1st PLACE

INNOVATION

25 WAYS DIRECT RELIEF IS DOING DIFFERENT, DOING MORE
**OUR MISSION**

**TO IMPROVE THE HEALTH AND LIVES OF PEOPLE AFFECTED BY POVERTY, DISASTER, AND CIVIL UNREST.**

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MESSAGE FROM THE CHAIR AND THE PRESIDENT ± CEO
It is our pleasure to share the following report with you about Direct Relief’s activities in Fiscal Year 2011—July 1, 2010 through June 30, 2011. In a year marked by still challenging economic conditions, we were pleased that Direct Relief was able to expand its humanitarian health activities and provide **more support to more people than ever before**.

As a private, charitable organization, Direct Relief’s expanded efforts during the year reflected the extraordinary participation, generosity, and involvement of people, businesses, and other charitable organizations. It was both humbling and inspiring on a daily basis to witness the concern, compassion, and contributions of all types—from private individuals and organizations seeking to assist others in challenging circumstances.

Direct Relief is one of more than 1.2 million charitable organizations in the United States, so it was a high honor to receive the **2011 Peter F. Drucker Award for Nonprofit Innovation**. The strong case that always exists for new and more efficient ways to serve people in need is even more compelling when more people require help and fewer resources exist to address the need. So this was a welcome recognition for the organization and, we hope, for you and others who are involved in countless ways in all of Direct Relief’s efforts.

Direct Relief’s activities during the fiscal year were aimed at both the chronic health challenges that affect people living in poverty—both within the United States and throughout the world—and those brought about by emergencies, such as the tragic earthquake and tsunami that struck Japan and the still-urgent conditions in Haiti after experiencing a historic tragedy.

While technology has enabled new approaches and fostered new partnerships, Direct Relief’s longstanding approach of supporting locally-run facilities providing essential health services remains a key strategy. Here at home, Direct Relief USA expanded its assistance to provide free medications and supplies to people at more than 1,000 nonprofit community health centers and free clinics in all 50 states. Because Direct Relief is the only nonprofit organization licensed to distribute prescription medicines in all 50 states, this effort was essential as more people sought care at these safety-net clinics in their local communities and the facilities themselves struggled to do more with fewer resources. In addition, Direct Relief’s strong systems to communicate and share information and enhanced logistics have proven to be important assets to prepare for and respond fast in emergency situations.

Internationally, Direct Relief expanded support to partner facilities on several important fronts to **improve health services for women and children** in poor areas where they face serious risks from preventable conditions and often lack care for treatable illness or injuries. This support includes ensuring more trained midwives are properly equipped, helping expand emergency obstetric care in high-need areas, and supporting life-restoring surgeries for women who suffer the debilitating effects of obstetric fistula—a birth-related injury that affects deeply impoverished women almost exclusively.

Large-scale emergencies often galvanize media and public attention in a way that chronic, slowly unfolding tragedies in poor areas do not. Similarly, Direct Relief’s emergency response efforts tend to garner more attention than the day-to-day efforts addressing very serious threats to people’s health to which the majority of Direct Relief’s work is devoted. The most vulnerable people in any emergency are usually those who were most vulnerable the day before, which is why Direct Relief’s programs aim to **strengthen the local health services for people in need every day**.

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

DOROTHY F. LARGAY, Chair
THOMAS J. BURKE, President & CEO
Direct Relief International

1ST PLACE

2011 PETER F. DRUCKER AWARD FOR NONPROFIT INNOVATION

RICK WARTZMAN, DRUCKER INSTITUTE EXECUTIVE DIRECTOR:

“[Direct Relief’s] fundamental insight—to take the best in private-sector technology and uniquely adapt it for the social sector—has greatly strengthened a weak link in the medical supply chain...Its efforts demonstrate that social-sector organizations can achieve the very highest levels of efficiency.”

In Bolivia, El Centro Vivir Con Diabetes (CVCD) uses Direct Relief-donated iPads to record patients who are affected by diabetes, making referral to a CVCD clinic seamless. For more, p.9.

PHOTO: WILLIAM VAZQUEZ FOR ABBOTT FUND
In tough economic times, Direct Relief is accelerating through new ways of pursuing its humanitarian mission. Through the innovative use of data and mapping technologies, connecting the right medical professionals with the right resources, and operating under giving standards that best realize the intentions of donors, Direct Relief is more efficiently and effectively improving health care for people in the U.S. and around the world.
An estimated two million women worldwide are suffering from a condition few people know about. The condition is obstetric fistula, and it is entirely preventable and treatable.

Direct Relief, in partnership with the UNFPA and The Fistula Foundation, developed the Global Fistula Care Map—the first-ever worldwide map of treatment for this devastating childbirth injury—to help better understand the current fistula treatment capacity and more effectively target scarce resources to where they are needed most, and identify where gaps in service may exist.

The goal is to ensure every woman with obstetric fistula receives a life-restoring surgery and that all future fistula cases are prevented. Understanding where the problem is and where treatment is available are essential steps towards that goal.
Q&A

What is fistula? Obstetric fistula is a hole in the birth canal caused by prolonged and obstructed labor without prompt medical intervention.

Why does it matter? Fistula causes chronic incontinence and can lead to severe medical problems and social ostracization.

Whom does it affect? Fistula affects impoverished women in remote areas, far from medical care.

What can be done? The number of women with fistula far surpasses the global capacity for treatment, but fistula can be prevented when women have access to a skilled attendant during childbirth. Reconstructive fistula repair surgery can also be provided by a trained surgeon.

Meet SELFA...

Just outside Mumias, Kenya, Habiba Mohammed (right) works to identify, refer, and support women like Selfa (left) who require treatment for obstetric fistula. Habiba referred Selfa to life-restoring surgery after Selfa suffered from incontinence due to fistula for eight years. Now free of fistula, Selfa is happy, active, and a new mother to a healthy baby boy, earning income to support herself and her family through poultry, fish, and banana farming. Selfa has also become an advocate, helping to refer another woman in her village who had suffered two decades with fistula to restorative care.

NO. 2

A DECADE OF PREVENTING MOTHER-TO-CHILD TRANSMISSION OF HIV

Millions of women and families receive free testing

In 2010, an estimated 330,000 children were infected with HIV—the virus that causes AIDS—through mother-to-child transmission. That’s 900 children infected every day. It is essential to focus resources on interventions where the disease occurs to prevent the transmission of HIV from mother to child. Deciding whom to treat requires knowing who has HIV. Rapid test kits have been purchased and donated by Abbott and the Abbott Fund—20 million tests to prevention programs throughout the developing world since 2002. The tests are distributed by Direct Relief to programs in developing countries eligible for the program.

