



Report of Independent Auditors and  
Consolidated Financial Statements with  
Supplementary Information

**Direct Relief and Affiliates**

June 30, 2024 and 2023

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## **Report of Independent Auditors**

The Board of Directors  
Direct Relief and Affiliates

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Direct Relief and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Direct Relief and Affiliates as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Direct Relief and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Direct Relief and Affiliates' ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### ***Report on Summarized Comparative Information***

We have previously audited Direct Relief and Affiliate's June 30, 2023 consolidated financial statements, and our report dated November 7, 2023, 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, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information includes the consolidating statement of financial position as of June 30, 2024, with summarized totals for 2023 on page 28; the consolidating statement of activities for the year ended June 30, 2024, with summarized totals for 2023 on page 29; and the statements of functional expenses of Direct Relief, exclusive of its affiliates (Direct Relief Foundation, Direct Relief International-South Africa, Direct Relief-Mexico, and DR Property 1, LLC) for the year ended June 30, 2024, with summarized totals for 2023 on pages 31–32. 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.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Los Angeles, California  
November 5, 2024

## **Consolidated Financial Statements**

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**Direct Relief and Affiliates**  
**Consolidated Statements of Financial Position**  
**Amounts are Presented in Thousands**  
**June 30, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 42,679	\$ 64,078
Investments	237,749	248,526
Contributions and other receivables, net	18,592	18,800
Inventories, net	926,647	864,587
Prepaid expenses	4,009	7,371
Property and equipment, net	37,650	38,729
Other assets	331	328
Total assets	\$ 1,267,657	\$ 1,242,419
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 4,740	\$ 8,327
Accrued liabilities	25,207	24,385
Total liabilities	29,947	32,712
<b>NET ASSETS</b>		
Without donor restrictions		
Board-designated investment fund	77,756	68,976
Undesignated	1,025,294	971,724
Total without donor restrictions	1,103,050	1,040,700
With donor restrictions	134,660	169,007
Total net assets	1,237,710	1,209,707
Total liabilities and net assets	\$ 1,267,657	\$ 1,242,419

See accompanying notes.

**Direct Relief and Affiliates**  
**Consolidated Statements of Activities**  
**Amounts are Presented in Thousands**  
**June 30, 2024 and 2023**

	For the Year Ended June 30, 2024			Summarized Totals for 2023
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>PUBLIC SUPPORT</b>				
In cash and securities				
Contributions	\$ 20,806	\$ 9,201	\$ 30,007	\$ 36,717
Contributions designated for quasi-endowment	4,861	-	4,861	7,225
Business and foundation grants	4,560	28,875	33,435	70,982
Workplace giving campaigns	1,301	1,291	2,592	5,940
Total public support from cash and securities	<u>31,528</u>	<u>39,367</u>	<u>70,895</u>	<u>120,864</u>
From contributed goods and services				
Pharmaceuticals, medical supplies, and equipment	2,305,922	-	2,305,922	2,139,412
Contributed freight	1,378	2,400	3,778	2,074
Contributed goods – other	-	-	-	3
Professional services received	393	-	393	474
Total from contributed goods and services	<u>2,307,693</u>	<u>2,400</u>	<u>2,310,093</u>	<u>2,141,963</u>
Total public support	<u>2,339,221</u>	<u>41,767</u>	<u>2,380,988</u>	<u>2,262,827</u>
<b>REVENUE</b>				
Investment income, net	7,655	6,754	14,409	8,167
Realized gain (loss) on investments	(972)	(131)	(1,103)	1,507
Unrealized gain (loss) on investments	6,173	(334)	5,839	3,022
Total revenue	<u>12,856</u>	<u>6,289</u>	<u>19,145</u>	<u>12,696</u>
Net assets released from restrictions	<u>82,403</u>	<u>(82,403)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,434,480</u>	<u>(34,347)</u>	<u>2,400,133</u>	<u>2,275,523</u>
<b>PROGRAM SERVICES</b>				
Pharmaceuticals, medical supplies, equipment, and related expenses	<u>2,359,258</u>	<u>-</u>	<u>2,359,258</u>	<u>2,056,810</u>
<b>SUPPORTING SERVICES</b>				
Administration	9,483	-	9,483	9,548
Fundraising	3,389	-	3,389	2,950
Total supporting services	<u>12,872</u>	<u>-</u>	<u>12,872</u>	<u>12,498</u>
Total expenses	<u>2,372,130</u>	<u>-</u>	<u>2,372,130</u>	<u>2,069,308</u>
<b>CHANGE IN NET ASSETS</b>	62,350	(34,347)	28,003	206,215
<b>NET ASSETS, beginning of year</b>	<u>1,040,700</u>	<u>169,007</u>	<u>1,209,707</u>	<u>1,003,492</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,103,050</u>	<u>\$ 134,660</u>	<u>\$ 1,237,710</u>	<u>\$ 1,209,707</u>

See accompanying notes.



