REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION

FOR

DIRECT RELIEF AND AFFILIATES

June 30, 2017 and 2016

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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, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Direct Relief and Affiliates as of June 30, 2017, and the change in their net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Direct Relief and Affiliate's June 30, 2016 consolidated financial statements, and our report dated October 5, 2016, 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, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information includes the consolidating statements of financial position at June 30, 2017 and consolidating statements of activities for the year ended June 30, 2017, on pages 25–26, for the entity as a whole. Consolidating statements of financial position and consolidating statements of activities have been summarized as of and for the year ended June 30, 2016. The supplementary information of the statements of functional expenses of Direct Relief, exclusive of its affiliates (Direct Relief Foundation, Direct Relief International-South Africa, Direct Relief-Mexico and DR Property 1, LLC), for the year ending June 30, 2017, is on pages 27-28. The statements of functional expenses have been summarized for the year ended June 30, 2016. 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 19, 2017

Direct Relief and Affiliates
Consolidated Statements of Financial Position
June 30, 2017 And 2016
Amounts Are Presented in Thousands

ASSETS	2017	2016
ASSETS		
Cash and cash equivalents	$ 4,542	$ 8,278
Investments	36,858	35,573
Contributions and other receivables, net	10,293	12,021
Inventories, net	241,328	144,776
Prepaid expenses	405	454
Property and equipment, net	22,600	5,755
Other assets	22	524
Total assets	$ 316,048	$ 207,381

LIABILITIES AND NET ASSETS	2017	2016
LIABILITIES		
Accounts payable	$ 2,178	$ 635
Other current liabilities	2,476	1,261
Long-term debt	6,000	1,252
Deferred compensation	9	19
Distribution payable - split-interest agreement	-	12
Total liabilities	10,663	3,179
NET ASSETS		
Unrestricted net assets		
Board-designated investment fund	28,522	29,087
Undesignated	256,469	149,330
Total unrestricted net assets	284,991	178,417
Temporarily restricted assets	20,394	25,785
Total net assets	305,385	204,202
Total liabilities and net assets	$ 316,048	$ 207,381

Direct Relief and Affiliates
Consolidated Statements of Activities
For The Years Ended June 30, 2017 with Summarized Totals for 2016
Amounts Are Presented in Thousands

	2017			2016
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
PUBLIC SUPPORT AND REVENUE				
Public support				
In cash and securities				
Contributions	$ 5,404	$ 8,464	$ 13,868	$ 15,589
Business and foundation grants	2,669	11,273	13,942	13,301
Workplace giving campaigns	470	13	483	336
Special events	3	-	3	139
Total public support from cash and securities	8,546	19,750	28,296	29,365
From contributed goods and services				
Pharmaceuticals, medical supplies and equipment	$ 1,077,939	$ -	1,077,939	746,678
Contributed freight	1,122	565	1,687	1,841
Contributed goods - other	596	-	596	64
Professional services received	597	-	597	960
Total from contributed goods and services	1,080,254	565	1,080,819	749,543
Total public support	1,088,800	20,315	1,109,115	778,908
REVENUE				
Investment income	$ 575	$ 52	627	642
Realized gain on investments	1,074	-	1,074	864
Unrealized gain (loss) on investments	441	-	441	(1,506)
Program service fees	-	-	-	201
Total revenue	2,090	52	2,142	201
Net assets released from restrictions	25,758	(25,758)	-	-
Total public support and revenue	1,116,648	(5,391)	1,111,257	779,109
PROGRAM SERVICES				
Pharmaceuticals, medical supplies, equipment and related expenses	1,004,006	-	1,004,006	888,544
SUPPORTING SERVICES				
Administration	4,222	-	4,222	3,057
Fundraising	1,846	-	1,846	1,981
Total supporting services	6,068	-	6,068	5,038
Total expenses	1,010,074	-	1,010,074	893,582
Change in net assets	106,574	(5,391)	101,183	(114,473)
Net asset, beginning of year	178,417	25,785	204,202	318,675
Net asset, end of year	$ 284,991	$ 20,394	$ 305,385	$ 204,202

See accompanying notes.