In 2011, Direct Relief distributed 2.4 million rapid tests to 32 organizations (6,500 sites) in 13 countries worldwide.
Sierra Leone has one of the highest reported maternal death rates in the world: 890 deaths per 100,000 live births, as of 2005. Long distances to health facilities, the cost of health services, shortages of health workers and essential drugs, supplies and equipment, and the low social status of women are familiar challenges in sub-Saharan Africa—and chronic issues in Sierra Leone.

But it’s not all bleak. The documented maternal mortality figures have slightly improved, and after spending the last few days traveling through Sierra Leone, I have seen some encouraging interventions that improve quality of—and access to—maternal health services.

One of the most important interventions to reduce maternal death and disability is for women to deliver with a skilled birth attendant able to manage normal deliveries and recognize signs of life-threatening complications.

The Direct Relief-supported School of Midwifery in Makeni, Bombali District, is the largest midwifery school in the country and is training 138 midwives.

Bright and early Monday morning, the school was full of eager students working hard to gain the honor of becoming the first graduating class of the Makeni School of Midwifery in April 2012. Most of the midwives trained at Makeni will work in remote clinics in rural areas, where the needs are often greatest.

This is the first time that midwifery training has been open to qualified males. Midwife-in-training Steven Ngaujah lost his sister when she died giving birth to twins without a skilled birth attendant present. “So many other women in Sierra Leone are in this position, so I was moved to be part of this work to see that maternal mortality is reduced in this country,” he explained.

Once the midwives graduate from Makeni, they must have the right equipment and supplies to use their new skills. Imagine spending two years in training only to be placed at a health facility that lacks the tools you need to do your job. This is a common scenario in Sierra Leone.

Direct Relief is working with Medical Research Center and the School of Midwifery in Makeni to ensure that when the midwives graduate, they have the supplies they need.

Supporting Mothers + Babies Worldwide

Direct Relief is committed to enabling 150,000 safe births in the next five years.

$25 DONATED = 1 SAFE BIRTH

When Frances Fornah, the head of the school, introduced me to the first class of 72 students during the tour of the school and announced that Direct Relief was equipping all of the graduating midwives, the students erupted in applause.
At least 19 million people have diabetes in Latin America and the Caribbean, and that number is expected to nearly double by 2025.

A NEW APPROACH TO DIABETES IN BOLIVIA

As daunting as the statistics are, the day-to-day realities of living with diabetes in an area without adequate care are far worse. Fortunately, the many health complications related to Type 2 diabetes can be minimized or eliminated entirely through early detection and changes in daily lifestyle.

At ground zero of the disease in Bolivia, in the city of Cochabamba, where an estimated 10 percent of adults are suffering from diabetes, the country’s only institution providing diabetes prevention, care, and treatment services is El Centro Vivir Con Diabetes (CVCD). It also happens to be one of the best in the world. In 2009, CVCD was named one of six International Diabetes Federation Centers of Education, and in 2011, one of World Diabetes Foundation’s Centers of Excellence.

CVCD focuses on diabetes screening, lifestyle education, and nutritional counseling, along with providing treatment for the most common diseases that accompany diabetes.

Abbott, the Abbott Fund, and Direct Relief support CVCD with cash assistance, medicine, and medical supplies that aid in screening for diabetes and the treatment of diabetes-related conditions, such as visual, neural, and circulatory problems.

In a new collaboration, Direct Relief provided CVCD with iPads to integrate electronic medical records for mobile and clinical data collection, management, and visualization. This technology has bolstered CVCD’s already strong mobile testing program, Prevenir, which has screened more than 100,000 Bolivians for diabetes.

ELIZABETH DUARTE GOMEZ, M.D.
El Centro Vivir Con Diabetes Founder and Director
“The happiness we feel at being able to give to those in need, without worrying about what it costs, is indescribable. Direct Relief, Abbott, and the Abbott Fund provide us with materials for quality medical care, and thus allow our dreams to come true.”
THE LARGEST CHARITABLE MEDICINE PROGRAM IN THE U.S.

DIRECT RELIEF USA STRENGTHENS THE SAFETY NET FOR 20 MILLION PEOPLE

Direct Relief is the only nonprofit working with more than 1,000 clinics in all 50 states, providing free medications and supplies for clinics’ ever-growing number of low-income and uninsured patients.

As the first and only nonprofit that is licensed as a wholesale pharmacy distributor in every state, Direct Relief has provided $300 million in medicines and supplies to U.S. clinics since 2004.

WHY DIRECT RELIEF USA?

DAMON TAUGHER,
DIRECTOR OF DIRECT RELIEF USA

“Our goal is that every person, regardless of insurance status or ability to pay, has access to the medicine they need to stay healthy.”
No. 7

CRYSTAL CLEAR TRANSPARENCY

Precise mapping of every donation sent to every clinic partner in the U.S.
DIRECTRELIEF.ORG/USA
Over the past several years, the unemployment rate in the U.S. has experienced a greater increase than in the previous two decades, causing many people to lose their health insurance. This presents serious challenges to those diagnosed with chronic diseases, especially the 25 million people in the U.S. with diabetes. Direct Relief’s partner clinics and health centers have reported a sharp increase in the number of patients seeking diabetes treatment.

To address this growing challenge, Direct Relief USA and BD developed a program to assist people with insulin-dependent diagnosed diabetes, by providing 10 million insulin syringes and pen needles to a nationwide network of nonprofit clinics. Additionally, Direct Relief and BD, in partnership with the National Association of Community Health Centers and the National Association of Free and Charitable Clinics, distributed two nationwide nonprofit clinic surveys to better understand the need for insulin injection products and to gauge the increase in patient populations.

With information provided by 803 clinic and health center respondents spanning all 50 states, Direct Relief and BD have been able to support treatment for 5 million people.
For our diabetic patients in particular, it is so hard to monitor and control their diabetes because they are unable to afford their supplies and medications. It is because of generous donations like Direct Relief’s that we are able to fight the good fight and provide necessary healthcare services for our most underprivileged population.”

In 2011, Direct Relief and CVS provided 166,000 flu vaccine vouchers worth $5 million to safety net clinics, located near CVS retail pharmacies throughout the nation. 360 clinics in 38 states and Washington D.C. received free flu shot vouchers for their patients without health insurance.

Working with county Medical Reserve Corps (MRC) and FedEx, Direct Relief equips medical reservists in California with ruggedized, “grab-and-go,” emergency response packs containing supplies and equipment to meet a variety of prevalent disaster-related health needs, including infection control, diagnostics, trauma care, and personal protection tools.

