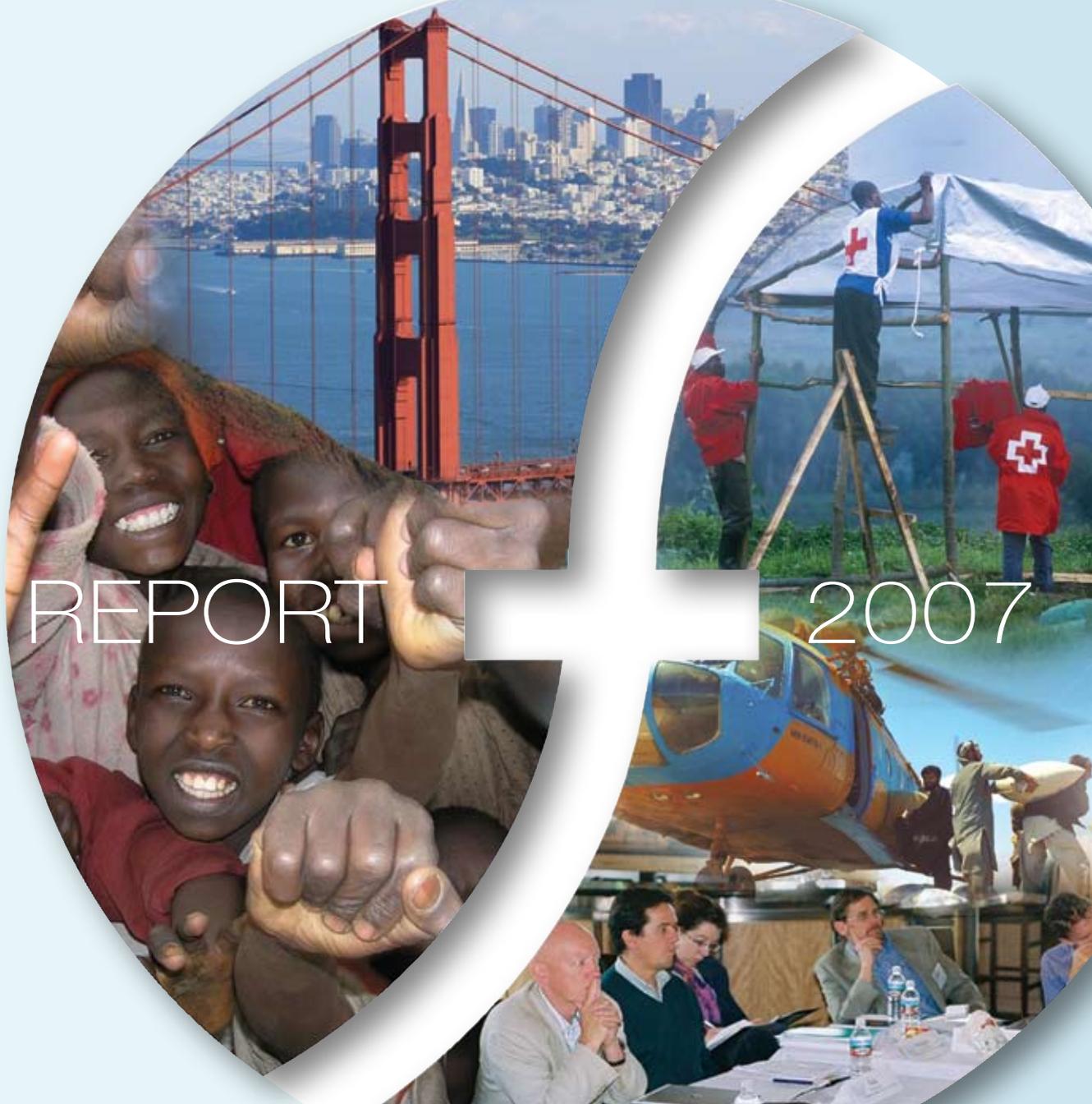


ANNUAL REPORT 2007



Building on the Foundation

2007 has been a year of significant transition for Fritz Institute. Taking stock after seven years, we now have the data and feedback to benchmark and quantify the progress we have achieved in increasing the organizational capacity of first line responders, and thereby helping the most vulnerable during catastrophic disasters around the world.

