

Annual Report 2006



Healthy People. Better World. Since 1948.

COVER PHOTOS CLOCKWISE FROM TOP LEFT: Allison Jones, Brett Williams, Dan Smith, Jodie Willard
Please visit: www.Jodiewillard.com

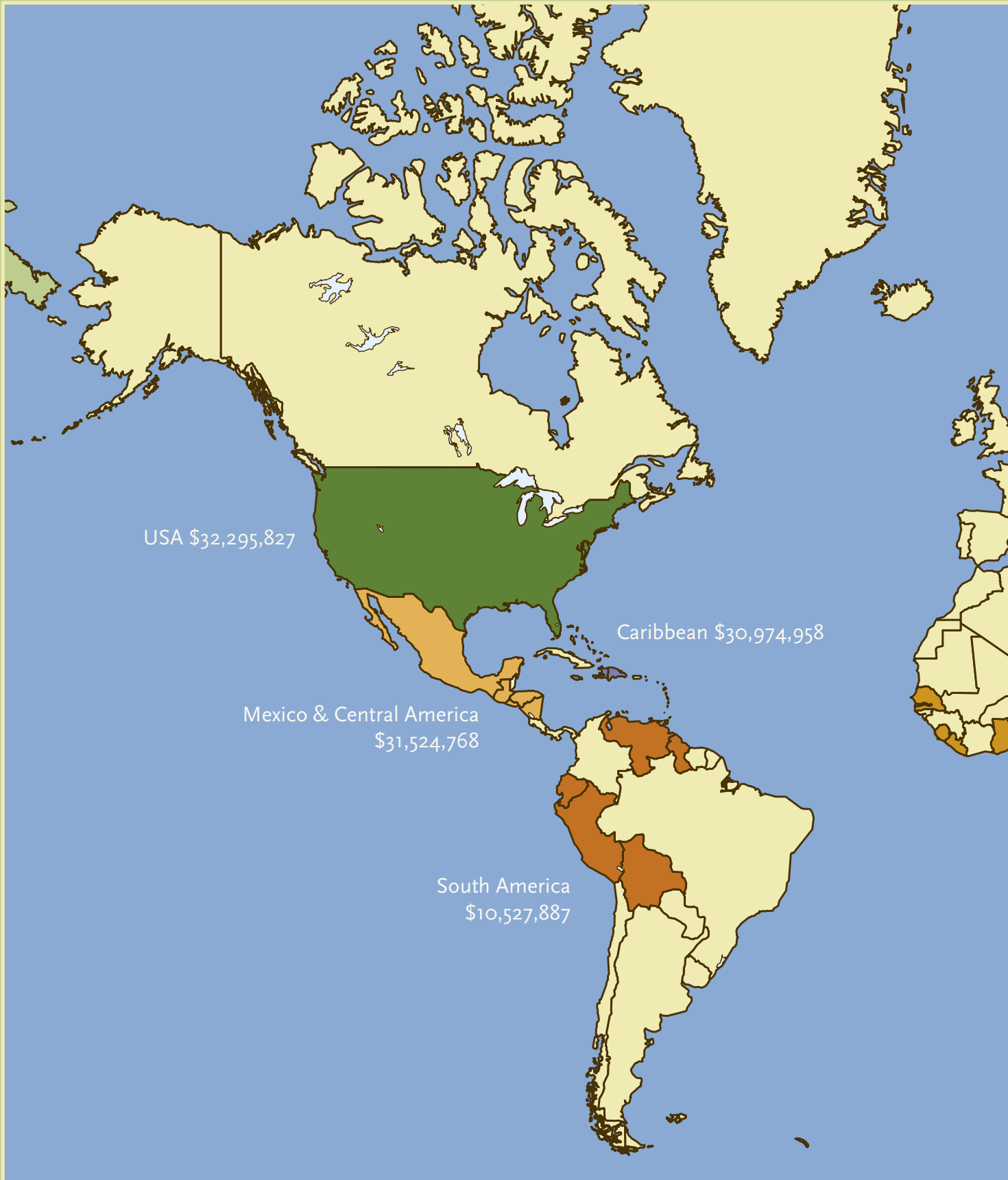
THIS REPORT IS DEDICATED TO DR. JEROME SULUBANI,

one of few pediatricians in all of Zambia
– for his commitment to the children
of Zambia, steadfast dedication to
serving his community, and unfailing
compassion as he devotes himself to a
generation orphaned by HIV/AIDS.

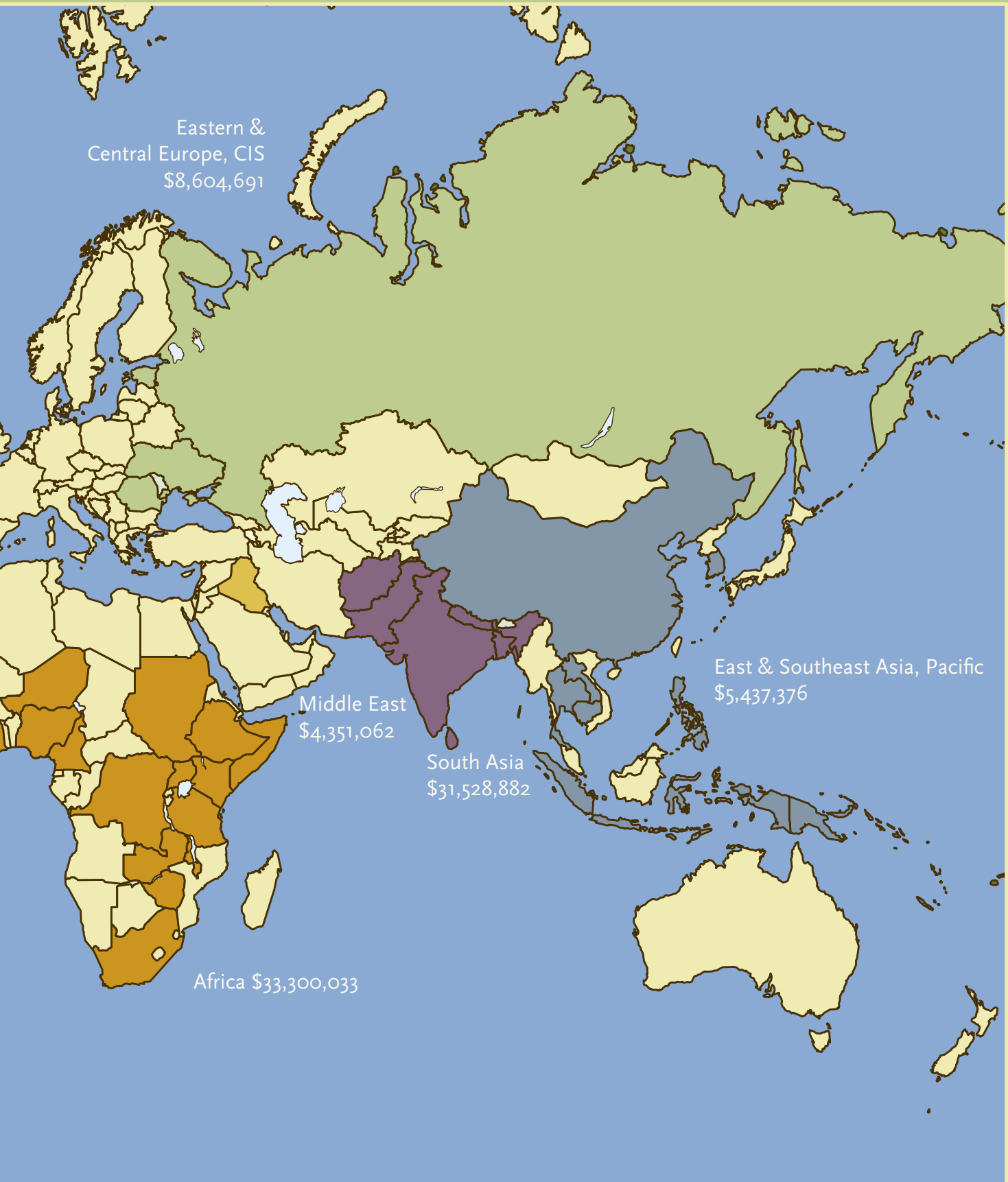


PHOTO: Christienne Durbin

WHERE WE WORK



Direct Relief furnished over **\$200 million in assistance**, which included \$190 million wholesale of medical material aid and \$10 million in cash investments to strengthen health systems affected by disasters.



We are pleased to share with you the results of Direct Relief's activities for the fiscal year ending on March 31, 2006.

The year stretched our organization to respond to both the chronic health emergencies that confront people living in poverty around the world and those caused by natural disasters – including Gulf State hurricanes, the Pakistan earthquake, and the Asian tsunami, the effects of which remain profound.

In the midst of these events, Direct Relief was fortunate to be able to expand significantly our assistance to help more people than at any time before in our 58-year history.

During the year, Direct Relief furnished over \$200 million in financial and material assistance to 56 countries.

MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT/CEO

In the core area of medical material aid, Direct Relief furnished \$190 million (wholesale) in aid, containing over 23.9 million courses of treatment for use by partner health facilities and organizations.

This was a 59 percent increase over the previous year and required a commensurate expansion of our physical-handling abilities to manage the 850 tons of medicines, supplies, and medical equipment that were specifically requested by our partner organizations.

In addition to the significant expansion of our medical material aid program, the generosity of donors allowed for the significant expansion of financial assistance to strengthen local health efforts in areas affected by the Indian Ocean tsunami, Hurricane Katrina and Rita, and the earthquake in Pakistan.

Using funds designated by donors for those specific tragedies, Direct Relief was able to augment the medical material aid with financial investments of \$10.2 million in the form of cash grants to rebuild health facilities, initiate mobile medical services, and kick-start health services at the local level in several dozen communities. We adhered to a very strict policy of segregating disaster-designated funds, spending 100 percent of such contributions only for the specific incidents and absorbing administrative costs associated with the relief efforts from other sources.

After almost 60 years, we know that all disasters – including the large-scale catastrophes that make worldwide news – are local. Our efforts in responding to disasters are aimed at the local level, in partnership with those who have the highest incentives and the most at stake in the relief and longer-term recovery efforts. The same approach underlies our day-to-day activities to enhance health services in hard-pressed areas of the world.

We note with deepest thanks that all these activities were financed entirely with resources provided by private parties. Many of the leading health-care companies in the world provided the medical resources. The financial contributions of generous individuals and businesses allowed us to align essential resources with people and facilities worldwide who need them.

We also are pleased to report to those whose generosity financed our activities, that we maintained our traditional efficiencies with regard to fundraising and administrative costs and high leverage with regard to each dollar of cash spent. We also pay special thanks to our own Board of Directors and International Advisory Board, led by Frank Magid.

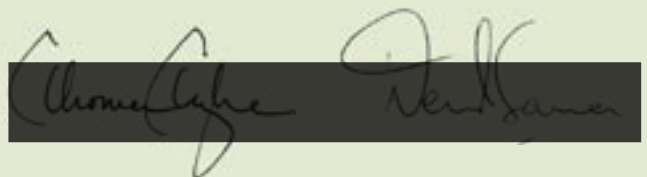
All unpaid volunteers, these Directors devoted substantial time and energies to our organization and also made personal financial contributions of more than \$660,000 during the year.