1,235 MRC PACKS
15 MRC UNITS
ACROSS CALIFORNIA

VENICE FAMILY CLINIC
VENICE, CALIFORNIA

MELANIE ROBY
Executive Director,
Dr. Albert B. Cleage Senior Memorial Health Center,
Detroit, MI

“TEAMING WITH CVSpharmacy TO PROTECT THE UNINSURED FROM FLU”

DIRECT RELIEF USA WINNER

OUTSTANDING MEDICAL RESERVE CORPS PARTNER ORGANIZATION AWARD 2010

National Office of the Civilian Volunteer MRC
IN THE IMMEDIATE CHAOS after an emergency there is pressure to act, but there is also a need for information from which to cue. Information flow drives work flow. The use of new technologies and communication methods set a foundation of information on which Direct Relief can build its programs for general medical assistance and emergency preparedness.

Two such technologies helped leverage Direct Relief’s rapid response to the tornadoes and storms in the U.S. South and Midwest in May of 2011.

$1 million in medical aid for people in Joplin, Missouri, and other affected communities.
Communicating Needs on the Go

Recognizing communication difficulties that U.S. clinic partners face during emergencies—they’re typically too busy treating an influx of patients to be sitting at their computers scrolling through emails for offers of medical product that may or may not be there—Direct Relief enabled text message notification capability for any of its 1,000 U.S. clinic partners.

Text messaging has been important in communicating partner needs and available medical resources given mobile, on-the-go clinic operations during emergencies.

Immediately following the tornadoes and storms, Direct Relief issued text message alerts of offers of support to clinic partners in the six states affected. This helped the total assistance provided: more than $1 million in medical aid.

Anticipating the Needs of People with Diabetes During Disasters

Among Direct Relief’s particular concerns in the aftermath of the U.S. storms were patients with diabetes who would be in need of insulin as well as blood sugar testing supplies to avoid causing serious and immediate health risks. Cross-referencing responding clinic partners with a nationwide diabetes survey, Direct Relief (in partnership with BD) conducted a month earlier, it was obvious there was a great number of patients using insulin in the affected areas.

With input from affected partners and information from the survey, Direct Relief provided insulin producer and long-time partner Sanofi US with specific clinic requests for insulin which were rapidly filled by cold-chain dropshipments from the company’s distribution centers.

OUR DEEPEST THANKS
TO OUR U.S. STORMS & TORNADO RESPONSE COMPANY SUPPORTERS:

Mapping is not just visualized data.

At Direct Relief, mapping means better-targeted medical assistance and a window through which donors can understand their impact. Mapping is higher impact aid under clearer transparency, delivered. Here’s how Direct Relief’s hurricane preparedness map works to help direct programmatic activity during an emergency (i.e. Hurricane Irene) and reports back to donors on relief efforts >>
Direct Relief USA plays an integral part in California’s Standardized Emergency Management System through partnership with the California Emergency Management Agency (Cal EMA). This allows Direct Relief to further represent clinics, health centers, and public health officials by anticipating and addressing their medical material resource needs during an emergency.

Working with Cal EMA Direct Relief leads the distribution of donated medical resources to front-line health providers during an emergency for the Business and Utility Operations Center (BUOC), due to Direct Relief’s expertise in medical product distribution and relationships with the country’s leading pharmaceutical and medical manufacturers. The BUOC engages private industry during emergencies, and includes representatives from Target, Wal-Mart, Home Depot, Lowes, the California Utilities Emergency Association, San Francisco Helicopters, the California Resiliency Alliance, and the California Grocers Association.

**HURRICANE PREP PACKS** provided to U.S. clinic partners contain medical items to treat

**100 PATIENTS FOR 3-5 DAYS**

- Anti-infection and antibiotic medicines for injection, topical, and oral use
- Diabetes testing supplies, including glucose meters, test strips, and lancets
- Insulin, insulin syringes, and oral medications for diabetes management
- Medications to treat hypertension
- Aspirin, acetaminophen, and other pain-management medicines
- Inhalers to treat patients with asthma
- Prescription drugs for the management of behavioral health conditions
- Emergency epinephrine doses for severe allergic reactions
- Medications for seizure control
- Medicines to prevent and treat eye infections
- Stethoscope, blood pressure cuffs, and exam gloves
- Gauze and elastic bandages for wound care

**PREPARING CALIFORNIA**

**Working with the State to Respond Better**

**Hurricane Preparedness Support**

- **17 fiscal year 2011 annual report**
- **No. 13**

**Robert A. Petit / Cal EMA**
JAPAN EARTHQUAKE + TSUNAMI RELIEF

CONNECTING TALENT WITH PEOPLE WHO CARE

In emergencies, community-based groups do the heavy lifting

Nutritionist Morinage Yoko checks stock and orders new supplies for Direct Relief-partner Peace Boat’s central kitchen in Ishinomaki, Miyagi Prefecture, Japan. Peace Boat has provided more than 100,000 meals to people affected by the earthquake.

of which thanks to ZYNGA, FACEBOOK + MAFIA WARS players
During emergencies, the local clinics and hospitals that Direct Relief works with are often too busy and spread too thin to worry about fundraising to support their efforts, and they quickly run out of the money and resources needed to do the job. They are, however, at the heart of the work being done to save lives and repair communities.

In Japan, Direct Relief—in partnership with the Japanese American Citizens League (JACL)—leveraged the generous attention received by granting 100 percent of funding and resources to these small, grassroots groups. This ensures that those with the most at stake in an emergency—the healthcare providers who are among the people affected—with the greatest potential to save lives and repair and rehabilitate injuries have the means to do so.

100% of all contributions received have been used exclusively to help people in Japan, supporting local Japanese organizations caring for the most vulnerable people affected by the earthquake and tsunami, with special focus on people with disabilities and the elderly.

Games for Change (Real) Life-Saving Aid

Hundreds of millions of people around the world are playing games online for fun; but in an instant, Zynga and Direct Relief turned gaming into good by transforming online connections into real-life aid.

Zynga develops games, like Mafia Wars, that are available through social networking websites, such as Facebook. By offering gamers the option to purchase virtual goods to gain an edge in game-play—the proceeds from which are channeled into charitable donations—virtual buys become life-saving assistance from groups like Direct Relief.

Building Support

<table>
<thead>
<tr>
<th># of Direct Relief donors in 2009</th>
<th>5,400</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Direct Relief donors IN 1 WEEK with Zynga’s help</td>
<td>120,700</td>
</tr>
</tbody>
</table>

Japanese Relief + Recovery Groups
Why are you hopeful?

BRETT WILLIAMS,
Direct Relief Director of International Programs

"I know that getting something as simple as antibiotics in the right doctor’s hands can save a child’s life, and we can do that."
Two years after the earthquake that took a quarter of a million lives and left millions more injured and homeless, Direct Relief has been among the largest providers of medical material aid to Haiti, which continues to build back and faces huge challenges. Direct Relief’s in-country network and distribution system supports over 115 health facilities throughout Haiti with essential medical resources to care for patients.

