fundraising appeals. The Organization allocated $24 thousand to administration expense and $16 thousand to fundraising expense.

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 2 – Summary of Significant Accounting Policies (continued)

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

Income taxes – The Organization is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701d. Therefore, no amounts for income taxes are reflected in the accompanying consolidated financial statements. The Organization had inconsequential unrelated business income tax during the year ended June 30, 2016 and 2015 and no tax provision has been made in the accompanying consolidated financial statements.

The Organization, under the provisions of ASC 740, *Income Taxes*, had no uncertain tax positions requiring accrual as of June 30, 2016 and 2015.

Reclassifications – Certain amounts appearing in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Note 3 – Investments

At June 30, 2016, investments consisted of the following:

	Level 1	Level 2	Level 3	Assets Held at Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	$ 9,987	$ -	$ -	$ -	$ 9,987
International	897	-	-	-	897
International government debt funds	4	-	-	-	4
Equity funds					
Domestic	11,118	-	-	-	11,118
International	4,839	-	-	-	4,839
Private equity funds					
Domestic	-	-	-	5,281	5,281
International	-	-	-	3,276	3,276
Distressed debt	-	-	-	171	171
	$ 26,845	$ -	$ -	$ 8,728	$ 35,573

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 3 – Investments (continued)

At June 30, 2015, investments consisted of the following:

	Level 1	Level 2	Level 3	Assets Held at Net Asset Value (or Equivalent)	Total
Fixed income funds					
Domestic	$ 9,810	$ -	$ -	$ -	$ 9,810
International	851	-	-	-	851
International government debt funds	4	-	-	-	4
Equity funds					
Domestic	10,856	-	-	-	10,856
International	5,350	-	-	-	5,350
Private equity funds					
Domestic	-	-	-	5,104	5,104
International	-	-	-	3,568	3,568
Distressed debt	-	-	-	226	226
Real estate	-	-	-	-	-
	$ 26,871	$ -	$ -	$ 8,898	$ 35,769

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, 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds				
Domestic	$ 5,281	$ 141	90 days; Not redeemable	65 days; N/A
International	3,276	56	90-180 days; Not redeemable	95 days; N/A
Distressed debt	171	114	Not redeemable	N/A
	$ 8,728	$ 311		

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 4 – Contribution Receivable

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

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

	2016	2015
Contributions receivable, gross	$ 13,087	$ 7,321
Less: Present value discount	(1,066)	(568)
Contributions receivable, net	$ 12,021	$ 6,753
Amounts due in:		
Less than one year	$ 3,639	$ 2,820
One to five years	6,657	3,549
More than five years	1,725	384
	$ 12,021	$ 6,753

At June 30, 2016 and 2015, there was no allowance for doubtful pledges.

Note 5 – Property and Equipment

The Organization's investment in property and equipment as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	$ 1,364	$ 1,364
Buildings and improvements	4,379	3,339
Equipment and software	6,927	7,014
Total	12,670	11,717
Less: Accumulated depreciation	(6,915)	(6,205)
Net property and equipment	$ 5,755	$ 5,512

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was $815 thousand and $1.13 million, respectively.

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 6 – Long-Term Debt

The Organization's debt as of June 30, 2016, consisted of a mortgage note payable, requiring monthly principal and interest payments of $6.4 thousand at 2.63% per annum through November 20, 2017. The loan matures and a balloon payment of $1.207 million is due at that time. The mortgage note is secured by the Organization's warehouse facility.

As of June 30, 2016, the Organization's future minimum principal payments were as follows:

For the years ending June 30,	
2017	$ 45
2018	1,207
Total	$ 1,252

Note 7 – Net Assets

Net assets consisted of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 29,087	$ -	$ -	$ 29,087
Unrestricted	149,330	-	-	149,330
Time restricted	-	11,968	-	11,968
Purpose restricted	-	13,817	-	13,817
Total net assets	$ 178,417	$ 25,785	$ -	$ 204,202

Net assets consisted of the following at June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated	$ 34,760	$ -	$ -	$ 34,760
Unrestricted	264,708	-	-	264,708
Time restricted	-	6,905	-	6,905
Purpose restricted	-	12,302	-	12,302
Total net assets	$ 299,468	$ 19,207	$ -	$ 318,675

Note 8 – Endowment Funds

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

The purpose of the BRIF is to provide a reserve for future operations. The BRIF'S resources come from board-designated unrestricted bequests and gifts, return on the fund's portfolio assets and operating surpluses (measured annually) in excess of current operational needs.