**Direct Relief and Affiliates**  
**Consolidated Statements of Functional Expenses**  
**Amounts are Presented in Thousands**  
**June 30, 2024 and 2023**

	For the Year Ended June 30, 2024		
	Program Services: Medical Supplies, Equipment, and Related Expenses		Total Program Services
	USA	International	
Compensation and related benefits			
Salaries	\$ 2,418	\$ 8,105	\$ 10,523
Payroll taxes	169	595	764
Employee benefits	406	1,327	1,733
Total compensation and related benefits	2,993	10,027	13,020
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	307,731	1,511,241	1,818,972
Pharmaceuticals, medical equipment, and supplies distributed – procured	2,788	18,457	21,245
Inventory adjustment (expired pharmaceuticals)	61,459	369,336	430,795
Grants and stipends	26,859	18,717	45,576
Accounting and legal fees	12	63	75
Advertising	76	448	524
Bank charges	-	-	-
Contract services	2,266	3,692	5,958
Contributed freight	254	1,525	1,779
Contributed services	-	-	-
Disposal costs (expired pharmaceuticals)	120	786	906
Dues and subscriptions	168	267	435
Duplicating and printing	39	26	65
Equipment and software maintenance	75	300	375
Equipment rental	12	61	73
Freight and transportation	3,231	7,729	10,960
Insurance	222	574	796
Interest	-	-	-
Meetings, conferences, special events	888	249	1,137
Miscellaneous	51	81	132
Postage and mailing services	36	25	61
Rent and other occupancy	96	645	741
Storage and Logistics (contract warehousing)	49	929	978
Supplies	256	939	1,195
Taxes, licenses, and fees	152	66	218
Training and education	1	6	7
Travel and automobile	372	819	1,191
Utilities and telephone	61	309	370
Web hosting	130	307	437
Total expenses before depreciation	410,397	1,947,624	2,358,021
Depreciation and amortization	180	1,057	1,237
Total functional expenses June 30, 2024	<u>\$ 410,577</u>	<u>\$ 1,948,681</u>	<u>\$ 2,359,258</u>
Total functional expenses June 30, 2023	<u>\$ 362,335</u>	<u>\$ 1,694,475</u>	<u>\$ 2,056,810</u>

See accompanying notes.

**Direct Relief and Affiliates**  
**Consolidated Statements of Functional Expenses (Continued)**  
**Amounts are Presented in Thousands**  
**June 30, 2024 and 2023**

	2024		Total Program and Supporting Services	Summarized Total Program and Supporting Services for 2023
	Supporting Services			
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 3,681	\$ 1,665	\$ 15,869	\$ 13,760
Payroll taxes	256	117	1,137	995
Employee benefits	835	278	2,846	2,394
Total compensation and related benefits	4,772	2,060	19,852	17,149
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,818,972	1,802,702
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	21,245	8,600
Inventory adjustment (expired pharmaceuticals)	-	-	430,795	131,325
Grants and stipends	-	-	45,576	77,095
Accounting and legal fees	362	-	437	506
Advertising	48	110	682	773
Bank charges	364	-	364	563
Contract services	1,020	248	7,226	7,084
Contributed freight	384	-	2,163	2,075
Contributed services	197	197	394	474
Disposal costs (expired pharmaceuticals)	-	-	906	658
Dues and subscriptions	337	149	921	660
Duplicating and printing	35	14	114	107
Equipment and software maintenance	33	151	559	624
Equipment rental	3	2	78	144
Freight and transportation	(77)	-	10,883	11,224
Insurance	253	172	1,221	900
Interest	-	-	-	16
Meetings, conferences, special events	124	74	1,335	523
Miscellaneous	937	1	1,070	582
Postage and mailing services	52	6	119	62
Rent and other occupancy	44	12	797	455
Storage and Logistics (contract warehousing)	-	-	978	-
Supplies	94	41	1,330	1,179
Taxes, licenses, and fees	21	-	239	132
Training and education	77	-	84	76
Travel and automobile	253	96	1,540	1,346
Utilities and telephone	23	17	410	419
Web hosting	93	18	548	585
Total expenses before depreciation	9,449	3,368	2,370,838	2,068,038
Depreciation and amortization	34	21	1,292	1,270
Total functional expenses June 30, 2024	<u>\$ 9,483</u>	<u>\$ 3,389</u>	<u>\$ 2,372,130</u>	
Total functional expenses June 30, 2023	<u>\$ 9,548</u>	<u>\$ 2,950</u>		<u>\$ 2,069,308</u>

See accompanying notes.

**Direct Relief and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Amounts are Presented in Thousands**  
**Years Ended June 30, 2024 and 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash collected from public support and other program services	\$ 72,610	\$ 116,777
Cash paid for goods and services	(122,972)	(116,190)
Interest paid	-	(17)
Investment income	14,409	8,167
Net cash (used in) provided by operating activities	(35,953)	8,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(262,647)	(185,234)
Proceeds from sale of investments	277,414	5,462
Purchase of property and equipment	(213)	(420)
Net cash provided by (used in) investing activities	14,554	(180,192)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(21,399)	(171,455)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	64,078	235,533
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 42,679	\$ 64,078

See accompanying notes.

