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WWII to the war in Iraq. Civil Rights to Go Green. TB to HIV. Radio to the internet. The earth to the moon to the quark.

Poverty begets poor health. Poor health begets poverty.

Sweeping changes and confounding constants of the last 60 years.

Direct Relief, too, has changed. In 1948, its immigrant founders, William Zimdin and Dennis Karczag, provided people in Europe devastated by World War II with food, clothing, and medical aid, recognizing that equal amounts of energy and resources would be needed to restore the continent as those spent ravaging it. Now Direct Relief aligns healthcare professionals in the most impoverished communities on Earth with medical resources from the most trusted manufacturers—resources necessary to bring health to the sick.

But Direct Relief is also constant. Just as it was in 1948, humanitarian assistance is provided respectfully with working by indigenous groups, carefully through tailored support, and without regard to ethnicity, politics, religion, gender, or ability to pay.

For Direct Relief, 60 years of humanitarian support means honoring our founders’ ethos—recognizing where there is need and how we can help. Be it maternal mortality in Malawi or diabetes in the United States, response to an earthquake in Peru or the AIDS pandemic, Direct Relief remains nimble through the shifting context of global health and steadfast in its commitment to a healthier world.
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.

For 60 years of volunteer service, this report is dedicated to our Board of Directors.

Message from the Chairman and the President & CEO
Health has 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, aimed to strengthen existing, fragile health systems that serve people who are poor. We work hard to ensure that the healthcare professionals in impoverished communities worldwide are able to maintain, expand, and improve health services to people.

In turn, the people served have a better chance to survive, become healthy, and realize their inherent human potential.

While working to strengthen basic health services in resource-poor areas, Direct Relief places a high priority on focused programs serving women and children, and people with HIV/AIDS.

International Programs
Breaking the Cycle

Helping HIV-Positive mothers protect their babies

Every 48 seconds, a child is infected with HIV, the virus that causes AIDS. This is a profound human tragedy whose primary cause is preventable. Without medical intervention, the chance that a mother will pass along the virus to her child is as high as 30 percent, but with proper testing and antiretroviral therapy, this chance can be nearly eliminated.

Direct Relief and medical material donor Abbott are acting to eliminate the barriers to testing in countries where mothers and their children face the greatest threat. In 2007, on behalf of Abbott, Direct Relief began distributing free Determine® HIV rapid test kits in 69 developing countries, including all countries in Africa, where the burden of HIV is heaviest.

Abbott has been distributing the free test kits internationally since 2002; it approached Direct Relief to run the program because of Direct Relief’s track record of delivering needed supplies to those who can do the most good with them.

“This program, along with Direct Relief’s antiretroviral therapy drug distribution program begun last year, represents a huge leap forward in our ability to help local health providers identify and combat HIV across the globe,” said Thomas Tighe, Direct Relief President and CEO.

The test is quick – results take 15 minutes – and requires no electricity or water, making it ideal for areas that may lack steady access to either resource. If a pregnant woman tests positive for HIV, the healthcare provider can begin free therapy to prevent the baby from being infected with the virus.

Between 2002 and 2007, Abbott donated more than 9.8 million rapid HIV tests to prevention programs throughout the developing world. Over 7.7 million pregnant women have been tested with Determine®, and 855,000 of those women tested positive for HIV. Two million spouses and children of the pregnant women tested were also screened.

In many developing countries, Direct Relief works closely with ministries of health and other major healthcare networks to distribute the test kits. The Rwandan Ministry of Health, one of the first to subscribe to the program, has already tested 750,000 pregnant women, returning 38,000 positive results.

In Kenya, where UNAIDS estimates 8.3 percent of adult females are HIV positive and 117,000 children under 14 are infected, Direct Relief partner Elizabeth Glaser Pediatric AIDS Foundation has tested 177,000 expectant mothers, 8,600 of whom were HIV-positive.

Thanks to Direct Relief and Abbott’s partnership, HIV-positive women will have the chance to protect their babies from this devastating virus.
Living with HIV/AIDS

Hospice and palliative care bring dignity to Africans with terminal diseases

An estimated 22 million people in sub-Saharan Africa live with HIV/AIDS, and for many of them access to the long-term care necessary to combat the virus is lacking. Stigma, noncompliance, resistant strains of the virus, and problems with access to specialist care all impede treatment.

For these patients, hospice and palliative-care groups represent a key provider of care. These dedicated groups focus on traditional end-of-life care and, increasingly, treatment to prolong and improve the quality of patients’ lives. Hospices—serving patients who usually have no income and are very poor—typically lack financial and basic material resources to enhance and expand their services.

Direct Relief has forged partnerships with the Foundation for Hospices in Sub-Saharan Africa and the Hospice Palliative Care Association of South Africa to help provide needed resources. In Fiscal Year 2008, Direct Relief sent $938,338 (wholesale) worth of material, representing 467,793 courses of treatment, to hospice partners in Kenya, South Africa, Uganda, and Zimbabwe.

“Counter to the conventional American understanding of the term, hospice care in Africa is not only concerned with the care of the dying, but also with patients undergoing treatment and who have the potential to return to living normal lives,” explained Dr. Mike Marks, Direct Relief’s Africa Medical Advisor.

These groups provide an array of services. In addition to caring for patients, they provide care for family members who may be watching over a sick loved one, as well as placement services and care for orphaned children. In the past year, hospice and palliative-care organizations have also begun furnishing antiretroviral drugs to patients with HIV/AIDS.

On May 15, 2007, Direct Relief participated in the launch of the Diana Legacy Fund, in San Diego, California. The charity, which honors the memory of the late Princess Diana, was established to bring comfort and solace to the dying and their families; it supports the work of the Foundation for Hospices in Sub-Saharan Africa. At the dedication ceremony, Direct Relief President and CEO Thomas Tighe spoke alongside Nobel laureate Archbishop Desmond Tutu about the importance of palliative and hospice care.

Architects of Recovery

Clinical officer training helps to rebuild Southern Sudan’s healthcare system

The graduates of the clinical officer training program in southern Sudan are the architects of recovery for the region’s health system, decimated by decades of civil war.

The need for trained health workers in Southern Sudan is great: Among the population, estimated at between 9.7 and 12 million, there is only one doctor for every 100,000 people. For every 1,000 live births, 250 infants and more than 20 mothers die. Clinical officers trained to assume the role of a physician—providing diagnosis and treatment, conducting surgical procedures, and educating communities—are helping to fill the void.

In partnership with African Medical and Research Foundation (AMREF) and the Ministry of Health, Direct Relief committed $192,000 to sponsor 30 clinical officer students at the National Health Training Institute (NHTI) in Maridi, who began their coursework in January 2008. The program is open to Sudanese nationals who have met preliminary health worker qualifications. Students from different ethnic groups and remote areas are actively recruited for the program, which pays for tuition, room and board, insurance, a personal stipend, and transportation. After completing the three-year course, graduates intern for a year at one of seven hospitals, and are then required to work in their communities for three years.