Fundraising expenses remained less than half of one percent of the total public support of \$137.5 million we received, and administrative expenses amounted to less than one percent. These and many more facts are contained in our financial statements and explanatory materials that follow.

Beneath these numbers, however, is the purpose of our organization and the reason we know we receive the generous support from businesses and individuals. Sadly, many people in the world are born into – or pushed by events into – circumstances that leave them vulnerable to basic health concerns and deprive them of the opportunities and simple joy that life holds.

Our efforts to strengthen health services for people in such circumstances, wherever they may live, are highlighted in this report.

Please accept on behalf of our organization deepest thanks for your interest and support.



THOMAS TIGHE
PRESIDENT & CEO

DENIS SANAN
CHAIRMAN

FOCUS AREAS

Historically, the majority of Direct Relief's in-country health partners are the only source of health services for people living in poverty, in remote areas, or both. By necessity, these partners provide a broad range of services, including emergency medicine, internal medicine, pediatrics, obstetrics, and gynecology. But they focus on the basics.

PRIMARY HEALTH CARE

USA

Venice Family Clinic, Los Angeles

Comprehensive primary health care, health education, and child development services were delivered free of charge through the Venice Family Free Clinic to 21,203 patients in 2005. The clinic was established in 1970 in response to the lack of medical services, such as immunizations and other primary care services, available to low-income families in Venice, California. Today, the small clinic has grown into a model of care. It is the largest free clinic in the United States serving the uninsured, working poor of Los Angeles County. Nearly 75 percent of Venice Family Free Clinic's patients are below the federal poverty line, and many hold two or three jobs. In 2005, 17 percent of patients treated were homeless men, women, and children. The clinic serves patients primarily from Venice, Santa Monica, Palms, Mar Vista, Inglewood, and Culver City. With seven shipments since 2002 of critically needed antibiotics, analgesics, nutritional supplements, and personal care products, Direct Relief continues to support the Venice Family Free Clinic with essential medicines



PHOTO: Margaret Molloy
PERMISSION: Venice Family Clinic

needed to provide primary care to those who would otherwise go without medical services. Donations have provided full courses of medical treatment to 13,920 people and are valued at \$299,806 (wholesale).

PERU

Archdiocese of Lima Health Project, Peru

The Archdiocese of Lima, Peru operates a comprehensive program to support the delivery of health care services to low-income and impoverished people in Peru that includes five urban health centers and a clinic in the squatter settlement of Manchay, located just south of Peru's sprawling capital city of Lima.

The settlement of Manchay is located on a barren plain with no running water, no sewage system, no paved roads and only sporadic electric power; first populated by native mountain populations, 20 years of guerrilla warfare drove the original inhabitants of Manchay off their lands. Today, Manchay is populated by squatters working mainly as laborers in Lima, and access to primary health care was not readily available before the 2003 construction of Manchay clinic. Since the construction of the clinic, staffed and operated by the

Archdiocese of Lima, basic primary care services are available including immunizations, nutritional programs, prenatal care, and child wellness exams to approximately 300,000 patients annually. With one of the highest rates of infant mortality in South America – at 42 deaths per 1,000 births – the provision of primary health care services available through the Manchay Clinic allows for healthier mothers and families. Direct Relief has assisted the Manchay Clinic from its inception with specifically requested medicines, nutritional products, first aid supplies, and personal care products to provide a total of 902,592 full courses of treatment with a wholesale value of \$3,169,084 since 2003. In addition to the Manchay Clinic, the Archdiocese of Lima operates five parish health centers offering a similar range of services to the urban poor of Lima.



PHOTO: Allison Jones

Women and children are disproportionately affected by poor health outcomes in developing countries. In line with the United Nations Millennium Development Goals, Direct Relief places high priority on improving the health of these most vulnerable populations by working with programs emphasizing maternal and child health.

MATERNAL AND CHILD HEALTH

Direct Relief's maternal and child health (MCH) support focuses on improving essential medical services for women and children, including prenatal care, safe delivery, care for low-birthweight babies, and access to basic medicines, supplies, and nutritional support for newborns and their mothers.

These are fundamental elements of health and medical services for women and children, but we and the partners we work with recognize that many other issues – income status, legal status, water and sanitation, basic nutrition, and education – also profoundly affect the health of women and children.

In 2006, Direct Relief began a project to strengthen MCH services in high-need areas with local partners that are deeply involved in the specific health and medical issues as well as the related issues affecting women's and children's health in their communities.

The project involves providing to these partners specialized MCH modules of diagnostic equipment, surgical hardware and supplies, and related medicines, general supplies, and nutritional supplements. The resources help these partners build upon their existing innovation and deep commitment and model excellence in very difficult circumstances.

The modules, which are tailored in collaboration with the partners and cost approximately \$22,000 each, include core items such as ultrasounds, fetal monitors, birthing beds, incubators, baby scales, as well as upgrades to the surgical environment and provision of basic medicines and supplies. Five MCH modules were furnished in early 2006.

Concurrent with strengthening these partners' capacity to improve services, Direct Relief is gathering information on the effects of these simple interventions to inform our future actions to improve health status of women and children.

GHANA

Jehovah Rapha Healthcare Foundation (Motoka Health Center)

The Jehovah Rapha Health Care Foundation (JRHCF) was founded in 1996 with the overall aim of extending health-care coverage to deprived and isolated areas of the country where health services were scarce. In 2001, Jehovah Rapha opened the Motoka Health Center, which is the first and only health facility to provide services to the people who inhabit the Motoka area. Built by community volunteers using local materials, the Center consists of a small inpatient ward, a consultation area, examination, delivery rooms, and a brand new surgical suite – courtesy of a grant from the Izumi Foundation. The clinic provides pre- and post-natal care, delivery services, primary care, and community health worker and traditional birth attendant training on adolescent reproductive health and general preventive health issues. In addition, the clinic runs a nutrition program for malnourished children and mothers. The nutrition program serves 800 women and children four times a week. The Motoka clinic

treats approximately 1,000 outpatients and 160 in-patients per month. They also conduct health outreach to 20 smaller villages which they access by boat.

Direct Relief has worked with JRHCF for seven years providing over \$2.7 million of medical material assistance. In 2005, Direct Relief provided an MCH module that was tailored to meet the Motoka clinic's need for specialized surgical equipment. The newly constructed suite will enable the Motoka clinic to conduct critical obstetric (e.g. c-sections) and general surgery which will greatly reduce infant and maternal morbidity and mortality for a remote and greatly underserved population. In addition, a blood bank refrigerator will ensure that a critical supply of blood is available for patients in need (e.g. severe anemia, hemorrhaging, etc).

EL SALVADOR

The Salvadorian Foundation (FUSAL)

The Unidad Salud Luis Poma medical clinic located in the town of San Julian, El Salvador serves an AmerIndian population of 40,000 whose ancestry goes back to the pre-Colombian Yaqui and Pipil tribes. The clinic focuses on primary care services with an emphasis on maternal-child health and is administered by The Salvadorian Foundation (FUSAL), a longstanding Direct Relief partner that it has collaborated with on many occasions.

Direct Relief designed an MCH module for this facility, to upgrade and expand their prenatal, delivery services, and neo-natal services. A January 2006 provision of aid contained

an ultrasound unit, a fetal monitor, birthing beds, baby incubators, adult and baby scales, exam tables, and other patient examination equipment and supplies. The facility will now be able to offer OB/GYN services to a larger number of women and children, with an anticipated 21,000 pre- and post-natal checkups.

FUSAL responded to the new equipment by committing to increase maternal-child health-related staff by hiring an OB/GYN, additional nurses, and midwives.



PHOTO: Annie Villanueva

Direct Relief currently supplies 32 facilities worldwide that maintain a primary or secondary focus on HIV/AIDS or have significant HIV/AIDS programs to complement their main primary care services.

HIV/AIDS

Direct Relief's efforts focus on providing health-care professionals the medicines, equipment, and supplies necessary to treat the secondary infections of HIV/AIDS, and on supporting prevention and education services. For example, sulfa has been procured for treatment of pneumocystis pneumonia and broad spectrum antibiotics are sent to combat the myriad of diffuse bacterial infections. Anti-fungals such as itraconazole and ketoconazole are sent to combat opportunistic yeast infections and anti-protozoals to fight parasitic infestations. Direct Relief also supplies a significant amount

of supplies for general palliative care such as wound care dressings and personal care items, (including lotions, soaps, and mouth care products) which are all in great demand. To promote safe needle practices, Direct Relief has provided clean needles, syringes, and sharps containers.

On the preventative and educational fronts, Direct Relief furnishes condoms, educational materials about sexually transmitted infections, and HIV diagnostic kits to partners working to reduce the transmission of the virus.

UGANDA

Jinja Municipal Council

The Department of Public Health of the Jinja Municipal Council operates four hospitals and clinics within its jurisdiction with a total of 300 beds. These four facilities see an average of 2,500 inpatients and approximately 110,000 outpatients every year. Each of the facilities runs outreach programs in school health, vector control, and community health development. Besides HIV/AIDS, which is a major health epidemic, the people also suffer from other sexually transmitted diseases, tuberculosis, and bilharzia (an intestinal parasitic disease).

Direct Relief has worked with Dr. Stephen Banonya – the Medical Officer of Health of the Jinja Municipal Council since 2000 – to send necessary medicines and medical supplies to the people of Jinja and the medical professionals who serve them. Since 2000, Direct Relief International has provided \$2.2 million in medical assistance to the Jinja Municipal Council and the Jinja Central Clinic.

Direct Relief's recent provisions of aid to Jinja Municipal Council included the anti-infective drug Lorabid, which is



ideal for treating life-threatening acute respiratory infections (ARI's) commonly found in developing countries. They have also contained specially procured HIV test kits, laboratory equipment, blood glucose test kits, and cough medicine.

INDIA

Meenakshi Mission Hospital and Research Centre Madurai, Tamil Nadu

India is extremely vulnerable to the HIV/AIDS epidemic because of its socioeconomic status and a large at-risk and marginalized population. AIDS is already the second largest killer of Indian adults, second only to tuberculosis. It is estimated that 5.1 million Indians were living with HIV in 2003; a notable percentage of those infections occurred in married women infected by their husbands. Though India's HIV rate is low compared to those found in some African countries, the nation's large population means that the total cases could significantly increase by decade's end if left unchecked.

The Meenakshi Mission Hospital and Research Centre, located in Madurai, is a 500-bed nonprofit hospital and medical research center. The hospital has been in operation since 1990, and its 46 specialized medical departments serve the Madurai and Southern Tamil Nadu region. Its mission includes the combining of state of the art medical service with social work and community outreach. Notable activities have included AIDS prevention research under the umbrella of the AIDS Prevention and Control Project, and its Mother Teresa Special Ward for HIV/AIDS patients.



PHOTO: Jodie Willard

AIDS claimed 520,000 lives in Asia in 2005. Currently, over eight million people are living with HIV in Asia, including 1.1 million people who became newly infected in the past year.

EMERGENCY RESPONSE

Hurricanes Katrina and Rita ravaged coastal communities throughout the Gulf Coast in August and September 2005, affecting over one million people and resulting in the largest natural disaster in U.S. history.