For the year ended June 30, 2016 endowment net asset composition by type of fund were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 29,087	$ -	$ -	$ 29,087

For the year ended June 30, 2015 endowment net asset composition by type of fund were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 34,760	$ -	$ -	$ 34,760

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 8 – Endowment Funds (continued)

Changes in the endowment net assets for the year ended June 30, 2016 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 34,760	$ -	$ -	$ 34,760
Net investment return (investment income, realized and unrealized gains and losses)	(20)	-	-	(20)
Contributions	920	-	-	920
Appropriation of endowment assets for expenditure	(6,573)	-	-	(6,573)
Endowment net assets, end of year	$ 29,087	$ -	$ -	$ 29,087

Changes in the endowment net assets for the year ended June 30, 2015 were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 33,977	$ -	$ 25	$ 34,002
Net investment return (investment income, realized and unrealized gains and losses)	1,427	-	-	1,427
Contributions	413	-	-	413
Restriction redesignation	25		(25)	
Appropriation of endowment assets for expenditure	(1,082)	-	-	(1,082)
Endowment net assets, end of year	$ 34,760	$ -	$ -	$ 34,760

Note 8 – Endowment Funds (continued)

Return objectives and risk parameters – The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as 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 five percent annually. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution each year an amount up to five percent of the assets of the BRIF and permanently restricted net assets. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. The BRIF is authorized to distribute its portfolio assets to pay for all fundraising expenses, as well as extraordinary capital expenses and advance emergency disaster relief funding as determined by the President & CEO. Upon a majority vote by the Board, the BRIF may also be utilized to meet other general operational costs. For the year ended June 30, 2016, $1.7 million was approved for distribution, to cover fundraising costs, and 50 percent of the CEO's salary incurred in FY 2016. $1.8 million, approved in prior years for the same purpose, was distributed. For the year ended June 30, 2015, $3.2 million was approved for distribution, to cover fundraising costs, and 50 perfect of the CEO's salary incurred in FY 2015 and FY 2014. $895 thousand was distributed.

Note 9 – Retirement Plan

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

The Organization contributed $234 thousand and $223 thousand to the Plan for the years ended June 30, 2016 and 2015, respectively.

Note 10 – Non-Qualified Deferred Compensation Agreement

The Organization is party to a non-qualified deferred compensation agreement with the surviving spouse of a co-founder of the Organization. Under the terms of the agreement, beginning January 1, 1971, the Organization is obligated to make monthly payments in acknowledgement of his 23 years of service. The retirement agreement expense was $10 thousand in both the years ended June 30, 2016 and 2015.

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

Note 12 – Concentration Risk

The Organization received 54% of total public support from three corporate donors during the year ended June 30, 2016. At June 30, 2016, outstanding receivables from these donors made up 4% of total net accounts receivable.

The Organization received 64% of total public support from four corporate donors during the year ended June 30, 2015. At June 30, 2015, there were no outstanding receivables from the donors.

AMOUNTS ARE PRESENTED IN THOUSANDS

Note 13 – Leases

The Organization is leasing 23,043 square feet of storage space located in Santa Barbara. The terms of this agreement end on February 28, 2018. Payments for rent and common area expenses for the lease of the facility for the years ended June 30, 2016 and 2015 totaled $379 thousand and $346 thousand respectively.

The Organization began leasing an additional 15,000 square feet of storage space located in Santa Barbara on July 1, 2015. The terms of this agreement end on March 31, 2018. Payments for rent for the lease of the facility for the year ended June 30, 2016 totaled $148 thousand.

Future minimum lease commitments under such leases at June 30, 2016 are as follows:

Years Ending	Amount
2017	$ 533
2018	336
Total	$ 869

Note 14 – Subsequent Events

ASC 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the consolidated statement of financial position date but before consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the financial position date and before the consolidated financial statements are available to be issued. The Organization has evaluated subsequent events through October 5, 2016, which is the date the consolidated financial statements were available to be issued.