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

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**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 (U.S.), Direct Relief's activities focus on the delivery of donated medicines and supplies to underserved and uninsured patients through the support of nonprofit clinics and health centers treating low-income patients as well as financial assistance initiatives. In addition to its support of all 50 U.S. states and territories, Direct Relief also retains its longstanding local focus in Santa Barbara and surrounding communities, through programs dedicated to improving the oral health of children from low-income families, supporting social service organizations and the populations they care for, and enhancing disaster preparedness efforts with the County and other agencies. Under agreements with local emergency response authorities, Direct Relief assists in management of the County's medical inventories and any support requested in the event of a local health emergency.

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

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

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

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

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

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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#### **Note 2 – Summary of Significant Accounting Policies**

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

**Basis of accounting** – The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

The supplementary information includes schedules of the consolidating statements of financial position and consolidating statements of activities of the Organization. Additionally, the statements of functional expenses of Direct Relief, exclusive of its affiliates (the Foundation, Direct Relief-SA, Direct Relief-MX, and the LLC) are included in the supplementary information.

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

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions, and amounts designated by the Board of Directors for quasi-endowment; and
- Net assets with donor restrictions consist of contributed funds, subject to specific donor-imposed or legal restrictions, contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds; and
- Net assets with donor restrictions subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations or other donor-specified purposes. At June 30, 2024 and 2023, the Organization had no perpetually maintained net assets.

**Reclassifications** – Certain amounts presented in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. Reclassifications of prior year amounts have no impact on net assets.

**Prior year summarized information** – The prior year information presented in the consolidated statements of activities and the supplementary consolidating statements of activities are derived from the prior year audited consolidated financial statements, which presents each of the required without donor restrictions and with donor restrictions columns. Users of the financial statements should utilize the prior year audited financial statements for a complete comparison.

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

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**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.

**Simultaneous period contributions** – The Organization has adopted a policy to classify donor-restricted contributions whose restrictions are met in the same reporting period as contribution revenue without donor restrictions.

**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. Investment income, net of direct investment expenses, and realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities.

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

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

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

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

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

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds, domestic and international fixed income funds and domestic and international equities funds. Investments in domestic treasuries are valued based on quoted market prices of comparable assets and typically classified within Level 2.

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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The fair value of private equity funds is based on net asset value (NAV) 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 NAV of these financial instruments is a reasonable estimate of their fair value. For those investments that are not traded on a ready market, the estimates of their fair values may differ from the values that would have been used had a ready market for those investments existed.

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

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

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

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

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

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

	<u>2024</u>	<u>2023</u>
Pharmaceuticals	\$ 1,114,138	\$ 855,998
Medical supplies/kits	13,507	8,448
Equipment	6,596	5,849
Inventory reserve	<u>(207,594)</u>	<u>(5,708)</u>
Total inventories	<u>\$ 926,647</u>	<u>\$ 864,587</u>

The Organization recorded an approximately \$207.6 million and \$5.7 million inventory reserve as of June 30, 2024 and 2023, respectively. These amounts represent materials in stock that had expired, were set to expire within 30 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 10 thousand dollars. Donated assets are capitalized at the estimated fair value on the date of receipt. The Organization did not apply depreciation to land and improvements, and construction in progress.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

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

**Grants payable** – Grants payable represent all unconditional grants that have been authorized by the Organization prior to year-end, but remain unpaid as of the consolidated statements of financial position dates. Conditional grants are expensed and considered payable in the period conditions are substantially satisfied. The conditions in each grant agreement vary by partner and project and the Organization requires an internal review of progress made against project milestones before subsequent awards are made. As of June 30, 2024 and 2023, the Organization had a grant payable liability of \$16.2 million and \$21.4 million, respectively, included in accrued liabilities on the consolidated statements of financial position. All grants payable outstanding as of June 30, 2024, are expected to be paid within the next year. There were no conditional grants payable as of June 30, 2024 and 2023.



## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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

The Organization reports contributions in net assets with donor restrictions if they are received with donor-imposed restrictions as to their use. When the restriction expires (the time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the consolidated statements of activities. Contributions receivable are initially recorded at fair value using a discount rate commensurate with the risk involved. Contributions receivable are reviewed for collectability, and reserves for uncollectible amounts are established when needed. For the years ended June 30, 2024 and 2023, there was no allowance for doubtful pledges.

From time to time, the Organization elects to designate net assets without donor restrictions to the endowment. These designations are approved by the Board of Directors and are intended to help provide for the future operations of the Organization. These designations are presented in the consolidated statements of activities within contributions designated for quasi-endowment.

The Organization received 28% and 50% of total public support from two and four corporate donors during the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, there were no outstanding receivables from these donors.