Direct Relief and Affiliates
Consolidated Statements of Functional Expenses
For The Years Ended June 30, 2017 With Summarized Totals for 2016
Amounts Are Presented in Thousands

	2017		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 1,332	$ 2,670	$ 4,002
Payroll taxes	92	182	274
Employee benefits	231	440	671
Total compensation and related benefits	1,655	3,292	4,947
Other expenses			
Pharmaceuticals, medical equipment and supplies distributed - donated	128,642	790,654	919,296
Pharmaceuticals, medical equipment and supplies distributed - procured	371	1,711	2,082
Inventory adjustment (expired pharmaceuticals)	20,722	41,404	62,126
Accounting and legal fees	11	30	41
Advertising	8	-	8
Bank charges	20	40	60
Contract services	350	527	877
Contributed services	25	46	71
Contributed freight	555	1,145	1,700
Contributed goods	136	245	381
Disposal costs (expired pharmaceuticals)	81	66	147
Dues and subscriptions	35	45	80
Duplicating and printing	7	14	21
Equipment and software maintenance	67	126	193
Equipment rental	19	29	48
Freight and transportation	1,254	2,519	3,773
Grants and stipends	1,510	3,667	5,177
Insurance	16	35	51
Interest	40	72	112
Meetings, conferences, special events	44	72	116
Miscellaneous	21	9	30
Outside computer services	-	1	1
Postage and mailing services	12	12	24
Rent and other occupancy	223	490	713
Supplies	289	164	453
Taxes, licenses and fees	-	-	-
Training and education	2	-	2
Travel and automobile	94	334	428
Utilities and telephone	43	100	143
Web hosting	96	175	271
Total expenses before depreciation	154,693	843,732	998,425
Depreciation and amortization	222	412	634
Total functional expenses June 30, 2017	$ 156,570	$ 847,436	$ 1,004,006
Total functional expenses June 30, 2016	$ 145,159	$ 743,385	$ 888,544

Direct Relief and Affiliates
Consolidated Statements of Functional Expenses (Continued)
For The Years Ended June 30, 2017 with Summarized Totals for 2016
Amounts Are Presented in Thousands

	2017			2016
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 1,781	$ 949	$ 6,732	$ 6,128
Payroll taxes	113	66	453	388
Employee benefits	295	158	1,124	1,016
Total compensation and related benefits	2,189	1,173	8,309	7,532
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	919,296	757,871
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	2,082	2,438
Inventory adjustment (expired pharmaceuticals)	-	-	62,126	110,222
Accounting and legal fees	169	4	214	176
Advertising	151	31	190	88
Bank charges	152	3	215	97
Contract services	541	35	1,453	1,265
Contributed services	402	124	597	959
Contributed freight	-	-	1,700	2,012
Contributed goods	119	141	641	21
Disposal costs (expired pharmaceuticals)	-	-	147	229
Dues and subscriptions	43	21	144	80
Duplicating and printing	12	24	57	68
Equipment and software maintenance	9	28	230	210
Equipment rental	1	1	50	22
Freight and transportation	-	-	3,773	2,472
Grants and stipends	-	-	5,177	4,375
Insurance	31	2	84	93
Interest	10	6	128	43
Meetings, conferences, special events	55	74	245	134
Miscellaneous	10	1	41	34
Outside computer services	11	35	47	33
Postage and mailing services	2	13	39	35
Rent and other occupancy	12	12	737	721
Supplies	27	20	500	459
Taxes, licenses and fees	31	-	31	10
Training and education	15	3	20	18
Travel and automobile	90	39	557	610
Utilities and telephone	21	13	177	176
Web hosting	41	1	313	264
Total expenses before depreciation	1,955	631	1,001,011	885,235
Depreciation and amortization	78	42	754	815
Total functional expenses June 30, 2017	$ 4,222	$ 1,846	$ 1,010,074	
Total functional expenses June 30, 2016	$ 3,057	$ 1,981		$ 893,582

See accompanying notes.