Backed by the massive generosity of private and corporate supporters, Direct Relief put together its most comprehensive humanitarian response in its 63-year history, and has transformed its response into a commitment to making quality healthcare viable for the long term in Haiti.

IS IT GETTING BETTER?

More and better health services are available now to people in Haiti than before the earthquake. Challenges persist and progress is measured, but the unwavering support from people and companies has allowed Direct Relief to build and equip new surgical facilities, ensure rehabilitation services are available to people around the clock, and give 115 hospitals and clinics across the country access to medicine and medical supplies that can be ordered online at any time for no cost.

HOW HAS DIRECT RELIEF SPENT THE MONEY?

- **CONTINUING THE DELIVERY OF NEEDED MEDICATIONS, MEDICAL SUPPLIES, AND EQUIPMENT.** An effective and efficient distribution system built on four decades of work in Haiti has been aided by Direct Relief’s new online ordering system. Using a state-of-the-art, commercial grade IT backbone, Direct Relief created the only charitable online ordering platform for Haitian healthcare providers to efficiently order and receive medications and supplies at no cost to them.

  At the close of Fiscal Year 2011, Direct Relief had provided 700 tons of life-saving medicines and medical supplies valued at over $57 million (wholesale) to health facilities throughout the country caring for patients.

- **ENSURING ACCESS TO LONG-TERM REHABILITATION SERVICES.** Direct Relief granted $700,000 to Healing Hands for Haiti International—the only Haitian-run physical-rehabilitation organization providing services before the earthquake—to ensure rehabilitative services for people who were injured in the earthquake. After Healing Hands’ clinic was destroyed in the earthquake, Direct Relief’s grant allowed Healing Hands to open a new facility where ongoing care has been provided to 863 adults and 424 children who were injured and needed long-term treatment after the earthquake. An additional 99 patients who suffered spinal cord injuries have also received care and rehabilitation from Healing Hands.

- **ESTABLISHING THE COMMUNITY GRANT FUND.** International aid groups received over $2 billion in donations for Haiti, yet many smaller local groups still struggle to access funding. That’s why Direct Relief established a Community Grant Fund to provide over $630,000 to local, Haitian-run organizations responding to the needs of their communities. More than 500,000 people have benefitted from the work of these grassroots local groups who have, among other things, provided more than 1,000 children with schooling, cared for 500 orphans (many of whom have special needs), and trained community health workers to work in an area that previously lacked access to health care.

- **FIGHTING CHOLERA.** Cholera had been absent in Haiti for over 50 years when, late in 2010, an outbreak occurred—just as many aid agencies were winding down...
emergency earthquake operations. Tragically, cholera claimed 6,600 lives and continues as a threat but, fortunately, Direct Relief never left Haiti and has provided enough medical supplies and equipment to treat 100,000 people and prevent further loss of life.

WHAT IS STILL NEEDED AND HOW DO WE MOVE FORWARD?

Haiti has the highest prevalence of maternal mortality, infant mortality, and HIV infection in the Western Hemisphere. Pregnancy and its complications have become the leading cause of death and disability among mothers, and 86 out of 1,000 babies die during their first year of life. In addition to continuing to get the right medicines in the right hands, broadening access to rehabilitative services, bolstering emergency preparedness, and fighting acute and chronic diseases like cholera and diabetes, Direct Relief is engaged in safe-motherhood interventions to protect mothers and children during childbirth.

These interventions include expanding access to safe deliveries by training and equipping traditional birth attendants and midwives, addressing complications in birth with emergency obstetric care, and enrolling mothers into the Prevention of Mother-to-Child Transmission of HIV program. By targeting eight health centers strategically located in eight of the ten departments (or states) in Haiti, Direct Relief will reach a population of 563,000, including approximately 60,000 pregnant women.

BUILDING PERMANENCE

More than 25,000 donors gave to Direct Relief to help people in Haiti after the earthquake. Direct Relief honors that commitment by ensuring 100% of those donations are used exclusively to help people in Haiti whose lives remain threatened by sickness, disease, and injury.

Unprecedented generosity deserves to be met with unprecedented action, and Direct Relief’s streamlined systems are helping to build permanent, high-quality medical solutions for people in Haiti who can’t afford to pay for health care. Recovery from the earthquake simply isn’t enough. Direct Relief will continue to bring the cost of delivering health services down in order to bring efficiency up, so more people in Haiti can receive the care they need to live healthier, happier lives.
Each year, Direct Relief is privileged to receive support from an average of 150 companies that share their wealth and the source of their wealth—such as Google for online interaction, FedEx for logistics, and companies who MANUFACTURE MEDICINES. This provides enormous energy and efficiencies, and leverages each dollar we receive from generous people to help others.

**FY2011 HIGHLIGHTS**

**16. TEVA PHARMACEUTICALS** donates medicines with longer expiration dates, allowing Direct Relief to get more of Teva’s critically-needed medicines to more people around the world.

**17. With ASTRazeneca’s** medicines prepositioned with Direct Relief for deployment in emergencies, Direct Relief provided immediate aid to people affected by the 2011 floods in the U.S. Southeast and Hurricane Irene.

**18. BAXTER INTERNATIONAL INC.** provided a key medical product to Direct Relief that will help treat 500 children suffering from Burkitt’s Lymphoma in Kenya and Uganda for the next two years.

**19. JOHNSON & JOHNSON** donated personal care and educational supplies to serve orphans of the HIV/AIDS epidemic in Kenya. These products were assembled into backpacks for the children by J&J’s dedicated Global Communications employees.

**20. Donations from ALCON LABORATORIES** and other companies made possible Direct Relief USA’s largest ever nationwide distribution of free medicines and supplies.

**21. MERCK** partnered with Direct Relief to support the needs of people affected by 2011 U.S. disasters with tetanus vaccine and other products.

**22. GSK’S PULSE volunteer program** allows GSK employees to donate time, resources, and talent to strengthen Direct Relief’s infrastructure.

**23. With INTEGRA LIFESCIENCES’ support,** Direct Relief donated a wide range of dental instruments to Fundación FEDES in Chile to help re-equip facilities damaged during the powerful 2010 earthquake.

**24. ALLERGAN** has been a leading supporter of Direct Relief through the contribution of much-needed medical products. Their support has strengthened Direct Relief’s work and contributed to maternal and child health initiatives around the world.

**25. A generous donation of Xyzal by SANOFI US improved the quality of life of thousands of clinic patients suffering from seasonal allergies in the US.**
In 2011, world leaders in economics, media, and technology stopped by Direct Relief to share their thoughts on Direct Relief’s work in the context of global issues.