We envision a world where every community has the capacity to respond and recover from major disasters, saving lives and reducing suffering in the process. Toward that end, we partner with governments, nonprofit organizations and corporations to innovate solutions and facilitate the adoption of best practices for rapid and effective disaster response and recovery. The impact we are making is best described in a letter sent to us by Tabinda Syed, UNICEF Pakistan Logistics Officer and a graduate of our Certification Program in Humanitarian Logistics: *"The Certification in Humanitarian Logistics course started in February 2006 in the midst of a massive supply chain response. The course not only complimented my work but those in my team. I was able to successfully implement all benchmarks in a relatively short period of time. The new things learned were shared and practically applied. The course not only gave us the confidence to*

do our jobs well and to excel in our careers but also helped to enhance the importance of this profession. I am glad to be a part of the program and to be able to apply the acquired knowledge in the field."

We hear similar reports from our constituents in Africa, Europe, Asia, the Middle East, Central and South America and closer to home, in the San Francisco Bay Area with the Bay Area Preparedness Initiative, now known as BayPrep. The effectiveness of our process is a direct result of the third-party perspective we bring to the field, incorporating standards and best practices into all our programs. We identify gaps and incubate solutions through collaboration with the best and brightest from the corporate, philanthropic, academic and government sectors. We continue to accumulate proof points that this approach, leveraging the connected strengths of these sectors, results in new, never before addressed solutions that benefit the world of humanitarian relief. Sir Archibald Alison once wrote: *"It is in periods of apparent disaster, during the sufferings of whole generations, that the greatest improvement in human character has been effected."* Fritz Institute is working with our partners to systemically prepare for disasters and to improve the humanitarian sector's ability to serve the most vulnerable

populations in the most dire situations. Our programs are growing and our small budget is being stretched to cover the development of new tools, standards and best practices to bridge the gaps that our research identifies, addressing problems either ignored or relegated to the back burner as not being core to our partners' missions.

The common thread that runs throughout our programs is improving humanitarian operational excellence whether we're talking about supply chain tools and programs or our capacity building portfolios. We continue to work with the anonymous, back room logistics operations of our Non-Governmental Organization partners to provide critical training to logisticians who emerge as essential once a catastrophe strikes. Our Humanitarian Logistics Software (HLS), first humanitarian supply chain software designed to compliment the unique requirements of front line relief organizations, continues to play a central role in the Red Cross and Red Crescent Societies (IFRC) operations, demonstrably improving supply chain logistics during the largest and most complex relief efforts. While HLS is focused on the needs of headquarters personnel, HELIOS, released in 2007, is designed for use in the field, and is currently being tested in Sudan and Indonesia by

...Benchmarking Progress

Oxfam, World Vision International plans to expand into Zambia after successful deployment in Somalia, and International Medical Corps will soon begin a pilot in their logistics center in Croatia.

Our Humanitarian Certification Program (CHL), launched in 2006, continues to attract new students with diverse backgrounds from every corner of the globe. 2007 enrollment exceeded expectations, with nearly 500 students registered and 20 achieving certification. We are gratified that several large humanitarian organizations, including the World Food Program and UNICEF have included CHL in their training.

Our level two certification program, Certification in Humanitarian Supply Chain Management (CHSCM), designed for mid-level managers working in tactical and strategic functions, is now being developed in collaboration with an advisory committee of logisticians from eight leading humanitarian organizations.

Our African Capacity Networks Program continues to expand its reach and impact. NEPARC has grown to a 22 country initiative, envisioned and incubated in collaboration with Fritz Institute and including third-party audits, rigorous measurement and quantifiable results.

Closer to home, BayPrep fosters resilience in San Francisco Bay Area communities by strengthening preparedness and response capacity in organizations that serve especially vulnerable populations. BayPrep seeks to make the Bay Area the most prepared region in the country, with evidence to prove it. To support the initiative, we conducted an assessment of the disaster preparedness of a cross-section of nonprofit service providers in San Francisco. We also facilitated collaboration among local and state government agencies, nonprofit service providers, philanthropies, and the corporate sector, promoting information-sharing, relationship-building, and the development and dissemination of standards and best practices. Central to the development of standards and the capacity building process is the Disaster Resilient Organization (DRO) pilot project. Fritz Institute is working with community partners to develop and execute a standard approach to assess and enhance the disaster resilience of nonprofit service providers who have agreed to participate. In June of this year, we will recognize the 12 organizations that participated in the first year pilot.

As we introduce Fritz Institute to a wider audience, we are gratified to see how our vision and mission

resonates with our partners, donors, and the service providers who passionately work every day to improve the lives of those less fortunate. Our founder and Chairman, Lynn C. Fritz and co-founder Anisya Thomas Fritz continue to work with the Institute, providing strategic input and guidance as we explore new approaches to achieve our mission. We have reached a crossroads where our programs are maturing and new innovative programs are being added. We are very appreciative of the support we continue to receive from our partners and we look forward to working together to mitigate the effects of catastrophic disasters.