Direct Relief and Affiliates
Consolidated Statements of Cash Flows
For The Years Ended June 30, 2017 and 2016
Amounts Are Presented in Thousands

	2017	2016
Cash flows from operating activities		
Cash collected from public support and other program services	$ 29,965	$ 24,299
Cash paid for goods and services	(22,780)	(22,331)
Interest paid	(128)	(43)
Dividend and interest income	627	642
Net cash provided by operating activities	7,684	2,567
Cash flows from investing activities		
Purchase of investments	(79,011)	(4,370)
Proceeds from sale of investments	79,379	3,918
Land purchase	(8,706)	-
Building construction	(8,489)	(670)
Purchase of property and equipment	(549)	(386)
Net cash used in investing activities	(17,376)	(1,508)
Cash flows from financing activities		
Borrowings on long-term debt	6,000	-
Principal paid under long-term debt	(44)	(41)
Net cash provided by (used in) financing activities	5,956	(41)
Net change in cash and cash equivalents	(3,736)	1,018
Cash and cash equivalents, beginning of year	8,278	7,260
Cash and cash equivalents, end of year	$ 4,542	$ 8,278

Reconciliation of change in net assets to net cash provided by operating activities

	2017	2016
Change in net assets	$ 101,183	$ (114,473)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	754	815
Loss on exchange rate	8	-
Realized gain from investments	(1,074)	(864)
Unrealized (gain) loss from investments	(441)	1,506
Change in inventories	(96,552)	121,203
Contributed freight	58	-
Increase (decrease) in cash due to change in operating assets and liabilities:		
Contributions and other receivables	1,670	(5,266)
Prepaid expenses and other assets	550	5
Accounts payable and other current liabilities	1,550	(349)
Distribution payable	(12)	-
Deferred compensation	(10)	(10)
Net cash provided by operating activities	$ 7,684	$ 2,567

Note 1 – Organization

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

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

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

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

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

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

DR Property 1, LLC (LLC) was established on March 9, 2017. It is a title holding company solely for the purpose of holding title to real property consisting of 7.99 acres of land and a new 155,000 square foot facility that is currently under construction at 6100 Wallace Becknell Road in Santa Barbara, California. Direct Relief is the sole member of the LLC. As a wholly owned subsidiary of Direct Relief, the accounts of the LLC are included in these financial statements. The State of California Franchise Tax Board has determined that the LLC is tax-exempt and for Federal income tax purposes, the LLC is a disregarded entity.

Note 2 – Summary of Significant Accounting Policies

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

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

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

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

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

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

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

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations or other donor specified purpose. At June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

Investments (continued) – Investments, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Amounts Are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

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

	2017	2016
Pharmaceuticals	$ 245,586	$ 153,698
Medical supplies/kits	7,102	5,670
Equipment	1,412	715
Inventory reserve	(12,772)	(15,307)
Total inventories	$ 241,328	$ 144,776

The Organization recorded approximately $12.8 and $15.3 million inventory reserve as of June 30, 2017 and 2016, respectively. These amounts represent materials in stock that had expired, were set to expire within thirty days, or items the Organization determined could not be distributed.

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

Class of Property	Estimated Useful Life
Buildings and improvements	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.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor-imposed restrictions as to their use. When the restriction expires (the time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statements of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated that such restrictions will be met in the current reporting year. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions receivable are recorded at fair value using a discount rate commensurate with the risk involved. Contributions receivable are reviewed for collectability and reserves for uncollectible amounts are established when needed. For the years ended June 30, 2017 and 2016, there was no allowance for bad debt.