In April 2011, Nobel Prize-winning economist Amartya Sen sat in on a roundtable of University of California Santa Barbara economics students, professors, and Direct Relief staff to discuss cutting-edge humanitarian analytics. A leading contributor to welfare economics and social choice theory, Sen is best known for his work on the causes of famine, which led to the development of practical solutions for preventing or limiting the effects of real or perceived shortages of food.

In May 2011, Google Executive Chairman Eric Schmidt visited Direct Relief with CNN and Newsweek journalist Fareed Zakaria to review how the organization’s use of information technology is being applied to humanitarian health programs and emergency preparedness and response. Schmidt also received Direct Relief’s 2011 Visionary Award on behalf of Google. “From my perspective, to see what Direct Relief International has done with the technology that we’ve spent so many decades working on is just fantastic,” Schmidt said. “Who would have thought that the things that we’ve worked on in the lab have ultimately saved lives at that kind of scale, with your hard work to really matter to people in a real crisis.”
Google Executive Chairman Eric Schmidt after receiving Direct Relief’s 2011 Visionary Award on behalf of Google.

“Who would have thought that the things that we’ve worked on in the lab have ultimately saved lives at that kind of scale.”

– ERIC SCHMIDT, GOOGLE EXECUTIVE CHAIRMAN
Expanding **ACCESS + QUALITY HEALTH CARE** for Millions of People Around the World.

**FY11 Assistance Totals**

$274.3 million in medical aid amounting to **52.5 million defined daily doses**:

- **5,000 deliveries** weighing **2,400 tons** and taking up **351,000 cubic feet** in volume

**USA**
- $43,881,628
- 11,218,548 DDD*
- 443,562 lbs.
- 49,587 cu. ft.

**Caribbean**
- $24,607,002
- 10,469,621 DDD*
- 1,617,865 lbs.
- 94,982 cu. ft.

**Latin America**
- $32,994,215
- 15,562,476 DDD*
- 864,267 lbs.
- 63,985 cu. ft.

*DDD = defined daily dose
THE DEFINED DAILY DOSE (DDD) is a measure of drug utilization developed by the World Health Organization (WHO) and maintained by the WHO Collaborating Center for Drug Statistics Methodology at the University of Norway in Oslo. The DDD value indicates “the assumed average maintenance dose per day for a drug used for its main indication in adults.” It is intended as an international average, for the sake of standardization and comparison between national contexts, not as a guide to actual prescriptions. For more information: www.whocc.no/ddd.
Direct Relief International had a **very strong** Fiscal Year 2011 in all areas of activities and finances. We received a record $407 million in public support and provided a record $277 million in assistance around the world. Despite the economic downturn, Direct Relief’s financial position and balance sheet continue to be strong **thanks to steadfast support** from generous donors and the Board of Directors.
CASH AND IN-KIND CONTRIBUTIONS

To fulfill its mission and program objectives, Direct Relief has long sought partnerships with businesses and organizations with particular expertise that is needed and can be leveraged for humanitarian purposes. This approach has led to more than 150 healthcare manufacturers and other corporations, in sectors ranging from technology to transportation, providing in-kind contributions in the form of needed goods (primarily medical products) and services that would otherwise have to be purchased. Direct Relief also solicits and receives cash contributions, which are used to cover internal costs and for goods and services to advance the organization’s mission and that cannot be obtained through in-kind donations.

The strategic pursuit of in-kind resources enables Direct Relief to provide far more humanitarian assistance than would be possible in a model that relied entirely upon raising cash and then converting the cash into goods and services. It makes little economic sense to incur the expense involved in raising funds to then purchase something that a business may be willing and able to provide directly and more efficiently as its charitable contribution.

Direct Relief’s financial statements must account for both cash and in-kind contributions that are entrusted to the organization to fulfill its humanitarian mission. In Fiscal Year 2011, 95.8 percent of our total public support of $407 million was received in the form of in-kind medical products and certain other donated services (such as transportation services from FedEx, online advertising from Google, donated volunteer services from the GSK PULSE Volunteer Partner Program). The previous pages explain where and why the in-kind medical products were provided by the organization.

We recognize that merging cash and in-kind contributions in accordance with Generally Accepted Accounting Principles (GAAP) can be confusing to non-accountants. 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 generously donated to Direct Relief in 2011 by individuals, businesses, organizations, and foundations.

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 in-kind medical product contributions. Cash support—as distinct from the value of contributed products—is used to pay for the logistics, warehousing, transportation, program oversight, program staff salaries, purchasing of essential medical products, acquisition of donated medical products, and all other program expenses.

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 some of these factors.

2011 SOURCES OF CASH SUPPORT & REVENUES: $171M

TIMING OF REVENUE RECOGNITION AND EXPENSES

First is the timing of donations being received and the expenditure of those donations, whether in the form of cash or in-kind medical products. 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. The in-kind product donations are also 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 fiscal year of receipt, it may occur in the following fiscal year. An expense is recorded and inventory is reduced when the products are shipped to our partners.

In the fiscal year ended June 30, 2011, Direct Relief received a large infusion of product donations. When the fiscal year ended, the product inventories that had not been “spent” were reported as an increase in net assets or a “surplus.” This increase in net assets will be carried forward and “spent” during the course of Fiscal Year 2012. This could result in a decrease in net assets (or net operating “loss”) in Fiscal Year 2012 which would be primarily driven by a decrease in inventory if Direct Relief ships more in humanitarian aid than it potentially receives in product donations in that fiscal year. CONTINUED
As explained below, the Direct Relief Foundation pays for all the administration and fundraising expenses of the organization through monthly Board-approved transfers of funds to Direct Relief. In addition, our organization has adopted a strict policy to ensure that 100 percent of all designated contributions (e.g. donations for the “Japan earthquake and tsunami”) are used only on expenses directly related to that purpose. We have used similar policies for all of our disaster responses in the last few years, including the Indian Ocean tsunami, Hurricanes Katrina and Rita, and earthquakes in Haiti, Pakistan, Peru, China and Chile.

Consistent with this policy, all administration expenses, including banking and credit-card processing fees associated with simply receiving these disaster- and other-designated contributions, were absorbed by the Direct Relief Foundation, as discussed above. 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 survivors for whose benefit the funds were entrusted to Direct Relief.

Direct Relief is the only nonprofit organization in the United States licensed to distribute pharmaceutical products in all 50 U.S. states and is among the largest-volume providers of medical donations worldwide.

When Direct Relief receives an in-kind donation, accounting standards require a “fair market value” to be assigned to the donation. Donations of medicines, medical equipment, and medical supplies have long been an integral part of Direct Relief’s humanitarian assistance programs. In assigning a fair market value to the in-kind medical donations received, Direct Relief uses a careful, conservative approach that complies with the relevant accounting standards, and the spirit and purpose of disclosure, transparency, and accountability to the public.