“The Human Resources for Health (HRH) Crisis in Southern Sudan is severe,” says Dr. Peter Ngatia. “In the next five years, it is projected that this country, which has known no peace since independence from Britain in 1956, will need 1,500 clinical officers—a tenfold increase of the current production of NHTI, the only clinical officer training school. We may not be able to achieve this, but with the generous support of Direct Relief we will double the production in the next two years.”

Maridi County Hospital, within walking distance of the training institute and also operated by AMREF, has the potential to become an ideal teaching facility for the students of NHTI, but it has been woefully ill equipped. To help outfit the hospital and its satellite rural clinics, Direct Relief provided medical supplies, equipment, and pharmaceuticals worth $230,000 (wholesale) in November 2007. Specifically requested aid will be provided on an ongoing basis, with a plan for two similar donations of medical material per year.

- Dr. Peter Ngatia, AMREF Director of Capacity Building and Human Resources for Health Development
Innovative Programs Feed Hope

Angkor Hospital for Children in Cambodia works to end rampant malnutrition

The smell of cooking fills the air in the courtyard of the Angkor Hospital for Children (AHC) in Siem Reap, Cambodia, where patients’ relatives are preparing lunch. The healthy foods purchased daily by the hospital for needy families – fish, meat, vegetables – are part of an innovative, comprehensive program to combat one of Cambodia’s most alarming health issues: malnutrition in children.

According to the United Nations Development Program, 45 percent of children under age five in Cambodia are underweight and deprived of micronutrients. The patients seen at Angkor Hospital for Children confirm this grim statistic. While the hospital sees plenty of cases of dengue fever, dysentery, tuberculosis, HIV/AIDS, malaria, and intestinal parasites, 66 percent of children are admitted for malnutrition and dehydration, and 10 percent of those cases are severe.

Established in 1999, and one of two teaching hospitals in the country, AHC provides outpatient care to 300 to 500 children a day, plus 24-hour emergency service. Its facilities include inpatient care, intensive care, and surgical units. Patients are treated for free if they cannot pay, and indeed, often the cost of transportation to the hospital is prohibitive for many families with sick children.

In partnership with Abbott and AHC, Direct Relief is working to alleviate this staggering problem. Since 2003, Direct Relief has provided more than $2 million (wholesale) of medical material support to the hospital, including Abbott-donated nutritional and rehydration products to complement the nutrition program, as well as anti-infectives and pharmaceuticals that the hospital requested.

Abbott provides medicines and nutritional supplements that help patients regain basic health and funds ongoing programs that teach families and children to grow, cook, and eat foods that will keep them healthy and well nourished. AHC’s staff includes a nutrition-education nurse, a demonstration cook, and a gardener. The AHC team has taught 3,000 families about better nutrition, trained 270 health professionals, and conducted health assessments for more than 155,000 children. AHC has trained numerous Cambodian medical, nursing, and management personnel, many of whom it now employs.

As Cambodia rebuilds its health system, decimated during the Khmer Rouge regime, Angkor Hospital for Children has become a source of hope for improving pediatric care throughout the country.

“ENOUGH FOOD WAS PROVIDED FOR ME AND MY GRANDCHILD, AND THE FOOD WAS MUCH BETTER THAN MY FOOD AT HOME: VEGETABLES, MEATS, FRUITS, AND DESSERTS. EDUCATION WAS GIVEN ABOUT MALNUTRITION SO I CAN FEED MY GRANDCHILD PROPERLY.”

– Sorn Rai, AHC patient and grandmother


– Manila Prak, Angkor Hospital for Children Nursing Education Coordinator
Vivir Con Diabetes

At the Forefront of Healthier Lifestyles in Bolivia

Nineteen million people are estimated to have diabetes in Latin America and the Caribbean according to the International Diabetes Foundation, and that number is expected to double to 40 million by 2025.

As daunting as these 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 diabetes can be minimized or eliminated entirely through early detection and changes in daily lifestyle.

In Bolivia — where 4.8 percent of the population is diabetic — the nonprofit El Centro Vivir Con Diabetes (CVCD) works at the forefront of diabetic support in the city of Cochabamba, where CVCD estimates 9.4 percent of adults are suffering from diabetes. For seven years, the clinic has focused on lifestyle education and nutritional counseling along with providing treatment for the most common diseases that accompany diabetes. By offering extensive health education and promoting healthy eating habits, the clinic works against the lifestyle trends that increase the incidence of diabetes. Outreach services strive for early detection and diagnosis, and the main clinic provides complimentary treatment for those who’ve developed related visual, neural, and circulatory problems.

Direct Relief has supported CVCD since its inception with primary care medicines and medical supplies that aid the treatment of diabetes-related conditions. Abbott has come to CVCD’s aid with blood glucose meters and test strips critical to early detection and monitoring, allowing for control of the disease through regular clinic visits and education. The company’s philanthropic foundation has also provided cash grants to bolster the clinic’s outreach services.

With Abbott’s and Direct Relief’s help, CVCD has gone mobile. Over 15,000 people have been screened for diabetes in eight of the nine major Bolivian cities by clinic staff in the last four years. Of those screened, CVCD discovered that 7.9 percent had previously undiagnosed cases of diabetes. Those diagnosed learned from the outset how to properly manage their diabetes, and by living healthier lives, they have less impact on an already financially strapped public health system.

In addition to screenings, CVCD has distributed printed materials explaining diabetes management, conducted group and individual disease education using Abbott-contributed glucose meters and strips, and trained 604 health professionals (doctors, nurses, and pharmacists) on the latest diabetes detection and treatment methods.
Millions of people in the United States would go without healthcare if it weren’t for the clinic partners Direct Relief supports. We provide medicines and resources to community health centers, free clinics, and nonprofit community clinics that treat low-income, uninsured patients who often struggle to pay for health care and have limited access to treatment.

In Fiscal Year 2008, Direct Relief provided 3.5 million prescriptions (valued at approximately $70 million wholesale) to more than 1,000 healthcare providers treating at-risk patients. From insulin for the chronically ill to emergency modules for hurricane prone communities, Direct Relief seeks new ways to strengthen the safety-net that catches the millions of working poor who have fallen through the cracks.

Looking forward, we are continuing our efforts to create a program that puts any donated drug within reach of any uninsured American who would be otherwise unable to afford it.
Injecting Resources into Safety-Net Clinics

Providing insulin to diabetic Americans

Diabetes affects about 5.5 percent of the U.S. population, but at Direct Relief’s Federally Qualified Health Center partner clinics, that number jumps to 6.2 percent. Patients seen at these clinics are often poor and uninsured, without the means to access affordable medications.

Through U.S. health centers and clinics, Direct Relief assists people who do not qualify for private or government-sponsored insurance programs, and cannot afford their necessary medications — including those for chronic conditions like diabetes.