**Contributed materials** – Contributions of U.S. Food and Drug Administration (FDA)-approved pharmaceuticals, branded and generic, are recorded at estimated wholesale value, which approximates fair value, on the date received, based on the Wholesale Acquisition Cost (WAC) as published in the Truven Health Analytics RedBook® (the RedBook®). The RedBook® is an industry recognized drug and pricing reference guide for pharmaceuticals in the U.S. The Organization uses monthly pricing information available from the RedBook® online service provided by Truven Health Analytics, an IBM Watson Health company. WAC is the standard used by many U.S. states as the Federal Upper Limit pricing for drugs purchased under the Medicaid program. If the wholesale value is not available in the online RedBook® source, the wholesale value of the contribution is based on other appropriate Internet pricing sources. For non-FDA-approved pharmaceuticals, for example, products manufactured for use in non-U.S. markets, the organization uses independent pricing guides to determine the fair value of the particular manufacturer's specific formulation. The sources of such pricing information vary, but relevant information may include the price paid by wholesalers or other third-party buyers, a price negotiated by an organization (such as the Clinton Health Access Initiative) for a particular drug, or other such reasonable basis. For pharmaceutical donations from European manufacturers (not commercially saleable in the U.S.), Direct Relief applies a discount to the Redbook WAC for branded products and no discount is applied to generic pharmaceuticals.

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

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.

Contributions of nonfinancial assets received from donors for the years ended June 30, 2024 and 2023, are summarized below:

	Revenue Recognized for the Years Ending June 30,		Utilization in Programs	Donor Restrictions	Valuation Techniques and Inputs
	2024	2023			
Contributed materials					
Pharmaceuticals, medical supplies and equipment	\$ 2,305,922	\$ 2,139,412	Disaster, emergency, and crisis response	No donor restriction, regional distribution restrictions applied per regulatory agency	Truven Health Analytics RedBook®, WAC, Rand Study discount for European branded Rx, trade publications, Internet pricing guides, and procurement history
Contributed services					
Freight	3,778	2,074	Disaster, emergency, and crisis response	Regional restrictions for donated charters, general freight is not restricted	Shipping is valued using the donating organization's discounted percentage of full published rates in effect at the time of shipment
Professional services	393	474	Disaster, emergency, crisis response, and administrative support	No donor restrictions	Fair value, comparable services
Other (donated use of facilities)	-	3	Administrative	No donor restrictions	Fair value, comparable rent

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

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

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

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

**Joint costs** – During the years ended June 30, 2024 and 2023, the Organization did not incur any joint costs.

**Use of estimates** – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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

**Income taxes** – The Organization is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701d. Therefore, no amounts for income taxes are reflected in the accompanying consolidated financial statements. The Organization had inconsequential unrelated business income tax during the years ended June 30, 2024 and 2023, and no tax provision has been made in the accompanying consolidated financial statements.

The Organization had no uncertain tax positions requiring accrual as of June 30, 2024 and 2023.

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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**Lease accounting** – In accordance with Accounting Standards Codification (ASC) 842, *Leases*, lessees are required to recognize on the statement of financial position the assets and liabilities arising from operating leases. A lessee should recognize a liability to make lease payments and a right-of-use (ROU) asset representing its right to use the underlying asset for the lease term. The Organization records a lease obligation liability and ROU asset at the commencement of a lease in accordance with ASC 842, *Leases*. The lease liability is initially measured at the present value of lease payments not yet paid. The Organization elected the practical expedient option to use the applicable risk-free rate based on the information available at lease commencement in determining the present value of future payments. The ROU asset represents the Organization's right to use an underlying asset for the lease term and is initially measured at the lease liability amount, adjusted for lease incentives and any initial direct costs. The lease liability is accounted for using the effective interest rate method and the ROU asset is amortized on a straight-line basis. Short-term leases with terms of less than 12 months are recognized on a straight-line basis over the lease term without recognition of a lease obligation liability and ROU asset. Most of the leases also provide for payment of operating expenses, such as common area charges, utilities, and other executory costs, which are non-lease components and not included as part of the lease liability. The Organization elected the policy to not separate non-lease and lease components and to account for them as a single lease component. Additionally, the Organization elected the policy to use hindsight in determining lease terms by considering lessee options to extend or early terminate its leases.

The Organization adopted this Accounting Standards Update (ASU) on July 1, 2022, and used the modified retrospective adoption method, utilizing the simplified transition option available in the new lease standard, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption, the Organization did not recognize any operating lease liabilities or ROU assets as the amounts were not material to the consolidated financial statements.

**Recent accounting pronouncements** – Effective July 1, 2023, the Organization adopted Financial Accounting Standards Board (FASB) ASU No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which required the use of the current expected credit losses (CECL) impairment model for a broad scope of financial instruments, including financial assets measured at amortized cost, net investments in leases, and certain off balance sheet credit exposures. The CECL model required the immediate recognition of estimated expected credit losses over the life of the financial instrument. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Organization adopted this standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

**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 the consolidated financial statements are available to be 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.

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

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The Organization has evaluated subsequent events through November 5, 2024, which is the date the consolidated financial statements were available to be issued.