Contributed materials – Contributions of U.S. Food and Drug Administration approved pharmaceuticals, branded and generic, are recorded at estimated wholesale value, which approximates fair value, on the date received, based on the Wholesale Acquisition Cost (WAC) as published in the Truven Health Analytics RedBook©. The RedBook© is an industry recognized drug and pricing reference guide for pharmaceuticals in the United States. For the year ended June 30, 2016 the Organization adopted a policy of using monthly pricing information available from the RedBook© online service provided by Truven Health Analytics, an IBM Watson Health company. WAC is the standard used by many U.S. states as the Federal Upper Limit pricing for drugs purchased under the Medicaid program. If the wholesale value is not available in the online RedBook© source, the wholesale value of the contribution is based on other appropriate Internet pricing sources. For non-FDA-approved pharmaceuticals, for example, products manufactured for use in non-U.S. markets, the organization uses independent pricing guides to determine the fair value of the particular manufacturer's specific formulation. The sources of such pricing information vary, but relevant information may include the price paid by wholesalers or other third-party buyers, a price negotiated by an organization (such as the Clinton Health Access Initiative) for a particular drug, or other such reasonable basis. Contributions of medical equipment and supplies are also recorded at estimated wholesale value based upon appropriate pricing information on the specific item listed for sale in trade publications, through online Internet pricing guides, and through its own procurement history when purchasing. Such valuations typically are substantially lower than published retail prices. The Organization verifies the reasonableness of this discounting methodology on an annual basis. Contributed materials, provided to the Organization's partners around the world, are recorded as an expense at the same fair value as they were recognized upon receipt as revenue.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Joint costs – During the year ended June 30, 2017 and June 30, 2016, the Organization did not incur any joint costs.

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

Functional allocation of expenses – The costs of providing the various programs and activities have been summarized on the statement of activities on a functional basis. Accordingly, certain costs have been allocated among the program and support services.

Amounts Are Presented in Thousands

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Organization is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701d. Therefore, no amounts for income taxes are reflected in the accompanying consolidated financial statements. The Organization had inconsequential unrelated business income tax during the year ended June 30, 2017 and 2016 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, 2017 and 2016.

Reclassifications – Certain amounts appearing in the 2016 consolidated financial statements have been reclassified to conform to the 2017 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, 2017, investments consisted of the following:

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

Amounts Are Presented in Thousands

Note 3 – Investments (continued)

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

	Level 1	Level 2	Level 3	Net Asset Value	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

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	Unfunded	Redemption Frequency	Redemption
Private equity funds				
Domestic	$ 4,370	$ 110	90 days; Not redeemable	65 days; N/A
International	1,309	46	90-180 days; Not redeemable	95 days; N/A
Distressed debt	116	114	Not redeemable	N/A
	$ 5,795	$ 270		

Amounts Are Presented in Thousands

Note 4 – Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable (or pledges) and revenue of the appropriate net asset category. Contributions are recorded after discounting at a range from 1.11% to 2.07% at their estimated fair value.

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

	2017	2016
Contributions receivable, gross	$ 11,266	$ 13,087
Less: Present value discount	(973)	(1,066)
Contributions receivable, net	$ 10,293	$ 12,021
Amounts due in:		
Less than one year	$ 3,870	$ 3,639
One to five years	4,243	6,657
More than five years	2,180	1,725
	$ 10,293	$ 12,021

At June 30, 2017 and 2016, there was no allowance for doubtful pledges. Gross contributions receivable at June 30, 2017 and 2016 of $8.3 million and $9.9 million, respectively, include pledges to the Organization’s campaign for the construction of its new headquarters and distribution center.

Amounts Are Presented in Thousands

Note 5 – Property and Equipment

The Organization's investment in property and equipment as of June 30, 2017 and 2016 consisted of the following:

	2017	2016
Buildings and improvements	$ 3,364	$ 4,379
Equipment and software	7,331	6,927
Total depreciable property and equipment	10,695	11,306
Less: Accumulated depreciation	(7,669)	(6,915)
Net depreciable property and equipment	3,026	4,391
Land	10,070	1,364
Construction in progress	9,504	-
Net property and equipment	$ 22,600	$ 5,755

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was $754 and $815 thousand, respectively.