So when sanofi-aventis offered Direct Relief a donation of more than 17,000 cartridges of its insulin product Lantus, a medication commonly used to treat diabetes, it would fulfill a great need for our partner clinics’ patients.

“With so many diabetic clients, this free offer is of tremendous assistance to our clients,” said Veronica Flores, of the Sierra Health Center in Fullerton, California. “Thank you for your continuous support to ensure the health of underserved, indigent populations in our community.”

Across the U.S., 65 Direct Relief partner clinics – serving a combined 670,000 patients annually – received the donated insulin, valued at over $520,000 (wholesale).

“I cannot begin to tell you how important this is to our clinic,” said Jean Diebolt, medical director at the Hope Project in Tenaha, Texas. “The nearest place for patients to get prescriptions filled is 10 miles away. Some of the patients do not have transportation or funds to afford the meds. If not for Direct Relief, some would be seriously ill and medically compromised. The help that we give them with your donations means they can stretch their housing and food money [and] don’t have to sacrifice or make a decision whether to eat or buy medications.”

Since Lantus is temperature-sensitive, Direct Relief established a partnership with a third-party shipper that specializes in temperature-controlled delivery. This system can be used in subsequent deliveries of sensitive medications, broadening the possibility for future support to resource-challenged U.S. clinics.
Typically, during the first 72 hours after a disaster, roads are damaged and clinics see surges in their patient loads, greatly complicating the ability of aid organizations like Direct Relief to assist first responders,” said Damon Taugher, Direct Relief’s director of domestic initiatives and coordinator of the organization’s response to Katrina and Rita.

By sending modules before an emergency strikes, delivery delays are eliminated and medical professionals have the tools they need to treat the many injuries that occur from the minute response begins. This preparation also lessens the burden on other area healthcare providers and first responders, including hospital emergency rooms.

Franklin Primary Health Center (FPYC), a hurricane module recipient, serves low-income and underinsured patients in Mobile, Alabama. FPYC was in the path of 2005’s most potentially destructive storm, Hurricane Dean.

Charles White, CEO of FPYC, wrote “Last month we observed the two year anniversary of Hurricanes Katrina and Rita, while Dean, another Category 5 storm, was threatening the Gulf of Mexico. Our preparation would not have been complete without your continued support and your recent donation. We saw firsthand how invaluable your assistance was as we struggled to reopen our centers after Hurricane Katrina.”

Direct Relief will continue to distribute hurricane preparedness modules annually to support those providing care to the most vulnerable communities during an emergency.

Ready From Minute One

A Proactive Approach to Hurricane Preparedness

Predictions indicated an active 2007 hurricane season in the United States, citing as many as 10 potential hurricanes. For Direct Relief, the lessons of Hurricanes Katrina and Rita in 2005 were well learned: Emergencies can strike at any time, and preparation is the best defense.

Based on its past and continued work with Gulf Coast health center and clinic partners, Direct Relief developed a hurricane preparedness module specifically designed to help clinics respond to the unique characteristics of hurricanes and other emergencies.

Selected for their location, past experience with emergency response, patient populations, and capacity to treat victims during a disaster, 16 partner health centers and clinics received these prepositioned modules.

Stocked with enough materials to treat 100 patients for 72 hours, the modules help providers treat conditions ranging from basic trauma injuries to chronic conditions. They can also be easily merged into clinics’ regular inventories if not needed for emergency response.

The contents were chosen based on analysis of product shortages following Hurricanes Katrina and Rita, and in conjunction with Direct Relief’s participation in the Texas Blue Ribbon Commission on Emergency Preparedness and Response, convened by Governor Rick Perry in the aftermath of Katrina.

EMERGENCY MODULES TO TREAT 100 PATIENTS FOR 72 HOURS INCLUDED AMONG MANY ITEMS:

- Sulfadiazine ointment tablet
- Inhalations
- Powder for combating dehydration
- Oral rehydration solution
- Antibiotics
- IV fluids
- Opiates
- Emergency supplies
- Antihypertensive agents, and
- Diabetes
- Pain relievers
- Immunosuppressants
- Exam gloves
- Gauze bandages
- Urine dipsticks

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Emergency Response

Disasters often hit resource-poor areas the hardest, quickly overwhelming often already compromised health systems. Direct Relief targets these areas before emergencies take place, building relationships and supply lines that will help us work efficiently and effectively when disaster strikes.

In times of emergency, Direct Relief moves quickly to supply local healthcare professionals with needed medical and financial assistance to ensure they continue providing care to those affected. Because local people are the first responders, have the most at stake, and will be there for the long run, targeting our assistance to them will help avoid the duplication of efforts, wasting resources, and logistical bottlenecks.

In Fiscal Year 2008, Direct Relief was able to provide health facilities responding to emergencies with over $14 million (wholesale) in emergency medical support and $1,221,000 in emergency cash assistance. This effort of over 100 shipments and 23 grants reached 18 partners in 14 countries on four continents, and provided two million courses of treatment to people struck by natural disasters and civil conflict.
Direct Relief’s response to natural disasters and civil unrest has long yielded sustained medical support to compromised health systems, often spanning decades after the initial emergency. Our founders’ first shipments to war-torn Europe framed the organization’s mission. Help provided to refugees of the Korean War catalyzed over 40 years of assistance to the country. And more recently, Direct Relief’s work in the Gulf States in the aftermath of Hurricane Katrina provided the foundation for a domestic program that has since supported the healthcare safety-nets of every state in the U.S.

Direct Relief continues to aid those affected by WWII by providing relief parcels and financial assistance to affected communities in Greece, Italy, Austria, Yugoslavia, Germany, Russia, and Estonia. Aid is also extended to Chinese Civil War refugees in Hong Kong. At left, the first Direct Relief humanitarian provision arrives in China.

During the early 1980s, Cambodian refugees fled the Khmer Rouge to Thailand (left). Millions lived in exile without adequate resources. Direct Relief provided thousands of pounds of medical and nutritional products to health facilities and refugee camps. Our work in the country didn’t end with the collapse of the Khmer Rouge, and in Fiscal Year 2008 Direct Relief supported Cambodian healthcare professionals with over 800,000 courses of medical treatment, valued at over $2 million (wholesale). See page ___ for more on our recent work in Cambodia.

Direct Relief focuses its work to medical assistance. From an office established in Seoul, Korea, the organization sees to the long-recovering healthcare infrastructure still reeling from the Korean War (right) and to the newly displaced and rapidly growing refugee populations of South Vietnam.

Shortly after the Dalai Lama fled the Chinese occupation of Tibet in 1959, and at the request of the Tibetan Department of Health of the Government-in-Exile, Direct Relief established the Tibetan Refugee Tuberculosis Control and Primary Healthcare Program, supplying anti-tuberculosis and other essential drugs to Tibetan refugee settlements throughout India and Nepal for the next three decades. Here, Direct Relief board member emeritus Jean Hay welcomes the Dalai Lama to Santa Barbara in 1996.
December

In response to the tsunami that forever altered life for millions of people in coastal communities on the Indian Ocean, Direct Relief has provided $57 million in direct aid, including over $14 million in emergency cash assistance, and continues to enable local health organizations serve those who both lost the most and have the most at stake in long-term recovery.