Specifically, Direct Relief uses the following methodology in determining the fair market value of in-kind medical donations:

For U.S. Food and Drug Administration (FDA)–approved pharmaceuticals, branded and generic, the valuation basis is the “Wholesale Acquisition Cost” (WAC) as published in the Thomson Reuters RedBook®, an industry-recognized drug and pricing reference guide for pharmaceuticals in the United States.

WAC is the standard used by many U.S. states as the Federal Upper Limit pricing for drugs purchased under the Medicaid program. Alternative methods of valuing a drug donation would result in a higher valuation. For example, the commonly cited Average Wholesale Price (AWP), which also is published in the RedBook®, is twenty percent higher than WAC for a particular product according to the RedBook®. Direct Relief determined that WAC is the more appropriate measure.

Because pricing differences exist for generic and branded products, it is important to note Direct Relief applies WAC value to each specific product’s National Drug Code, which relates to the specific manufacturer and formulation of a drug. This distinction is significant because it reflects, for example, the lower price (and fair market value) of a generic product received through donation, compared to higher-priced branded product.

For non-FDA-approved pharmaceuticals, for example products manufactured for use in non-U.S. markets, the organization uses independent pricing guides to determine the fair market value of the particular manufacturer’s specific formulation. As is the case with FDA-approved formulations, the value relates to the specific product from the specific manufacturer. The sources of such pricing information vary, but relevant information may include the price paid by wholesalers or other third-party buyers, a price negotiated by an organization (such as the Clinton Foundation) for a particular drug, or other such reasonable bases.

For medical supplies and equipment, the organization determines wholesale value by reviewing the pricing information on the specific item listed for sale in trade publications, through online pricing, and through its own procurement history when purchasing. Such valuations typically are substantially lower than published retail prices.

Different prices of similar products or services in different geographic areas can cause confusion. The specifics of Direct Relief’s valuation methodology are noted here in recognition of the confusion that can arise with regard to the value of contributed goods and services.
One source of confusion stems from the significant pricing (and therefore valuation) differences that exist in different parts of the world for similar products. With regard to pharmaceutical products, significant differences exist between a branded drug and a generic equivalent formulation even within the same market, including the U.S. Because Direct Relief operates on a global scale, such differences must be considered and reflected in the accounting and reporting of contributions.

Of course, similar pricing and valuation differences also exist for other commodities and services beyond pharmaceuticals. In the U.S., for example, the commodity of water may be the easiest example, since the price that is paid for the same compound, H2O, ranges from free in a public tap to several dollars for a “branded” equivalent bottled quantity in a hotel room. But similar pricing differences exist for services as well. The outsourcing and off-shoring phenomena reflect that even highly skilled services—surgery, computer programming, research conducted by Ph.D.s—are done at vastly different prices in different countries.

Direct Relief’s internal processes, information systems, and public disclosures ensure that these distinctions are clearly documented and that the organization’s financial reporting precisely and accurately reflects the fair market value of the specific items received through donation. If a low-cost generic medication is received through donation, its value is properly recorded as that of the generic medication. If a more expensive branded product is received through donation, its value is similarly properly recorded as that of a branded product.

As noted above, Direct Relief has long sought the contribution of needed goods and services to use for humanitarian purposes because of the efficiencies and other benefits that result. The organization, and more importantly the people it serves, benefit from the lowest-cost, most efficient use of resources. So too do financial contributors, since their financial contributions are not being used to purchase goods or services that can be obtained directly through donations. Therefore, when it comes to accounting for, documenting, and reporting any contributions it is very important that we get it right.

A strong incentive exists to use higher valuation sources, such as retail prices, or use branded product values for generic donations. However, we believe that a conservative approach provides the most accurate, easy-to-understand basis and is best to instill public confidence in our financial reporting.

**DIRECT RELIEF FOUNDATION AND THE BOARD-RESTRICTED INVESTMENT FUND**

In 1998, Direct Relief’s Board of Directors established a Board-Restricted Investment Fund (“BRIF”) to help secure the organization’s financial future and provide a reserve for future operations. The BRIF, established with assets valued at $774 thousand, draws resources from Board-designated unrestricted bequests and gifts, returns on portfolio assets, and operating cash surpluses (measured annually) in excess of current operational needs. There was no operating cash surplus for the year ended June 30, 2011.

In October 2006, the Direct Relief Foundation was formed and incorporated in the State of California as a separate, wholly controlled, supporting organization of Direct Relief International. Effective April 1, 2007, assets in the BRIF were transferred to the Foundation. The Foundation’s investments are managed 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 financial operations.

The Board has adopted investment and spending policies for the BRIF assets that attempt to provide a predictable stream of funding to Direct Relief while seeking to maintain the purchasing power of these assets. Under this policy, as approved by the Board of Directors, the BRIF assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The Foundation expects its BRIF funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

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

The Foundation has a policy of appropriating for distribution each year an amount up to five percent of the assets of the BRIF. In some instances, the Board may decide to appropriate an amount greater than its stated policy if it is specifically deemed prudent to do so. The BRIF is authorized to distribute its portfolio assets to pay for all fundraising and administration expenses, including extraordinary capital expenses and advance emergency relief funding as determined by the President and CEO. Upon a majority vote by the Board, the BRIF may also be utilized to meet other general operational costs.

THOMAS TIGHE, 
President & CEO

BHUPI SINGH, 
Executive VP, 
COO & CFO

[Signature]
# Combined Statement of Activities

For the fiscal years ending June 30, 2011 and June 30, 2010

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PUBLIC SUPPORT &amp; REVENUE</strong></td>
</tr>
<tr>
<td><strong>Public Support</strong></td>
</tr>
<tr>
<td>Contributions of goods and services</td>
</tr>
<tr>
<td>Contributions of cash and securities—other</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SUPPORT</strong></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td>Earnings from investments and other income</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SUPPORT AND REVENUE</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
</tr>
<tr>
<td><strong>Program Services</strong></td>
</tr>
<tr>
<td>Value of medical donations shipped</td>
</tr>
<tr>
<td>Inventory adjustments (expired pharmaceuticals, etc.)</td>
</tr>
<tr>
<td>USA programs</td>
</tr>
<tr>
<td>International programs</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM SERVICES</strong></td>
</tr>
<tr>
<td><strong>Supporting Services</strong></td>
</tr>
<tr>
<td>Fundraising</td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORTING SERVICES</strong></td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCREASE (DECREASE) IN NET ASSETS</strong></td>
</tr>
<tr>
<td><strong>$98,839</strong></td>
</tr>
</tbody>
</table>

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# Combined Statement of Cash Flows

