

Healthy
People.
Better
World.

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PHOTO (opposite page): Randy Olson, courtesy of BD

In the spring of 2007, Direct Relief and a team of volunteers from the medical technology company BD worked together to improve health care for mothers and children in an underserved region in Ghana. See page 11 for their story.



This report is dedicated to

Dr. John Ganda

July 27, 1942 – January 14, 2007

For his life-long dedication to the health and welfare of the people of Sierra Leone and his passionate resolve at the helm of the Ndegbomei Development Organization through many years of civil war.



Message from the Chairman and the President & CEO

Direct Relief exists for the simple, humanitarian purpose of helping people whose health and lives are threatened by poverty, endemic diseases, natural disasters, or civil conflict.

On a day-to-day basis, fulfilling our mission in a dynamic world involves complex activities in many functional areas – strategic planning, information technology, financial management, governance, fundraising, operations, international logistics, and public health and market analysis. We think investors in our organization should know how seriously we take these issues, and that we spend significant time and resources to improve our performance. But we push hard on these business aspects of our work because they are means to the greater end of serving people in a more efficient, thoughtful, and meaningful way.

In financial terms, Fiscal Year 2007 was marked by the highest level of support, over \$240 million in cash and in-kind material and services, since our founding in 1948 – all from private sources. We received increased support for our humanitarian efforts from individuals, foundations, service groups, dozens of the world's leading healthcare companies, and other corporations, such as FedEx and Google.

In addition, Direct Relief received an unanticipated and unprecedented gift from the estate of Mr. H. Guy Di Stefano, a long-time donor. This gift, which has been placed in a separate, supporting organization wholly controlled by Direct Relief's Board of Directors, will be used to expand our assistance programs, establish a fund for rapid emergency response, and strengthen our information technology backbone that is increasingly important to expanding our assistance.

Moreover, with this gift we also will pay all our organization's overhead expenses of administration and fundraising, which have historically been among the lowest of any U.S. nonprofit organization, and in recent years have often been covered by personal gifts from our Board of Directors and members of our Advisory Board. This means that every dollar we receive in support will be applied directly to programmatic efforts.

The leadership, guidance, and generosity of our all-volunteer Board of Directors and Advisory Board led by Mr. Frank Magid were again essential to all our organization's activities over the dynamic period covered by this report.

Our work in Fiscal Year 2007 reached 862 healthcare partners in 59 countries, including the U.S., where we expanded a program to strengthen nonprofit health centers and clinics and allow low-income, uninsured persons to receive prescription medicines free of charge.

Highlights of this year's efforts are detailed in this report and on our website. Included are profiles of our work in Central America, where Direct Relief collaborated with local partners and the government in El Salvador to initiate a nationwide Vitamin A distribution program to combat preventable blindness among children. In Africa, we launched new partnerships to support hospices that are providing critical care for people and families struggling with the effects of HIV/AIDS, provided new surgical suites at key referral hospitals, and supplied delivery equipment for midwives and health professionals handling thousands of births. In Asia, Direct Relief continued to support excellent community-based health services in areas still recovering from the 2004 tsunami and the 2005 Pakistan earthquake, as well as innovative programs serving people facing hardships in Cambodia, Laos, Nepal, and Papua New Guinea.

As we approach our 60th anniversary, we remain deeply committed to serving people in the most efficient, respectful manner possible.

Please accept our heartfelt thanks for your interest and involvement in the work of Direct Relief International.



DENIS SANAN
CHAIRMAN



THOMAS TIGHE
PRESIDENT & CEO

Poverty and poor health reinforce each other.

Health has an intrinsic value for every person. It is essential for people to learn, work, and make a living. Sick people can't work, and they get poor or stay poor; and people who are poor are at higher risk of getting sick. Access to quality health services is integral to creating positive change for people stuck in this cycle.

Direct Relief is a support organization, and we aim to strengthen existing, fragile health systems that serve people who are poor. We do this by providing medicines and equipment to health professionals working in poor communities so that they can diagnose and treat people who get hurt or sick but are not able to pay enough to cover the cost of services.

In turn, the people served have a better chance to survive, become healthy, and realize their inherent human potential. Those effects represent the true value – in human terms – for the money spent.

Public health involves many related activities, including policy, training, water and sanitation, education, capital investment, and financing – all of which are essential, and many of which our organization does not do directly. We focus on those things we are good at and join in partnership with others who are good at other things.



PHOTO: Randy Olson, courtesy of BD

Large-scale natural disasters tend to attract the most attention and funding. Disasters often hit poor people hardest and further stress typically over-strained existing health facilities. We have learned that our ongoing work to support frontline clinics in poor areas, whether in the U.S. or around the world, has the added benefit of improving disaster response.

Public health requires that people receive health services when they need them. That's why we work hard to ensure that the healthcare professionals in hard-pressed areas are able to maintain, expand, and improve health services to people. While working to strengthen basic health care in resource-poor areas, Direct Relief places a high priority on focused programs serving women and children, as well as people with HIV/AIDS.

our focus

- Primary Health Care
- Maternal and Child Health
- HIV/AIDS

PHOTO: Los Angeles Free Clinic



Primary Health Care

Direct Relief's partners provide quality health services for people in resource-poor communities. These partners, by necessity, provide a broad range of services including emergency medicine, internal medicine, pediatrics, obstetrics, and gynecology.

THE ST. CHARLES COMMUNITY HEALTH CENTER

The St. Charles Community Health Center (SCCHC) of Louisiana was established in 2002 to provide accessible, primary healthcare services to residents of the greater New Orleans area. Annually serving more than 11,500 patients, whose incomes are at or below poverty levels, the Center offers reproductive and child health services, allergy/asthma specialty care, podiatry, and dental care.

Hurricane Katrina put extreme pressure on regional health services, and Direct Relief has assisted SCCHC to meet the increased demands for its services. Direct Relief furnished SCCHC with \$306,810 in cash and medical material support. Shipments of pharmaceuticals and medical supplies worth \$231,810 (wholesale) contained over-the-counter and prescription drugs such as antibiotics, anti-inflammatory agents, and a variety of medications that treat chronic conditions such as high blood pressure.

Direct Relief also provided \$75,000 in cash to help the Center initiate new maternal and child health services. This grant allowed the hire of a nurse practitioner who coordinated training and support groups for pregnant women and provided essential information on childbirth, breastfeeding, nutrition, and safety.

“The medical product and cash donations have been invaluable to our community. Patients who couldn't afford certain medications can get them free of charge thanks to your organization. [Direct Relief's] cash assistance is providing prenatal care to the Latino/Hispanic population. Post Katrina, the need in the community has increased tremendously and the services that [SCCHC] offers have become even more important. Thank you.”

– Ms. Julia Bodden, Project Manager, SCCHC

MEDICAL MISSION BOX PROGRAM

To learn more about our work with Bristol-Myers Squibb supporting doctors providing primary health care worldwide, go to www.DirectRelief.org.



“The women of Afghanistan are strong. If they get the opportunity to make something of themselves, they will.”

— Ms. Sakena Yacoobi, Executive Director, ALL

Maternal and Child Health

Direct Relief supports 130 partners worldwide working to expand access to essential medical services for women and children, including prenatal and postnatal care, safe delivery, and care for pre-term and low-birthweight babies.

AFGHAN INSTITUTE OF LEARNING

Pregnancy is a life-threatening condition in Afghanistan. One in nine Afghan women dies during or shortly after pregnancy, giving Afghanistan one of the highest maternal mortality rates in the world (UNICEF, 2007). A 2002 study by Afghanistan's Ministry of Public Health estimated that 60 percent of the population lacks access to any form of health care and only two percent of women give birth with a trained health provider present. The health risks to women and children in Afghanistan are among the most severe on the planet.

Abbott and its foundation, the Abbott Fund, and Direct Relief have an ongoing partnership to help the Afghan Institute of Learning (AIL) address this humanitarian health crisis. Staffed and run by Afghan women, AIL operates health centers and mobile clinics focused on maternal and child health, providing thousands in remote villages with their only source of medical care. In addition to delivering services, AIL trains nurses and midwives, an essential step in reducing the tragic and preventable loss of life among women and children.

The Abbott's and the Abbott Fund's contributions to Direct Relief have supported three of AIL's clinics and allowed 19 women to complete training as nurses, midwives, and health educators. In 2007, student enrollment increased to 45, with approximately 100 women on the waiting list for future classes.

By July 2007, Direct Relief and the Abbott Fund had infused over \$4.2 million in cash and medical material into AIL's innovative programs, helping to create a bright source of hope for the future.

HIV/AIDS

HIV/AIDS is the leading infectious-disease killer of adults in the world. UNAIDS estimates that in 2006, 4.3 million people became infected with HIV, 2.9 million people lost their lives to the disease, and nearly 40 million were living with HIV/AIDS.

Direct Relief's efforts aim to strengthen the overall health services in areas of high HIV-prevalence, ensure that healthcare professionals have the necessary tools to treat secondary infections, support prevention education programs, and provide general healthcare services to persons infected with the disease and their families.

UGANDA REPRODUCTIVE HEALTH BUREAU

Uganda Reproductive Health Bureau (URHB) provides a broad range of HIV-related services through three medical centers and two outreach posts serving the rural poor and medically vulnerable in five districts of Uganda – Kampala, Kaliro, Kamuli, Jinja, and Bugiri.

URHB's work includes prevention and education efforts, voluntary testing and counseling, and treatment with home-based care for people living with HIV/AIDS. Clinic staff treat opportunistic infections, to which people living with HIV/AIDS are susceptible, and help ease side effects such as weight loss and fever related to the disease and its treatment. URHB also offers anti-retroviral therapy for adults at three of its four medical centers.

Direct Relief has supported the work of URHB with multiple infusions of pharmaceuticals, medical supplies, and equipment, valued at over \$990,000 (wholesale). The donations included exam tables, wheelchairs, obstetric and gynecological instruments, autoclaves, infant scales, and an estimated 355,000 courses of treatment of antibiotics, analgesics, and prenatal supplements.

This humanitarian aid has enabled URHB to expand its invaluable education and treatment programs, helping to both serve people living with HIV/AIDS and reduce the transmission of this devastating disease.

strategic partnerships

Direct Relief plays to its strengths and collaborates for other needs, allying with a vast network of partners working on related causes and complimentary interventions in order to leverage resources.

PHOTO: Randy Olson, courtesy of BD



Ghana Volunteer Project

In the spring of 2007, a team of 12 employee volunteers from medical technology company BD worked side-by-side for three weeks with clinic staff from Direct Relief-supported Maranatha Maternity and Motoka clinics in Ghana. The disease burden of malaria, tuberculosis, malnutrition, and HIV/AIDS is significant in Ghana, and limited access to maternal and child health care compounds the challenge for medical providers.

The volunteers, selected from BD's worldwide workforce and bringing diverse professional skills, bolstered the clinics' abilities to provide vitally needed services by:

- Building a 750 square-foot primary care clinic
- Training community health workers, midwives, and nurses, focusing on methods for infection prevention and health worker safety
- Upgrading diagnostic facilities, including two clinical laboratories, to improve capabilities in hematology, microbiology, and chemistry
- Establishing new computer systems that allow for better inventory control and more accurate patient records to show disease patterns and results trends
- Introducing clean water solutions that incorporated rain water collection, storage, and piping

The Maranatha Maternity and Motoka clinics specialize in prenatal and obstetric care. Maranatha Maternity caters to the needs of poor, urban women, while Motoka is the sole clinic site for its surrounding rural community. The BD volunteer project, aimed at these key points of access to health services, was a terrific boost for the clinics, the region, and the patients that have no other access to care.

Ghana Statistics UNDP 2006 Human Development Report

- Under 5 mortality rate – 112 per 1,000 births
- Children under 5 underweight – 22 percent
- Population living on less than \$2 per day – 78.5 percent



BD volunteer Paul Soskey, left, assists Motoka Clinic staff with the renovation and upgrade of their laboratory.

“The BD team had such a great and positive impact on both clinics. In Kumasi, our laboratory has taken a new shape and thus is helping to provide quality services to our patients. Above all, the team on individual levels sacrificed a lot to sponsor patients with chronic diseases. They were such a wonderful group to work with. God bless them again and again.”