HURRICANES KATRINA AND RITA

Direct Relief's support has been aimed at both the major anchor facilities that provide specialized services and the network of safety-net clinics that play the key role of caring for people who have little money and no insurance. Both types of facilities have undergone tremendous strain from surging patient visits, lack of revenue and, in many cases, storm-related damage.

After the hurricanes, Direct Relief applied its successful California Clinics Program approach to the Gulf states by joining with the national associations of free clinics and community health centers to connect with their statewide clinic associations.

The National Association of Community Health Centers and the National Association of Free Clinics together represent more than 1,200 community-based clinics throughout the U.S. The clinics play an essential role and have deep experience

servicing people without money or insurance. The hurricanes forced many people into such circumstances while causing a net loss in overall health service capacity resulting in thousands of patients with no way to access health services. These facts led Direct Relief to target aid at these frontline clinics, providing both medical aid to care for patients and financial assistance to conduct rapid assessments and cover increased expenses due to surging demand. Direct Relief has furnished cash grants of more than \$400,000 to both associations for allocation to their member clinics and to clinics directly.

The clinic associations' networks provided a clear view of how the hurricanes were affecting the demand for services among displaced people in Louisiana, Mississippi, and Texas. Through the networks, Direct Relief also was able to share medicines efficiently without duplication, enabling clinics to request essential items and fill emergency needs.



EMERGENCY SHIPMENTS OF MEDICAL GOODS

NUMBER OF SHIPMENTS: 95

TOTAL WEIGHT:

106 TONS (213,398 LBS.)

TOTAL WHOLESALE VALUE:

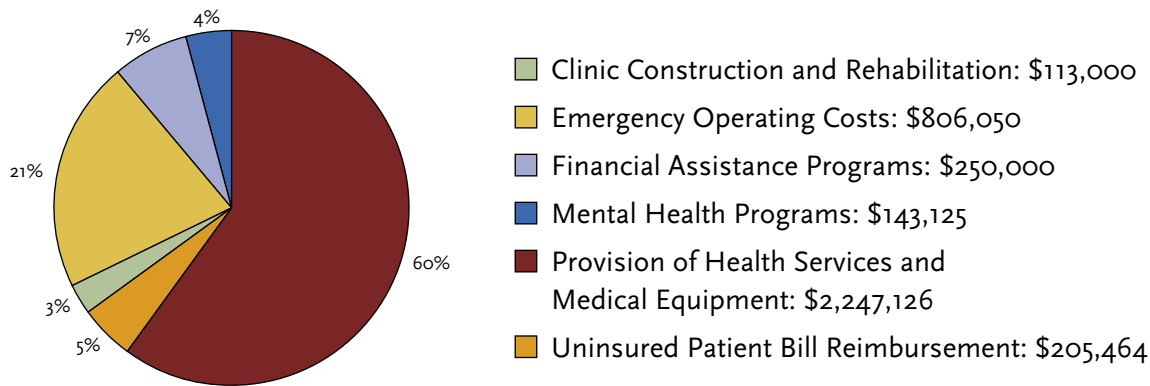
\$26,723,966

NUMBER OF PEOPLE SERVED:

1,652,449

Allocation of Hurricane Cash Grants and Medical Procurement by Purpose

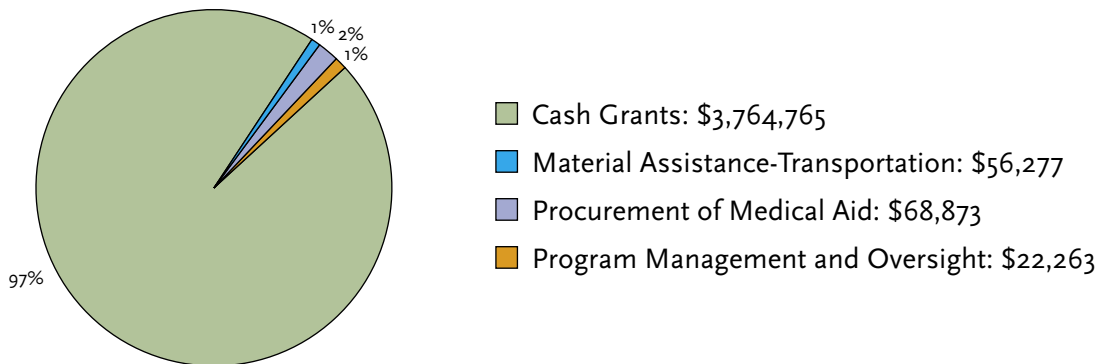
(\$3,764,765 in grants and medical procurement expended through March 31, 2006)



A detailed summary of each grant is available on our website describing where, why, how much, for what purpose, and results of money spent.

Total Hurricane Cash Expenditures by Function

(\$3,912,178 expended through March 31, 2006)



Direct Relief spent no money on fundraising for the hurricanes and is absorbing 100 percent of all administration costs from other sources. Interest on unspent hurricane funds accrues to the hurricane account and may only be spent on direct hurricane expenses.

CASH GRANT ASSISTANCE

EXPENDITURES: \$3,764,765

NUMBER OF GRANTS: 39

- ALABAMA: \$151,825
- LOUISIANA: \$2,161,398
- MISSISSIPPI: \$616,624
- TEXAS: \$184,918
- NATIONAL ASSOCIATIONS: \$650,000

Direct Relief's Cash Investments with Hurricane Contributions Have:

- Strengthened emergency health services, dental services, care management for evacuees with chronic illness, and community pharmacy services. Through December 2005, Lafayette Community Health Care Clinic provided evacuees with 1,250 dental treatments and prescriptions that carried a value of \$91,000. (\$50,000)
- Stabilized Touro Infirmary - the only hospital open for adults in the Greater New Orleans area - with funding for the replacement of equipment and contaminated lab supplies. (\$250,000)
- Provided blood centrifuge, plasma freezing system, and other essential equipment to the largest distributor of blood in the Gulf region, The Blood Center. (\$300,000)
- Established a medical call center to provide information on available medical and pharmaceutical services for two hardest-hit counties along Mississippi coast through the Gulfport Memorial Hospital. (\$65,000)
- Supported nine community health clinics throughout the Gulf region through the National Association of Community Health Centers to assist their recovery from Katrina. Funds were used for equipment, supplies, patient transportation, and facility relocation. (\$350,000)

Millions of lives were devastated by the massive Indian Ocean earthquake and resulting series of tsunamis that ravaged coastal communities of the Indian Ocean in December 2004.

TSUNAMI

Direct Relief's emergency response and ongoing recovery activities in this enormously complex tragedy have been structured around two basic principles. The first is that our organizational role in the area of health is to support, strengthen, and enable local people and organizations in the affected communities, those who lost the most have the

most at stake in the long-term. The second is that designated money and resources received following the tsunami were solely for the benefit of people in affected areas. Direct Relief's responsibility in responding is that of a trustee accountable both to donors who gave generously and people for whom the resources were given.



PHOTO: Jodie Willard

Consistent with Direct Relief's longstanding policy, all medical material furnished in these extensive emergency shipments was requested and approved prior to shipment by local health professionals from partner hospitals, clinic facilities, and organizations treating tsunami victims at several dozen sites.

The fiscal year covered by this report ended March 31, but intense ongoing support efforts have continued to the time of this writing and will continue. Through March 31, 2006, Direct Relief's tsunami response efforts included:

EMERGENCY SHIPMENTS OF MEDICAL GOODS

NUMBER OF SHIPMENTS: 63

TOTAL WEIGHT: 179 TONS
(358,063 LBS.)

TOTAL WHOLESALE VALUE: \$44,349,846

NUMBER OF PEOPLE SERVED: 4,359,345

CASH GRANT EXPENDITURES

NUMBER OF GRANTS: 55

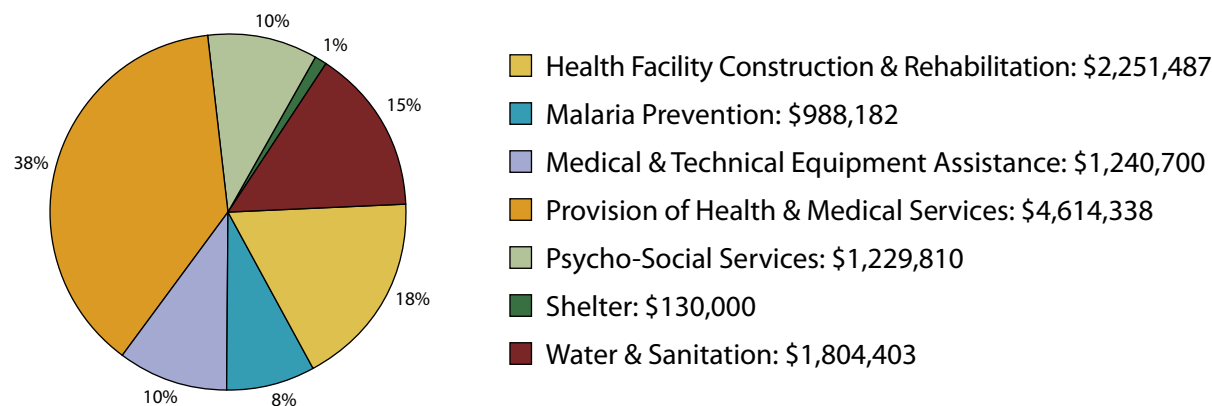
• INDONESIA: \$3,759,869

• SRI LANKA: \$3,094,197

• INDIA: \$2,779,508

• THAILAND: \$250,000

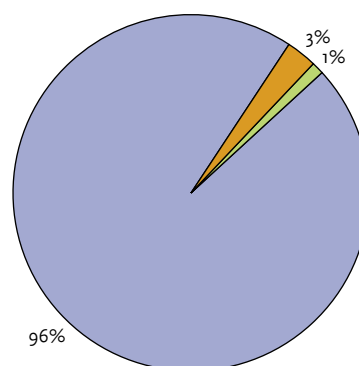
Allocation of Tsunami Cash Expenditures and Medical Procurement by Purpose (\$12,258,920 in grants and medical procurement obligated through March 31, 2006)



A detailed summary of each grant is available on our website describing where, why, how much, for what purpose, and results of money spent.

Total Tsunami Cash Expenditures by Function (\$12,807,593 obligated through March 31, 2006)

- Cash Grants and Procurement of Medical Aid: \$12,258,920
- Material Assistance - Transport & Warehouse: \$362,217
- Program Management & Oversight: \$186,456



Direct Relief spent no money on fundraising for the tsunami and is absorbing 100% of all administration costs from other sources. Interest on unspent tsunami funds accrues to the tsunami account and may only be spent on direct tsunami expenses.