**Note 3 – Liquidity**

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

	<u>2024</u>	<u>2023</u>
Financial assets at year end		
Cash and cash equivalents	\$ 42,679	\$ 64,078
Investments	237,749	248,526
Contributions and other receivables	<u>18,592</u>	<u>18,800</u>
Total financial assets	<u>299,020</u>	<u>331,404</u>
Less: amounts not available to be used within one year		
Net assets with purpose restrictions	116,068	149,426
Investments with lockup greater than one year	10,110	11,601
Contributions and other receivables with time restrictions	<u>18,592</u>	<u>18,800</u>
Total amounts not available to be used within one year	<u>144,770</u>	<u>179,827</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 154,250</u>	<u>\$ 151,577</u>

Direct Relief's financial assets consist of operating cash, receivables, and investments. The Foundation exists solely and exclusively to support, benefit, or carry out the purposes of Direct Relief. Direct Relief regularly monitors operational cash needs and operates with cash from current donations. Cash is transferred from the operating account into money market accounts that align with the designation of the donation. Withdrawals from are managed with grant planning and close monitoring of needs during the acute phase of a disaster.

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

**Note 4 – Investments and Fair Value**

At June 30, 2024, investments and other assets at fair value consisted of the following:

	Level 1	Level 2	Level 3	NAV (or Equivalent)	Total
Mutual funds	\$ 74,365	\$ -	\$ -	\$ -	\$ 74,365
Fixed income funds					
Domestic	38,665	-	-	-	38,665
International	16,974	-	-	-	16,974
Domestic treasuries	-	97,635	-	-	97,635
Private equity funds					
Domestic	-	-	-	10,074	10,074
International	-	-	-	34	34
Distressed debt	-	-	-	2	2
Total investments	<u>\$ 130,004</u>	<u>\$ 97,635</u>	<u>\$ -</u>	<u>\$ 10,110</u>	<u>\$ 237,749</u>
Other receivables at fair value					
Organization-owned life insurance	<u>\$ -</u>	<u>\$ 359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359</u>

At June 30, 2023, investments and other assets at fair value consisted of the following:

	Level 1	Level 2	Level 3	NAV (or Equivalent)	Total
Fixed income funds					
Domestic	\$ 24,019	\$ -	\$ -	\$ -	\$ 24,019
International	3,099	-	-	-	3,099
Equity funds					
Domestic	16,561	-	-	-	16,561
International	18,305	-	-	-	18,305
Domestic treasuries	-	174,941	-	-	174,941
Private equity funds					
Domestic	-	-	-	11,559	11,559
International	-	-	-	40	40
Distressed debt	-	-	-	2	2
Total investments	<u>\$ 61,984</u>	<u>\$ 174,941</u>	<u>\$ -</u>	<u>\$ 11,601</u>	<u>\$ 248,526</u>
Other receivables at fair value					
Organization-owned life insurance	<u>\$ -</u>	<u>\$ 311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311</u>

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

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, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity funds				
Domestic	\$ 10,074	\$ 1,318	90 days; Not redeemable	105 days; N/A
International	34	31	Not redeemable	N/A
Distressed debt	<u>2</u>	<u>114</u>	Not redeemable	N/A
	<u>\$ 10,110</u>	<u>\$ 1,463</u>		

**Note 5 – Contributions and Other Receivables**

Contributions and other receivables consisted of the following as of June 30:

	2024	2023
Contributions receivable, due in		
Less than one year	\$ 12,082	\$ 15,772
One to five years	3,712	163
More than five years	<u>3,550</u>	<u>3,497</u>
Contributions receivable, gross	19,344	19,432
Less: present value discount	<u>(1,111)</u>	<u>(1,091)</u>
Contributions receivable, net	18,233	18,341
Organization-owned life insurance receivables	359	311
Other receivables	<u>-</u>	<u>148</u>
Contributions and other receivables, net	<u>\$ 18,592</u>	<u>\$ 18,800</u>

Contributions receivable above represent unconditional promises to give and are recorded after discounting at a range from 0.43% to 2.06% at their estimated realizable value.

At June 30, 2024 and 2023, there was no allowance for doubtful pledges.

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

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**Note 6 – Property and Equipment**

The Organization's investment in property and equipment at June 30, 2024 and 2023, consisted of the following:

	2024	2023
Land and improvements	\$ 14,700	\$ 14,700
Buildings and improvements	26,250	26,250
Construction in progress	73	-
Equipment and software	10,203	10,063
Total	51,226	51,013
Less accumulated depreciation	(13,576)	(12,284)
Net property and equipment	\$ 37,650	\$ 38,729

Depreciation and amortization expense was \$1.3 million for each of the years ended June 30, 2024 and 2023.

**Note 7 – Long-Term Debt**

In May 2023, Direct Relief entered into an amendment for the revolving line of credit to increase the total borrowing capacity to \$10,000,000 and extend the maturity date to May 1, 2025. The line of credit is secured by all assets of the Organization and bears interest at a rate equal to 1.5% per annum in excess of term Secured Overnight Financing Rate. The note requires quarterly payments of interest only. The Organization is also required to reduce the outstanding principal balance to \$0 for 30 consecutive days during each calendar year. As of June 30, 2024 and 2023, there was no outstanding balance on the line of credit.

As part of this line of credit agreement, the Organization is required to maintain a Liquidity Ratio of not less than 1.00 as of the close of each fiscal quarter. The Liquidity Ratio is defined as the sum of (i) cash and cash equivalents, and (ii) marketable securities without donor restrictions to the aggregate principal amount of all advances outstanding as of the close of such fiscal quarter.