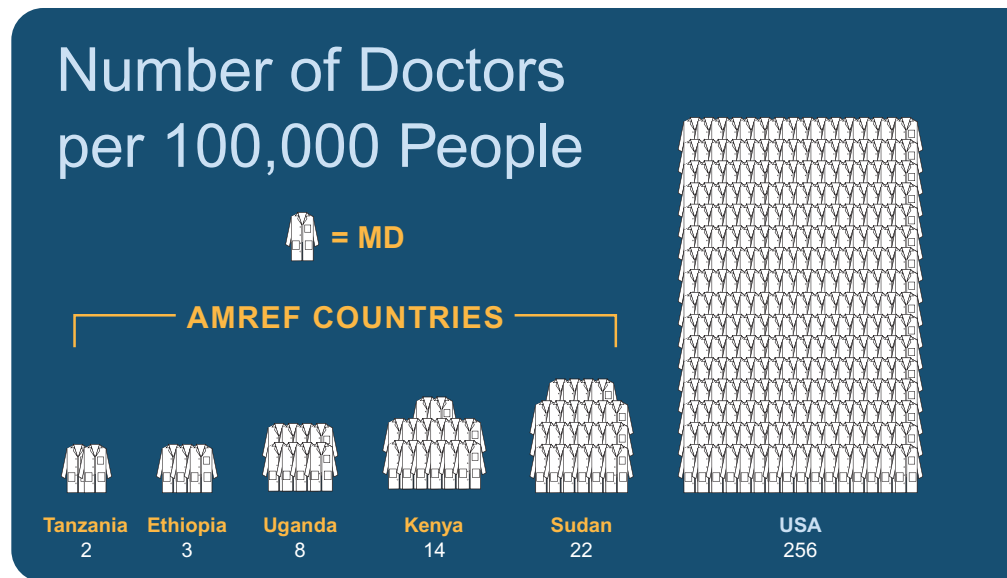
– Ms. Agatha Amoateng-Boahen, Head Nurse-Midwife, Maranatha Maternity Clinic

African Medical and Research Foundation

Founded in 1957, African Medical and Research Foundation (AMREF) is the largest non-governmental health development organization in Africa. Among many commitments that close the gaps preventing people from exercising their basic right to health, AMREF trains medical staff on combating HIV/AIDS and malaria, strengthens access to safe water, and operates the “Flying Doctors Service,” allowing physicians to reach the most isolated populations in Africa. For more than five years, Direct Relief has worked to ensure that AMREF medical staff and trainees have access to the quality healthcare materials necessary to do their jobs.

This year, Direct Relief and AMREF expanded their partnership into South Sudan and Uganda. Both countries have seen their healthcare systems starved for resources and decimated by civil war. In Maridi, South Sudan, AMREF has created a training school for clinical officers and is developing the local hospital as a teaching facility. Direct Relief has committed \$200,000 per year to train the first class of 30 clinical officers, and will provide the hospital with pharmaceuticals, medical supplies, and equipment.

In Soroti, Uganda, AMREF and Direct Relief will support the local hospital’s twelve health centers in the surrounding area. In Tanzania, the AMREF-run and Direct Relief-supported Mukuranga Project has helped significantly abate maternal mortality figures, with hospital staff reporting a two-thirds reduction.



Marie Stopes International

Marie Stopes International (MSI) provides sexual and reproductive health information and services to 4.8 million people worldwide in 38 countries across Africa, Australia, Europe, Latin America, and the Middle East. MSI is a private, voluntary organization based in the United Kingdom that works through a vast network of clinics serving populations with a lack of access to health services.

Since 2006, Direct Relief has utilized MSI’s impressive clinic network to help strengthen reproductive and maternal and child health services in developing countries. Each clinic is staffed with trained medical personnel and held to the highest standards of best practices for quality medical services.

Direct Relief has provided specifically requested medicines, medical instruments and supplies, and equipment to MSI clinics in Afghanistan, Bangladesh, Cambodia, Kenya, Malawi, Pakistan, Philippines, Sierra Leone, Tanzania, Uganda, Vietnam, and Zimbabwe.

At MSI’s clinic in Kabul, Afghanistan, women receive care for a variety of reproductive health issues – care that is largely unavailable and under-resourced throughout the country. The Kabul clinic has gone to great lengths to ensure that women are safe and comfortable behind guarded walls. Direct Relief provides MSI’s Kabul clinic with a range of products beneficial to both mothers and children, including pre-natal vitamins, diagnostic tools, and basic antibiotics.

PHOTO: Brett Williams



An American Story...

Helping 500,000 Asthma Patients

In November 2006, Direct Relief began to receive calls from partners in its domestic healthcare clinic network expressing difficulty in obtaining a commonly used asthma inhaler – albuterol. Clinics and health centers said they could not procure inhalers through their suppliers and asked if Direct Relief could assist.

Direct Relief learned that a federally mandated ban on chlorofluorocarbons (CFCs – the inhaler’s propellant) required patients using CFC albuterol inhalers to switch to an environmentally friendly inhaler by December 31, 2008. Due to the federal mandate, companies were decreasing the production of the CFC inhalers and transitioning to a new environmentally safe alternative.

To assist clinics and health centers with the change in the market, Direct Relief partnered with Schering-Plough to distribute 500,000 of the new environmentally friendly inhalers, along with educational information, to low-income and uninsured patients.

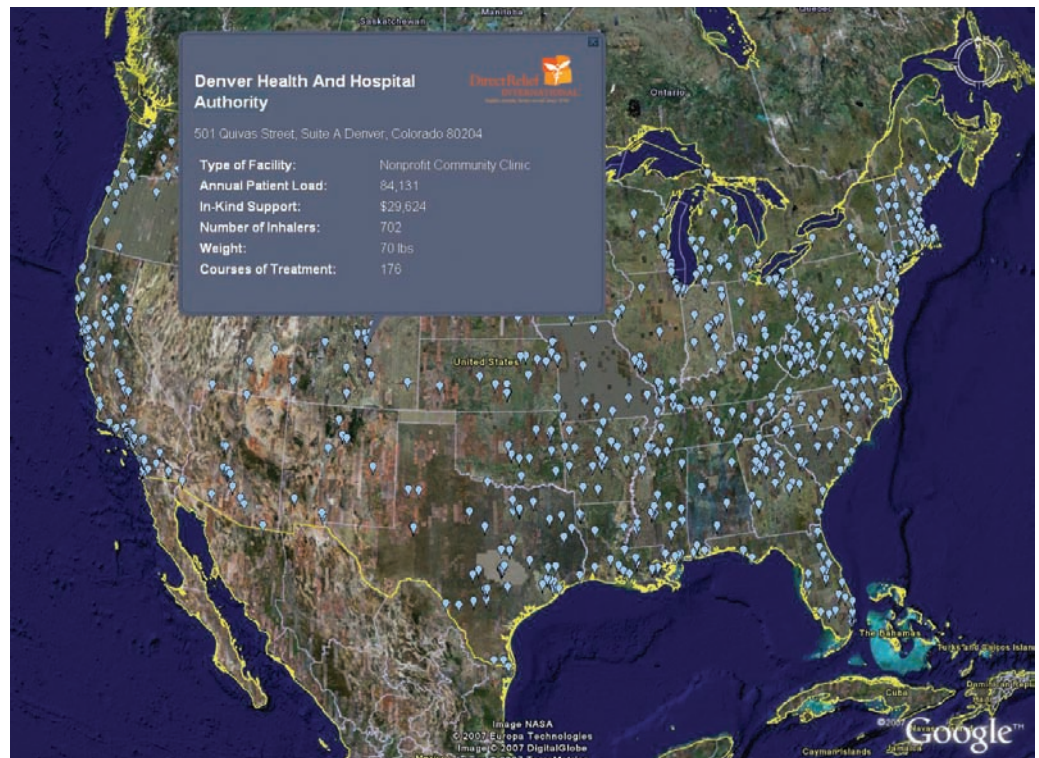
Direct Relief and Schering-Plough worked closely with The Children’s Health Fund, the National Association of Community Health Centers, and the National Association of Free Clinics to identify clinics and centers in need of inhalers.

A nationwide survey of community health centers and clinics determined that a total of 975 health centers and clinics, representing all 50 states and Puerto Rico, were in need of the inhalers. Schering-Plough’s donation of the environmentally friendly inhalers made it possible to grant the full request to each of these healthcare providers.

Malvise Scott, Vice President, Programs and Planning, of the National Association of Community Health Centers, who oversaw the Association’s involvement, said, “This was a great opportunity for us to help those who need help the most. We’re proud to be part of a ground-breaking initiative that provides additional resources for a network of providers that serve as the nation’s safety-net for low-income families.”

“This represents industry thinking differently to solve a public health issue by establishing a different distribution model, a new way to make sure donations from industry reach the populations with the biggest need.”

– Nicole Lamoureux, Executive Director of The National Association of Free Clinics



A Google Earth image of clinics and health centers that received inhaler support from Direct Relief.

emergency response

Direct Relief supports the immediate needs of disaster-affected populations by working with local partners best situated to assess, respond, and prepare for the inevitable long-term recovery. Direct Relief coordinates with all local, national, and international responders to avoid the duplication of effort, the wasting of resources, and logistical bottlenecks.

PHOTO: Brett Williams



Indian Ocean Tsunami

In response to the 2004 tsunami that forever altered life for millions in coastal communities on the Indian Ocean, Direct Relief has provided \$57 million in direct aid and continues to support, strengthen, and enable local health organizations serve those who both lost the most and have the most at stake in long-term recovery.

In Indonesia, reconstruction continues along the affected coast, but problems, particularly in the health sector, lie just beneath the surface. In Aceh, a province on the island of Sumatra, the tsunami did not destroy a robust and effective health system, but annihilated a weak health structure long compromised by civil conflict.

Despite the obstacles, and with generous cash assistance from GlaxoSmithKline, Direct Relief identified and supported several Indonesian groups working to vitalize health care in Aceh; groups such as Yayasan Bumi Sehat (YBS), an Indonesian non-profit organization focused on providing reproductive, maternal, and child health for displaced, marginalized, and low-income populations. Since it began in 1994, YBS has operated a Safe Motherhood and Infant Survival Clinic to address the need for greater community health education and maternal-child healthcare services amidst high maternal mortality rates. YBS's activities in Aceh include the training of local midwives and traditional birth attendants, as well as a strong education and community outreach program.

In the aftermath of the devastating tsunami, YBS established a health clinic and mobile services in Aceh province to provide 24-hour medical care and trauma support for thousands of internally displaced persons. Long after many international humanitarian agencies have ceased tsunami response activities, YBS continues to have a strong presence in Aceh and is committed to improving health services for the long term.

Direct Relief has supported YBS with several consignments of medical supplies and a cash grant to ensure that the clinic and dedicated staff are able to continue their mission to strengthen maternal and child health in Aceh.

“Thanks to the funding from Direct Relief we have been able to continue giving much-needed relief to the people of Samatiga, Aceh with our medical service. It is difficult, nearly impossible to relate to donors just how harsh conditions are for the tsunami survivors we serve. The tsunami of poverty is still breaking upon the people of Aceh.”

– Ibu Robin Lim, Executive Director, Yayasan Bumi Sehat

Direct Relief's Support for Tsunami-Affected Communities

Medical Material Support

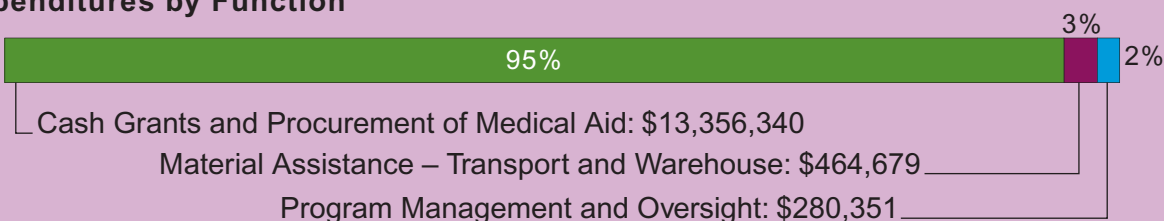
- 68 shipments
- 215 tons (429,757 lbs.)
- \$45,156,120 total wholesale value
- 4,643,483 courses of treatment

Emergency Cash Assistance

- Total: \$11,843,599 through 101 grants to 52 organizations
- Sri Lanka: \$4,386,349
- Indonesia: \$4,043,046
- India: \$2,896,964
- Thailand: \$517,240

Tsunami Cash Expenditures by Function

Total \$14,101,370



Direct Relief spent no money on fundraising for the tsunami and absorbed 100% of all related administration costs (see this policy reflected in the graphic on page 31). A detailed summary of each cash grant is available on www.DirectRelief.org describing where, why, how much, for what purpose, and results of money spent.