On August 5, 2016 the LLC purchased a 7.99 acre parcel of land for $8.7 million for the purpose of building a new headquarters and distribution center. The new building construction commenced in October 2016 and is expected to be completed by January 2018. The estimated cost to complete the construction of the new building is $29.2 million. As of June 30, 2017, $8.5 million had been expended on the building. The total project cost, including the cost of the land, is budgeted at $37.9 million. During the fiscal year ending June 30, 2015, the Organization launched a $40 million (unaudited) fundraising campaign for the project. As of June 30, 2017, the Organization has received contributions and pledges totaling $19.2 million to the campaign. The Organization has a non-revolving line of credit (See Note 6) which had a balance of $19 million available as of June 30, 2017, as well other funds from operating reserves, pending pledge payments, and funds expected from the sale of its current facility to complete the construction of the new building project on schedule and on budget (unaudited). In the fiscal year ended June 30, 2016 the Organization executed a Purchase and Sale Agreement with the City of Goleta to sell its current facility upon the completion of its new headquarters and distribution center. The Purchase and Sale transaction is expected to close in early 2018.

Amounts Are Presented in Thousands

Note 6 – Long-Term Debt

The Organization's debt as of June 30, 2017, 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 lender agreed to extend the loan maturity to May 2018 and the balloon payment of $1.2 million is due at that time. Effective November 20, 2017 the interest rate will change from a fixed rate of 2.63% to a variable rate of 1% below the Prime rate.

On August 2, 2016, Direct Relief secured a $25M non-revolving line of credit as bridge financing for the construction of its new headquarters and distribution center. The line of credit bears interest at the bank's LIBOR rate plus 1.20% from August 2016 through July 2019 and the bank's LIBOR rate plus 1.50% from August 2019 through August 2021. The line of credit matures in August 2021 and is secured by all assets of the Organization. Through February 28, 2017 the Organization had drawn $6 million on this line and on March 1, 2017, the Organization converted this $6 million using an interest rate swap at 2.57% plus a loan spread of 1.2% for a total fixed rate of 3.77%. This fixed rate swap matures in 10 years on March 1, 2027. As of June 30, 2017 the Organization had $19 million remaining on the line of credit to complete the construction of the building project.

Note 7 – Net Assets

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

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

Amounts Are Presented in Thousands

Note 7 – Net Assets (continued)

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

	Unrestricted	Temporarily 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

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, 2017 endowment net asset composition by type of fund were:

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

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

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

Amounts Are Presented in Thousands

Note 8 – Endowment Funds (continued)

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

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

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

	Unrestricted	Temporarily 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

Note 8 – Endowment Funds (continued)

Return objectives and risk parameters – The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, and unrestricted board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate to spending policy – The Organization has a policy of appropriating for distribution each year an amount up to five percent of the assets of the BRIF. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. The BRIF is authorized to distribute its portfolio assets to pay for all fundraising expenses, as well as extraordinary capital expenses and advance emergency disaster relief funding as determined by the President & CEO. Upon a majority vote by the Board, the BRIF may also be utilized to meet other general operational costs. For the year ended June 30, 2017, $1.6 million was approved for distribution, to cover fundraising costs, and 50 percent of the CEO's salary incurred in fiscal year 2017. $4.2 million, approved in prior years for the same purpose, was distributed. 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 fiscal year 2016. There was no distribution or request for extraordinary capital expenses or advance emergency disaster relief funding during the fiscal year.

Note 9 – Retirement Plan

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

The Organization contributed $275 thousand and $234 thousand to the Plan for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

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 58% of total public support from two corporate donors during the year ended June 30, 2017. At June 30, 2017, outstanding receivables from these donors made up 2% of total net accounts receivable.

The Organization received 54% of total public support from four 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.

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, 2017 and 2016, totaled $390 thousand and $379 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, 2017 totaled $148 thousand.

Future minimum lease commitments under such leases at June 30, 2017 totals $374 thousand through June 30, 2018.

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 19, 2017, which is the date the consolidated financial statements were available to be issued.