For the fiscal years ending June 30, 2011 and June 30, 2010

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
</tr>
<tr>
<td>Cash collected from public support</td>
</tr>
<tr>
<td>Cash paid for goods and services</td>
</tr>
<tr>
<td>Dividend and interest income</td>
</tr>
<tr>
<td>Other income (expense)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
</tr>
<tr>
<td>Purchase of investments</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
</tr>
<tr>
<td>Unitrust distributions</td>
</tr>
<tr>
<td><strong>NET CASH USED BY INVESTING ACTIVITIES</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
</tr>
<tr>
<td>Payments on mortgage</td>
</tr>
<tr>
<td>Payments on capital lease obligation</td>
</tr>
<tr>
<td><strong>NET CASH USED FOR FINANCING ACTIVITIES</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$ IN THOUSANDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</strong></td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS - END OF YEAR</strong></td>
</tr>
</tbody>
</table>
**Reconciliation of change in net assets to net cash provided by operating activities**

Change in net assets

Adjustments to reconcile change in net assets to net cash provided by operating activities:

- **Depreciation**: $543 $556
- **Change in inventory**: $(95,590) $(67,163)
- **Change in receivables**: $16 $(8)
- **Change in accounts payable and accrued expenses**: $36 $438
- **Loss on disposal of fixed assets and other assets**: $(15) $(4)
- **Realized (gain)/loss on sale of investments**: $419 $(736)
- **Unrealized (gain)/loss on investments**: $(3,325) $(652)

**NET CASH PROVIDED BY OPERATING ACTIVITIES**: $914 $1,413

---

**STATEMENT OF FINANCIAL POSITION**

For the fiscal years ending June 30, 2011 and June 30, 2010

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Direct Relief 2011 (includes Direct Relief South Africa)</th>
<th>Direct Relief Foundation 2011</th>
<th>Total June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,178</td>
<td>$2,512</td>
<td>$8,690</td>
<td>$7,309</td>
</tr>
<tr>
<td>Investments</td>
<td>625</td>
<td>26,763</td>
<td>27,388</td>
<td>25,958</td>
</tr>
<tr>
<td>Inventories</td>
<td>206,700</td>
<td>-</td>
<td>206,700</td>
<td>111,110</td>
</tr>
<tr>
<td>Other current assets</td>
<td>627</td>
<td>-</td>
<td>627</td>
<td>249</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$214,130</td>
<td>$29,275</td>
<td>$243,405</td>
<td>$144,626</td>
</tr>
<tr>
<td><strong>Other Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>6,871</td>
<td>-</td>
<td>6,871</td>
<td>6,368</td>
</tr>
<tr>
<td>Remainder unitrusts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pledged bequests</td>
<td>-</td>
<td>279</td>
<td>279</td>
<td>677</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OTHER ASSETS</strong></td>
<td>$6,871</td>
<td>$279</td>
<td>$7,150</td>
<td>$7,045</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$221,001</td>
<td>$29,554</td>
<td>$250,555</td>
<td>$151,671</td>
</tr>
</tbody>
</table>

| LIABILITIES AND NET ASSETS | | | | |
| **Current Liabilities** | | | | |
| Payables and other current liabilities | $1,331 | - | $1,331 | $1,309 |
| Current portion of long-term debt | 7 | - | 7 | 3 |
| **TOTAL CURRENT LIABILITIES** | $1,338 | - | $1,338 | $1,312 |
| **Other Liabilities** | | | | |
| Long-term debt | 1,400 | - | 1,400 | 1,400 |
| Capital lease obligation | 18 | - | 18 | - |
| Distribution payable | 5 | - | 5 | 7 |
| **TOTAL OTHER LIABILITIES** | $1,423 | - | $1,423 | $1,407 |
| **TOTAL LIABILITIES** | $2,761 | - | $2,761 | $2,719 |

**NET ASSETS**

Unrestricted net assets

- Board-Restricted Investment Fund (BRIF): - 29,249 29,249 29,082
- Undesignated: 211,612 (2,910) 208,702 113,571

**TOTAL UNRESTRICTED NET ASSETS**: $211,612 $26,339 $237,951 $142,653

- Temporarily restricted assets: 6,628 3,190 9,818 6,274
- Permanently restricted assets: - 25 25 25

**TOTAL NET ASSETS**: $218,240 $29,554 $247,794 $148,952

**LIABILITIES AND NET ASSETS**

- **Net Cash Provided by Operating Activities**: $914 $1,413

FISCAL YEAR 2011 ANNUAL REPORT 53
The overall assistance furnished by Direct Relief was a record $277 million. We received no governmental assistance. All resources were obtained from private sources and amounted to $407 million. Direct Relief provided 5,006 shipments of humanitarian medical material aid, including pharmaceuticals, medical supplies, and medical equipment. The more than 2,476 tons (just over 4.9 million pounds) of material aid were furnished to local health programs in 74 countries, including the United States, and had a wholesale value of $274 million. The materials contained in these aid shipments were sufficient to provide 52.5 million Defined Daily Doses. In addition, the organization provided $2.76 million in the form of cash grants to dozens of locally-run health programs in areas affected by the March 2011 earthquake and tsunami in Japan, the January 2010 earthquake in Haiti, and numerous other partners providing health services in other non-disaster areas.
All financial statements presented in this report show both the results for FY 2011 and those of FY 2010 for comparison purposes.

In FY 2011, for every $1 contributed and spent for our core medical assistance program (excluding emergency response), the organization provided $31 worth of wholesale medical material assistance, as compared to $24 in FY 2010. These program expenses totaled $8.2 million. The expenditure of these funds enabled Direct Relief to furnish $274 million (wholesale value) of medical material resources to 74 countries for the support of ongoing health needs.

In addition to the core medical material assistance program, Direct Relief also provided financial assistance of $2.76 million through cash grants. The majority of these grants (approximately $2.2 million) were made from designated contributions received in this and past fiscal years for the March 2011 earthquake and tsunami in Japan, the January 2010 earthquake in Haiti, and numerous other partners providing health services in other non-disaster areas.

In the current fiscal year, the organization incurred $1.1 million and $1.3 million in cash expenditures for the Japan earthquake and Haiti earthquake responses, respectively. Within these amounts, the entire $1.1 million for Japan—and nearly $570 thousand for Haiti—was in the form of cash grants to support essential recovery efforts conducted by local, grassroots non-governmental and community groups in those areas. As of June 30, 2011, the organization had spent over 20 percent of the funds received for Japan and nearly 60 percent of the funds received for Haiti.

These activities were accomplished by a staff which, as of June 30, 2011, comprised 58 positions (51 full-time, seven part-time). Measured on a full-time equivalent (FTE) basis, the total staffing over the course of the year was 54. This figure is derived by dividing the total hours worked by 2,080, the number of work hours of 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/fundraising, and general administration. The following sections describe the financial cost of our organizational activities, how resources are spent, and how donor funds are leveraged to provide assistance to people in need throughout the world.
In Fiscal Year 2011, Direct Relief’s expenditure on program activities totaled $15.07 million, $3.06 million of which 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 28 full-time and six part-time employees engaged in programmatic functions.