Pakistan Earthquake

In 1979, the German nonprofit organization GTZ detailed a team of prosthetic and orthotic specialists to Peshawar, Pakistan, to help treat a severe influx of injured Afghan war refugees. Together with a dynamic young doctor named Bahkt Sarwar, the group established a clinic that would eventually become the Pakistan Institute of Prosthetic and Orthotic Science (PIPOS).

Twenty-seven years later, Dr. Sarwar is Chairman of PIPOS and is considered a legend in his field. He has established PIPOS as a national university and has worked hard to keep the organization accredited by the International Society for Prosthetics and Orthotics. PIPOS is privately funded and is the only prosthetic training facility and limb manufacturing center in Pakistan.

When the 7.6-magnitude earthquake struck northern Pakistan in October 2005, the need for Dr. Sarwar's and PIPOS's services exploded. Over 75,000 people were killed in the quake, 260,000 were injured, and over three million were left homeless. Traumatic injuries – crushed bones, spinal cord injuries, and amputated limbs – were ubiquitous. Dr. Sarwar understood that many of these injuries would result in life-long conditions and quickly recognized that the current health system was not adequate to support the needs of those affected.

Dr. Sarwar immediately implemented a plan to establish five satellite PIPOS centers in the extremely remote areas directly affected by the earthquake. These facilities would serve those in need of prosthetic limbs and orthotic services who are unable to travel to Peshawar or Islamabad for care. The clinics would be staffed with graduates of the PIPOS training program.

Direct Relief immediately funded two of the five proposed satellite clinics in Bagh and Balakot, and, given their success, has since funded a third clinic site in Besham. PIPOS uses their Balakot center as a hub for paraplegic rehabilitation and can accommodate over 100 patients at a time.

The \$203,000 in emergency cash assistance granted by Direct Relief to PIPOS will cover the operating expenses for each clinic site for three years, caring for earthquake survivors through their intensive rehabilitation and a return to mobility.

PHOTO: Brett Williams



Direct Relief's Support for Victims of the Pakistan Earthquake

Medical Material Support

- 30 shipments
- 67 tons (134,235 lbs.)
- \$7,564,693 total wholesale value
- 1,553,128 courses of treatment

Emergency Cash Assistance

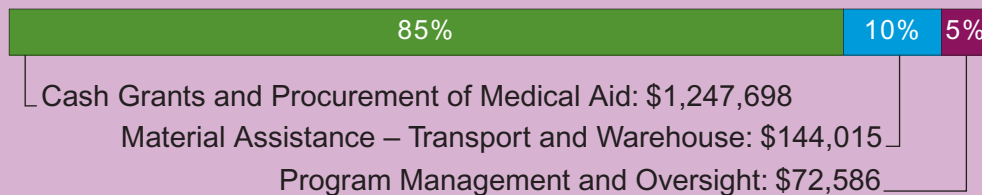
- \$1,183,422 in grants to 11 organizations



PHOTO: Brett Williams

Pakistan Earthquake Cash Expenditures by Function

Total \$1,464,299



Direct Relief spent no money on fundraising for the Pakistan earthquake and absorbed 100% of all related administration costs (see this policy reflected in the graphic on page 31). A detailed summary of each cash grant is available on www.DirectRelief.org describing where, why, how much, for what purpose, and results of money spent.

Assisting At-Risk Americans: Katrina and Beyond

Over the past two years, Direct Relief has worked to address the structural gaps in health care that became clearly evident after hurricanes Katrina and Rita. The hurricanes warranted an involvement unprecedented in the organization's 59-year history of domestic disaster response. The immediate and short-term efforts included Direct Relief's provision of \$4.6 million in cash grants to safety-net clinics and health centers and over \$31.8 million (wholesale) in specifically requested medical products donated by healthcare companies.

As a result of response efforts, Direct Relief created strong partnerships with clinics and their respective state and national associations, and has established an ongoing program to improve care for uninsured people. These efforts will continue to bring much-needed resources into the safety-net and will also be essential to future emergency responses.

The collective reach of clinics and health centers in the U.S. is vast. They are the point of healthcare access for one in five low-income, uninsured persons in the U.S. Last year, the clinics treated more than 16 million patients, 40 percent of whom had no insurance, in every state. They also are cost effective. Estimates of medical expenses for health center patients are 41 percent lower compared to patients seen elsewhere, resulting in massive savings to the overall healthcare system (NACHC, 2007).



PHOTO: Los Angeles Free Clinic

**In August 2007,
Direct Relief received
the first-ever special
award for partnership
from the NACHC.**

Groups like the National Association of Community Health Centers (NACHC), an organization representing over 1,000 health centers, all private nonprofit organizations licensed by both their home state and the federal government, are an essential component of the U.S. healthcare safety-net. Collaboration with NACHC during hurricanes Katrina and Rita allowed Direct Relief to connect with clinics treating evacuees. That relationship has since allowed further support to flow to their member clinics through ongoing donations and unique distributions of specific medicines.

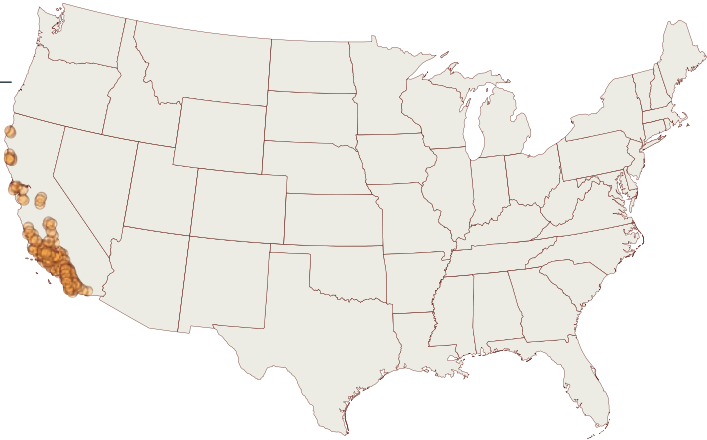
Direct Relief has provided over \$100 million (wholesale) in material aid to safety-net clinics since instituting the pilot program in 2004. The work led to an appointment by the Texas Health Commissioner to the Pharmaceutical Blue Ribbon Task Force on Emergency Preparedness and Response, from which an "emergency-scenario formulary" was developed based on the extensive interaction and after-action analysis of the shortages that emerged.

Through the support of corporate donors and participation on the Texas Task Force, Direct Relief also developed pre-positioned hurricane assistance. Sixteen clinics chosen by location, past emergency response experience, patient populations, and capacity to treat victims during a disaster, received medical products for a 72-hour period of patient treatment – enough for 100 patients per clinic experiencing a wide range of trauma situations.

Strengthening the healthcare system serving uninsured and under-insured residents of the Gulf Coast is an ongoing effort Direct Relief remains committed to. This effort has helped focus our work as we expand assistance to the rest of the U.S. While much remains to be done, Direct Relief is gratified to have responded to the emergency and ongoing health needs with the generous help of corporate supporters including Abbott, BD, Boehringer Ingelheim, King Pharmaceuticals, Pfizer, Procter & Gamble, and Schering-Plough.

Fiscal Year 2005

Direct Relief begins supporting clinics serving the more than six million uninsured people in California. The pilot program is successful in helping the state's uninsured and underinsured access quality medicines free of charge.

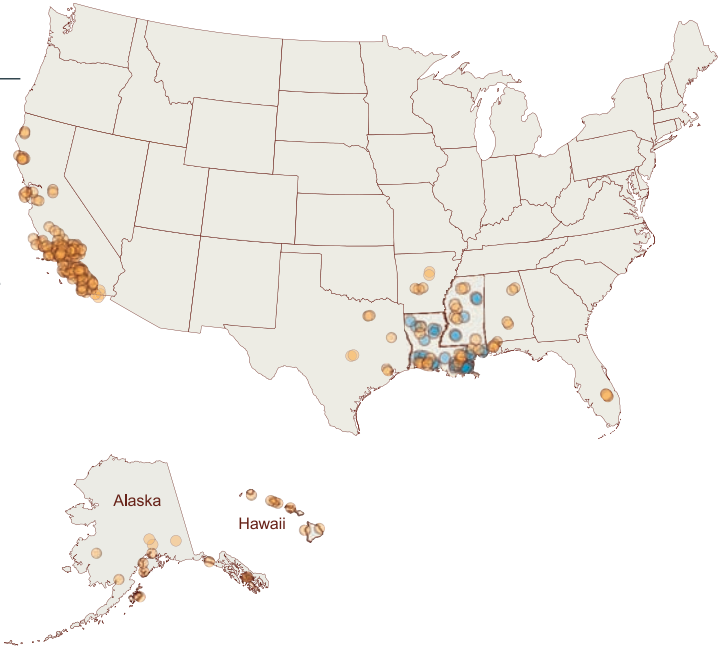


Expanding Medical Support to Safety-Net Clinics in the U.S.

- Medical Material Assistance Provided
- Emergency Cash Assistance Provided

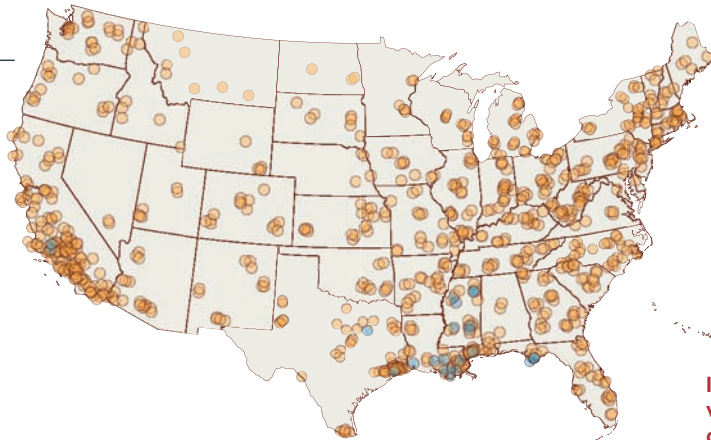
Fiscal Year 2006

Direct Relief quickly responds to hurricanes Katrina and Rita, applying the clinic-focused model of medical material support in the Gulf States. The efforts of clinics and health centers treating the surges of hurricane-affected communities are bolstered by Direct Relief's infusions of pharmaceuticals, medical supplies and equipment, and emergency cash assistance.



Fiscal Year 2007

Direct Relief expands its assistance to the whole of the U.S. to reinforce the country's healthcare safety-net with critically needed medical resources.



In Fiscal Year 2007, Direct Relief provided 919,244 courses of treatment valued at \$21,227,714 (wholesale) in the U.S., and continues to support over 1,200 clinics and health centers in all 50 states and Puerto Rico.

Direct Relief's Support for Katrina- and Rita-Affected Communities

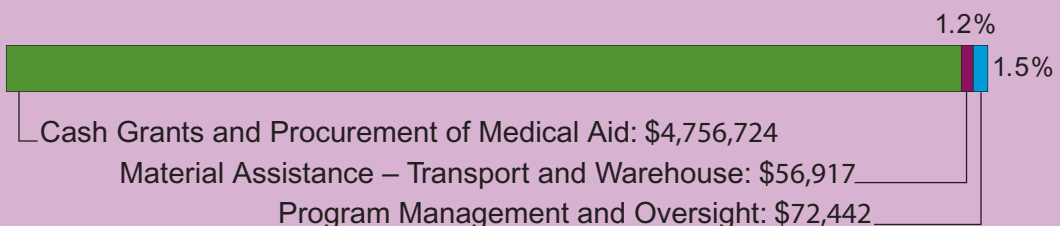
Medical Material Support

- 216 shipments
- 131 tons (263,209 lbs.)
- \$31,824,326 total wholesale value
- 1,996,875 courses of treatment

Emergency Cash Assistance

\$4,687,851 through 54 grants to clinics and health centers in Alabama, Louisiana, Mississippi, and Texas

Total \$4,886,083



Direct Relief spent no money on fundraising for hurricanes Katrina and Rita and absorbed 100% of all related administration costs (see this policy reflected in the graphic on page 31). A detailed summary of each cash grant is available on www.DirectRelief.org describing where, why, how much, for what purpose, and results of money spent.

our partners

Fiscal Year 2007

AFRICA

BURUNDI

Total Wholesale Value: \$62,750 • Total Weight: 3,531 lbs.
Courses of Treatment: 547,315

Jabe Hospital and Rohero Emergency Clinic - Bujumbura

CAMEROON

Total Wholesale Value: \$2,743,729 • Total Weight: 49,728 lbs.
Courses of Treatment: 641,948