With funding from Direct Relief, the Amrita Institute of Medical Science (AIMS) in southwestern India equipped a teledicine van (right) to bring care to the many people too remote, sick, or poor to get to a hospital. In two years, the van has brought state-of-the-art care to 40,000 people in tsunami-affected communities, using video conferencing and real-time transmission of medical information to connect AIMS hospital staff with otherwise disenfranchised patients.

August

Beyond the immediate and short-term efforts of Direct Relief in the Gulf States following hurricanes Katrina and Rita – including $4.0 million in cash grants to clinics and health centers and over $31.8 million (wholesale) in medical products – the organization has worked to address the structural gaps in the health system that leave so many uninsured and working poor Americans without care. See the section beginning on page ___ to learn more about Direct Relief’s work in the U.S.

August

Working alongside longtime partners the Catholic Archdiocese of Lima and the Peruvian American Medical Society, Direct Relief responded to the August 15, 2007, 8.0-magnitude earthquake in Peru with $4.2 million (wholesale) in specifically requested emergency supplies.

The Peruvian Ministry of Health informed Direct Relief that the country was in need of Hepatitis B and rotavirus vaccines among the hardest hit populations. Together with Merek & Co., Inc., Direct Relief was able to deliver $1.8 million (wholesale) worth of vaccines to the Ministry for immunization of children and adults (left).

October

Anticipating the massive need for rehabilitative services to treat the many traumatic injuries after the 7.6-magnitude earthquake struck Pakistan on October 8, 2005, Direct Relief funded and continues to support the Pakistan Institute of Prosthetic and Orthotic Science (PIPOS), the country’s only prosthetic training facility and limb manufacturing center. Direct Relief’s cash assistance established three PIPOS clinic sites in Bagh, Balakot, and Besham (left), and covers the operating expenses for each facility for three years.

In all, Direct Relief has supported Pakistan earthquake-affected communities with over $7.5 million (wholesale) in medical material, representing 1.5 million courses of treatment, and over $1 million in grants to 11 local healthcare organizations.

October

As wildfires swept through Southern California, Direct Relief worked to support residents with resources needed for recovery through 71 shipments – including over 80,000 masks for locals and emergency personnel – valued at over $1.4 million (wholesale). Over $560,000 in emergency cash assistance was provided to clinics and firefighters, including $400,000 to the Council of Community Clinics on behalf of their 17 San Diego County health centers, and $50,000 to the California Department of Forestry’s Firefighters Benevolent Fund.

December

The widespread civil strife that broke out in the aftermath of Kenya’s December 27, 2007, presidential election was unexpected and violent. Protests sparked by disputed election results and allegations of vote-counting impropriety gave way to fighting along political and then tribal lines. Dr. Herzon Mc‘Obewa (left), director of the Kisumu, Kenya-based OGRA Foundation, aided people from all groups caught in the crossfire.

The day violence broke out, Direct Relief wired $10,000 to OGRA to purchase needed medicines and fuel, organized airfreight shipments of additional emergency supplies, and committed more than 130,000 courses of antiretroviral medicine for patients with HIV whose treatment was disrupted by the violence. Soon after, Direct Relief contributed an additional $100,000 to help transport displaced families, supply essential medicines, and support surgeons, doctors and nurses.
**Africa**

**BURUNDI**
- Jabe Hospital and Rohero Emergency Clinic, Bujumbura
- **$197,678** 4,322 lbs. 284,731

**CAMEROON**
- Help Medical Foundation, Douala
- Holy Trinity Foundation Hospital, Ebua
- Kolofata District Hospital, Mora
- Manyemen Presbyterian Hospital, Manyemen
- Rural Community Medical Foundation, Kumba
- Shemka Foundation/Quality Healthcare Unit, Yaoundé
- St. John of God Health Centre, Mambé
- **$875,112** 26,331 lbs. 397,787

**DEM. REPUBLIC OF CONGO**
- Aungba Health Zone, Aungba
- Project de Lutte Centre les Handicaps Visuels, Boma
- **$1,287,097** 18,394 lbs. 224,287

**ETHIOPIA**
- Addis Ababa Fistula Hospital, Addis Ababa
- The World Family: Ethiopian Orphans and Medical Care, Addis Ababa
- **$101,643** 16,696 lbs. 106,845

**GHANA**
- Bora Health Clinic, Somewhere
- Kings Village Clinic, Somewhere
- Komfo Anokye Teaching Hospital, Kumasi
- Nana Hima Dekyi Hospital, Dixcove
- SAMORGHEP/Maranaathpa Maternity Clinic, Kumasi
- **$929,640** 47,186 lbs. 946,028

**KENYA**
- AMREF Kenya, Nairobi
- Kericho Regional Hospital, Kericho
- Meru Hospice, Meru
- OGRA Foundation, Kisumu
- St. Joseph’s Mission Hospital Nyabondo, Sondu
- VIAGENCO Comprehensive Care, Mbale
- **$7,761,579** 53,888 lbs. 1,693,419

**LIBERIA**
- Christian Aid Ministries Liberia, Monrovia
- ELWA Hospital, Paynesville City
- Imani House Clinic, Monrovia
- JFK Medical Center, Monrovia
- Mount Sinai Surgical Team, Monrovia
- **$8,814,730** 89,001 lbs. 697,374

**MADAGASCAR**
- Marie Stopes Madagascar, Antananarivo
- **$94,183** 4,658 lbs. 150,197

**MALAWI**
- Banja La Msogolgo, Marie Stopes Malawi, Blantyre
- College of Medicine, Blantyre
- Montfort Hospital, Nkhata
- Mulanje Mission Hospital, Mulanje
- Partners in Hope Medical Centre, Lilongwe
- Queen Elizabeth Hospital, Blantyre
- Trinity Hospital, Limbe
- **$2,062,800** 56,407 lbs. 748,883

**NIGER**
- Galmi Hospital, Galmi
- TurtleWill, Agadez
- **$31,538** 1,310 lbs. 66,433

**NIGERIA**
- Antof Rural Resource Development Center, Oron
- Victory International Ministries, Aba
- **$79,070** 429 lbs. 4,709

**RWANDA**
- CHF/CHAMP, Kigali
- **$165,257** 20,549 lbs. 1,194,254

**SENEGAL**
- Clinique Seydina Issa Laye, Dakar
- The Association of Villagers at N’Dem, N’Dem
- **$10,200** 146 lbs. 36,271

**SIERRA LEONE**
- Ndeghomei Development Association, Freetown
- Royeima Section Community Health Center, Royeima
- St. John of God Catholic Hospital, Lunsar
- Taïama Health Clinic and Maternity Center, Taïama
- **$2,008,577** 20,962 lbs. 686,739