A wide range of health-related needs existed in the complex emergency that followed the tsunami. Through cash grants made with tsunami contributions, Direct Relief targeted high-priority needs for basic health-care infrastructure, emergency transport, water and sanitation, and specialized professional services. Examples of funding included:

- St. John's Ambulance Brigade, Sri Lanka purchased five fully equipped ambulances with a cash grant of \$196,180. Funding to train 16 EMTs and 20 First Aid specialists was also included to support emergency services along tsunami affected coastlines.
- Rebuilt the health-care infrastructure of the Andaman & Nicobar Islands with a \$1,778,172 grant to construct 34 health-care centers on the remote Indian Ocean islands.
- Procured a Toshiba CAT Scan machine and outfitted the ICU ward for Ampara General Hospital, the main public tertiary facility serving the most severely affected district of Sri Lanka where over 12,000 people died.
- Prevented the spread of water-borne diseases by providing safe drinking water to thousands of families with the construction of 627 new wells and the cleaning of 3,970 wells in Sri Lanka and Indonesia.
- In Banda Aceh, Indonesia, Direct Relief supplied 35 new computers to 35 community health clinics whose equipment had been destroyed in the tsunami. \$62,421 will help the provincial department of health to keep track of patient records and all aspects of administration to bring the public health system back to a functioning level.
- Over 170,000 families are being protected from malaria and dengue in Indonesia and Sri Lanka through the provision of 170,300 insecticide-treated mosquito nets, fogging devices, and educational programs promoting malaria and dengue awareness and prevention. Net distribution focused on residents of displaced persons camps and severely affected neighborhoods.

In October 2005, a massive 7.6 earthquake shook northern Pakistan, devastating extensive areas of Pakistani-Administered Kashmir and the North-West Frontier Province. The earthquake left three million people homeless and 200,000 people injured, forcing them to face the Himalayan winter in temporary shelters and tents.

PAKISTAN EARTHQUAKE

EMERGENCY SHIPMENTS OF MEDICAL GOODS

NUMBER OF SHIPMENTS: 20

TOTAL WEIGHT: 179 TONS (358,063 LBS.)

TOTAL WHOLESALE VALUE: \$6,918,643

NUMBER OF PEOPLE SERVED: 1,529,607

Direct Relief's emergency response to the Pakistan quake involved extensive provision of air-freighted medicines, surgical instruments, trauma-care supplies, and medical consumables. Designated financial contributions from individuals and companies allowed Direct Relief to infuse financial support for 20 Basic Health Units (BHU) that replaced demolished clinics in villages throughout the earthquake zone. The BHUs are vital for women and children. In addition, Direct Relief's ongoing activities provide financial and material support to 12 hospitals, four mobile medical teams, and three maternal and child health facilities throughout the affected regions.



PHOTO: Jodie Willard

CASH GRANT ASSISTANCE EXPENDITURES: \$589,989

NUMBER OF GRANTS: 7

Nearly 60 years of disaster response experience has taught Direct Relief that traumatic injuries caused by earthquakes require extensive long-term care and rehabilitation. Unfortunately, these health issues typically arise after emergency funds are gone. In recognition of this, Direct Relief has focused its available financial support for the Pakistan earthquake on organizations, facilities, and programs involved in rehabilitative medicine – ranging from prosthetics to physical and occupational therapy. Direct Relief's cash investments with earthquake contributions have:

- Provided funding to Murshid Charity Hospital (CHAL) to purchase the necessary parts to manufacture prosthetic limbs. Murshid has completed assessments in the area around Batagram and has a list of 1,250 amputees who are in need of prosthetic limbs. (\$166,000)
- Financed faculty salaries and procurement of medicines, medical supplies, equipment, and office supplies for the Village of Hope Center in Mansehra, Pakistan. The Center, run by the International Medical and Educational Trust, is a temporary home for 1,000 children orphaned by the earthquake and their living family members. (\$110,927)

OUR PARTNERS

AFGHANISTAN

Total Wholesale Value: \$2,757,638 • Total Weight: 37,855 lbs.
People Served: 458,755

Afghan Health and Development Services – Kabul
Afghan Institute for Learning – Kabul, Jalalabad, and Heart
Bamyan Province Referral Hospital – Bamyan
Family Health Alliance – Kabul
Jamaludin Wardak Clinic – Said Abad

BANGLADESH

Total Wholesale Value: \$431,321 • Total Weight: 3,303 lbs.
People Served: 20,808

Shidhulai Swanirvar Sangstha – Dhaka

BOLIVIA

Total Wholesale Value: \$223,255 • Total Weight: 5,870 lbs.
People Served: 73,869

Centro Medico Vivir con Diabetes – Cochabamba
Proyecto de Salud del Rio Beni – Rurrenabaque

CAMBODIA

Total Wholesale Value: \$211,006 • Total Weight: 6,486 lbs.
People Served: 52,041

Angkor Hospital for Children – Siem Reap
Mongkul Borei Hospital – Mongkul Borei

CAMEROON

Total Wholesale Value: \$4,466,633 • Total Weight: 37,537 lbs.
People Served: 479,743

Help Medical Foundation – Douala
Holy Trinity Foundation Hospital – Buea
Mamfe General Hospital – Mamfe
Quality Healthcare Unit – Yaounde

CHINA

Total Wholesale Value: \$49,058 • Total Weight: 8,864 lbs.
People Served: 9,269

Amitabha Foundation – Rashu Township
China Project – Beijing
Circle of Health International's – Nagchu
One H.E.A.R.T. – Tibet

DEMOCRATIC REPUBLIC OF CONGO

Total Wholesale Value: \$1,069,410 • Total Weight: 14,530 lbs.
People Served: 559,147

Ambassade de L'Ordre Souverain de Malte – Mahagi
Diocese de Kilwa-Kasenga – Lumbumbashi
Project de Lutte Contre Les Handicaps Visuels – Boma

DOMINICAN REPUBLIC

Total Wholesale Value: \$3,291,241 • Total Weight: 29,435 lbs.
People Served: 370,720

Batey Relief Alliance – Santo Domingo
Food For The Poor – Puerto Plata
Health Care Education Partnership – Santo Domingo
Movimiento Socio Cultural Para Los Trabajadores – Santo Domingo
Patronato Benefico Oriental, Inc. – La Romana

ECUADOR

Total Wholesale Value: \$28,835 • Total Weight: 72 lbs.
People Served: 1,152

Pastaza Health Programs – Pastaza

EL SALVADOR

Total Wholesale Value: \$4,696,440 • Total Weight: 81,622 lbs.
People Served: 1,328,197

Clinica Maria Madre de los Pobres – San Salvador

FUDEM – San Salvador

FUSAL – San Salvador

O.E.F. de El Salvador – San Salvador

ESTONIA

Total Wholesale Value: \$4,823,202 • Total Weight: 21,223 lbs.
People Served: 216,394

Nursing Home Consortium – Parnu

ETHIOPIA

Total Wholesale Value: \$369,482 • Total Weight: 19,305 lbs.
People Served: 194,933

Addis Ababa Fistula Hospital – Addis Ababa

Free Methodist World Mission Health Center – Addis Ababa

FIJI

Total Wholesale Value: \$94,338 • Total Weight: 1,017 lbs.
People Served: 23,296

Loloma Foundation – Beqa Island

GHANA

Total Wholesale Value: \$547,691 • Total Weight: 13,613 lbs.
People Served: 169,474

Foundation for Orthopedics and Complex Spine, Inc. – Accra
Jehovah Rapha Health Care Foundation Motoka Clinic – Motoka

GRENADA

Total Wholesale Value: \$2,032,087 • Total Weight: 14,433 lbs.
People Served: 76,509

Grenada Ministry of Health – St. Georges

GUATEMALA

Total Wholesale Value: \$10,762,122 • Total Weight: 51,975 lbs.
People Served: 493,713

Atitlan Hospital – Santiago Atitlan

Caritas Arquidio Cesana – Guatemala City

Food for the Poor – Zacapa

HELPS International – Guatemala City

Liberty University – Guatemala City

Mayan Medical Relief – Santa Cruz

Order of Malta – Guatemala City

Project Xela Aid – Quetzaltenango

Wings / Alas International – Antigua

Credibility: Direct Relief International has been distinguished as a 4-star charity by Charity Navigator. Charity Navigator is a top independent evaluator of nonprofits' financial health and performance, and currently reports on more than 3,500 U.S. based charities. The 4-star rating is the highest possible rating.

GUYANA

Total Wholesale Value: \$6,739,809 • Total Weight: 38,232 lbs.
People Served: 534,001

Amazon Rain Forest Health Care Project – New Amsterdam
Bartica Hospital – Bartica
Central Islamic Organization of Guyana CIOG – Georgetown
Davis Memorial Hospital – Georgetown
Food for the Poor - Guyana – Georgetown
Linden Hospital – Linden
Mahaicony District Hospital – Mahaicony
New Amsterdam Hospital – New Amsterdam
Port Mourant Hospital – Port Mourant
St. Joseph's Mercy Hospital – Georgetown
Suddie Hospital – Suddie

HAITI

Total Wholesale Value: \$14,805,366 • Total Weight: 75,775 lbs.
People Served: 709,015

Arcachon Hospital – Port-Au-Prince
Archeveche du Cap Haitien – Cap Haitien
Asile Communal – Cap-Haitien
Centre Hospitalier Hosanna – Leogane
Christian Aid Ministries – Tityanen
Hospital Justinien – Cap-Haitien
Mouvman Peyizan Papay – Papay
New Hope Ministries – Cap Haitien
St. Jules Medical Clinic – Bourg du Borgne

HONDURAS

Total Wholesale Value: \$7,228,632 • Total Weight: 43,008 lbs.
People Served: 874,024

Baja Project for Crippled Children – Tegucigalpa
Comite de Emergencia Garifuna – Trujillo
Dr. Polo Galindo Clinic – Punta Gorda
Hacienda Cristo Salva – Las Varas
Honduran Health Exchange / C.P.T.R.T. – Tegucigalpa
Hospital Escuela – Tegucigalpa
Hospital Publico San Felipe – Tegucigalpa
Proyecto Aldea Global – Tegucigalpa

INDIA

Total Wholesale Value: \$19,881,325 • Total Weight: 102,642 lbs.
People Served: 2,384,063

Amrita Institute of Medical Sciences & Research Centre (AIMS) – Cochin
Andaman and Nicobar Administration – Port Blair
Lata Mangeshkar Medical Foundation – Pune
Meenakshi Mission Hospital – Madurai
Prasad Chikitsa – Ganeshpuri
Public Health Department – Mumbai
Society For Service To Voluntary Agencies – Mumbai
Sonada Tibetan Refugee Settlement – Sonada
Tamil Nadu Social Welfare Board – Chennai

INDONESIA

Total Wholesale Value: \$4,523,924 • Total Weight: 105,130 lbs.
People Served: 735,025

Balai Pengobatan Muhammadiyah – Banda Aceh
CHF International – Banda Aceh
International Medical Corps – Jakarta
International Relief & Development – Jakarta
Rotary Health Center – Banda Aceh
Sisters of Charity of Our Lady Mother of Mercy – Teluk Dalam
Sumba Foundation – Bali
Yayasan Bumi Setat Clinic – Samatiga
Yayasan Kasih Peduli Masyarakat Indonesia – Medan

IRAQ

Total Wholesale Value: \$3,408,815 • Total Weight: 6,294 lbs.
People Served: 150,738

Freedom & Peace Trust – Baghdad, Basra, and Nasiriyah

JAMAICA

Total Wholesale Value: \$10,027,949 • Total Weight: 47,886 lbs.
People Served: 731,565

Food for the Poor – Spanish Town
Jamaica Humanitarian Dental Mission – St. James
Jamaica Partners – Ocho Rios
Missionaries of the Poor – Kingston