Help Medical Foundation - Douala

Holy Trinity Foundation Hospital - Ekona

Mamfe District Hospital - Mamfe

Manyemen Presbyterian Hospital - Manyemen

Quality Healthcare Unit - Yaoundé

Rural Community Medical Foundation - Kumba

St. John of God Health Centre - Mamfe

DEMOCRATIC REPUBLIC OF CONGO

Total Wholesale Value: \$348,701 • Total Weight: 4,236 lbs.
Courses of Treatment: 99,551

Project de Lutte Contre Les Handicaps Visuels - Boma

ETHIOPIA

Total Wholesale Value: \$637,349 • Total Weight: 29,884 lbs.
Courses of Treatment: 144,240

Addis Ababa Fistula Hospital - Addis Ababa

Adoption Advocates International - Addis Ababa

Free Methodist World Mission Health Center - Addis Ababa

The World Family Ethiopian Orphans and Medical Care - Addis Ababa

GHANA

Total Wholesale Value: \$895,406 • Total Weight: 20,775 lbs.
Courses of Treatment: 330,115

Maranantha Maternity Clinic - Kumasi

Motoka Clinic - Kete-Krachi West

KENYA

Total Wholesale Value: \$1,022,123 • Total Weight: 30,479 lbs.
Courses of Treatment: 354,067

AMREF Kenya - Nairobi

Meru Hospice - Meru

OGRA Foundation - Kisumu

Rukinga Health Center - Rukinga

Solai Medical Clinic - Nakuru

VIAGENCO Comprehensive Care - Mbita

LIBERIA

Total Wholesale Value: \$3,859,930 • Total Weight: 42,692 lbs.
Courses of Treatment: 281,273

Christian Aid Ministries Liberia - Monrovia

ELWA Hospital - Monrovia

JFK Medical Center - Monrovia

MALAWI

Total Wholesale Value: \$475,283 • Total Weight: 10,098 lbs.
Courses of Treatment: 165,460

College of Medicine - Blantyre

Embangweni Hospital - Embangweni

Mulanje Mission Hospital - Mulanje

Queen Elizabeth Hospital - Blantyre

MOROCCO

Total Wholesale Value: \$1,104 • Total Weight: 48 lbs.
Courses of Treatment: 353

Ibn Sina Hospital - Rabat

NIGER

Total Wholesale Value: \$80,577 • Total Weight: 4,664 lbs.
Courses of Treatment: 49,996

Quality Assurance Project - Niamey

TurtleWill - Agadez

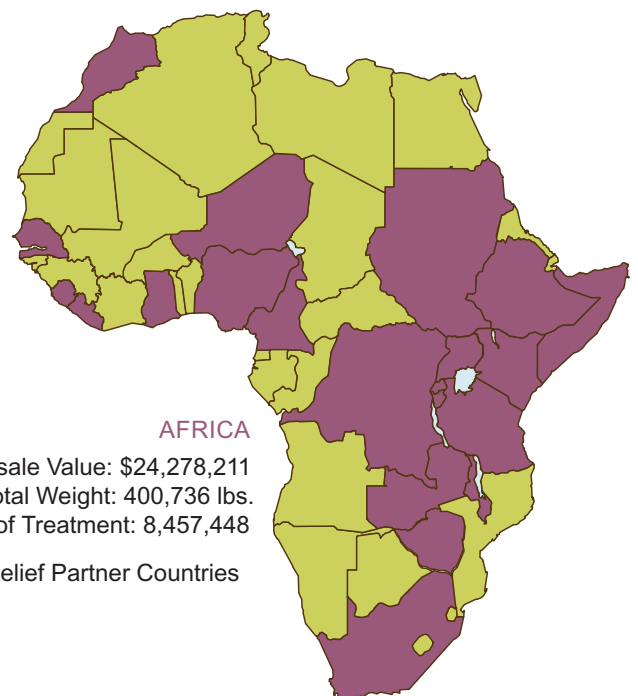
NIGERIA

Total Wholesale Value: \$85,701 • Total Weight: 1,109 lbs.
Courses of Treatment: 18,936

Antof Rural Resource Center - Oron

Medical Mission Adventures - Kaduna

St. Gerard's Catholic Hospital - Kaduna



RWANDA

Total Wholesale Value: \$15,569 • Total Weight: 86 lbs.

Courses of Treatment: 716

Solace Ministries - Kigali

SENEGAL

Total Wholesale Value: \$99,713 • Total Weight: 8,346 lbs.

Courses of Treatment: 70,726

USAID/Senegal - Ngor Diarama

SIERRA LEONE

Total Wholesale Value: \$593,089 • Total Weight: 23,680 lbs.

Courses of Treatment: 557,094

Ndegbomei Development Association - Bo

Ndegbomei Development Organization - Freetown

Royeima Community Health Center - Makeni

SOMALIA

Total Wholesale Value: \$4,104,972 • Total Weight: 24,389 lbs.

Courses of Treatment: 553,792

Edna Adan Maternity and Teaching Hospital - Hargeisa

Hargeisa Hospital - Hargeisa

SOUTH AFRICA

Total Wholesale Value: \$183,468 • Total Weight: 21,512 lbs.

Courses of Treatment: 138,232

Eastern Cape Hospices - Port Elizabeth

Sparrow Ministries - Maraisburg

Tshisimane Healing Center - Soutpansberg

SUDAN

Total Wholesale Value: \$263,970 • Total Weight: 5,530 lbs.

Courses of Treatment: 258,551

Khartoum University Medical Outreach Clinics - Khartoum

Sudan Future Care/Ahlam Charity Organization - Nyala

TANZANIA

Total Wholesale Value: \$1,628,146 • Total Weight: 37,610 lbs.

Courses of Treatment: 1,257,760

Dr. Atman Hospital - Sumbawanga

KADERES - Kagera

Kagera Salient Dispensary - Kagera

Marie Stopes Tanzania - Dar es Salaam

Namanyere Hospital - Namanyere

Sumbawanga Regional Hospital - Sumbawanga

Tanzania Women Social and Economic Development - Kigoma

UGANDA

Total Wholesale Value: \$2,585,352 • Total Weight: 32,165 lbs.

Courses of Treatment: 1,041,441

Health Volunteers Overseas - Kampala

Jinja Municipal Council - Jinja

Karoli Lwanga Hospital - Nyakibale

Northwest Medical Teams International - Lira

Rugendabara Foundation for Health and Rural Development -
Kampala

St. Mary's Clinic - Kabale

Uganda Reproductive Health Bureau - Kampala

ZAMBIA

Total Wholesale Value: \$1,372,012 • Total Weight: 39,719 lbs.

Courses of Treatment: 1,780,140

Kasaba Mission Hospital - Mansa

Kawambwa Hospital - Kawambwa

Lubwe Mission Hospital - Samfya

Lusaka District Health Management - Lusaka

Mambilima Mission Hospital - Mambilima

Mansa General Hospital - Mansa

Mbereshi Mission Hospital - Mbereshi

St. Francis Katete Mission Hospital - Katete

St. Paul's Mission Hospital - Nchelenge

ZIMBABWE

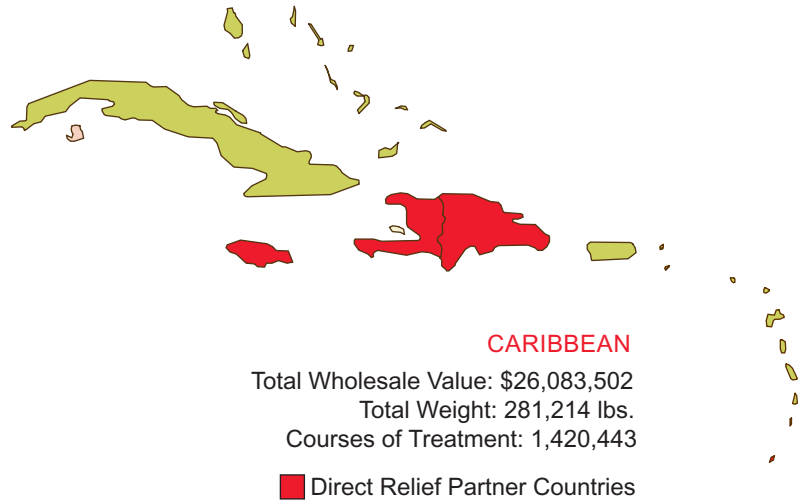
Total Wholesale Value: \$3,219,267 • Total Weight: 10,456 lbs.

Courses of Treatment: 165,742

Harare Central Hospital - Harare

J.F. Kapnek Charitable Trust - Avondale

Population Services Zimbabwe - Harare



CARIBBEAN

Total Wholesale Value: \$26,083,502

Total Weight: 281,214 lbs.

Courses of Treatment: 1,420,443

■ Direct Relief Partner Countries

CARIBBEAN

DOMINICAN REPUBLIC

Total Wholesale Value: \$13,534,231 • Total Weight: 132,061 lbs.

Courses of Treatment: 529,449

Fundacion Cruz Jiminian - Santo Domingo

Health Care Education Partnership - Santo Domingo

Iglesia de La Alabanza del Senor Jesucristo - Santo Domingo

Movimiento Socio Cultural Para Los Trabajadores - Santo Domingo

Obispado de Puerto Plata - Puerto Plata

Patronato Benefico Oriental, Inc. - La Romana

Servicio Social de Iglesias Dominicanas - Santo Domingo

GRENADA

Total Wholesale Value: \$180,856 • Total Weight: 10,640 lbs.

Courses of Treatment: 21,150

Food For the Poor - St. George's

Ministry of Health - St. George's

HAITI

Total Wholesale Value: \$9,476,969 • Total Weight: 107,702 lbs.

Courses of Treatment: 651,985

Archeveche du Cap Haitien - Cap Haitien

Asile Communal - Cap Haitien

Christian Aid Ministries - Port-Au-Prince

Croix Rouge - Port-Au-Prince

Food For the Poor - Port-Au-Prince

Hospital Justinien - Cap Haitien

Jean-Wilfred Albert Clinic - Cherident

New Hope Ministries - Port-Au-Prince

St. Jules Medical Clinic - Bourg du Borgne

JAMAICA

Total Wholesale Value: \$2,891,446 • Total Weight: 30,812 lbs.

Courses of Treatment: 217,859

Food for the Poor Jamaica - Spanish Town

Jamaica Humanitarian Dental Mission - St. James

Jamaica Partners - Ocho Rios

Missionaries of the Poor - Kingston



CENTRAL AMERICA

Total Wholesale Value: \$26,447,687
 Total Weight: 376,153 lbs.
 Courses of Treatment: 3,777,363

■ Direct Relief Partner Countries

CENTRAL AMERICA

EL SALVADOR

Total Wholesale Value: \$2,287,990 • Total Weight: 93,208 lbs.
 Courses of Treatment: 1,845,054

- Baja Project for Crippled Children - San Miguel
- Benjamin Bloom Children's Hospital - San Salvador
- Comite de Reconstruccion y Desarrollo Economico - Suchitoto
- FUDEM - San Salvador
- FUSAL - San Salvador
- O.E.F. de El Salvador - San Salvador

GUATEMALA

Total Wholesale Value: \$9,280,410 • Total Weight: 113,408 lbs.
 Courses of Treatment: 644,495

- Asociacion Nuestros Ahijados de Guatemala - Antigua
- Caritas Arquidiocesana - Guatemala City
- Caritas de Guatemala - San Marcos
- HELPS International - Guatemala City
- Order of Malta - Guatemala City
- Presbiterio Kaqchikel - Chimaltenango
- Project Xela Aid - Quetzaltenango

HONDURAS

Total Wholesale Value: \$3,184,867 • Total Weight: 60,759 lbs.
 Courses of Treatment: 428,882

- Alabama Honduran Medical Education Network - Limon
- Brigada de Salud / Honduras Relief Effort - Tegucigalpa
- CEPUDO - San Pedro Sula
- La Clinica Esperanza - Roatan
- Club Rotario Tegucigalpa/ Uniendo America - Tegucigalpa
- Comite de Emergencia Garifuna - Trujillo
- Hacienda Cristo Salva - Santa Barbara
- Honduran Health Exchange / C.P.T.R.T. - Tegucigalpa
- Hospital Vicente D'Antoni - La Ceiba
- Proyecto Aldea Global - Tegucigalpa
- Worldwide Heart to Heart Ministries - Puerto Cortes

MEXICO

Total Wholesale Value: \$198,466 • Total Weight: 3,422 lbs.
 Courses of Treatment: 36,100

- AeroMedicos of Santa Barbara - Cadeje
- EyeMax Ophthalmic Clinic - Tijuana
- Fundacion SEE International, A.C. - Ciudad Juarez
- Potter's Clay - Ensenada
- Women with a Purpose - Tijuana