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

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**Note 8 – Net Assets**

Net assets consisted of the following at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 77,756	\$ -	\$ 77,756
Undesignated	1,025,294	-	1,025,294
Time-restricted	-	18,592	18,592
Purpose-restricted	-	116,068	116,068
	<u>\$ 1,103,050</u>	<u>\$ 134,660</u>	<u>\$ 1,237,710</u>
Total net assets			

Net assets consisted of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	\$ 68,976	\$ -	\$ 68,976
Undesignated	971,724	-	971,724
Time-restricted	-	18,800	18,800
Purpose-restricted	-	150,207	150,207
	<u>\$ 1,040,700</u>	<u>\$ 169,007</u>	<u>\$ 1,209,707</u>
Total net assets			

**Note 9 – Endowment Funds**

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

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

For the year ended June 30, 2024, endowment net asset composition by type of fund were:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	<u>\$ 77,756</u>	<u>\$ -</u>	<u>\$ 77,756</u>

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

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For the year ended June 30, 2023, endowment net asset composition by type of fund were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	<u>\$ 68,976</u>	<u>\$ -</u>	<u>\$ 68,976</u>

Changes in the endowment net assets for the year ended June 30, 2024, were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 68,976	\$ -	\$ 68,976
Net investment return (investment income, realized and unrealized gains)	8,333	-	8,333
Contributions	4,861	-	4,861
Releases	(705)	-	(705)
Appropriation of endowment assets for expenditure	<u>(3,709)</u>	<u>-</u>	<u>(3,709)</u>
Endowment net assets, end of year	<u>\$ 77,756</u>	<u>\$ -</u>	<u>\$ 77,756</u>

Changes in the endowment net assets for the year ended June 30, 2023, were:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 58,702	\$ -	\$ 58,702
Net investment return (investment income, realized and unrealized gains)	6,423	-	6,423
Contributions	7,225	-	7,225
Releases	(342)	-	(342)
Appropriation of endowment assets for expenditure	<u>(3,032)</u>	<u>-</u>	<u>(3,032)</u>
Endowment net assets, end of year	<u>\$ 68,976</u>	<u>\$ -</u>	<u>\$ 68,976</u>

## **Direct Relief and Affiliates**

### **Notes to Consolidated Financial Statements**

#### **Amounts are Presented in Thousands**

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**Return objectives and risk parameters** – The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

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

**Spending policy and how the investment objectives relate to spending policy** – The Organization has a policy of appropriating for distribution each year an amount up to 5% of the assets of the BRIF. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. The BRIF is authorized to distribute its portfolio assets to pay for all fundraising expenses, as well as extraordinary capital expenses and advance emergency disaster relief funding as determined by the Board of Directors. Upon a majority vote by the Board, the BRIF may also be utilized to meet other general operational costs. For the year ended June 30, 2024, approximately \$3.7 million was approved for distribution to cover fundraising costs and the CEO's salary incurred in fiscal year 2024. For the year ended June 30, 2023, approximately \$3.0 million was approved for distribution to cover fundraising costs and the CEO's salary incurred in fiscal year 2023. There was no distribution or request for extraordinary capital expenses or advance emergency disaster relief funding during the fiscal year.

#### **Note 10 – Retirement Plan**

The Organization established the Direct Relief 401(k) Plan (the Plan) on January 1, 2004. Employees of the Organization are eligible to participate upon hire and are totally vested in all contributions to the Plan. The Organization matches every dollar contributed, up to 6% of the employee's annual compensation, subject to Board approval.

The Organization contributed \$810 and \$593 to the Plan for the years ended June 30, 2024 and 2023, respectively.

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

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**Note 11 – Concentrations of Credit Risk**

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

**Supplementary Information on  
Consolidating Financial Statements**

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**Direct Relief and Affiliates**  
**Consolidating Statements of Financial Position**  
**Amounts are Presented in Thousands**  
**June 30, 2024 with Summarized Totals for 2023**