On August 5, 2016 the LLC purchased a 7.99 acre parcel of land for the purpose of building a new facility. On August 2, 2016, Direct Relief secured a $25M line of credit as bridge financing for this construction project. The line of credit bears interest at the bank's LIBOR rate plus 1.20% from August 2016 through July 2019 and the bank's LIBOR rate plus 1.50% from August 2019 through August 2021. The line of credit matures in August 2021 and is secured by all assets of the Organization.

SUPPLEMENTARY INFORMATION ON CONSOLIDATING FINANCIAL STATEMENTS

DIRECT RELIEF AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITIONS
JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

ASSETS	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2016	2015
ASSETS								
Cash and cash equivalents	$ 4,460	$ 3,562	$ 247	$ 9	$ -	$ -	$ 8,278	$ 7,260
Investments	1,991	33,582	-	-	-	-	35,573	35,769
Contributions and other receivables, net	6,662	9,866	-	-	-	(4,507)	12,021	6,753
Inventories, net	144,776	-	-	-	-	-	144,776	265,979
Prepaid expenses	454	-	-	-	-	-	454	314
Property and equipment - net of accumulated depreciation of $6,914 for 2016 and $6,205 for 2015	5,755	-	-	-	-	-	5,755	5,512
Other assets	524	-	-	-	-	-	524	669
Total assets	$ 164,622	$ 47,010	$ 247	$ 9	$ -	$ (4,507)	$ 207,381	$ 322,256

LIABILITIES AND NET ASSETS

	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2016	2015
LIABILITIES								
Accounts payable	$ 635	$ -	$ -	$ -	$ -	$ -	$ 635	$ 1,086
Other current liabilities	1,259	4,507	-	2	-	(4,507)	1,261	1,159
Long-term debt	1,252	-	-	-	-	-	1,252	1,293
Deferred compensation	19	-	-	-	-	-	19	29
Distribution payable - split-interest agreements	12	-	-	-	-	-	12	14
Total liabilities	3,177	4,507	-	2	-	(4,507)	3,179	3,581
NET ASSETS								
Unrestricted/designated assets	149,323	29,087	-	7	-	-	178,417	299,468
Temporarily restricted assets	12,122	13,416	247	-	-	-	25,785	19,207
Total net assets	161,445	42,503	247	7	-	-	204,202	318,675
Total liabilities and net assets	$ 164,622	$ 47,010	$ 247	$ 9	$ -	$ (4,507)	$ 207,381	$ 322,256

DIRECT RELIEF AND AFFILIATES
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016							2015
	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	Total	Total
PUBLIC SUPPORT AND REVENUE								
Public support								
In cash and securities:								
Contributions	$ 15,865	$ 5,582	$ 515	$ 71	$ -	$ (6,444)	$ 15,589	$ 19,216
Business and foundation grants	8,994	4,307	-	-	-	-	13,301	12,202
Workplace giving campaigns	336	-	-	-	-	-	336	364
Special events	139	-	-	-	-	-	139	157
Total public support from cash and securities	25,334	9,889	515	71	-	(6,444)	29,365	31,939
From contributed goods and services:								
Pharmaceuticals, medical supplies and equipment	746,678	-	-	-	-	-	746,678	858,656
Contributed freight	1,841	-	-	-	-	-	1,841	2,152
Contributed goods - other	53	7	-	4	-	-	64	41
Professional services received	839	121	-	-	-	-	960	3,736
Total from contributed goods and services	749,411	128	-	4	-	-	749,543	864,585
Total public support	774,745	10,017	515	75	-	(6,444)	778,908	896,524
Revenue								
Investment income	19	623	-	-	-	-	642	559
Realized loss on sale of investments	-	864	-	-	-	-	864	2,661
Unrealized gain on investments	(2)	(1,504)	-	-	-	-	(1,506)	(1,771)
Program service fees	201	-	-	-	-	-	201	106
Total revenue	218	(17)	-	-	-	-	201	1,555
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	774,963	10,000	515	75	-	(6,444)	779,109	898,079
Program services								
Medical supplies and related expenses	889,748	4,899	263	78	-	(6,444)	888,544	714,561
Supporting services:								
Administration	2,818	223	16	-	-	-	3,057	3,948
Fundraising	1,711	270	-	-	-	-	1,981	2,331
Total supporting services	4,529	493	16	-	-	-	5,038	6,279
Total expenses	894,277	5,392	279	78	-	(6,444)	893,582	720,840
Change in net assets	$ (119,314)	$ 4,608	$ 236	$ (3)	$ -	$ -	$ (114,473)	$ 177,239