NICARAGUA

Total Wholesale Value: \$11,495,954 • Total Weight: 105,356 lbs.
 Courses of Treatment: 822,832

- American Nicaraguan Foundation - Managua
- Asociacion Pro Ninos Quemados de Nicaragua - Managua
- Caritas de Nicaragua - Managua
- CONANCA Hospital Infantil Manuel de Jesus Rivera - Managua
- Nicaraguan Children's Fund - Puerto Cabezas
- Wisconsin/Nicaragua Partners of the Americas - Managua

EAST & SOUTHEAST ASIA

CAMBODIA

Total Wholesale Value: \$1,573,694 • Total Weight: 71,141 lbs.
 Courses of Treatment: 1,125,661

- Angkor Hospital for Children - Siem Reap
- Marie Stopes Cambodia - Phnom Penh
- Mongkol Borei Hospital - Mongkol Borei
- Sihanouk Hospital Center of HOPE - Phnom Penh

CHINA

Total Wholesale Value: \$101,619 • Total Weight: 1,582 lbs.
 Courses of Treatment: 13,564

- ChaZhu Valley Clinic - ChaZhu
- One HEART - Lhasa
- Rima Township Clinic - Rashu Township
- Tibetan Medical College - Yushu

FIJI

Total Wholesale Value: \$795,277 • Total Weight: 20,712 lbs.
 Courses of Treatment: 276,371

- Loloma Foundation - Beqa Island
- Savusavu Community Foundation for Savusavu Hospital - Savusavu



EAST & SOUTHEAST ASIA

Total Wholesale Value: \$6,440,714
 Total Weight: 250,959 lbs.
 Courses of Treatment: 6,387,280

■ Direct Relief Partner Countries

INDONESIA

Total Wholesale Value: \$5,617,576 • Total Weight: 92,234 lbs.
Courses of Treatment: 962,710

Australian Aid International - Yogyakarta
CHF International - Banda Aceh/Yogyakarta
HOPE Worldwide - Yogyakarta
International Relief & Development - Yogyakarta
Matahati Foundation - Sigli
Muhammadiyah - Banda Aceh/Yogyakarta
Pusat Kajian dan Perlindungan Anak (PKPA) - Banda Aceh
The Sumba Foundation - Sumba

LAOS

Total Wholesale Value: \$7,756 • Total Weight: 119 lbs.
Courses of Treatment: 32,165

Luang Namtha Provincial Hospital - Luang Namtha
Mahosot Hospital - Vientiane

PAPUA NEW GUINEA

Total Wholesale Value: \$599,940 • Total Weight: 32,246 lbs.
Courses of Treatment: 193,166

Wewak General Hospital - Wewak

PHILIPPINES

Total Wholesale Value: \$834,131 • Total Weight: 13,717 lbs.
Courses of Treatment: 414,236

Australian Aid International - Legazpi City
Bicol Relief - Albay
Dr. Jose Locsin Memorial Hospital - Silay City
Glory Reborn Organization - Cebu
Memphis Mission of Mercy - Bayawan
PHILOS Health - Jagna
Save the Children - Makati City

SOUTH KOREA

Total Wholesale Value: \$27,878 • Total Weight: 4,277 lbs.
Courses of Treatment: 34,505

St. John of God Clinic - Kwangju

THAILAND

Total Wholesale Value: \$75,742 • Total Weight: 567 lbs.
Courses of Treatment: 3,787

Baan Immanuel Ministries - Chiang Rai
Hill Tribe Clinics - Chiang Rai

VIETNAM

Total Wholesale Value: \$69,228 • Total Weight: 4,149 lbs.
Courses of Treatment: 3,787

Marie Stopes International Vietnam - Hanoi

EUROPE & MIDDLE EAST

ESTONIA

Total Wholesale Value: \$524,095 • Total Weight: 18,984 lbs.
Courses of Treatment: 137,087

Nursing Home Consortium - Parnu

KYRGYZSTAN

Total Wholesale Value: \$1,77,417 • Total Weight: 6,260 lbs.
Courses of Treatment: 802,194

National Surgical Center - Bishkek

LEBANON

Total Wholesale Value: \$2,004,617 • Total Weight: 8,783 lbs.
Courses of Treatment: 123,364

Hammoud Hospital University - Beirut

ROMANIA

Total Wholesale Value: \$5,398,883 • Total Weight: 50,587 lbs.
Courses of Treatment: 128,701

Christian Aid Ministries - Floresti

UKRAINE

Total Wholesale Value: \$194,666 • Total Weight: 10,142 lbs.
Courses of Treatment: 1,425,514

God's Hidden Treasures Rohatyn Central District Hospital - Rohatyn

UZBEKISTAN

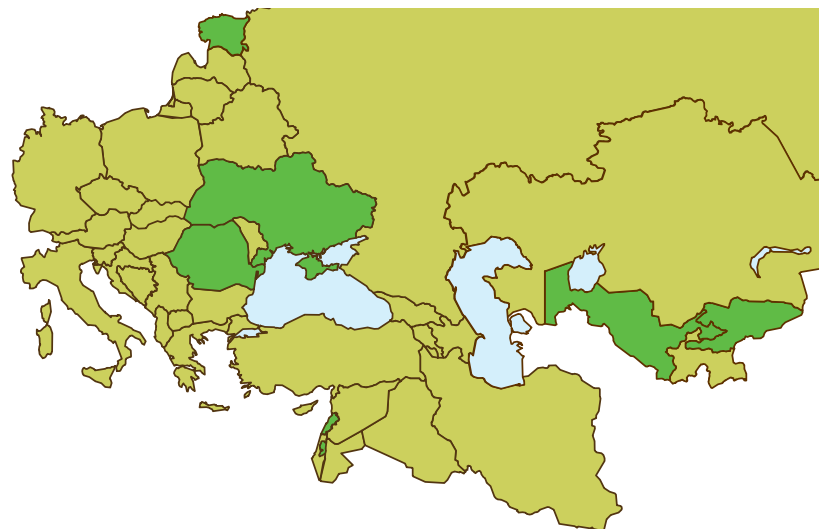
Total Wholesale Value: \$7,495 • Total Weight: 178 lbs.
Courses of Treatment: 3,993

Korean American SDA Mission - Tashkent

WEST BANK/GAZA

Total Wholesale Value: \$581,211 • Total Weight: 13,261 lbs.
Courses of Treatment: 168,109

ANERA - Jerusalem



EUROPE & MIDDLE EAST

Total Wholesale Value: \$8,888,384
Total Weight: 108,194 lbs.
Courses of Treatment: 2,788,961

■ Direct Relief Partner Countries

SOUTH AMERICA

BOLIVIA

Total Wholesale Value: \$1,486,241 • Total Weight: 32,938 lbs.
Courses of Treatment: 413,245

Centro Medico Vivir con Diabetes - Cochabamba
Population Services International Bolivia - La Paz
PRO MUJER Oficina Nacional - La Paz
PROSALUD - Santa Cruz
Proyecto de Salud del Rio Beni - Rurrenabaque

ECUADOR

Total Wholesale Value: \$1,132,322 • Total Weight: 33,593 lbs.
Courses of Treatment: 624,885

Embajada de la Orden Soberana y Militar de Malta - Quito
Junta de Beneficencia de Guayaquil - Guayaquil



SOUTH AMERICA

Total Wholesale Value: \$10,953,487
 Total Weight: 166,031 lbs.
 Courses of Treatment: 5,920,995

■ Direct Relief Partner Countries

GUYANA

Total Wholesale Value: \$6,038,468 • Total Weight: 73,414 lbs.
 Courses of Treatment: 4,584,647

Bartica Hospital - Bartica
 Central Islamic Organization of Guyana CIOG - Georgetown
 Davis Memorial Hospital - Georgetown
 Linden Hospital - Linden
 Mahaicony District Hospital - Mahaicony
 Ministry of Health - Georgetown
 New Amsterdam Hospital - New Amsterdam
 Port Mourant Hospital - Port Mourant
 St. Joseph's Mercy Hospital - Georgetown
 Suddie Hospital - Suddie

PERU

Total Wholesale Value: \$2,295,107 • Total Weight: 26,045 lbs.
 Courses of Treatment: 287,418

Arzobispado de Lima - Lima
 Dirección Regional de Salud de Ayacucho - Ayacucho
 Hospital Regional de Ayacucho - Ayacucho
 International Society for the Preservation of the Rainforest - Iquitos

VENEZUELA

Total Wholesale Value: \$1,350 • Total Weight: 42 lbs.
 Courses of Treatment: 10,812

Turimiquire Foundation - Cumana

SOUTH ASIA

AFGHANISTAN

Total Wholesale Value: \$2,489,478 • Total Weight: 78,885 lbs.
 Courses of Treatment: 246,706

Afghan Health and Development Services - Kandahar Province
 Afghan Institute for Learning - Kabul/Jalalabad/Heart
 Bamyan Province Referral Hospital - Bamyan
 Camp Phoenix - Bagram
 Family Health Alliance - Kabul
 Jamaludin Wardak Clinic - Said Abad
 Malalai Maternity Hospital - Kabul
 Marie Stopes Afghanistan - Kabul

BANGLADESH

Total Wholesale Value: \$93,444 • Total Weight: 4,244 lbs.
 Courses of Treatment: 63,346

Marie Stopes Society - Dhaka

INDIA

Total Wholesale Value: \$2,940,697 • Total Weight: 115,577 lbs
 Courses of Treatment: 5,961,491

A Touch of Love Foundation - Tamil Nadu
 Amrita Institute of Medical Sciences - Cochin
 Meenakshi Mission Hospital - Madurai
 Society For Service To Voluntary Agencies - Mumbai
 Sonada Tibetan Refugee Settlement - Sonada

NEPAL

Total Wholesale Value: \$323,981 • Total Weight: 914 lbs.
 Courses of Treatment: 63,500

Shahid Gangalal National Heart Center - Kathmandu
 Tibetan Refugee Reception Center - Kathmandu

PAKISTAN

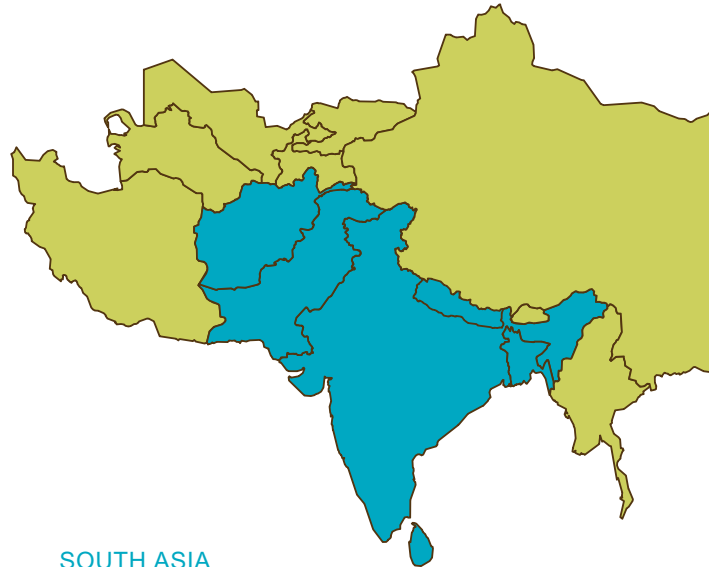
Total Wholesale Value: \$877,730 • Total Weight: 44,001 lbs.
 Courses of Treatment: 50,511

American Refugee Committee International - Islamabad
 Marafie Foundation - Islamabad

SRI LANKA

Total Wholesale Value: \$15,384 • Total Weight: 7,338 lbs.
 Courses of Treatment: 1,727

Ampara General Hospital - Ampara
 Children of Joy - Negombo



SOUTH ASIA

Total Wholesale Value: \$6,440,714
 Total Weight: 250,959 lbs.
 Courses of Treatment: 6,387,280

■ Direct Relief Partner Countries

USA

Total Wholesale Value: \$21,227,714 • Total Weight: 334,512 lbs.
 Courses of Treatment: 919,244

Direct Relief works with over 1,200 community health centers and free clinics in the United States. Please go to www.DirectRelief.org to learn more about these safety-net providers and their dedicated efforts to keep low-income communities healthy.

Introduction and Certification of Financial Statements

Fiscal Year 2007 was remarkable for Direct Relief's activities and finances. We ended the year with \$244.3 million in public support and revenue, providing \$141.6 million (wholesale value) in assistance around the world. Direct Relief's financial position and balance sheet were substantially strengthened by an unanticipated, unrestricted gift of \$32.4 million from the estate of Mr. H. Guy Di Stefano of Issaquah, Washington. This extraordinary legacy gift came from a man who chose never to disclose his intentions to our organization. Mr. Di Stefano's estate plan stipulated no restrictions to the bequest's use, and he sought no recognition for the gift.