KENYA

Total Wholesale Value: \$174,890 • Total Weight: 8,757 lbs.
People Served: 338,147

AMREF – Nairobi
Crescent Medical Aid – Nairobi
Meru Hospice – Meru

LAOS

Total Wholesale Value: \$553,823 • Total Weight: 2,066 lbs.
People Served: 43,816

Luang Prabang Provincial Hospital – Luang Prabang
Mahosot Hospital – Vientiane

LIBERIA

Total Wholesale Value: \$4,713,824 • Total Weight: 40,719 lbs.
People Served: 240,757

Christian Aid Ministries – Monrovia
Project Momentum Liberia – Monrovia

MALAWI

Total Wholesale Value: \$2,296,775 • Total Weight: 28,363 lbs.
People Served: 430,584

College of Medicine – Blantyre
Montfort Hospital – Nchalo
Mulanje Mission Hospital – Mulanje
Queen Elizabeth Hospital – Blantyre
Trinity Hospital – Limbe

MEXICO

Total Wholesale Value: \$360,855 • Total Weight: 3,557 lbs.
People Served: 58,235

AeroMedicos of Santa Barbara – Cadeje
Hospital Seguros Sociales Islas Mujeres – Isla Mujeres
Juarez Eye Center – Ciudad Juarez
LIGA International – Mazatlan
Potter's Clay – Ensenada
Women with a Purpose – Tijuana

NEPAL

Total Wholesale Value: \$38,754 • Total Weight: 571 lbs.
People Served: 356

Shahid Gangal National Heart Centre – Kathmandu

NICARAGUA

Total Wholesale Value: \$8,476,720 • Total Weight: 110,585 lbs.
People Served: 562,061

A Tomorrow for Children Foundation – Managua
American Nicaraguan Foundation/MINSA – Managua
Caritas de Nicaragua – Managua
Nicaraguan Children's Fund – Puerto Cabezas
Wisconsin / Nicaragua Partners of the Americas – Managua

NIGER

Total Wholesale Value: \$291,488 • Total Weight: 9,643
People Served: 408,156

Islamic Relief – Niamey
Quality Assurance Project – Niamey

NIGERIA

Total Wholesale Value: \$103,990 • Total Weight: 476 lbs.
People Served: 6,968

Antof Rural Resource Center – Oron
St. Gerard's Catholic Hospital – Kaduna

Efficiency: *Forbes* magazine once again recognized Direct Relief as one of only eight nonprofit organizations in the United States that is 100% efficient in fundraising and by *Consumers Digest* as one of only five of the leading U.S. charitable organizations with a 99% or better efficiency ranking. *The Chronicle of Philanthropy* ranked Direct Relief as one of the top 400 charities for the sixth year in a row as well as recognizing it as the largest non-academic charity in California.

PAKISTAN

Total Wholesale Value: \$8,213,931 • Total Weight: 95,416 lbs.
People Served: 2,143,898

Abbottonians Medical Association – Abbottabad
Afghanistan Institute of Learning – Peshawar
AIMS Hospital – Islamabad
American Refugee Committee International – Islamabad
Australian Aid International – Islamabad
Bethania Hospital – Sialkot
Caritas Pakistan - Lahore – Lahore
Disaster Resource Network – Islamabad
Hand to Hand Social Service Agency – Lahore
Help for Health Medical Association – Lahore
Marafe Foundation – Islamabad
Marie Stopes Society – Karachi
Pakistan Hand Carry – Islamabad
Pakistan Medical Society – Mansehra
Pakistan-NWFP – Islamabad
Relief International – Mansehra
Samaritan's Purse – North West Frontier Province
Society for Human Rights & Prisoners Aid – Islamabad
Sultana Foundation – Islamabad
Tsunami Relief And You – Islamabad

PAPUA NEW GUINEA

Total Wholesale Value: \$368,293 • Total Weight: 2,214 lbs.
People Served: 106,670

Wewak General Hospital – Wewak

PERU

Total Wholesale Value: \$3,518,459 • Total Weight: 48,044 lbs.
People Served: 822,161

Arzobispado de Lima – Lima
Direccion Regional de Salud de Ayacucho – Ayacucho
Gesundheit Institute – Lima
Hospital Hipolito Unanue – Tacna
Hospital Regional de Ayacucho – Ayacucho
International Society for the Preservation of the Rainforest (SPTR) – Iquitos

PHILIPPINES

Total Wholesale Value: \$89,288 • Total Weight: 5,595 lbs.
People Served: 23,931

Dr. Jose Locsin Memorial Hospital – Silay City
Reyes-Villanueva Medical Relief – Baguio
Rotary Club of Cebu Fuente – Cebu

ROMANIA

Total Wholesale Value: \$3,594,863 • Total Weight: 47,420 lbs.
People Served: 1,157,064

Christian Aid Ministries Romania – Floresti
Victor Gomoiu Children's Hospital – Bucharest

RUSSIA

Total Wholesale Value: \$134,500 • Total Weight: 20,913 lbs.
People Served: 557,934

Globus Relief – Moscow

SENEGAL

Total Wholesale Value: \$32,778 • Total Weight: 8,214 lbs.
People Served: 109,120

USAID Senegal - Partner Health Centers – Ngor Diarama

SIERRA LEONE

Total Wholesale Value: \$601,896 • Total Weight: 6,100 lbs.
People Served: 74,154

Ndegbornei Development Organization – Freetown

SOMALIA

Total Wholesale Value: \$3,195,955 • Total Weight: 15,349 lbs.
People Served: 218,678

Cabdale H. Hersi – Hargeisa
Edna Adan Maternity and Teaching Hospital – Hargeisa

SOUTH AFRICA

Total Wholesale Value: \$1,835 • Total Weight: 218 lbs.
People Served: 1,818

Sparrow Ministries – Maraisburg, Roodepoort

SOUTH KOREA

Total Wholesale Value: \$10,820 • Total Weight: 896 lbs.
People Served: 12,974

St. John of God Clinic – Kwang-Ju

SRI LANKA

Total Wholesale Value: \$205,913 • Total Weight: 10,303 lbs.
People Served: 207,090

Children of Joy – Colombo
Church on The Way – Eastern Province
Cornerstone Institute – El Dorado
Sri Lankan Ministry of Healthcare – Colombo
Yasodara Orphanage – Colombo
Yasodara Shanti Nikethanaya – Weligama

SUDAN

Total Wholesale Value: \$807,803 • Total Weight: 2,825 lbs.
People Served: 98,735

Aldalang Hospital – Aldalang City
International Medical Corps – Khartoum
Sagadi West Rural Hospital – Sagadi

TANZANIA

Total Wholesale Value: \$5,980,082 • Total Weight: 58,552 lbs.
People Served: 1,063,833

KADERES – Karagwe, Kagera
Kagera Salient Dispensary – Kyaka, Kagera
Marie Stopes Tanzania – Dar es Salaam
Mkuranga Hospital and Health Centers – Mkuranga
Sumbawanga Regional Hospital – Sumbawanga
Tarime Goodwill Foundation Hospital – Tarime

THAILAND

Total Wholesale Value: \$36,825 • Total Weight: 319 lbs.
People Served: 26,168

Global Health Access Program – Mae Sot Village
Hill Tribe Clinics – Chiang Rai

TRINIDAD AND TOBAGO

Total Wholesale Value: \$818,316 • Total Weight: 174 lbs.
People Served: 1,515

NIPDEC, Central Stores – Port of Spain

UGANDA

Total Wholesale Value: \$2,211,184 • Total Weight: 27,041 lbs.
People Served: 652,410

Jinja Municipal Council – Jinja

Marie Stopes Uganda – Kampala

St. Mary's Clinic – Kabale

Uganda Reproductive Health Bureau – Kampala

UKRAINE

Total Wholesale Value: \$52,126 • Total Weight: 5,649 lbs.
People Served: 158,589

Rohatyn Central District Hospital – Rohatyn

USA

Total Wholesale Value: \$32,305,504 • Total Weight: 285,808 lbs.
People Served: 2,305,281

Acadiana Outreach Center – Lafayette

AidSail – Los Angeles

AltaMed Boyle Heights – Los Angeles

American Indian Healing Center – Whittier

American Red Cross – Baton Rouge

American Red Cross – Montgomery

Arroyo Vista Family Health Center – Los Angeles

Asian Health Services, Inc. – Oakland

Asian Pacific Health Care Venture, Inc. – Los Angeles

Barrio Comprehensive Family Health Care Center – San Antonio

Bayouclinic, Inc. – Bayou le Batre

Bell Gardens Family Medical Center – Bell Gardens

C.L. Brumback Community Health Center – Belle Glade

Calcasieu Community Clinic – Lake Charles

Camino Health Center – San Juan Capistrano

Casa de Salud – Santa Ana

Casa Esperanza – Santa Barbara

Catholic Charities – Santa Barbara

Central City Community Clinic – Los Angeles

Charitable Christian Medical Clinic – Hot Springs

Chinatown Service Center Family Health – Los Angeles

Christian Health Center – Heber Springs

Cleaver Family Wellness Clinic – El Monte

Clinica Msr. Oscar A. Romero – Los Angeles

Clinica Sierra Vista – Lamont

Coastal Family Health Center – Gulfport

Common Ground Clinic – New Orleans

Community Care Health Centers – Huntington Beach

Community Health Centers of the Central Coast – San Luis Obispo

Community Healthworx – Alexandria

Comprehensive Health Centers – San Diego

Covington Food Bank – Covington

Crosby Memorial Hospital / DMAT Center – Picayune

Dr. Arenia C. Mallory Community Health Center – Lexington

Earl K. Long Charity Hospital – Baton Rouge

East Jefferson Community Health Center – River Ridge

East Texas Community Health Services – Nacogdoches

East Valley Community Health Center – West Covina

El Proyecto del Barrio – Winnetka

Etowah Free Community Clinic – Gadsden

Family Health Care Clinic, Inc. – Pearl

Family Health Care Network – Porterville

Family Health Center, Inc. – Laurel

FEMA Special Needs Center – Baton Rouge

Fort Bend Family Health Center – Richmond

Franklin Primary Health Center – Mobile

Franklinton Rural Health Center – Franklinton

G. A. Carmichael Family Health Center – Yazoo City

Globus / Dream Weaver Medical – Salt Lake City

Haight Ashbury Free Medical Clinic – San Francisco

Harbor Free Clinic – San Pedro

Health Linkages Program – Santa Barbara

Healthcare for the Homeless – Houston

Healthy Smiles Program – Santa Barbara

Heymann Center Emergency Shelter – Lafayette

HOPE Clinic – Houston

International Medical Alliance – Long Beach

International Medical Alliance – Slidell

Jackson Parish Hospital – Jonesboro

Jackson-Hinds Comprehensive Health Center – Jackson

Jefferson Comprehensive Health Center – Fayette

Jefferson Parish Sheriff Command Center – New Orleans

Jennings American Legion Hospital – Jennings

JWCH Institute, Inc., Medical Clinic at Weingart – Los Angeles

KHEIR – Los Angeles

La Amistad de Jose Family Health Center – Orange

La Clinica de la Raza – Oakland

La Maestra Family Clinic, Inc. – San Diego

Lafayette Community Health Care Clinic – Lafayette

Laguna Beach Community Clinic – Laguna Beach

Los Angeles Free Clinic – Los Angeles

Louisiana Hospital Association – Baton Rouge

Louisiana Board of Pharmacy Drug Dist. Center – Baton Rouge

LSU Eye Center – Baton Rouge

LSU Mid City Clinic – Baton Rouge

MEMA – Jackson

Memorial Hospital at Gulfport – Gulfport

Mendocino Community Health Clinics, Inc. – Ukiah

Mid-City Community Clinic – San Diego

Mission City Community Network, Inc. – North Hills

Mississippi Dept. of Health – Jackson

Mississippi Diabetes Foundation – Jackson

Mississippi Medical & Surgical Association – Jackson

Mobile Medical Office – Eureka

Montgomery Rotary Emergency Shelter – Montgomery

Mostellar Medical Center – Irvington

National Renal Alliance – Long Beach

New Beginning Outreach Ministries, Inc. – Greenburg

New Life Church – Long Beach

New Life Mobile Medical Clinic – Tustin

Nhan Hoa Comprehensive Health Care Clinic – Garden Grove

North County Health Services – San Marcos

North East Medical Services – San Francisco

Over the last three years Direct Relief has assisted the 6.6 million uninsured Californians by supplying California's network of nonprofit free and community clinics with pharmaceutical products and supplies they need to care for the uninsured. In 2005, Direct Relief provided more than **\$5.1 million** (wholesale) of pharmaceuticals and supplies to 56 community and free clinics in California through more than 127 shipments.