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 YEARS ENDED JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 1,001	$ 2,656	$ 3,657
Payroll taxes	65	174	239
Employee benefits	166	450	616
Total compensation and related benefits	1,232	3,280	4,512
Other expenses			
Pharmaceuticals, medical equipment and supplies distributed - donated	124,812	633,059	757,871
Pharmaceuticals, medical equipment and supplies distributed - procured	201	2,237	2,438
Inventory adjustment (expired pharmaceuticals)	16,188	94,034	110,222
Accounting and legal fees	1	5	6
Advertising	3	1	4
Bank charges	-	-	-
Contract services	339	510	849
Contributed services	57	295	352
Contributed freight	284	1,728	2,012
Contributed goods	1	4	5
Disposal costs (expired pharmaceuticals)	58	171	229
Dues and subscriptions	15	21	36
Duplicating and printing	4	10	14
Equipment and software maintenance	35	141	176
Equipment rental	8	11	19
Freight and transportation	837	1,635	2,472
Grants and stipends	1,841	3,829	5,670
Insurance	9	56	65
Interest	7	29	36
Meetings, conferences, special events	40	17	57
Miscellaneous	17	4	21
Outside computer services	-	-	-
Postage and mailing services	8	10	18
Rent and other occupancy	130	563	693
Supplies	224	190	414
Taxes, licenses and fees	-	-	-
Training and education	2	9	11
Travel and automobile	99	405	504
Utilities and telephone	27	115	142
Web hosting	64	179	243
Total expenses before depreciation	145,311	739,268	884,579
Depreciation and amortization	161	496	657
Total functional expenses June 30, 2016	$ 146,704	$ 743,044	$ 889,748
Total functional expenses June 30, 2015	$ 101,235	$ 613,326	$ 714,561

DIRECT RELIEF (A NON-PROFIT CORPORATION)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 WITH SUMMARIZED TOTALS FOR 2015
AMOUNTS ARE PRESENTED IN THOUSANDS

	2016			2015
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 1,314	$ 1,009	$ 5,980	$ 5,980
Payroll taxes	82	61	382	384
Employee benefits	219	165	1,000	929
Total compensation and related benefits	1,615	1,235	7,362	7,293
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	757,871	607,940
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	2,438	2,624
Inventory adjustment (expired pharmaceuticals)	-	-	110,222	84,197
Accounting and legal fees	124	1	131	172
Advertising	72	12	88	53
Bank charges	97	-	97	113
Contract services	172	50	1,071	1,886
Contributed services	361	125	838	3,736
Contributed freight	-	-	2,012	2,056
Contributed goods	3	-	8	36
Disposal costs (expired pharmaceuticals)	-	-	229	137
Dues and subscriptions	28	15	79	121
Duplicating and printing	14	29	57	101
Equipment and software maintenance	8	25	209	184
Equipment rental	1	2	22	31
Freight and transportation	-	-	2,472	3,941
Grants and stipends	-	-	5,670	2,579
Insurance	16	2	83	64
Interest	4	2	42	35
Meetings, conferences, special events	40	30	127	84
Miscellaneous	12	-	33	64
Outside computer services	-	33	33	40
Postage and mailing services	2	15	35	40
Rent and other occupancy	13	10	716	733
Supplies	24	17	455	406
Taxes, licenses and fees	8	-	8	7
Training and education	6	1	18	8
Travel and automobile	61	33	598	607
Utilities and telephone	18	14	174	192
Web hosting	20	1	264	230
Total expenses before depreciation	1,104	417	886,100	712,417
Depreciation and amortization	99	59	815	1,130
Total functional expenses June 30, 2016	$ 2,818	$ 1,711	$ 894,277	
Total functional expenses June 30, 2015	$ 3,948	$ 2,331		$ 720,840