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 2007, 83 percent of our total public support and revenue of \$244.3 million was received in the form of in-kind medical material and services. The previous pages explain where and why these in-kind medical materials and other inventories 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 2007 by people, businesses, organizations, and foundations.

At the close of Fiscal Year 2007, 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 those 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 Indian Ocean tsunami. When 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. This resulted in a decrease in net assets (or net operating "loss") in Fiscal Year 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 percent of all tsunami contributions were used only on expenses directly related to activities that 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, Katrina, and other disaster-designated 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 continue to use 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, two of whose members are independent accounting professionals and not Directors of the organization. This additional level of independent review is required under California law.

STATEMENT OF ACTIVITIES

for the fiscal years ending March 31, 2007 and March 31, 2006

	2007		2006	
PUBLIC SUPPORT & REVENUE				
<i>Public Support</i>				
Contributions of goods and services	\$ 201,822,570	82.6%	\$ 121,512,474	88.4%
Contributions of cash and securities-tsunami	277,000	0.1%	1,519,919	1.1%
Contributions of cash and securities-Pakistan	26,197	0.0%	1,543,188	1.1%
Contributions of cash and securities-Katrina	361,545	0.1%	4,730,442	3.4%
Contributions of cash and securities-Java	277,462	0.1%	–	–
Contributions of cash and securities-other	39,797,744	16.3%	6,646,027	4.8%
Total Public Support	242,562,518	99.3%	135,952,049	98.9%
<i>Revenue</i>				
Earnings from investments and other income	1,776,153	0.7%	1,522,663	1.1%
TOTAL PUBLIC SUPPORT AND REVENUE	244,338,671	100%	137,474,712	100%
EXPENSES				
<i>Program Services</i>				
Value of medical donations shipped	136,154,200		190,056,682	
Inventory adjustments (expired pharmaceuticals, etc.)	7,648,925		2,179,103	
Operations and shipping	5,337,852		6,238,939	
Cash grants – tsunami relief activities	3,077,675		5,541,731	
Cash grants – Pakistan relief activities	593,433		590,041	
Cash grants – Katrina relief activities	923,086		3,764,765	
Cash grants – Java relief activities	229,352		–	
Cash grants – other	694,308		345,618	
Total Program Services	154,658,831	63.3%	208,716,879	151.8%
<i>Supporting Services</i>				
Fundraising	896,353		680,955	
Administration	1,306,083		998,093	
Total Supporting Services	2,202,436	0.9%	1,679,048	1.2%
TOTAL EXPENSES	156,861,267	64.2%	210,395,928	153.0%
INCREASE IN NET ASSETS	\$ <u>\$87,477,404</u>	<u>35.8%</u>	\$ <u>(72,921,216)</u>	<u>-53.0%</u>

STATEMENT OF CASH FLOWS

for the fiscal years ending March 31, 2007 and March 31, 2006

	2007		2006	
<i>Cash flows from operating activities</i>				
Increase in net assets	\$ 87,477,404		\$ (72,921,216)	
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>				
Change in inventory	(57,437,022)		71,235,278	
Changes in other operating assets and liabilities	2,022,458		(897,357)	
Net cash provided by operating activities	32,062,840		(2,583,295)	
<i>Net cash used by investing activities</i>				
Purchase and sale of investments and equipment	(36,704,242)		(2,329,397)	
<i>Net cash used by financing activities</i>				
Mortgage payments/Capital Lease	(55,730)		(50,611)	
Net increase in cash	(4,697,132)		(4,963,303)	
Cash, Beginning of Year	7,873,684		12,836,987	
Cash, End of Year	\$ <u>3,176,553</u>		\$ <u>7,873,684</u>	

STATEMENT OF FINANCIAL POSITION

as of March 31, 2007 and March 31, 2006

	2007	2006
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 3,176,553	\$ 7,873,684
Securities	43,997,139	9,360,016
Inventories	81,647,061	24,210,039
Other current assets	203,903	218,188
Total Current Assets	129,024,656	41,661,927
<i>Other Assets</i>		
Property and equipment	3,961,167	3,666,840
Remainder interests	75,675	37,485
Miscellaneous	21,553	3,332
Total Other Assets	4,058,395	3,707,657
TOTAL ASSETS	\$ <u>133,083,051</u>	\$ <u>45,369,584</u>
LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Payables and other current liabilities	\$ 687,738	\$ 391,332
Current portion of long-term debt	1,467,282	51,821
Total Current Liabilities	2,155,020	443,153
<i>Other Liabilities</i>		
Long-term debt	–	1,467,282
Capital Lease Obligation	17,082	20,990
Distribution payable	23,928	28,542
Total Other Liabilities	41,010	1,516,814
TOTAL LIABILITIES	2,196,030	1,959,967
NET ASSETS		
<i>Unrestricted net assets</i>		
Board Restricted Investment Fund	44,191,681	9,549,798
Undesignated	84,597,074	27,781,915
Total unrestricted net assets	128,788,755	37,331,713
<i>Temporarily restricted</i>	2,073,230	6,052,868
<i>Permanently restricted</i>	25,036	25,036
TOTAL NET ASSETS	130,887,021	43,409,617
TOTAL LIABILITIES AND NET ASSETS	\$ <u>133,083,051</u>	\$ <u>45,369,584</u>

Notes to the Financials

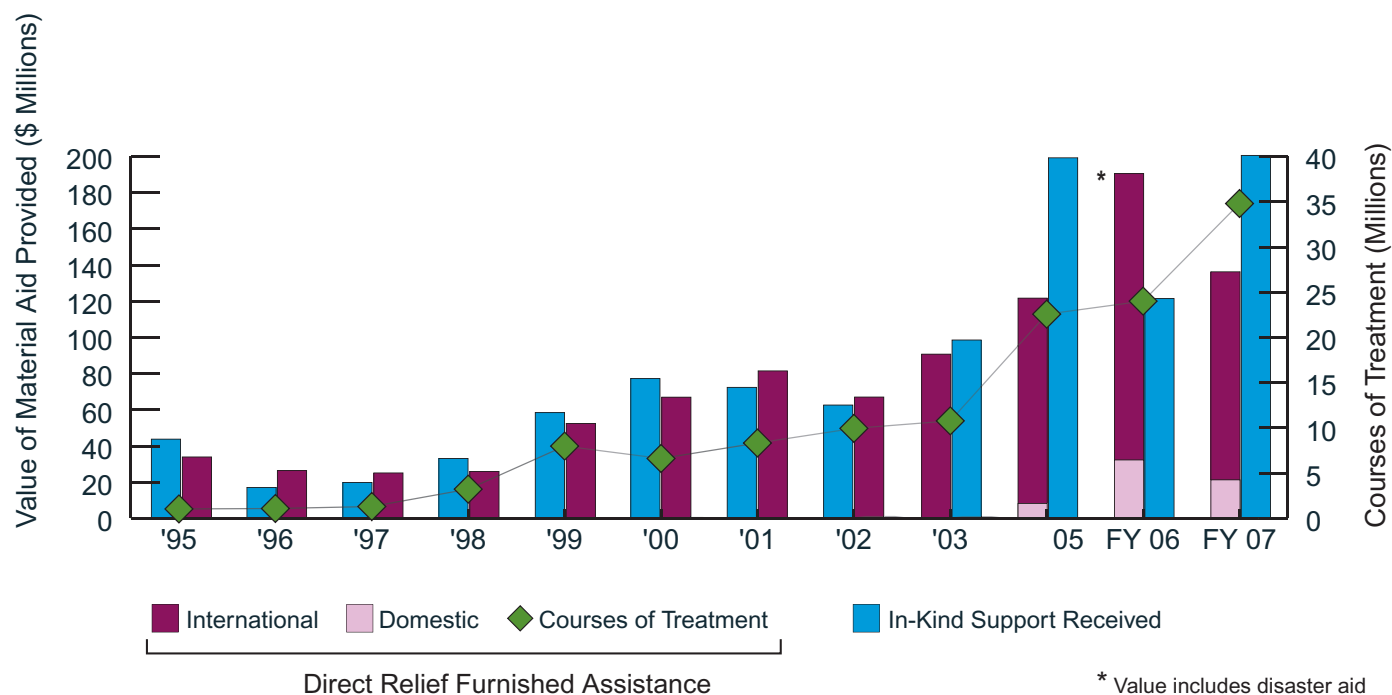
Fiscal Year Results

In the fiscal year ending March 31, 2007, Direct Relief provided 1,293 shipments of humanitarian medical material including pharmaceuticals, medical supplies, and medical equipment. The more than 1,097 tons (just under 2,200,000 pounds) of material aid was furnished to local health programs in 59 countries, including the United States, and had a wholesale value of \$136,154,200. The provisions contained in these aid shipments were sufficient to provide treatment to 34.8 million people.

In addition, the organization provided \$5.5 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, the Pakistan earthquake of October 2005, the Java earthquake of May 2006, and various other partners providing health services in other non-disaster areas.

The overall assistance furnished by Direct Relief in Fiscal Year 2007 was \$141.6 million. Direct Relief received no governmental assistance. All resources were obtained from private sources.

Expanding Assistance, Increasing Efficiency



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 Fiscal Year 2006 for comparison purposes.

Leverage

For each \$1 that Direct Relief spent in 2007 for general operations, administration, fundraising, and our core medical assistance program (excluding emergency response), the organization provided \$21.97 worth of wholesale medical material assistance. These cash operating expenses totaled \$5,909,855. The expenditure of these funds enabled Direct Relief to furnish \$129,858,824 worth (wholesale value) of medical material resources to 59 countries for the support of ongoing health needs. The weight of these materials was 2,009,198 lbs, or 1,004.6 tons.

Cash Grants

In addition to the core medical material assistance program, Direct Relief also provided financial assistance of \$5,517,853 through cash grants. The vast majority of these grants (over \$4.8 million) were made from designated contributions received (including in the previous fiscal year) for the tsunami, the Gulf state hurricanes, the Pakistan earthquake of October 2005, and the Java earthquake of May 2006.

With tsunami-designated funds, the organization incurred \$3,286,105 in tsunami cash expenditures this fiscal year, of which over \$3 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. As of March 31, 2007, the organization had spent over 96 percent of the funds received for tsunami relief.

With Katrina-designated contributions, the organization incurred expenditures of \$973,906, of which \$923,086 was spent in the form of cash grants to health facilities and organizations providing direct health services to victims of the Gulf state hurricanes. As of March 31, 2007, the organization had spent over 95 percent of the funds received for Katrina relief.

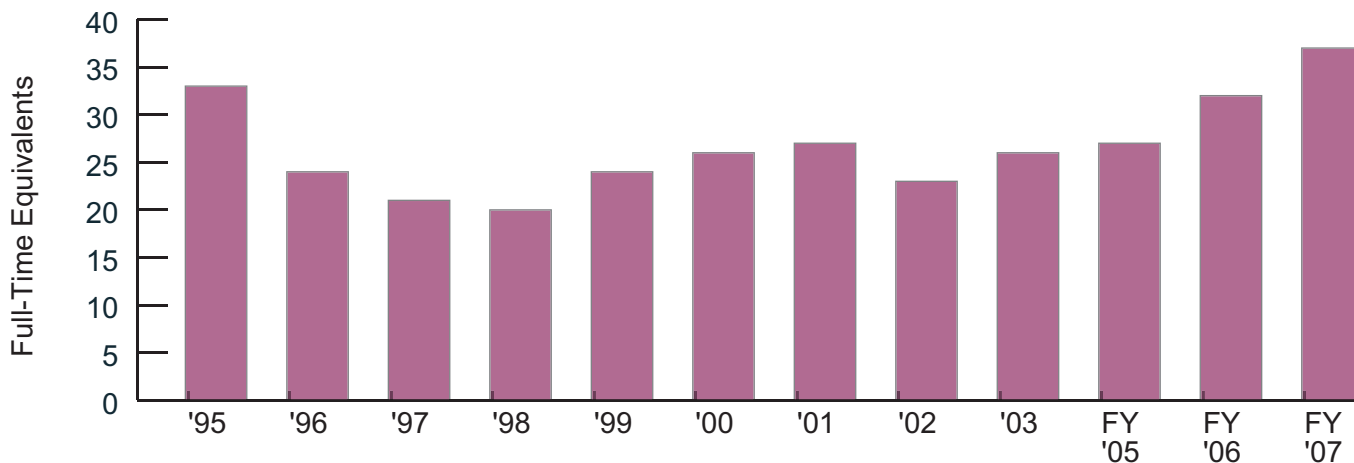
With funds received for the Pakistan earthquake of October 2005, the organization spent a total of \$658,569, of which \$593,433 was spent in the form of cash grants. As of March 31, 2007, the organization had spent over 93 percent of the funds received for this relief effort.