Ochsner Clinic Foundation – Covington
 Ochsner Clinic Foundation – New Orleans
 Parish Nursing – Santa Barbara
 Pearl Street AME Church – Jackson
 Preparedness Response Emergency Program – Solvang
 Redwood Rural Health Center – Redway
 Reubin T. Morris Gulfport Wellness Foundation – Ocean Springs
 River City Ministry – North Little Rock
 Salvation Army Medical Clinic – Oxnard
 San Ysidro Health Center – San Ysidro
 Santa Barbara County Fire Dept – Topanga
 Santa Barbara Foodbank – Santa Barbara
 Santa Barbara Neighborhood Clinics – Santa Barbara
 Sequoia Community Health Center – Fresno
 Share Our Selves Free Medical Clinic – Costa Mesa
 Sierra Health Center – Fullerton
 Slidell Memorial Hospital – Slidell
 Southeast Mississippi Rural Health Initiative, Inc – Hattiesburg
 Southern Trinity Health Services – Mad River
 Spring Branch Community Health Center – Houston
 St. Anthony Free Medical Clinic – San Francisco
 St. Gabriel Eastside Community Health Center – St. Gabriel
 St. Gabriel Health Clinic, Inc. – St. Gabriel
 St. Helena Parish Hospital – Greensburg
 St. John's Well Child and Family Center – Los Angeles
 Summer & Holiday Packs – Santa Barbara
 Tarzana Treatment Centers – Tarzana
 Terrebonne General Medical Center – Houma
 Texas Department of State Health Services – Austin
 The Captain – San Francisco
 The Children's Clinic – Long Beach
 The People's Clinic of Denton County, Inc. – Denton
 The Vasek Polak Children's Clinic – Long Beach
 Traditional Support Caravan – Petaluma
 UCI Family Health Center – Santa Ana
 United Community Health Center – Eunice
 Valley Community Clinic – North Hollywood
 Valley Health Team, Inc. – San Joaquin

Venice Family Free Clinic – Venice
 West Jefferson Medical Center – Marrero
 Westside Family Health Center – Santa Monica
 Wilmington Community Clinic – Wilmington
 Women's Clinic & Family Counseling Center – Los Angeles

VENEZUELA

Total Wholesale Value: \$17,529 • Total Weight: 227 lbs.
 People Served: 2,743

Turimiquire Foundation – Cumana

WEST BANK/GAZA

Total Wholesale Value: \$942,247 • Total Weight: 14,643 lbs.
 People Served: 278,547

ANERA – Jerusalem

ZAMBIA

Total Wholesale Value: \$4,245,726 • Total Weight: 50,977 lbs.
 People Served: 668,513

HOSO UNHCR/Kawambwa Hospital – Kawambwa

Lubwe Mission Hospital – Samfya

Lusaka District Health Management – Lusaka

Mambilima Mission Hospital – Mambilima

Mansa General Hospital – Mansa

Mbereshi Mission Hospital – Kawambwa

Mr. Chiman Patel – Mansa

St. Francis Katete Mission Hospital – Katete

Zambia Helper's Society – Lusaka

ZIMBABWE

Total Wholesale Value: \$2,188,591 • Total Weight: 14,391 lbs.
 People Served: 107,871

J.F. Kapnek Charitable Trust – Avondale

WORLDWIDE

Total Wholesale Value: \$1,501,522 • Total Weight: 8,322 lbs.
 People Served: 233,944

Bristol Myers Squibb Medical Mission Box Program
 Operation Smile



INTRODUCTION AND CERTIFICATION OF FINANCIAL STATEMENTS

The year that ended March 31, 2006, was the second year of Direct Relief's new reporting period. The change from our previous calendar-year reporting was prompted by the fact that Direct Relief typically operates at a deficit for fifty out of fifty-two weeks each year, with calendar-year-end giving determining whether the organization met its budget goals.

By changing the fiscal year and budgeting cycle, the organization can now adjust fourth quarter spending plans, if necessary, based on the results of the calendar-year-end donations. The new calendar also allows for a more informed basis to develop following year budgets. The completion of two years' activities on this reporting schedule allows for apples-to-apples comparison to the prior year's results.

Direct Relief's financial statements must account for both cash and medical material resources (or in-kind contributions) that are entrusted to the organization to fulfill its humanitarian medical mission. In fiscal year 2006, approximately 90 percent of our total public support and revenue of \$137.5 million was received in the form of in-kind materials and services. The previous pages explain where and why these material resources and other inventories carried forward from the prior fiscal year were provided.

The merging of cash and in-kind contributions in the following financial statements, which are necessarily prepared in accordance with Generally Accepted Accounting Principles, can be confusing to the non-accountants among us. The notes following the financial statements are to assist you in understanding how our program model is financed and works, to explain the state of our organization's financial health, and to inform you about how we spent the money that was generously donated to Direct Relief in 2006 by people, businesses, organizations, and foundations. At the close of fiscal year 2006, Direct Relief's financial situation was in excellent shape.

When taking an annual snapshot at the end of a fiscal year, several factors can distort a realistic picture of our (or any nonprofit organization's) financial health and activities. Since the purpose of this report is to inform you, we think it is important to call your attention to these factors.

First is the timing of donations being received and the expenditure of those donations whether in the form of cash or in-kind medical material. Donations – including donations received to conduct specific activities – are recorded as revenue when they are received or promised, even if the activities are to be conducted in a future year.

Near the end of fiscal year 2005, for example, Direct Relief received a large infusion of cash and product donations for the tsunami. As that fiscal year ended, the tsunami funds and tsunami-designated product inventories that had not been spent were reported as "surplus." In turn, those funds were carried forward and spent on tsunami activities during the course of fiscal year 2006 covered by this report. This resulted in a net operating "loss" in FY 2006.

Second is the issue of administrative expenses and how they are paid. With regard to tsunami-designated contributions received in 2005 and spent in 2006, our organization adopted a strict policy to ensure that 100% of all tsunami contributions are used only on expenses directly related to benefit tsunami victims. None of the tsunami funds were or will be used to cover pre-existing organizational costs, including staff salaries. We adopted a similar policy following Hurricanes Katrina and Rita and the Pakistan earthquake.

Consistent with this policy, all administrative expenses, including approximately \$100,000 in banking and credit-card processing fees associated with simply receiving tsunami and Katrina contributions, were absorbed through other resources. The effect of this policy has been to shift administrative costs associated with our emergency response efforts to the overall organization. We believe this is appropriate to honor precisely the clear intent of generous donors who responded to these exceptional tragedies and to preserve the maximum benefit for the victims for whose benefit the funds were entrusted to Direct Relief.

Another factor is the valuation of in-kind medical donations. Accounting standards require Direct Relief to use "fair market value" and to do so we traditionally have used the wholesale prices published by independent, third-party sources for valuation whenever possible. Such valuations typically are substantially lower than published retail prices. Because nonprofit organizations are rated on, among other things, the amount of support received, a strong incentive exists to use higher valuation sources, such as retail prices, which would be permissible. However, we believe that, in this area and most others, a conservative approach is best to instill public confidence and give the most accurate, easy-to-understand basis for our financial reporting.

Finally, we note that our organization's independently audited financial activities were also reviewed by an audit committee, the majority of whose members are not Directors of the organization. This additional level of independent review is required under the law of California.

STATEMENT OF ACTIVITIES

for the years ending March 31, 2006 and March 31, 2005

	2006		2005	
PUBLIC SUPPORT & REVENUE				
<i>Public Support</i>				
Contributions of goods and services	\$ 121,512,474	88.4%	\$ 200,137,511	90.4%
Contributions of cash and securities-tsunami	1,519,919	1.1%	12,867,052	5.8%
Contributions of cash and securities-Pakistan	1,543,188	1.1%	–	N/A
Contributions of cash and securities-Katrina	4,730,442	3.4%	–	N/A
Contributions of cash and securities-other	6,646,027	4.8%	7,733,317	3.5%
Total Public Support	135,952,049	98.9%	220,737,880	99.7%
<i>Revenue</i>				
Earnings from investments and other income	1,522,663	1.1%	607,555	0.3%
TOTAL PUBLIC SUPPORT AND REVENUE	137,474,712	100%	221,345,435	100%
EXPENSES				
<i>Program Services</i>				
Value of medical donations shipped	190,056,683		119,419,491	
Inventory valuation adjustment	2,179,103		296,270	
Operations and shipping	6,238,939		3,609,828	
Cash grants – tsunami relief activities	5,541,731		3,224,192	
Cash grants – Pakistan relief activities	590,041		–	
Cash grants – Katrina relief activities	3,764,765		–	
Cash grants – other	345,618		–	
Contributed services	–		24,608	
Total Program Services	208,716,880	151.8%	126,574,389	57.2%
<i>Supporting Services</i>				
Fundraising	680,955		676,219	
Administration	998,093		583,173	
Total Supporting Services	1,679,048	1.2%	1,259,392	0.6%
TOTAL EXPENSES	210,395,928	153.0%	127,833,781	57.8%
INCREASE IN NET ASSETS	\$ (72,921,216)	<u>-53.0%</u>	\$ 93,511,654	<u>42.2%</u>

STATEMENT OF CASH FLOWS

for the years ending March 31, 2006 and March 31, 2005

	2006		2005	
<i>Cash flows from operating activities</i>				
Increase in net assets	\$ (72,921,216)		\$ 93,511,654	
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>				
Reduction in inventory	71,235,278		(79,855,228)	
Changes in other operating assets and liabilities	(405,876)		(213,783)	
Net cash provided by operating activities	(2,091,805)		13,442,643	
<i>Net cash used by investing activities</i>				
Purchase and sale of investments and equipment	(2,841,887)		(1,194,989)	
<i>Net cash used by financing activities</i>				
Mortgage payments/Capital Lease	(29,611)		(45,435)	
Net increase in cash	(4,963,303)		12,202,219	
Cash, Beginning of Year	12,836,987		634,768	
Cash, End of Year	\$ <u>7,873,684</u>		\$ <u>12,836,987</u>	