Supplementary Information on Consolidating Financial Statements

Direct Relief and Affiliates
Consolidating Statements of Financial Positions
June 30, 2017 with Summarized Totals for 2016
Amounts Are Presented in Thousands

ASSETS	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	2017	2016
ASSETS								
Cash and cash equivalents	$ 1,550	$ 1,975	$ 62	$ 5	$ 950	$ -	$ 4,542	$ 8,278
Investments	6,234	30,624	-	-	-	-	36,858	35,573
Contributions and other receivables, net	4,134	8,261	-	-	-	(2,102)	10,293	12,021
Inventories, net	241,328	-	-	-	-	-	241,328	144,776
Prepaid expenses	405	-	-	-	-	-	405	454
Property and equipment - net of accumulated depreciation of $7,669 for 2017 and $6,914 for 2016	4,390	-	-	-	18,210	-	22,600	5,755
Investment in subsidiary	17,677	-	-	-	-	(17,677)	-	-
Other assets	22	-	-	-	-	-	22	524
Total assets	$ 275,740	$ 40,860	$ 62	$ 5	$ 19,160	$ (19,779)	$ 316,048	$ 207,381
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable	$ 694	$ -	$ -	$ -	$ 1,484	$ -	$ 2,178	$ 635
Other current liabilities	2,468	2,102	7	1	-	(2,102)	2,476	1,261
Long-term debt	6,000	-	-	-	-	-	6,000	1,252
Deferred compensation	9	-	-	-	-	-	9	19
Distribution payable - split-interest agreements	-	-	-	-	-	-	-	12
Total liabilities	9,171	2,102	7	1	1,484	(2,102)	10,663	3,179
NET ASSETS								
Unrestricted/designated assets	256,466	28,522	-	4	17,676	(17,677)	284,991	178,417
Temporarily restricted assets	10,103	10,236	55	-	-	-	20,394	25,785
Total net assets	266,569	38,758	55	4	17,676	(17,677)	305,385	204,202
Total liabilities and net assets	$ 275,740	$ 40,860	$ 62	$ 5	$ 19,160	$ (19,779)	$ 316,048	$ 207,381

Direct Relief and Affiliates
Consolidating Statements of Activities
For The Years Ended June 30, 2017 With Summarized Totals for 2016
Amounts Are Presented in Thousands

	2017							2016
	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	$ 24,243	$ 4,636	$ 518	$ 60	$ -	$ (15,589)	$ 13,868	$ 15,589
Business and foundation grants	11,955	1,975	-	12	-	-	13,942	13,301
Workplace giving campaigns	483	-	-	-	-	-	483	336
Special events	3	-	-	-	-	-	3	139
Total public support from cash and securities	36,684	6,611	518	72	-	(15,589)	28,296	29,365
From contributed goods and services:								
Pharmaceuticals, medical supplies and equipment	1,077,440	-	499	-	-	-	1,077,939	746,678
Contributed freight	1,687	-	-	-	-	-	1,687	1,841
Contributed goods - other	596	-	-	-	-	-	596	64
Professional services received	595	2	-	-	-	-	597	960
Total from contributed goods and services	1,080,318	2	499	-	-	-	1,080,819	749,543
Total public support	1,117,002	6,613	1,017	72	-	(15,589)	1,109,115	778,908
Revenue								
Investment income	63	564	-	-	-	-	627	642
Realized gain on sale of investments	1	1,073	-	-	-	-	1,074	864
Unrealized (loss) gain on investments	(129)	570	-	-	-	-	441	(1,506)
Program service fees	-	-	-	-	-	-	-	201
Total revenue	(65)	2,207	-	-	-	-	2,142	201
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	1,116,937	8,820	1,017	72	-	(15,589)	1,111,257	779,109
Program services								
Medical supplies and related expenses	1,006,122	12,208	1,190	75	-	(15,589)	1,004,006	888,544
Supporting services:								
Administration	4,002	201	19	-	-	-	4,222	3,057
Fundraising	1,689	157	-	-	-	-	1,846	1,981
Total supporting services	5,691	358	19	-	-	-	6,068	5,038
Total expenses	1,011,813	12,566	1,209	75	-	(15,589)	1,010,074	893,582
Change in net assets	$ 105,124	$ (3,746)	$ (192)	$ (3)	$ -	$ -	$ 101,183	$ (114,473)

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, 2017 with Summarized Totals for 2016
Amounts Are Presented in Thousands