With funds received for the Java earthquake of May 2006, the organization spent a total of \$277,701, of which \$229,352 was spent in the form of cash grants. As of March 31, 2007, the organization had spent 100 percent of the funds received for this relief effort.

Staffing

These activities were accomplished by a staff which, as of March 31, comprised 44 positions (37 full-time, 7 part-time). Measured on an FTE (full-time equivalent) basis, the total staffing over the course of the year was 37.4. 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.

Staffing (FTE) 1995 – FY 2007



In general, staff functions relate to three basic business functions: programmatic activity, resource acquisition/fundraising, and general administration. 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

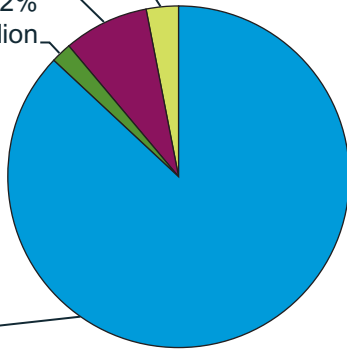
In 2007, Direct Relief's programmatic expenses totaled \$17,614,688. \$1,830,424 paid for salaries, related benefits (health, dental, long-term disability insurance, and retirement-plan matching contributions), and mandatory employer paid taxes (social security, Medicare, workers' compensation, and state unemployment insurance) for 24 full-time and 5 part-time employees engaged in programmatic functions.

2007 Expenses by Function: \$156,861,000

Program Expenses (non-disaster)
8%, \$12.4 million

Program Expenses (disaster response)
3%, \$5.2 million

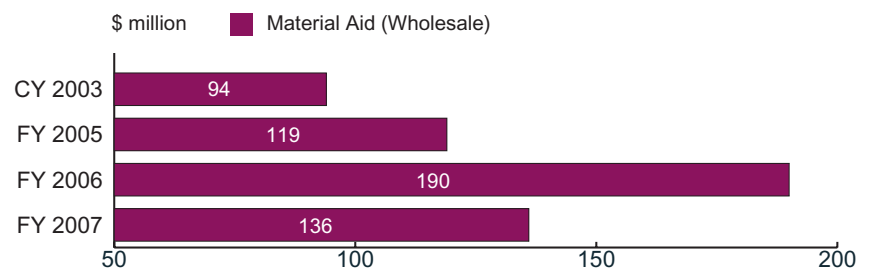
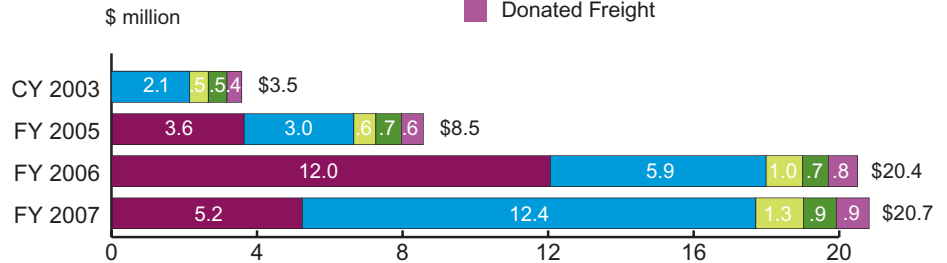
*Other 2%
\$3.1 million



Wholesale Value of Material Aid 87%
\$136.2 million

*Other	
Management & Administration	\$1.3 m
Fundraising	\$0.9 m
Donated Freight	\$0.9 m

Disaster Response
Program Expenses
Administration Expenses
Fundraising Expenses
Donated Freight



Program expenses also include:

- The value of expired products disposed of (\$7,648,925)
- Cash grants to partner organizations (\$5,517,853 of which \$3,077,675 was for tsunami relief, \$923,086 for Hurricane Katrina relief, \$593,433 for relief from the Pakistan earthquake, and \$229,352 for relief from the Java earthquake)
- Ocean/air freight and trucking for outbound shipments to partners and inbound product donations (\$1,300,401)
- Travel for oversight and evaluation (\$235,845); contract services (\$235,056); packing materials and supplies (\$70,174); disposal costs for expired pharmaceuticals (\$57,957); equipment repairs and maintenance (\$11,918)
- A pro-rata portion of other allocable costs (see below)

Fundraising Expenses

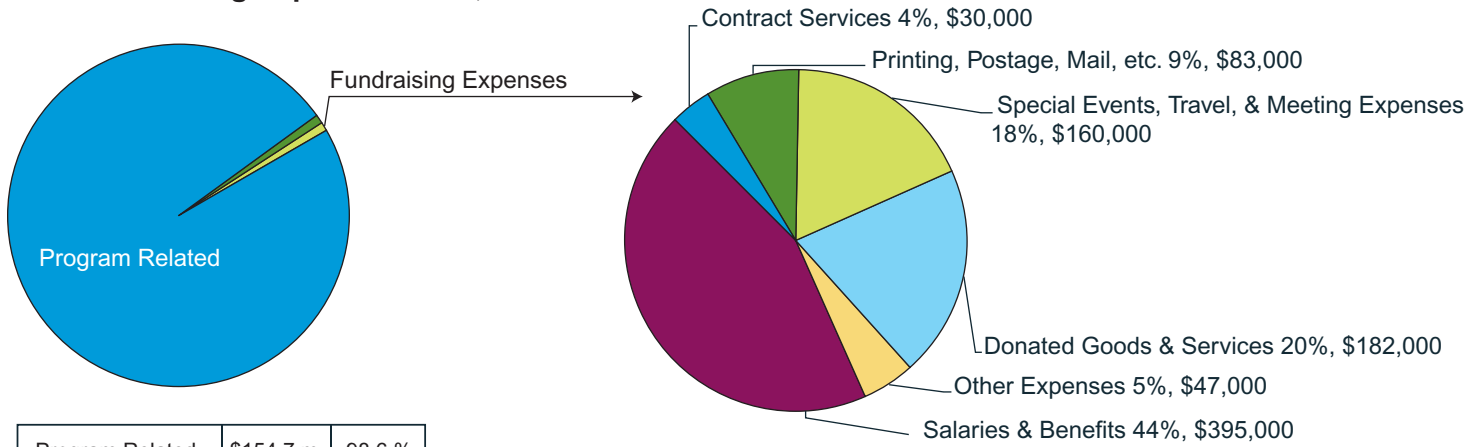
Direct Relief spent a total of \$896,353 on resource acquisition and fundraising in 2007. A total of \$394,704 was paid for salaries, related benefits, and taxes for four full-time employees and one part-time employee engaged in resource acquisition and fundraising.

Fundraising expenses also include:

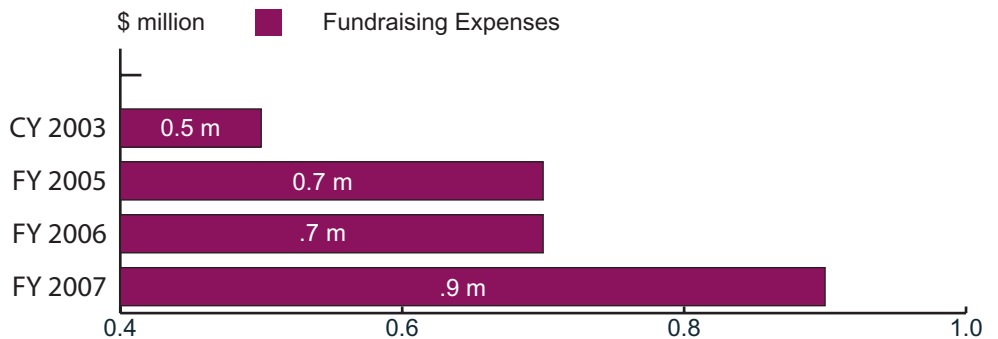
- The production, printing, and mailing of newsletters, the annual report, tax-receipt letters to contributors, fundraising solicitations, and informational materials. Total costs incurred came to approximately \$82,500.
- \$165,263 in advertising and marketing costs (of which \$160,245 in online advertising was donated by Google)
- \$124,159 in expenses directly related to fundraising events, (\$22,000 in goods were donated goods for the events)
- \$58,296 in travel and mileage-reimbursement expenses
- \$29,196 in contract services
- \$7,958 in supplies in support of the fundraising staff
- \$7,085 in outside computer services related to fundraising
- 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.”

2007 Fundraising Expenses: \$896,000



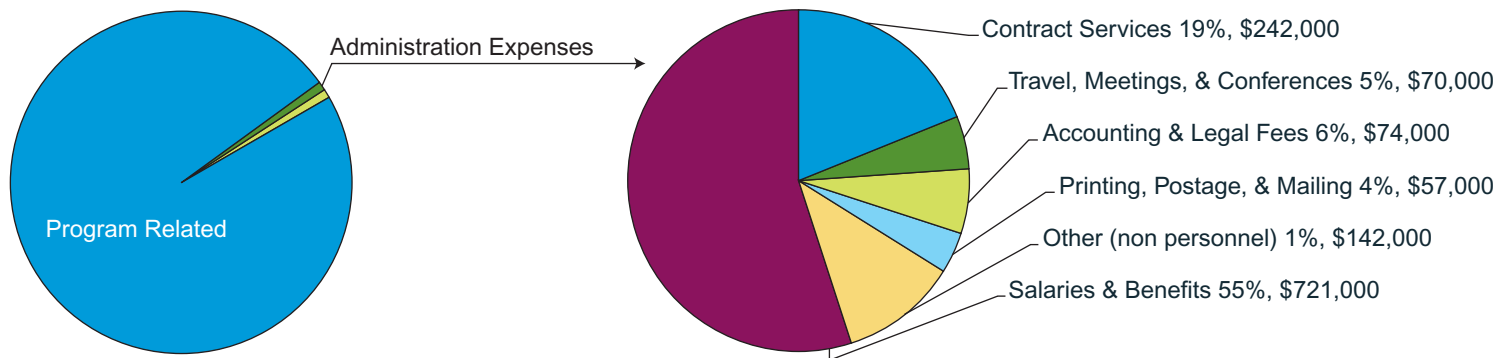
Program Related	\$154.7 m	98.6 %
Administration	\$1.3 m	.83%
Fundraising	\$0.9 m	.57%
Total	\$156.9 m	100%



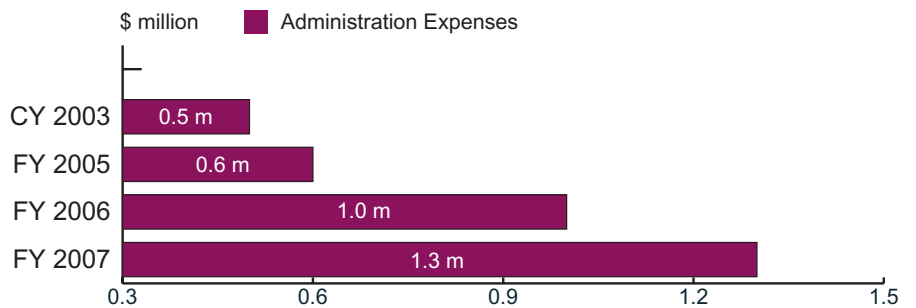
Administrative Expenses

Direct Relief spent a total of \$1,306,083 on administration. Administration is responsible for financial and human resource management, information technology, and general office management. A total of \$720,772 was for salaries, related benefits, and taxes for nine full-time employees and one part-time employee engaged in administration and financial management.