**SOMALIA**
- Edna Adam Maternity and Teaching Hospital, Hargeisa
- HAPA Hargeisa Hospital, Hargeisa
- **$1,678,564** 29,675 lbs. 409,505

**SOUTH AFRICA**
- Eastern Cape Hospices, Port Elizabeth
- Tchisimane Healing Center, Soulansberg
- **$49,098** 7,636 lbs. 91,619

**SUDAN**
- AMREF/National Health Training Institute, Maridi
- **$228,906** 14,605 lbs. 232,917

**TANZANIA**
- Dr. Atman Hospital, Sumbawanga
- Huruma Designated District Hospital, Rombo
- KADERES, Karagwe
- Marie Stopes Tanzania, Dar es Salaam
- Mpanda District Hospital, Mpanda
- Namanyere Hospital, Namanyere
- Shirati Hospital, Shirati
- Sumbawanga Regional Hospital, Sumbawanga
- Tanzania Women Social Economic Development and Human Rights Organization, Kiwenga
- **$1,521,364** 55,481 lbs. 3,218,487

**UGANDA**
- AMREF Uganda, Soroti
- Hospice Africa Uganda, Kampala
- Jinja Municipal Council, Jinja
- Joy Hospice, Mbale
- Kitovu Mobile, Masaka
- Rakai Community Based Health Project, Kampala
- Rays of Hope Hospice, Jinja
- Rugendehebura Foundation for Health, Kasese Uganda Reproductive Health Bureau, Kampala
- **$4,716,329** 36,956 lbs. 658,436

**ZAMBIA**
- Angel of Mercy, Lusaka
- Kala Health Center, Kawambwa
- Kasaba Mission Hospital, Mansa
- Kawambwa Hospital, Kawambwa
- Lahwe Mission Hospital, Samfya
- Lusaka District Health Management, CIDRZ, Lusaka
- Mambilima Mission Hospital, Chinsali
- Mansa General Hospital, Mansa
- Mbeshe Mission Hospital, Kawambwa
- Samfya Health Center, Samfya
- St. Francis Katete Mission Hospital, Katete
- St. Paul’s Mission Hospital, Nchelenge
- Zambia’s Help’s Society, Lusaka
- **$1,126,838** 63,362 lbs. 1,788,912

**ZIMBABWE**
- Harare Central Hospital, Harare
- Island Hospice, Harare
- J.F. Kapnek Charitable Trust, Harare
- Ministry of Health & Child Welfare, Harare
- Population Services Zimbabwe, Harare
- Seke Rural Home Based Care, Seke
- Sisters of Jesus of Nazareth Clinic, Chegutu
- St. Alberts Mission Hospital, Zambesi Valley
- **$2,071,948** 34,420 lbs. 353,540

**OUR PARTNERS**

**FISCAL YEAR 2008 SUPPORT**

- **$ = Total Wholesale Value**
- **= Total Weight**
- **Courses of Treatment**

---

**Courses of Treatment**

- **$ = Total Wholesale Value**
- **= Total Weight**
- **Courses of Treatment**
Caribbean

DOMINICA
Portsmouth Hospital, Portsmouth
$5,287,913  1,014,959 lbs.  309,137

DOMINICAN REPUBLIC
Batey Relief Alliance, Santo Domingo
Centro de Atencion Primaria, Constanza
Embassy of the Order of Malta, Santo Domingo
Fundacion Cruz Jiminian, Santo Domingo
Health Care Education Partnership, Santo Domingo
Movimiento Socio Cultural Para Los Trabajadores, Santo Domingo
Obispado de Puerto Plata, Puerto Plata
Patronato Benefico Oriental, La Romana
$10,001,684  1,046,10 lbs.  309,137

GRENADA
Food For the Poor, St. George's
Ministry of Health, St. George's
St. George's General Hospital, St. George's
$2,973,710  1,285 lbs.  36,497

HAITI
Archeveche du Cap Haitien, Cap-Haitien
Asile Communal, Cap-Haitien
Centre Medico-Social Nord Alexis, Port-Au-Prince
Christian Aid Ministries, Port-Au-Prince
Eglise du Nazarene d'Haiti, Port-au-Prince
Food For the Poor, Port-Au-Prince
Hospital Justinien, Cap-Haitien
Mariani Clinic, Port-Au-Prince
Mt. Olive Medical Fair, Port-Au-Prince
New Hope Ministries, Cap-Haitien
Partners in Health / Zanmi Lasante, Port-Au-Prince
St. Jules Medical Clinic, Bourg du Borgne
$4,904,028  109,814 lbs.  1,011,928

JAMAICA
Food for the Poor, Spanish Town
HOPE Worldwide, Kingston
Jamaica Humanitarian Dental Mission, St. James
Missionaries of the Poor, Kingston
$13,902,798  65,569 lbs.  578,953

CAMBODIA
Angkor Hospital for Children, Siem Reap
Orphan Voice Cambodia, Phnom Penh
Sihanouk Hospital Center of HOPE, Phnom Penh
$2,078,661  51,061 lbs.  820,488

CHINA
One HEART, Lhasa
Rima Township Clinic, Rasha Township
$37,616  499 lbs.  117,120

EAST TIMOR
Australian Aid International, Dili
$47,375  1,450 lbs.  27,434

FIJI
Loloma Foundation, Suva
Savusavu Community Foundation, Savusavu
$1,778,870  37,366 lbs.  586,270

East & Southeast Asia

INDONESIA
CHF International, Banda Aceh
IBU Foundation, Meulaboh
International Relief & Development, Jakarta
The Sumba Foundation, Bali
Yayasan Bumi Sehat, Bali
$445,703  14,933 lbs.  1,746,798

LAOS
Mahosot Hospital, Vientiane
Muang Sing Hospital, Muang Sing
Save The Children-Australia, Vientiane
$59,343  6,595 lbs.  308,901

CONTINUED on next page
CONTINUED from previous page

NORTH KOREA
Eugene Bell Foundation, Seoul
$740,676  22,076 lbs.  112,361

PAPUA NEW GUINEA
Wewak General Hospital, Wewak
$153,544  7,122 lbs.  51,480

PHILIPPINES
Holy Rosary International Medical Mission, Inc, Palawan
Philos Health, Jagna
Population Services Pilipinas Incorporated, Pasay City
Reyes-Villanueva Medical Relief, Bagoa
$375,843  2,789 lbs.  174,448

THAILAND
Christians Concerned for Burma, Chiang Mai
Global Health Access Program, Mae Sot
Mae Tao Clinic, Mae Sot
$36,622  565 lbs.  155,369

SOLOMON ISLANDS
Loloma Foundation, Honiara
$1,020,081  21,164 lbs.  77,349

VIETNAM
Kim Long Charity Clinic, Hue
Marie Stopes Vietnam, Hanoi
$364,467  7,779 lbs.  263,745