STATEMENT OF FINANCIAL POSITION

as of March 31, 2006 and March 31, 2005

	2006	2005
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 7,873,684	\$ 12,836,987
Securities	9,360,016	6,596,966
Inventories	24,210,039	95,445,318
Other current assets	218,188	339,614
Total Current Assets	41,661,927	115,218,885
<i>Other Assets</i>		
Property and equipment	3,666,840	3,169,394
Remainder interests	37,485	67,219
Miscellaneous	3,332	5,437
Total Other Assets	3,707,657	3,242,050
TOTAL ASSETS	\$ 45,369,584	\$ 118,460,935
LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Payables and other current liabilities	\$ 391,332	\$ 534,635
Current portion of long-term debt	51,821	49,242
Total Current Liabilities	443,153	583,877
<i>Other Liabilities</i>		
Long-term debt	1,467,282	1,519,104
Capital Lease Obligation	20,990	-
Distribution payable	28,542	27,121
Total Other Liabilities	1,516,814	1,546,225
TOTAL LIABILITIES	1,959,967	2,130,102
NET ASSETS		
<i>Unrestricted net assets</i>		
Board Restricted Investment Fund	9,549,798	7,358,570
Undesignated	27,781,915	99,457,873
Total unrestricted net assets	37,331,713	106,816,443
<i>Temporarily restricted</i>	6,052,868	9,504,390
<i>Permanently restricted</i>	25,036	10,000
TOTAL NET ASSETS	43,409,617	116,330,833
TOTAL LIABILITIES AND NET ASSETS	\$ 45,369,584	\$ 118,460,935

Fiscal Year Results

In the fiscal year ending March 31, 2006, Direct Relief International provided 612 shipments of humanitarian medical material including pharmaceuticals, medical supplies, and medical equipment. The more than 850 tons (1.7 million pounds) of material aid was furnished to local health programs in 56 countries, including the United States, and had a wholesale value of \$190,056,683. The provisions contained in these aid shipments were sufficient to provide treatment to 23.9 million people.

In addition, the organization provided \$10.2 million in the form of cash grants to dozens of locally run health programs in areas affected by the December 2004 tsunami, hurricanes Katrina and Rita, and the Pakistan earthquake of October 2005.

The overall assistance furnished by Direct Relief International in fiscal year 2006 exceeded \$200 million. Direct Relief received no governmental assistance. All these resources were obtained from private sources.

Comparison to Previous Year's Results

All financial statements presented in this report show both the results for the current fiscal year and those of the fiscal year ended March 31, 2005, for comparison purposes.

Leverage

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

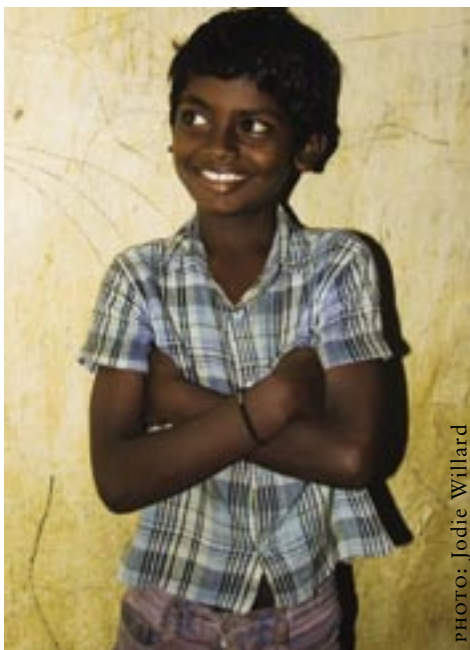
For each \$1 that Direct Relief spent in 2006 for general operations, administration, fundraising, and our core medical assistance program, the organization provided \$25.51 worth of wholesale medical material assistance. These cash operating expenses totaled \$7,451,387. The expenditure of these funds enabled Direct Relief to furnish \$190,056,683 worth (wholesale value) of medical material resources to 56 countries. The value and volume of product shipped increased 59% and 63%, respectively over the previous full-year audited period.

In addition to the core medical material assistance program, Direct Relief also provided financial assistance of \$10,242,155 through cash grants. The vast majority of these grants (over \$9.8 million) were made from designated contributions received (including in the previous year) for the tsunami, the Gulf state hurricanes, and the Pakistan earthquake of October 2005.

With tsunami-designated funds, the organization incurred \$7,260,354 in tsunami cash expenditures, of which over \$5.5 million was in the form of cash grants to support essential relief and recovery efforts conducted by local organizations in the affected countries and colleague international nonprofit organizations.

With Katrina-designated contributions, the organization incurred expenditures of \$3,912,177, of which \$3,764,765 was spent in the form of cash grants to health facilities and organizations providing direct health services to victims of the Gulf state hurricanes.

With funds received for the Pakistan earthquake of October 2005, the organization spent a total of \$805,730, of which \$590,041 was spent in the form of cash grants.



Staffing

These activities were accomplished by a staff which, as of March 31, comprised 38 positions (30 full-time, 8 part-time). Measured on an FTE (full time equivalent) basis, the total staffing over the course of the year was 32. This figure is derived by dividing the total hours worked by 2,080, the number of work hours by a full-time employee in one year. Two persons each working half time, for example, would count as one FTE.

In general, staff functions relate to three basic business functions: programmatic activity, resource acquisition and fundraising, and general administration. These are described below. The following sections describe the financial activities of our organization, how resources are spent, and how your funds are leveraged to provide assistance to people in need throughout the world.

Program Expenses

In 2006, Direct Relief spent \$17,887,060 on programmatic expenses. \$1,571,975 paid for salaries, related benefits (health, dental, and long-term disability insurance, retirement-plan matching contributions), and mandatory employer paid taxes (social security, Medicare, workers' compensation, and state unemployment insurance) for 19 full-time and 6 part-time employees engaged in programmatic functions.

Program expenses also include:

- purchase of medicines, equipment, parts, and other medical supplies not available through donation (\$1,886,983)
- inventory valuation adjustment (\$2,179,103)
- cash grants to partner organizations (\$10,242,155 of which \$5,541,731 was for tsunami relief, \$3,764,765 for Hurricane Katrina relief and \$590,041 for relief from the Pakistan earthquake)
- ocean/air freight and trucking for outbound shipments to partners and inbound product donations (\$1,045,530)
- travel for oversight and evaluation (\$163,019); contract services (\$146,579); packing materials and supplies (\$44,534); equipment repairs and maintenance (\$18,269)
- a pro-rata portion of other allocable costs (see below)

Fundraising Expenses

Direct Relief spent a total of \$680,955 on resource acquisition and fundraising in 2006. \$279,226 paid for salaries, related benefits, and taxes for 4 full-time employees engaged in resource acquisition and fundraising.

Fundraising expenses also include:

- \$161,000 for the production, printing, and mailing of newsletters, the annual report, tax-receipt letters to contributors, fundraising solicitations, and informational materials.
- \$95,542 in expenses directly related to fundraising events
- \$51,086 in travel and mileage-reimbursement expenses
- \$29,935 in contract services
- \$15,561 in outside computer services related to fundraising
- \$11,636 in advertising and marketing costs
- a pro-rata portion of other allocable costs (see below)

It should be noted that Direct Relief does not classify any mailing expenses as “jointly incurred costs” – an accounting practice that permits, for example, the expenses of a newsletter containing information about programs and an appeal for money to be allocated partially to “fundraising” and partially to “public education.” In such instances, the entire mailing expense would be designated as a fundraising expense.

FISCAL YEAR 2006	CASH AND SECURITIES	IN-KIND MATERIALS AND SERVICES	TOTAL
WHAT WE RECEIVED	\$15,962,239	\$121,512,474	\$137,474,713
WHAT WAS USED	\$(20,339,246)	\$(190,056,683)	\$(210,395,929)
YEAR-END TOTALS	\$(4,377,007)	\$(68,544,209)	\$(72,921,216)

Administrative Expenses

Direct Relief spent a total of \$998,093 on administration. Administration is responsible for financial and human resource management, information technology, and general office management. \$552,694 was for salaries, related benefits, and taxes for 7 full-time and 2 part-time employees engaged in administration and financial management.

Administrative expenses also include:

- \$44,866 in credit card, banking, brokerage, and portfolio-management fees. Of that amount, approximately \$29,000 was directly attributable to relief donations for Hurricane Katrina and the Pakistan earthquake
- \$18,814 for duplicating and printing of which \$15,567 was spent on producing our 2005 Annual Report.
- \$247,191 in consulting fees, including communications services (\$148,201) information technology services (\$11,022), a business process/ workflow review consultancy (\$45,951), recruiting services (\$26,487) and service mark/trademark registration fees
- \$33,674 in accounting fees for the annual CPA audit, the use of a temporary employment agency, the cost of preparing and filing nonprofit registration statements with state authorities in over thirty U.S. jurisdictions, payroll processing and reporting, and other financial services
- \$3,135 in taxes, licenses and permits. Direct Relief has registered as an exempt organization in virtually every state requiring such registration
- a pro-rata portion of other allocable costs (see below)

Other Allocable Costs

Direct Relief owns and operates a 40,000-square-foot warehouse facility that also serves as its headquarters and leases another 23,000-square-foot warehouse. Costs to maintain the warehouses include mortgage interest, depreciation, utilities, insurance, repairs, maintenance, and supplies. These costs are allocated based on the square footage devoted to respective functions (e.g. fundraising expenses described above include the proportional share of these costs associated with the space occupied by fundraising staff). The salary of the President and CEO is also allocated to functions in accordance with the time spent on the functions as follows: fundraising (20 percent), administration (30 percent), and programmatic activities (50 percent).

Board Restricted Investment Fund

In 1998, Direct Relief's Board of Directors established a Board Restricted Investment Fund (sometimes characterized as a "quasi-endowment" in legal or accounting terminology) to help secure the organization's financial future. The Fund was established with assets valued at \$773,786 in 1998.

The Fund is administered by the Board's Finance Committee, which meets monthly and oversees investment policy and fiscal operations. Board policy authorizes the distribution of up to five percent (5%) of the average market value (measured January 1 for the three preceding years) of the Fund's portfolio assets to support general operations. Distributions in excess of five percent require approval of three-fourths of the Board of Directors.

By Board policy, gifts received through bequests are deposited into the Fund. During the course of fiscal year 2006, the net effect of transfers into and from the Fund was an addition of \$678,000.

As of March 31, 2006, the Fund was valued at \$9,549,798.