Administrative Expenses: \$1,306,000



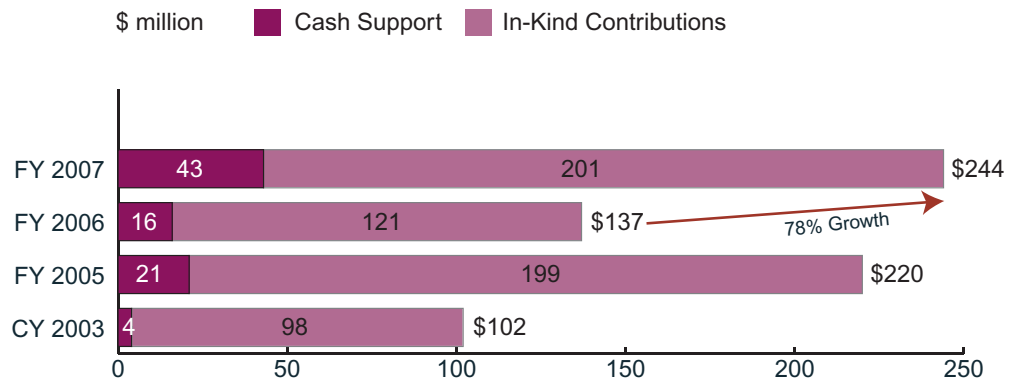
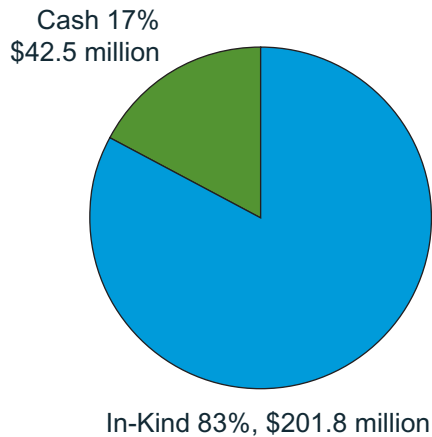
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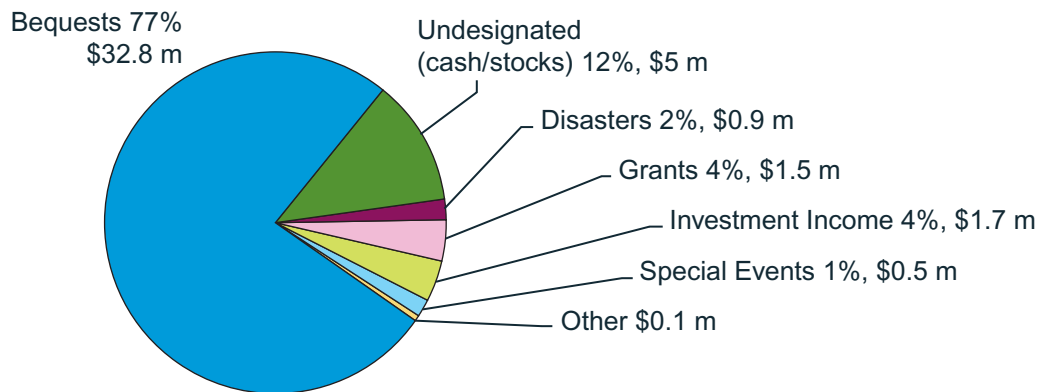
Administrative expenses also include:

- \$32,606 in credit card, banking, brokerage, and portfolio-management fees
- \$50,730 for duplicating and printing, of which \$14,147 was spent on producing our Fiscal Year 2006 Annual Report
- \$241,755 in consulting fees, including website analysis, re-design and maintenance (\$78,291), a Board-funded CFO search (\$63,679), information technology services (\$41,914), management fees for invested assets (\$26,078), and communication services (\$22,416)
- \$33,502 in accounting fees for the annual CPA audit, payroll processing and reporting, and other financial services
- \$40,448 in legal fees, \$24,371 for legal representation related to the Di Stefano bequest, and \$16,077 for general corporate matters
- \$3,794 in taxes, licenses and permits (Direct Relief is registered as an exempt organization in each U.S. state requiring such registration)
- A pro-rata portion of other allocable costs (see below)

Support & Revenues: \$244.3 million



2007 Sources of Cash Support & Revenues: Total \$42.5 million



Other Allocable Costs

Direct Relief owns and operates a 40,000 square-foot warehouse facility that also serves as its headquarters and leases an additional 23,000 square-foot warehouse. Costs to maintain the main facility 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 cost of information technology services are primarily related to the activities of the respective functions described above. These costs are allocated based on the headcount devoted to the respective functions. The salary of the President and CEO is also allocated 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 managed (effective January 31, 2007) by the Commonfund Strategic Solutions Group, an investment firm under the direction of the Board's Finance Committee, which meets monthly and oversees investment policy and fiscal operations. Board policy authorizes the reimbursement of all administrative and fundraising expenses (or all non-program expenses) from the assets of the Fund.

This year, Direct Relief received an extraordinary gift of \$32.4 million from the trust of a long-time donor, Mr. H. Guy DiStefano of Issaquah, Washington, who passed away at the age of 91. By Board policy, gifts received through bequests are transferred into the Board-Restricted Investment Fund. During the course of Fiscal Year 2007, the net effect of transfers into and from the Fund was an addition of \$33,137,402.

As of March 31, 2007, the Fund was valued at \$44,216,717.

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, 2007, Direct Relief shipped out \$64,490,193 less in humanitarian aid than it received in product donations.

Product Valuation

In-kind contributions, such as donated medical products, are valued at the wholesale price in the United States. Specifically for pharmaceutical products, the source of and basis for product values is 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 AWP to value contributed pharmaceutical products. For used medical equipment, the organization determines wholesale value by reviewing the price of similar equipment listed for sale in trade publications or in relevant markets, including internet sites such as eBay.

OUR INVESTORS

We thank the following individuals, organizations, and companies whose generosity enabled us to provide 34 million courses of treatment around the world.

Manufacturers providing Medical Donations in Fiscal Year 2007

Abbott
Alcon Laboratories, Inc.
Allergan
Alkermes, Inc.
Allied Healthcare
American Diagnostic Medicine, Inc.
Amsino International
Ansell Healthcare Incorporated
AstraZeneca
Bausch & Lomb Surgical Company
Baxter International Inc.
BD
Blue Ridge Medical, Inc.
Boehringer Ingelheim CARES Foundation
Bristol-Myers Squibb Company
BSN Medical, Inc. - Orthopaedics GBU
Carlsbad Technology, Inc.
Chattem, Inc.
Covidien
Cure Medical
DAVA Pharmaceuticals, Inc.
Den-Mat Corporation
DeRoyal
East West Associates
E. Fougera & Company
Edgepark Medical Supplies
Ethicon Endo-Surgery
Ethicon, Inc.
Forest Pharmaceuticals, Inc.
FSC Laboratories, Inc.
GlaxoSmithKline
Gowllands Limited
Havel's Incorporated
Henry Schein, Inc.
Herban Essentials
Hollister, Inc.
Hospira, Inc.
IAPYX Medical
InstyMeds Corporation / RedPharm
Invacare
Inverness Medical Nutritionals Group
Janssen Pharmaceutica, Inc.
Johnson & Johnson
Johnson & Johnson Consumer Companies
Joseph Weintraub, Inc.
Kenad SG Medical, Inc.
King Pharmaceuticals, Inc.
Lane Instruments Corporation
Leiner Health Products
LeMaitre Vascular, Inc.
Marlyn Nutraceuticals, Inc.
Matrixx Initiatives, Inc.
McKesson Medical-Surgical
McNeil Consumer & Specialty Pharmaceuticals
Medical Innovations, Inc.
Medline Industries
MedVantx, Inc.
Mentor Corporation
Merck & Company, Inc.

Microflex
Microlife USA, Inc.
Midmark Corporation
Miltex, Inc.
Mylan Laboratories, Inc.
National Library of Medicine, NIH
Nexxus (Alberto Culver)
North Safety Products
Novartis Pharmaceutical Corporation
OHM Laboratories
Onyx Medical Corporation
Pfizer, Inc.
Purdue Pharma LP
Quixtar, Inc.
Reliant Pharmaceuticals
REM Eyewear
Royal Chemical
Royce Medical
Sage Products, Inc.
Sandel Medical Industries, LLC
sanofi-aventis
Sappo Hill Soapworks
Schering-Plough Corporation
Span-America Medical Systems, Inc.
SRI Surgical
Sunrise Medical
Surgistar, Inc.
Taro Pharmaceuticals USA, Inc.
TEVA Pharmaceuticals USA
Ther-Rx Corporation
Vistakon
Watson Pharmaceuticals, Inc.
Wisconsin Pharmacal Company, LLC

Medical Facilities, Organizations, Institutions, and Individuals providing In-Kind support in Fiscal Year 2007 (\$1,000 +)

Ms. Kimberly J. Almanza
Mr. Carlos Amaro
AmeriCares International
Anda, Inc.
Assistance League of Santa Barbara
Benco Dental
Brigham and Women's Hospital
Ms. Ashlee Bright
Cancer Center of Santa Barbara
Carrillo Surgery Center
CCSI Communications
Child Health Foundation
Brian Cilla, D.D.S.
Rick Closson, M.D.
The Cones Family
Cottage Health System
CuraScript
Mr. Mack X. Dougherty
DuPont Displays
Mr. Steve Erickson
Family HealthCare Network
Fistula Foundation
Free Wheelchair Mission
Global Links
Globus Relief Fund
God's Hidden Treasures
The Goszka Family
Mr. Randy Greenberg
HealthSouth Surgical Center
Heart Hugger
Hospice Partners of the Central Coast

International Aid
Jaspan Hardware
The Jesson Family
Kaiser Optical Services
J. B. Knowles
Ms. Christine Lauer
Lucas International
Lynch Dental Company
Ms. Gail MacDonald
The Malady Family
Manatee Eye Clinic
Ms. Jean Martin
Timothy P. McConnell, D.D.S.
Mr. Robert McFarland
The Medicine Bottle Company
Ms. Jean Menzies
Mercy Ships
Michael W. Moats, M.D.
Thomas J. Morris, D.D.S.
Musculoskeletal Transplant
Kevin Myers, M.D.
Network Hardware Resale
Mr. Joel Nobbe
Nobbe Orthopedics, Inc.
Occhiali
Ojai Valley Community Hospital
Oral Health America
Pheresys Therapeutics
Ms. Nancy Poor
RSVP West Valley
Saddleback Eye Center
San Luis Trust Bank
Santa Barbara Neighborhood Clinics
Ms. Mary Schaefer
Mr. Art Schwartz
Mr. Ron Schwartzman
SEE International
Silver Chair Science
Ms. Mary J. Smith
Soundview Research
Southeastern Surgical
Ms. Diane Sova
St. John's Pleasant Valley
St. John's Regional Hospital
St. Joseph's Hospital
S. Steele
Ms. Joan Stuster
Summit Surgery Center
Murray Taubman, O.D.
Trading Places International
Mr. Robert H. Uphoff
The UPS Store # 3672
Vanguard Medical Supplies, Inc.
Ventura County Medical Center
Britt D. Vinson, D.D.S.
Visiting Nurses Association
Vitamin Angel Alliance
Vitamin Relief USA
Mr. Arthur Waldinger
Dr. Joseph Z. Walker
The Wallace Family
Mr. Kennedy Wilson
Mr. Bob Yant
Karin Yoon, D.D.S.
Special thanks to the Midmark Autoclave Program Participants and to the many Kiwanis Clubs, Lions Clubs, Emblem Clubs, and Rotary Clubs that have supported Direct Relief International.

Cash Donors

April 1, 2006 to March 31, 2007

Honorary Chair

(\$1,000,000 +)

H. Guy Di Stefano Estate

Ambassador of Health (\$100,000 +)

Abbott Fund
 Amgen Foundation, Inc.
 Anonymous
 BD
 Bush Hospital Foundation
 FedEx
 Google
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 Mr. and Mrs. Jon B. Lovelace
 The Orfaela Fund
 The Osprey Foundation
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Anonymous
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 Francois and Sheila Johnson Brütisch
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 Dorothy Largay and Wayne Rosing
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 Shaker Family Charitable Foundation
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 Yardi Systems, Inc.
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World Health Envoy (\$10,000 +)

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 Mr. and Mrs. Stephen Adams
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 Tomchin Family Charitable Trust

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 The American Society of the Most Venerable
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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.

REMEMBRANCES

Dr. Paul A. Riemenschneider, a former member and officer of Direct Relief's Board of Directors, passed away on January 29, 2007. Dr. Riemenschneider's medical career as a physician and professor was marked by extraordinarily distinguished achievement. His professional accomplishments were effectuated with a rare sense of graciousness, generosity of spirit, sense of service, and love of family that defined an extraordinary life that enriched all those fortunate enough to know him. Direct Relief benefitted greatly from his deep and personal involvement, and we shall miss him greatly.

Mr. William J. Bailey, a former member of Direct Relief's Board of Directors, passed away on August 6, 2006. Mr. Bailey enjoyed a remarkable business career, first taking the reigns of Day and Night Manufacturing Co. from his father who founded the company, and finally as Vice Chairman of Carrier Corporation. An avid athlete, he was a member of the United States Senior Golf Association and President of The Valley Club of Montecito. He was a born leader, with a delightful humor, and a deep respect for others. The absence of his humility and compassion are felt profoundly at Direct Relief and by the many people his life touched.

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