<b>ASSETS</b>	<u>Direct Relief</u>	<u>Direct Relief Foundation</u>	<u>Direct Relief Mexico</u>	<u>Direct Relief South Africa</u>	<u>DR Property 1</u>	<u>Eliminations</u>	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 40,569	\$ 1,557	\$ 542	\$ 11	\$ -	\$ -	\$ 42,679	\$ 64,078
Investments	153,689	84,060	-	-	-	-	237,749	248,526
Contributions and other receivables, net	23,431	3,281	-	-	-	(8,120)	18,592	18,800
Inventories, net	926,411	-	236	-	-	-	926,647	864,587
Prepaid expenses	4,009	-	-	-	-	-	4,009	7,371
Property and equipment, net	1,265	-	53	-	36,332	-	37,650	38,729
Investment in subsidiaries	41,817	-	-	-	-	(41,817)	-	-
Other assets	328	-	3	-	-	-	331	328
<b>Total assets</b>	<b><u>\$ 1,191,519</u></b>	<b><u>\$ 88,898</u></b>	<b><u>\$ 834</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 36,332</u></b>	<b><u>\$ (49,937)</u></b>	<b><u>\$ 1,267,657</u></b>	<b><u>\$ 1,242,419</u></b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 4,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,740	\$ 8,327
Accrued liabilities	25,302	7,991	34	-	-	(8,120)	25,207	24,385
<b>Total liabilities</b>	<b><u>30,042</u></b>	<b><u>7,991</u></b>	<b><u>34</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(8,120)</u></b>	<b><u>29,947</u></b>	<b><u>32,712</u></b>
<b>NET ASSETS</b>								
Without donor restrictions	1,030,510	77,756	258	11	36,332	(41,817)	1,103,050	1,040,700
With donor restrictions	130,967	3,151	542	-	-	-	134,660	169,007
<b>Total net assets</b>	<b><u>1,161,477</u></b>	<b><u>80,907</u></b>	<b><u>800</u></b>	<b><u>11</u></b>	<b><u>36,332</u></b>	<b><u>(41,817)</u></b>	<b><u>1,237,710</u></b>	<b><u>1,209,707</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,191,519</u></b>	<b><u>\$ 88,898</u></b>	<b><u>\$ 834</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 36,332</u></b>	<b><u>\$ (49,937)</u></b>	<b><u>\$ 1,267,657</u></b>	<b><u>\$ 1,242,419</u></b>

**Direct Relief and Affiliates**  
**Consolidating Statements of Activities**  
**Amounts are Presented in Thousands**  
**For the Year Ended June 30, 2024 with Summarized Totals for 2023**

	2024						2023	
	Direct Relief	Direct Relief Foundation	Direct Relief Mexico	Direct Relief South Africa	DR Property 1	Eliminations	Total	Total
<b>PUBLIC SUPPORT</b>								
In cash and securities								
Contributions	\$ 33,808	\$ 3,947	\$ 1,556	\$ 48	\$ -	\$ (9,352)	\$ 30,007	\$ 36,717
Contributions designated for quasi-endowment	4,272	589	-	-	-	-	4,861	7,225
Business and foundation grants	33,435	-	-	-	-	-	33,435	70,982
Workplace giving campaigns	2,592	-	-	-	-	-	2,592	5,940
Total public support from cash and securities	<u>74,107</u>	<u>4,536</u>	<u>1,556</u>	<u>48</u>	<u>-</u>	<u>(9,352)</u>	<u>70,895</u>	<u>120,864</u>
From contributed goods and services								
Pharmaceuticals, medical supplies, and equipment	2,298,037	-	7,885	-	-	-	2,305,922	2,139,412
Contributed freight	3,778	-	-	-	-	-	3,778	2,074
Contributed goods – other	-	-	-	-	-	-	-	3
Professional services received	393	-	-	-	-	-	393	474
Total from contributed goods and services	<u>2,302,208</u>	<u>-</u>	<u>7,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,310,093</u>	<u>2,141,963</u>
Total public support	<u>2,376,315</u>	<u>4,536</u>	<u>9,441</u>	<u>48</u>	<u>-</u>	<u>(9,352)</u>	<u>2,380,988</u>	<u>2,262,827</u>
<b>REVENUE</b>								
Investment income, net	11,571	2,829	9	-	-	-	14,409	8,167
Realized gain (loss) on investments	(331)	(772)	-	-	-	-	(1,103)	1,507
Unrealized gain (loss) on investments	(449)	6,288	-	-	-	-	5,839	3,022
Total revenue	<u>10,791</u>	<u>8,345</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,145</u>	<u>12,696</u>
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total public support and revenue	<u>2,387,106</u>	<u>12,881</u>	<u>9,450</u>	<u>48</u>	<u>-</u>	<u>(9,352)</u>	<u>2,400,133</u>	<u>2,275,523</u>
<b>PROGRAM SERVICES</b>								
Pharmaceuticals, medical supplies, equipment, and related expenses	<u>2,354,857</u>	<u>3,709</u>	<u>9,192</u>	<u>49</u>	<u>802</u>	<u>(9,351)</u>	<u>2,359,258</u>	<u>2,056,810</u>
<b>SUPPORTING SERVICES</b>								
Administration	9,080	311	61	-	31	-	9,483	9,548
Fundraising	3,369	-	-	-	20	-	3,389	2,950
Total supporting services	<u>12,449</u>	<u>311</u>	<u>61</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>12,872</u>	<u>12,498</u>
Total expenses	<u>2,367,306</u>	<u>4,020</u>	<u>9,253</u>	<u>49</u>	<u>853</u>	<u>(9,351)</u>	<u>2,372,130</u>	<u>2,069,308</u>
CHANGE IN NET ASSETS	19,800	8,861	197	(1)	(853)	(1)	28,003	206,215
NET ASSETS, beginning of year	<u>1,141,677</u>	<u>72,046</u>	<u>603</u>	<u>12</u>	<u>37,185</u>	<u>(41,816)</u>	<u>1,209,707</u>	<u>1,003,492</u>
NET ASSETS, end of year	<u>\$ 1,161,477</u>	<u>\$ 80,907</u>	<u>\$ 800</u>	<u>\$ 11</u>	<u>\$ 36,332</u>	<u>\$ (41,817)</u>	<u>\$ 1,237,710</u>	<u>\$ 1,209,707</u>