ARMENIA
Health Ministry of Armenia, Yerevan
Karabagh Health Ministry, Yerevan
Yerevan Municipality, Yerevan
$297,333  9,662 lbs.  2,635,878

ROMANIA
Christian Aid Ministries Romania, Floresti
$3,634,732  44,336 lbs.  2,163,704

WEST BANK/GAZA
ANERA, West Bank/Gaza
St. John’s Eye Hospital, West Bank
$198,610  5,923 lbs.  366,628

UKRAINE
God’s Hidden Treasures, Kiev
$64,713  5,508 lbs.  171,602

Latin America

BOLIVIA
Centro Medico Vivir con Diabetes, Cochabamba
Cruz Roja, Montero
Marie Stopes Bolivia, Santa Cruz de la Sierra
Proyecto de Salud del Rio Beni, Rurrenabaque
Rio Beni Health Care Project, Rurrenabaque
$601,930  37,022 lbs.  699,278

ECUADOR
Junta de Beneficiencia de Guayaquil, Guayaquil
$664,553  36,782 lbs.  2,315,009

EL SALVADOR
Baja Project for Crippled Children, San Miguel
Comite de Reconstruccion y Desarrollo Economico, Suchitoto
FUDEM, San Salvador
FUSAL, San Salvador
O.E.F. de El Salvador, San Salvador
$6,832,821  77,611 lbs.  4,250,321

GUATEMALA
Asociacion Nuestros Ahijados de Guatemala, ONG, Antigua
Caritas Arquidiocesana, Guatemala City
Liberty University, Guatemala City
Presbiterio Kaqchikel, Chimaltenango
Project Xela Aid, Quetzaltenango
San Marcos Health Care Project, Catarina
Santa Rosa Medical Clinic, Santa Rosa
$18,872,186  174,435 lbs.  1,081,553

GUYANA
Ministry of Health, Georgetown
$667,231  22,018 lbs.  12,744
Go to community health centers in every state and Puerto Rico.

Direct Relief works with over 1,200 clinics and community health centers in every state and Puerto Rico.

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

Direct Relief International had a strong Fiscal Year 2008 in all areas of our activities and finances. We ended the year with $201.2 million in public support and revenue, providing $213.94 million (wholesale) in assistance around the world. Direct Relief’s financial position and balance sheet continues to be strong thanks to steadfast support from our generous donors and Board of Directors.

Cash and In-Kind Contributions  Direct Relief’s financial statements must account for both cash and in-kind contributions (mostly medical material resources) that are entrusted to the organization to fulfill its humanitarian mission. In Fiscal Year 2008, 93.6 percent of our total public support and revenue of $201.2 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 were 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 2008 by individuals, businesses, organizations, and foundations.

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.

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 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 2007, for example, Direct Relief received a large infusion of product donations. When that fiscal year ended, the product inventories that had not been “spent” were reported as “surplus.” In turn, this increase in net assets was carried forward and “spent” during the course of Fiscal Year 2008. This resulted in a decrease in net assets (or net operating “loss”) in Fiscal Year 2008 of $26.6 million which was primarily driven by a decrease of product inventories.
Administrative Expenses  Second is the issue of administrative expenses and how they are paid. Our organization has adopted a strict policy to ensure that 100 percent of all designated contributions are used only on expenses directly related to activities that benefit the designation. None of those funds are used to cover pre-existing organizational costs, including staff salaries. We have used similar policies for all of our disasters responses in the last few years, including the Indian Ocean tsunami, Hurricanes Katrina and Rita, the Pakistan, Peru and China earthquakes, and Cyclone Nargis in Myanmar.

Consistent with this policy, all administrative expenses, including banking and credit-card processing fees associated with simply receiving these disaster and other 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.

Valuation of In-Kind Materials  Another factor is the valuation of in-kind medical donations. Accounting standards require Direct Relief to use a “fair market value.” 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.
Combined Statement of Activities (Direct Relief International & Direct Relief Foundation) for the fiscal years ending March 31, 2008, and March 31, 2007

<table>
<thead>
<tr>
<th>PUBLIC SUPPORT &amp; REVENUE</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions of goods and services</td>
<td>$188,332</td>
<td>$201,823</td>
</tr>
<tr>
<td>Contributions of cash and securities – California fires</td>
<td>743</td>
<td>-</td>
</tr>
<tr>
<td>Contributions of cash and securities – other disaster relief</td>
<td>133</td>
<td>942</td>
</tr>
<tr>
<td>Contributions of cash and securities – other</td>
<td>10,553</td>
<td>39,798</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SUPPORT</strong></td>
<td>199,761</td>
<td>242,563</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings from investments and other income</td>
<td>1,475</td>
<td>1,776</td>
</tr>
<tr>
<td><strong>TOTAL PUBLIC SUPPORT AND REVENUE</strong></td>
<td>201,236</td>
<td>244,339</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of medical donations shipped</td>
<td>213,920</td>
<td>136,154</td>
</tr>
<tr>
<td>Inventory adjustments (expired pharmaceuticals, etc.)</td>
<td>2,430</td>
<td>7,649</td>
</tr>
<tr>
<td>Disaster relief – California fires</td>
<td>575</td>
<td>-</td>
</tr>
<tr>
<td>Disaster relief – other</td>
<td>656</td>
<td>5,182</td>
</tr>
<tr>
<td>Domestic programs</td>
<td>1,480</td>
<td>824</td>
</tr>
<tr>
<td>International programs</td>
<td>5,790</td>
<td>4,851</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM SERVICES</strong></td>
<td>224,851</td>
<td>154,660</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting Services</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising</td>
<td>1,234</td>
<td>896</td>
</tr>
<tr>
<td>Administration</td>
<td>1,746</td>
<td>1,306</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORTING SERVICES</strong></td>
<td>2,980</td>
<td>2,202</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL EXPENSES</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCREASE (DECREASE) IN NET ASSETS</strong></td>
<td>$26,595</td>
<td>$87,477</td>
</tr>
</tbody>
</table>

Combined Statement of Cash Flows (Direct Relief International & Direct Relief Foundation) for the fiscal years ending March 31, 2008, and March 31, 2007

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash collected from public support</td>
<td>$10,628</td>
<td>$40,732</td>
</tr>
<tr>
<td>Cash paid for goods and services</td>
<td>(10,937)</td>
<td>(11,963)</td>
</tr>
<tr>
<td>Dividend and Interest income</td>
<td>1,119</td>
<td>1,244</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>(5)</td>
<td>12</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>805</td>
<td>30,025</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>(20,306)</td>
<td>(51,310)</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>21,281</td>
<td>17,147</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>(1,283)</td>
<td>(498)</td>
</tr>
<tr>
<td>Unitrust distributions</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>NET CASH USED BY INVESTING ACTIVITIES</strong></td>
<td>(312)</td>
<td>(34,666)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on mortgage</td>
<td>(62)</td>
<td>(52)</td>
</tr>
<tr>
<td>Payments on capital lease obligation</td>
<td>(9)</td>
<td>(4)</td>
</tr>
<tr>
<td><strong>NET CASH USED FOR FINANCING ACTIVITIES</strong></td>
<td>(71)</td>
<td>(56)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>422</td>
<td>(4,697)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,177</td>
<td>7,874</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS - END OF YEAR</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$ 3,599</strong></td>
<td><strong>$ 3,177</strong></td>
<td></td>
</tr>
</tbody>
</table>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Change in net assets $ (26,595) $ 87,477

ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Depreciation $ 250 $ 200
Change in inventory 28,263 (57,436)
Change in receivables (798) (8)
Change in prepaid expenses and other assets (65) (34)
Change in accounts payable and accrued expenses 112 296
Loss on disposal of fixed assets 62 3
Realized gain on sale of investments (1,112) (1,189)
Unrealized loss on investments 688 716

NET INCREASE IN CASH $ 805 $ 30,025

Statement of Financial Position
as of March 31, 2008, and March 31, 2007

<table>
<thead>
<tr>
<th></th>
<th>Direct Relief</th>
<th>Direct Relief</th>
<th>TOTAL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
<td>Foundation</td>
<td>2008</td>
<td>2007</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,313</td>
<td>$ 2,286</td>
<td>$ 3,599</td>
<td>$ 3,177</td>
</tr>
<tr>
<td>Securities</td>
<td>5</td>
<td>43,441</td>
<td>43,446</td>
<td>43,997</td>
</tr>
<tr>
<td>Inventories</td>
<td>53,384</td>
<td>-</td>
<td>53,384</td>
<td>81,647</td>
</tr>
<tr>
<td>Other current assets</td>
<td>587</td>
<td>230</td>
<td>817</td>
<td>203</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>55,289</td>
<td>45,957</td>
<td>101,246</td>
<td>129,024</td>
</tr>
<tr>
<td>Other Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>4,932</td>
<td>-</td>
<td>4,932</td>
<td>3,961</td>
</tr>
<tr>
<td>Remainder interests</td>
<td>-</td>
<td>72</td>
<td>72</td>
<td>76</td>
</tr>
<tr>
<td>Pledged bequests</td>
<td>-</td>
<td>257</td>
<td>257</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>17</td>
<td>-</td>
<td>17</td>
<td>22</td>
</tr>
<tr>
<td>TOTAL OTHER ASSETS</td>
<td>4,949</td>
<td>329</td>
<td>5,278</td>
<td>4,059</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$ 60,238</td>
<td>$ 46,286</td>
<td>$106,524</td>
<td>$133,083</td>
</tr>
<tr>
<td>LIABILITIES AND NET ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables and other current liabilities</td>
<td>$ 799</td>
<td>-</td>
<td>$ 799</td>
<td>$ 688</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>5</td>
<td>-</td>
<td>5</td>
<td>1,467</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>804</td>
<td>-</td>
<td>804</td>
<td>2,155</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>1,400</td>
<td>-</td>
<td>1,400</td>
<td>-</td>
</tr>
<tr>
<td>Capital lease obligation</td>
<td>8</td>
<td>-</td>
<td>8</td>
<td>17</td>
</tr>
<tr>
<td>Distribution payable</td>
<td>20</td>
<td>-</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>Total Other Liabilities</td>
<td>1,428</td>
<td>-</td>
<td>1,428</td>
<td>41</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>2,232</td>
<td>-</td>
<td>2,232</td>
<td>2,196</td>
</tr>
<tr>
<td>NET ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board designated reserve fund</td>
<td>-</td>
<td>44,265</td>
<td>44,265</td>
<td>44,192</td>
</tr>
<tr>
<td>Undesignated</td>
<td>54,717</td>
<td>1,996</td>
<td>56,713</td>
<td>84,597</td>
</tr>
<tr>
<td>Total unrestricted net assets</td>
<td>54,717</td>
<td>46,261</td>
<td>100,978</td>
<td>128,789</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>3,289</td>
<td>-</td>
<td>3,289</td>
<td>2,073</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>-</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>TOTAL NET ASSETS</td>
<td>58,006</td>
<td>46,286</td>
<td>104,292</td>
<td>130,887</td>
</tr>
<tr>
<td>LIABILITIES AND NET ASSETS</td>
<td>$ 60,238</td>
<td>$ 46,286</td>
<td>$106,524</td>
<td>$133,083</td>
</tr>
</tbody>
</table>

"ILSMOLORE FEUGUE MODOLOR IPISISIM JUSCILIS NIM QVISIT PRATEM DIGNA CON EA ADIPSUSCL IPIS ADIPIT UTPATUM IRIT ILLA AUGIAMETUER SEQVISIT DOLORETEMU IRILLI EUSIT UT LUM ZZRIT AUT AT. RAESCTEM AT, CON-HENISI."

- Bhupi Singh, Direct Relief International CFO
Notes to the Financials

Fiscal Year Results

The overall assistance furnished by Direct Relief in Fiscal Year 2008 was just over $216 million. Direct Relief received no governmental assistance. All resources were obtained from private sources.

In the fiscal year ended March 31, 2008, Direct Relief provided 2,353 shipments of humanitarian medical material including pharmaceuticals, medical supplies, and medical equipment. The more than 1,270 tons (just under 2,540,000 pounds) of material aid were furnished to local health programs in 59 countries, including the United States, and had a wholesale value of $213.9 million. The provisions contained in these aid shipments were sufficient to provide treatment to 49.8 million people.

In addition, the organization provided $2.15 million in the form of cash grants to dozens of locally run health programs in areas affected by the December 2004 Indian Ocean tsunami, the Pakistan earthquake of October 2005, the Southern California wildfires of 2007, the Peru earthquake of August 2007, the post-election violence of Kenya in December 2007, and various other partners providing health services in other non-disaster areas.

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 2007 for comparison purposes.

Leverage

For each contributed $1 that Direct Relief received and spent in 2008 for our core medical assistance program (excluding emergency response), the organization provided $36.39 worth of wholesale medical material assistance. These program expenses totaled $5.48 million. The expenditure of these funds enabled Direct Relief to furnish $199.4 million worth (wholesale value) of medical material resources to 59 countries for the support of ongoing health needs. The weight of these materials was 2,382,000 lbs, or 1,191 tons.
Cash Grants

In addition to the core medical material assistance program, Direct Relief also provided financial assistance of $2.15 million through cash grants. The vast majority of these grants (approximately $1.3 million) were made from designated contributions received in this and past fiscal years for the tsunami, the Pakistan earthquake of October 2005, the Southern California Fires of 2007, the Peru earthquake of August 2007, and the post election violence of Kenya in December 2007.

The organization incurred $487,000 in tsunami cash expenditures this fiscal year, of which over $400,000 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, 2008, the organization had spent over 97 percent of the funds received for tsunami relief.