	2017		
	Program Services: Pharmaceuticals, Medical Supplies, Equipment and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	$ 1,332	$ 2,586	$ 3,918
Payroll taxes	92	174	266
Employee benefits	231	440	671
Total compensation and related benefits	1,655	3,200	4,855
Other expenses			
Pharmaceuticals, medical equipment and supplies distributed - donated	128,642	790,188	918,830
Pharmaceuticals, medical equipment and supplies distributed - procured	371	1,711	2,082
Inventory adjustment (expired pharmaceuticals)	20,722	41,371	62,093
Accounting and legal fees	11	16	27
Advertising	8	-	8
Bank charges	20	40	60
Contract services	351	522	873
Contributed services	25	45	70
Contributed freight	555	1,145	1,700
Contributed goods	135	246	381
Disposal costs (expired pharmaceuticals)	81	66	147
Dues and subscriptions	35	45	80
Duplicating and printing	8	14	22
Equipment and software maintenance	67	126	193
Equipment rental	19	29	48
Freight and transportation	1,254	2,519	3,773
Grants and stipends	4,890	3,061	7,951
Insurance	16	35	51
Interest	41	72	113
Meetings, conferences, special events	44	44	88
Miscellaneous	21	4	25
Outside computer services	-	1	1
Postage and mailing services	12	12	24
Rent and other occupancy	222	478	700
Supplies	289	164	453
Taxes, licenses and fees	-	-	-
Training and education	2	-	2
Travel and automobile	94	332	426
Utilities and telephone	43	99	142
Web hosting	96	175	271
Total expenses before depreciation	158,074	842,560	1,000,634
Depreciation and amortization	221	412	633
Total functional expenses June 30, 2017	$ 159,950	$ 846,172	$ 1,006,122
Total functional expenses June 30, 2016	$ 146,704	$ 743,044	$ 889,748

Direct Relief (A Non-Profit Corporation)
Statements of Functional Expenses
For The Years Ended June 30, 2017 with Summarized Totals for 2016
Amounts Are Presented in Thousands

	2017			2016
	Supporting Services		Total Program and Supporting Services	Total Program and Supporting Services
	Administration	Fundraising		
Compensation and related benefits				
Salaries	$ 1,781	$ 878	$ 6,577	$ 5,980
Payroll taxes	113	60	439	382
Employee benefits	295	143	1,109	1,000
Total compensation and related benefits	2,189	1,081	8,125	7,362
Other expenses				
Pharmaceuticals, medical equipment and supplies distributed - donated	-	-	918,830	757,871
Pharmaceuticals, medical equipment and supplies distributed - procured	-	-	2,082	2,438
Inventory adjustment (expired pharmaceuticals)	-	-	62,093	110,222
Accounting and legal fees	136	3	166	131
Advertising	151	31	190	88
Bank charges	151	3	214	97
Contract services	370	20	1,263	1,071
Contributed services	403	122	595	838
Contributed freight	-	-	1,700	2,012
Contributed goods	119	141	641	8
Disposal costs (expired pharmaceuticals)	-	-	147	229
Dues and subscriptions	43	21	144	79
Duplicating and printing	10	22	54	57
Equipment and software maintenance	10	28	231	209
Equipment rental	1	1	50	22
Freight and transportation	-	-	3,773	2,472
Grants and stipends	-	-	7,951	5,670
Insurance	22	2	75	83
Interest	10	6	129	42
Meetings, conferences, special events	55	32	175	127
Miscellaneous	6	-	31	33
Outside computer services	11	35	47	33
Postage and mailing services	2	12	38	35
Rent and other occupancy	12	12	724	716
Supplies	26	20	499	455
Taxes, licenses and fees	31	-	31	8
Training and education	15	3	20	18
Travel and automobile	90	37	553	598
Utilities and telephone	20	13	175	174
Web hosting	41	1	313	264
Total expenses before depreciation	1,735	565	1,002,934	886,100
Depreciation and amortization	78	43	754	815
Total functional expenses June 30, 2017	$ 4,002	$ 1,689	$ 1,011,813	
Total functional expenses June 30, 2016	$ 2,818	$ 1,711		$ 894,277

 See accompanying report of independent auditors.