**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)**

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**Direct Relief (A Non-Profit Corporation)**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2024 with Summarized Totals for 2023**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2024		
	Program Services:		Total Program Services
	Medical Supplies, Equipment, and Related Expenses		
	USA	International	
Compensation and related benefits			
Salaries	\$ 2,418	\$ 7,925	\$ 10,343
Payroll taxes	169	558	727
Employee benefits	405	1,326	1,731
Total compensation and related benefits	2,992	9,809	12,801
Other expenses			
Pharmaceuticals, medical equipment, and supplies distributed – donated	307,731	1,503,077	1,810,808
Pharmaceuticals, medical equipment, and supplies distributed – procured	2,788	18,457	21,245
Inventory adjustment (expired pharmaceuticals)	61,459	369,336	430,795
Grants and stipends	30,898	19,868	50,766
Accounting and legal fees	12	44	56
Advertising	76	448	524
Bank charges	-	-	-
Contract services	2,266	3,676	5,942
Contributed services	-	-	-
Contributed freight	254	1,525	1,779
Disposal costs (expired pharmaceuticals)	120	717	837
Dues and subscriptions	168	267	435
Duplicating and printing	39	26	65
Equipment and software maintenance	75	300	375
Equipment rental	12	61	73
Freight and transportation	3,231	7,650	10,881
Insurance	222	574	796
Interest	-	-	-
Meetings, conferences, special events	888	228	1,116
Miscellaneous	51	58	109
Postage and mailing services	36	13	49
Rent and other occupancy	96	483	579
Storage and Logistics (contract warehousing)	49	929	978
Supplies	256	943	1,199
Taxes, licenses, and fees	152	66	218
Training and education	1	6	7
Travel and automobile	372	818	1,190
Utilities and telephone	61	308	369
Web hosting	130	307	437
Total expenses before depreciation	414,435	1,939,994	2,354,429
Depreciation and amortization	180	248	428
Total functional expenses June 30, 2024	<u>\$ 414,615</u>	<u>\$ 1,940,242</u>	<u>\$ 2,354,857</u>
Total functional expenses June 30, 2023	<u>\$ 369,407</u>	<u>\$ 1,691,616</u>	<u>\$ 2,061,023</u>

**Direct Relief (A Non-Profit Corporation)**  
**Statements of Functional Expenses (Continued)**  
**For the Year Ended June 30, 2024 with Summarized Totals for 2023**  
**Amounts are Presented in Thousands**

	For the Year Ended June 30, 2024			Summarized Total Program and Supporting Services for 2023
	Supporting Services		Total Program and Supporting Services	
	Administration	Fundraising		
Compensation and related benefits				
Salaries	\$ 3,681	\$ 1,665	\$ 15,689	\$ 13,605
Payroll taxes	256	117	1,100	972
Employee benefits	827	278	2,836	2,389
Total compensation and related benefits	4,764	2,060	19,625	16,966
Other expenses				
Pharmaceuticals, medical equipment, and supplies distributed – donated	-	-	1,810,808	1,799,968
Pharmaceuticals, medical equipment, and supplies distributed – procured	-	-	21,245	8,600
Inventory adjustment (expired pharmaceuticals)	-	-	430,795	131,325
Grants and stipends	-	-	50,766	85,121
Accounting and legal fees	286	-	342	406
Advertising	48	110	682	772
Bank charges	363	-	363	562
Contract services	739	248	6,929	6,688
Contributed services	197	197	394	474
Contributed freight	384	-	2,163	2,075
Disposal costs (expired pharmaceuticals)	-	-	837	658
Dues and subscriptions	337	149	921	660
Duplicating and printing	35	14	114	107
Equipment and software maintenance	33	151	559	624
Equipment rental	3	2	78	144
Freight and transportation	(77)	-	10,804	11,104
Insurance	253	172	1,221	900
Interest	-	-	-	15
Meetings, conferences, special events	124	74	1,314	522
Miscellaneous	938	4	1,051	601
Postage and mailing services	52	6	107	62
Rent and other occupancy	44	12	635	455
Storage and Logistics (contract warehousing)	-	-	978	-
Supplies	94	41	1,334	1,083
Taxes, licenses, and fees	17	-	235	130
Training and education	77	-	84	76
Travel and automobile	253	96	1,539	1,346
Utilities and telephone	23	15	407	419
Web hosting	93	18	548	585
Total expenses before depreciation	9,080	3,369	2,366,878	2,072,448
Depreciation and amortization	-	-	428	416
Total functional expenses June 30, 2024	<u>\$ 9,080</u>	<u>\$ 3,369</u>	<u>\$ 2,367,306</u>	
Total functional expenses June 30, 2023	<u>\$ 8,914</u>	<u>\$ 2,927</u>		<u>\$ 2,072,864</u>