**Program Expenses**

<table>
<thead>
<tr>
<th>Function</th>
<th>FY 11</th>
<th>FY 10</th>
<th>FY 09</th>
<th>FY 08</th>
<th>FY 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disaster Response</td>
<td>$274.3M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale Value of Material Aid</td>
<td>$7.5M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$5.4M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disaster Response</td>
<td>$3.7M</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cash grants to partner organizations ($2.76 million, including $1.1 million was for Japan earthquake and tsunami relief, $570 thousand for Haiti earthquake relief and numerous other partners providing health services in other non-disaster areas)

Ocean/air freight and trucking for outbound shipments to partners, in-country transportation and inbound product donations ($3.2 million, of which $1.4 million was donated)

Travel for oversight and evaluation ($403 thousand); contract services ($1.4 million, of which $290 thousand was donated); packing materials and supplies ($311 thousand); and disposal costs for expired pharmaceuticals ($33 thousand)

The value of expired products disposed of ($20.24 million)

A pro-rata portion of other allocable costs (see page 39)
Fundraising Expenses

Direct Relief spent a total of $1.46 million on resource acquisition and fundraising in Fiscal Year 2011. As noted earlier, these expenses (other than donated services) were paid from funds received out of the assets of the Direct Relief Foundation. A total of $954 thousand was spent for salaries, related benefits, and taxes for eight full-time employees engaged in resource acquisition and fundraising.

**Fundraising Expenses Also Included:**

- $55 thousand for the production, printing, and mailing of newsletters, the annual report, tax-receipt letters to contributors, fundraising solicitations, and informational materials
- $6 thousand in advertising and marketing costs
- $11 thousand in travel and mileage-reimbursement expenses
- $122 thousand in contract services ($56 thousand of which were donated services)
- $22 thousand in supplies in support of the fundraising staff
- $46 thousand in outside computer services related to fundraising
- A pro-rata portion of other allocable costs (see page 39)

**NOTE:**

It should be noted that Direct Relief does not classify any mailing expenses or costs for informational materials 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,” which falls under program costs. The $74 thousand that was incurred for such expenses was only allocated between fundraising and administration expenses.
Direct Relief spent a total of $2.57 million on administration. As noted earlier, these expenses (other than donated services) were paid from funds received out of the assets of the Direct Relief Foundation. Administration expenses are those that relate to financial and human resource management, information technology, communications, public relations, and general office management. A total of $1.46 million was for salaries, related benefits, and taxes for 14 full-time employees and one part-time employee engaged in administration and financial management.

$86 thousand in credit card, banking, and brokerage fees
$70 thousand for duplicating and printing, of which $19 thousand was spent on producing our Fiscal Year 2010 Annual Report
$436 thousand in consulting fees, including information technology services ($86 thousand), management fees for invested assets ($55 thousand), communication services ($318 thousand, of which $113 thousand were donated services from Google and the GSK PULSE Volunteer Partner Program), finance consulting/other services ($14 thousand), and recruiting/other human resource services ($1 thousand).
$63 thousand in accounting fees for the annual CPA audit, payroll processing and reporting, and other financial services
$85 thousand in legal fees, of which $57 thousand was provided pro bono for legal representation related to general corporate matters
$12 thousand 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 next page)
OTHER ALLOCABLE COSTS

Direct Relief owns and operates a 40 thousand square-foot warehouse facility that serves as its headquarters and leases another 23 thousand square-foot warehouse. Costs to maintain these facilities 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 earlier 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.

Executive Compensation: The compensations of the President and CEO and the EVP/COO/CFO was paid entirely from funds provided by Direct Relief Foundation. The EVP/COO/CFO’s compensation is allocated 100 percent to administration, and the CEO’s compensation is allocated 50 percent to administration and 50 percent to fundraising.

“We efficiently and effectively use the resources entrusted to us by our donors to provide extraordinary value for money so that we can help more people and fulfill our mission of a healthier world.”

<BHUPI SINGH>
Direct Relief International
Executive VP, COO & CFO
Our deepest thanks to the following investors, whose generosity over the last year has enabled service to millions of people throughout the world.

CoreLogic
Coviden
Mr. and Mrs. Thomas J. Canuck
Ms. Crista E. Dix
Eli Lilly & Company Foundation
Elkay Manufacturing Company
Mr. and Mrs. Thomas P. Elsasser
The Fintila Foundation
Ms. Hannah M. Gallagher
Mr. Pan Galol
Good Heart Work Smart Foundation
Mr. and Mrs. W. Scott Hedrick
The Heebig Family Foundation
Hospira Foundation
Jewish Coalition for Disaster Relief
Mr. Eavin Johnson, Jr.
Mr. Richard E. Luepke
Modulus, Inc.
Ms. and Mrs. Gary S. Newman
The NPD Group, Inc.
Mr. John Powell and Ms. Melinda Lerner
The PRASAD Project
Roche Diagnostics
Rock Paper Scissors Foundation
SEIU Local 1000
Ayusha Shaikh, M.D., and Mohammed Shaikh, Ph.D.
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SERVE PEOPLE.
Improve the health of people living in high-need areas by strengthening fragile health systems and increasing access to quality health care.

LIFT FROM THE BOTTOM. PULL FROM THE TOP.
Work with world-class companies and institutions to bring resources to the most medically underserved communities in the U.S. and abroad.

REMOVE BARRIERS.
Create transparent, reliable, cost-effective channels to contribute and access essential medical resources, particularly medicines, supplies, and equipment.

ENSURE VALUE FOR MONEY.
Use technology to generate efficiencies, leverage resources, and maximize health improvement for people with every dollar spent. Maintain modest fundraising and administrative expenses.

BUILD UPON WHAT EXISTS.
Identify, qualify, and support existing healthcare providers over the long term and serve as a catalyst for other critically-needed resources.

PLAY TO STRENGTHS. PARTNER FOR OTHER NEEDS.
Engage in activities that address a compelling need and align with our core competencies and areas of excellence. Ally with an expanded network of strategic partners working on related causes and complementary interventions in order to leverage resources.

FOCUS ON ACTIVITIES WITH HIGH IMPACT ON HEALTH.
Maternal and child health; primary care; HIV/AIDS and other chronic diseases; emergency preparedness and response.

RESPOND FAST WHILE LOOKING AHEAD.
In emergencies, support the immediate needs of those affected by working with local partners best situated to assess, respond, and prepare for the long-term recovery.

BE A GOOD PARTNER AND ADVOCATE.
Give credit where due, listen carefully, and respect those whom we serve and those contributing resources.
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IS TO IMPROVE THE HEALTH
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