With funds received for the Pakistan earthquake of October 2005, the organization spent a total of $137,000, of which $127,000 was spent in the form of cash grants. As of March 31, 2008, the organization had spent over 99 percent of the funds received for this relief effort.

With Southern California wildfire designated contributions, the organization incurred expenditures of $578,000, of which $565,000 was spent in the form of cash grants to health facilities and organizations providing direct health services to residents in the affected areas. As of March 31, 2008, the organization had spent over 77 percent of the funds received for this relief effort.

Staffing

These activities were accomplished by a staff which, as of March 31, comprised 48 positions (40 full-time, 8 part-time). Measured on an FTE (full-time equivalent) basis, the total staffing over the course of the year was 41.5. This figure is derived by dividing the total hours worked by 2,080, the number of work hours by a full-time employee in one year. Two persons each working half time, for example, would count as one FTE.

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

Program Expenses

In 2008, Direct Relief’s programmatic expenses totaled $10.93 million, $2.21 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 25 full-time and 5 part-time employees engaged in programmatic functions.
2008 Expenses by Function: $227.8 million

Program expenses also included:

- The value of disposed expired products ($2.43 million)
- Cash grants to partner organizations ($2.15 million, of which $403,000 was for tsunami relief, $127,000 for Pakistan earthquake relief, $565,000 for Southern California wildfire relief, $100,000 for relief efforts after the violence in Kenya, and $26,000 for Peru earthquake relief)
- Ocean/air freight and trucking for outbound shipments to partners and inbound product donations ($1.97 million, of which $549,000 was donated)
- Travel for oversight and evaluation ($372,000); contract services ($659,000, of which $18,000 was contributed); packing materials and supplies ($87,000); disposal costs for expired pharmaceuticals ($32,000); equipment and software maintenance ($80,000)
- A pro-rata portion of other allocable costs (see below)

2008 Fundraising Expenses: $1.5 million

Direct Relief spent a total of $1.23 million on resource acquisition and fundraising in 2008. As noted earlier, these expenses (other than donated services) were paid out of the assets of the Direct Relief Foundation. A total of $610,000 was spent for salaries, related benefits, and taxes for 5 full-time employees and 1 part-time employee engaged in resource acquisition and fundraising.

Fundraising expenses also included:

- 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 $88,000.
- $8,000 in advertising and marketing costs
$67,000 in expenses directly related to fundraising events (of which $9,000 were donated goods for the events)
$56,000 in travel and mileage-reimbursement expenses
$335,000 in contract services (of which $232,000 were donated services from Google)
$12,000 in supplies in support of the fundraising staff
$7,000 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,” which falls under program costs.

2008 Administrative Expenses: $1.7 million

Direct Relief spent a total of $1.75 million on administration. As noted earlier these expenses (other than donated services) were paid from funds received out of the assets of the BRIF in the Direct Relief Foundation. Administration is responsible for financial and human resource management, information technology, and general office management. A total of $1.03 million was for salaries, related benefits, and taxes for 10 full-time employees and two part-time employees engaged in administration and financial management.

Administrative expenses also included:
• $32,000 in credit card, banking, brokerage, and portfolio-management fees
• $74,000 for duplicating and printing of which $9,000 was spent on producing our Fiscal Year 2007 Annual Report
• $263,000 in consulting fees including information technology services ($86,000), management fees for invested assets ($98,000), and communication services ($46,000)
• $39,000 in accounting fees for the annual CPA audit, payroll processing and reporting, and other financial services
• $55,000 in legal fees, of which $47,000 was provided pro bono for legal representation related to general corporate matters
• $4,000 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 40,000 square-foot warehouse facility that also serves as its headquarters and leases another 23,000 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 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.

Direct Relief Foundation and the Board-Restricted Investment Fund

In 1998, Direct Relief’s Board of Directors established a Board-Restricted Investment Fund (“BRIF”, sometimes characterized as a “quasi-endowment” in legal or accounting terminology) to help secure the organization’s financial future and provide a reserve for future operations. The BRIF, established with assets valued at $774,000, draws resources from Board-designated unrestricted bequests and gifts, and return on portfolio assets and operating surpluses (measured annually) in excess of current operational needs. There was no operating surplus for the year ended March 31, 2008.

In October 2006, 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 assets 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 fiscal operations.

The BRIF is authorized to distribute its portfolio assets to pay for all fundraising and administrative expenses of the organization, including extraordinary capital expenses and advance emergency disaster 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. Thus, 100 percent of all donations received by the organization...
are directed towards programmatic activities and costs.

For the fiscal year ended March 31, 2008, $2.1 million was distributed from the BRIF to cover fundraising and administration costs as well as implementation costs for a new enterprise resource planning platform.

As of March 31, 2008, the BRIF in the Foundation was valued at $46.3 million.

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 in-kind medical material contributions. Cash support – as distinct from the value of contributed goods – is used to pay for the logistics, warehousing, transportation, program oversight, staff salaries, purchasing of essential medical products, acquisition of medical products through donations, and all other program 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, 2008, Direct Relief shipped out $26 million more in humanitarian aid than it received in product donations, resulting in an apparent operating “loss.”

Product Valuation

In-kind material contributions, such as donated medical product, are valued at the wholesale price in the United States. Specifically for pharmaceutical products, the source of and basis for product values are the “Average Wholesale Price” (AWP), which is published by Thomson Healthcare’s “Redbook.” While retail values may be significantly higher, Direct Relief traditionally has chosen to use the more conservative 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

In honor of our 60th anniversary, it is with sincere gratitude we list donors who have contributed to Direct Relief throughout our history. In memory of donors who have passed, their names are marked with an *.

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Principles

Founded on 60 Years of Experience

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. Working with world-class companies and institutions, bringing resources to the most medically underserved communities in the U.S. and abroad.

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.

Remove Barriers. Create transparent, reliable, cost-effective channels to contribute and to access essential medical resources (particularly medicines, supplies, and equipment).

Focus on Activities with High Impact on Health. Maternal and Child Health; Primary Care; HIV/AIDS and other Chronic Diseases; Emergency Response

Play to Strengths. Partner for Other Needs. Engage in activities that address a compelling need, align with our core competencies and areas of excellence, and attract new resources (materials, cash, talent, reputation). Ally with an expanded network of strategic partners who are working on related causes and complementary interventions in order to leverage resources.

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 and the highest ratings from evaluators of non-profit organizations.

Be a Good Partner and Advocate. Give credit where due, listen carefully, and respect those contributing resources and those whom we serve.

Respond Fast While Looking Ahead. In emergencies, support the immediate needs of victims by working with local partners best situated to assess, respond, and prepare for the long-term recovery.

Take the High Road. Deliver aid without regard to race, ethnicity, political or religious affiliation, gender, or ability to pay. Inspire participation by earning the trust and confidence of private parties and encouraging their participation in our mission.
Our mission is to improve the health and lives of people affected by poverty, disaster, and civil unrest.