Cash versus In-Kind Support

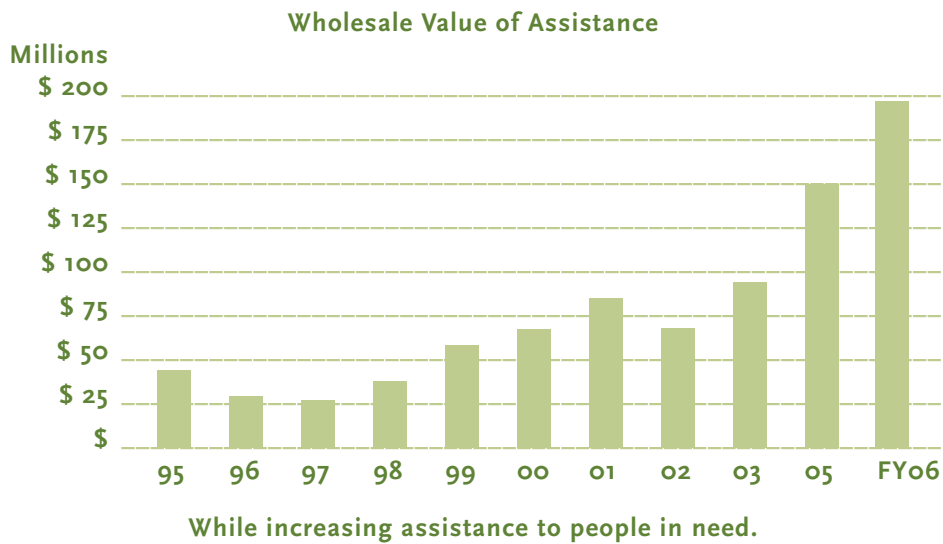
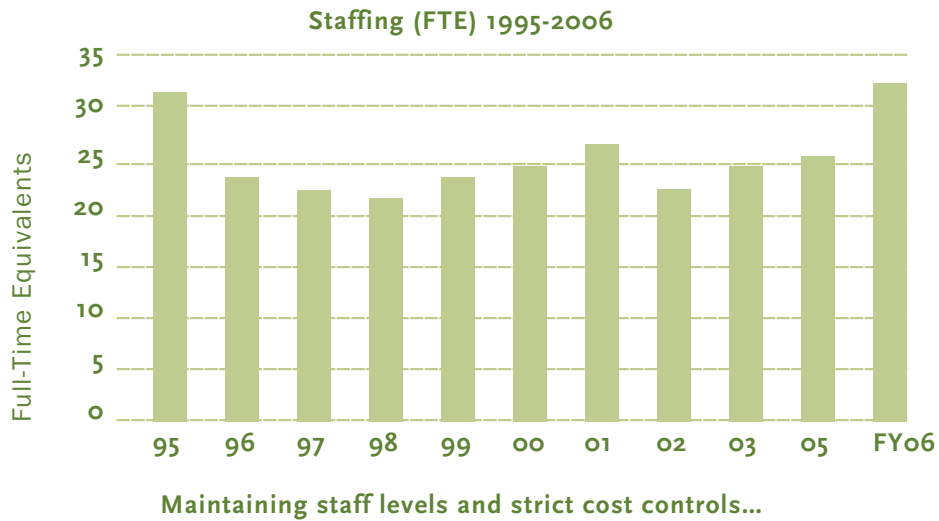
Direct Relief's activities are planned and executed on an operating (or cash) budget that is approved by the Board of Directors prior to the onset of the fiscal year. The cash budget is not directly affected by the value of contributed products. Direct Relief's program model involves obtaining and providing essential medical material resources. Cash support – as distinct from the value of contributed goods – is used to pay for the logistics, warehousing, transportation, program oversight, administration, fundraising, staff salaries, purchasing of essential medical products, acquisition of medical products through donations, and all other expenses.

How Changes in Inventory Affect our Bottom Line

Direct Relief must account for all donations – both cash and in-kind material or services – that it receives. The organization receives in-kind donations of medical products on an ongoing basis. These donations are recorded in inventory upon receipt. Direct Relief's policy is to distribute products at the earliest practicable date, consistent with sound programmatic principles. While the distribution often occurs in the same year of receipt, it may occur in the following year. An expense is recorded when the products are shipped. For the year ending March 31, 2006, Direct Relief shipped out \$71,235,279 more in humanitarian aid than it received in product donations. As noted above, substantial inventory received for tsunami assistance in fiscal year 2005 was carried forward and distributed in fiscal year 2006.

Product Valuation:

In-kind contributions, such as contributed medicines, supplies, or equipment, are valued at the wholesale price in the United States. Specifically for pharmaceutical products, the source of and basis for product values are the “Average Wholesale Price” (AWP), which is published by Thomson Healthcare’s “Redbook.” While retail values may be significantly higher, Direct Relief traditionally has chosen to use the more conservative value of the AWP to value pharmaceutical products that are contributed. For used medical equipment, the organization determines the value by reviewing the price of similar equipment listed for sale in trade publications or in relevant markets, including internet sites such as eBay.



DIRECT RELIEF INVESTORS

We thank the following individuals, organizations, and companies whose generosity enabled us to help over 23 million people around the world.

Manufacturers providing medical donations in Fiscal Year 2006

Abbott
AcryMed, Inc.
Alcon Laboratories, Inc.
Allergan, Inc.
Altana, Inc.
American Diagnostic Medicine, Inc.
American Health Products Corporation
Amgen
Amsino International
Ansell Healthcare Incorporated
Aramco Services Company
AstraZeneca
BD
Beaumont Products, Inc.
Blue Ridge Medical, Inc.
Boehringer Ingelheim Cares Foundation
Bridging the Gap
Bristol-Myers Squibb Company
BSN Medical, Inc. - Orthopaedics GBU
Carlsbad Technology, Inc.
Child Health Foundation
Cypress Pharmaceutical, Inc.
Daiichi
Den-Mat Corporation
East West Associates
Edgepark Surgical
Ethicon, Inc.
evo Medical Solutions
FNC Medical Corporation
Forest Laboratories, Inc.
Forest Pharmaceuticals, Inc.
FSC Laboratories, Inc.
Fuji Photo Film USA
GlaxoSmithKline
Havel's Incorporated
HDC Corporation
HemoCue
Henry Schein, Inc.
Herban Essentials
Hi-Tech Pharmal Company, Inc.
Hogil Pharmaceutical
Hospira, Inc.
Invacare Supply Group
Johnson & Johnson
Johnson & Johnson Consumer Companies
Joseph Weintraub, Inc.
Kawasumi Laboratories America, Inc.
Kendall Healthcare, Tyco
King Pharmaceuticals, Inc.
KM Medical, Inc.
Laddawn
Major Pharmaceuticals
Marlex Pharmaceuticals, Inc.
Martin Roth & Co.
McNeil Consumer & Specialty Pharmaceuticals
Medline Industries
Medtronic Neurologic Technologies
Medvantx, Inc.
Mentor Corporation

Merck & Company, Inc.
Microflex
MicroLife USA, Inc.
Microspecialties, Inc.
Midmark Corporation
Miltex Instrument Company
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Naryx Pharma, Inc.
National Library of Medicine, NIH
Navix Diagnostix, Inc.
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Ohm Laboratories
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Western Scientific Co.
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Young Dental
Zimmer Orthopedic Surgical Products
Zooth, a Division of Gillette

Medical Facilities, Organizations, Institutions, and Individuals providing in-kind support in

Fiscal Year 2006

(\$1,000 +)

Ms. Ann Allen
Mr. Richard E. Baker
Dennis Baker, M.D.
Richard Berkman, M.D.
J. Glenn Bradley, M.D.
Camarillo Christian Church
Cancer Center of Santa Barbara
Cardinal Health Foundation
Mr. S. E. Castaneda
Ms. Anne-Marie Castleberg
Rick Closson, M.D.
Mr. R. Costa
Countrywide
Dental Care for Children
Dr. and Mrs. Robert M. Dunn
Dupont Displays
Free Wheelchair Mission
Global Links

Globus Relief Fund
Goleta Valley Cottage Hospital
Gratiot Community Hospital
Mr. Thomas Green
Mr. Tim Hatcher
Hebrew Home of Greater Washington
Herban Essentials
International Aid
International Truck and Engine Corp.
Interplast
Mr. Eric Isaacs
George Johnson, M.D.
Scott Kozak, M.D.
Noreen and John La Pointe
Liga International
Mr. James Lynch
Marian Community Hospital
Mr. Mark Mazzaiti
William Morton-Smith, M.D.
Mr. Jack Mosely
Mr. Joseph Naus
Neonatal Services, PSC
Newport Family Practices
Mr. Jerry O'Callahan
Oral Health America
Pacific Rim Outpatient Surgery Center
Pacific Suites
Perfecto Chacon
Mr. Nathan O. Reynolds
Saddleback Eye Center
Salvation Center
Ms. Kristine Sandoe
Sansum Diabetes Research Institute
Santa Barbara Cancer Foundation
Santa Barbara City College
Santa Barbara Cottage Hospital
Santa Barbara Surgery Center
SEE International
Sequoia Hospital
Serenity House
Ms. Vicky Sims
Raymond Sims, M.D.
Mr. David Smith
St. Joseph's Hospital
Ms. Peggy Stanwood
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Ms. Nancy Thompson
Tri-Counties Blood Bank
Mr. Steve Turkheimer
UCSB - Central Stores
UCSB Student Health Service
Valley Animal Hospital
Vencor Pharmacy
Ventura County Medical Center
Vista Del Monte
Vitamin Angel Alliance
Mr. Martin H. Walker
Ms. Frances Power Weismiller
Mr. Allyn Wilde

And special thanks to the many Kiwanis Clubs, Lions Clubs, Emblem Clubs, and Rotary Clubs that have supported Direct Relief International.

Thank You!

Ambassador of Health**(\$100,000 +)**

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Allergan Foundation
American Community Trust
Amgen Foundation, Inc.
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Mr. and Mrs. William Casner
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Infinium Capital Management
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Kind World Foundation
Mr. and Mrs. Jon B. Lovelace
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Northern Trust Bank
The Orfaea Fund
The Osprey Foundation
San Francisco Foundation
Santa Barbara Vintners' Foundation
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The PRASAD Project
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The Capital Group Companies
Charitable Foundation
The Capital Trust Company of Delaware
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Highbourne Foundation
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Izumi Foundation
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Fred Maytag Family Foundation
MLB Advanced Media LP
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Marian R. Pardee Foundation
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The Donald E. and
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Jodie Willard
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Catto Charitable Foundation
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Winky Foundation
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(\$2,500 +)**

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*We strive for 100 percent accuracy.
 If, however, we have misspelled your name,
 please excuse us and let us know so we can
 correct our records.*

REMEMBRANCE

Direct Relief notes with sadness that Bill Schlosser passed away on May 18, 2005, at the age of 83. Bill was among the most generous supporters in Direct Relief's history.

The extraordinary generosity that Bill bestowed upon our organization was only one element of an extraordinary life that bequeathed a legacy in business, in other philanthropic ventures and, most importantly, in a remarkable family.

Bill shared both his good fortune and irrepressible wit with our organization and many others. As the husband of past Board Chairman Nancy Schlosser, he often quipped, "I gave Direct Relief International the best years of my wife."

We share the Schlossers' – and humanity's – loss of one of the greatest generation's all-time good guys.



“The mission of Direct Relief International is to provide appropriate ongoing assistance to health institutions and projects worldwide that serve the poor and victims of natural and civil disasters without regard to political affiliation, religious belief, ethnic identity, or ability to pay.”

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