Lynn C. Fritz
Chairman of the Board



Bob Sproul
Chief Executive Officer

BayPrep Initiative

The Bay Area Preparedness Initiative (BayPrep) was launched in January 2007, based on the findings and recommendations of the November 2006 Lynmar Conference on Regional Preparedness. The goal of BayPrep is to make the San Francisco Bay Area the most disaster-prepared community in the country, and to provide evidence of this preparedness. BayPrep strengthens non-government organizations that provide 'safety net' services to the region's most vulnerable populations by understanding the capacities and gaps in this sector, building capacity through training, and creating standards and metrics to support the creation and maintenance of preparedness capacity. As an impartial catalyst for organizational change, Fritz Institute is implementing a collaborative approach to community preparedness in the Bay Area that will serve as a model of creating resilient communities across the US.

ASSESSMENT OF THE CIVIC INFRASTRUCTURE: In response to hurricane Katrina and the Loma Prieta earthquake, community-based organizations provided critical services to the most vulnerable - the old, the young, the infirm, non-English speakers, new immigrants, the handicapped, and the poor. These organizations are critical to disaster response and relief, yet little is known about their capacity



and disaster readiness. To fill the gap, Fritz Institute engaged the University of Colorado Natural Hazards Center to survey San Francisco-based organizations, collecting data on the most critical dimensions of preparedness. These interviews obtain information on the distinctive disaster-related needs of populations served, organizational capacity for disaster response; and perceptions on barriers

to achieving higher levels of preparedness. Initial findings are expected in April 2008 and a final report will be completed in summer 2008. A survey of a second Bay Area community will be initiated in late 2008 or early 2009.

STANDARDS AND CERTIFICATION: Fritz Institute has partnered with leading San Francisco service providers and government agencies including the American Red Cross Bay Area, United Way of the Bay Area, SFCARD (Collaborating Agencies Responding to Disaster), and the San Francisco Department of Emergency Management, to develop a Disaster Resilient Organization ("DRO") pilot program. Twelve nonprofit organizations volunteered to participate in the program to develop a model curriculum, metrics and standards for preparedness. The program includes facilitated presentations of a disaster scenario by Fritz staff, discussions of organizational response, and guidance in drafting a disaster mission statement. The curriculum is a first step in developing a methodology for reaching internal consensus on those critical organizational capabilities that would define preparedness. Because the capacity of physical facilities to function after a disaster is also a major factor, Fritz Institute contracted with a structural engineer to conduct assessments of each

organization's facilities and adjacent structures, with the expectation that 'facility capacity' would become a core factor in developing organizational response and recovery plans. Organizations that participated in the DRO pilot project will be recognized for their commitment and progress toward disaster resilience in June 2008.

COMMUNITIES OF PRACTICE AND THE COMMUNITY OF PREPAREDNESS: Public, private, nonprofit, community- and faith-based organizations, and philanthropies share a common interest in building disaster resilient communities. To be effective these organizations need to define and share 'best practices' and partner to mitigate each community's vulnerability. Yet many of these organizations work in silos, leading to inefficient duplication of efforts, gaps in preparedness, poor planning, inefficient resource management, and limited cross-sector collaboration. To address this shortfall, Fritz Institute convened several Communities of Practice (CoP) to facilitate constituency building, coordinate the activities of the numerous players in each sector engaged in the nine-county region of the Bay Area, and promote program delivery. The NGO CoP met bimonthly throughout 2007, bringing together more than 50 organizations. The Government CoP engaged through collaboration between BayPrep and the Governor's Offices of California Volunteers and Emergency Services, Association of Bay Area Governments and the Super Urban Area Security Initiative (SUASI) in activities that coordinated approaches to community

preparedness. The Corporate Task Force identified opportunities to bring corporate resources to support NGO activities.

In the future, Fritz Institute envisions a Community of Preparedness as a cross-sector initiative that will bridge the NGO, government, academic and business Communities of Practice to create a dialogue on collaboration and coordination to strengthen the NGO community.

PUBLIC EDUCATION AND ADVOCACY OF PREPAREDNESS: Fritz Institute also serves as an impartial advocate for the preparedness of NGO providers, raising awareness of the vital role of this sector. We have convened diverse groups of stakeholders to promote communication and collaboration, including the 2006 Lynmar Conference on Disaster Preparedness; the 2007 Conference on Building a Community of Preparedness: Collaboration and Metrics; a forum with the Governor's Office of California Volunteers to make recommendations for statewide public education campaigns promoting preparedness; and

a forum on mapping the vulnerability of fragile populations. BayPrep staff have made presentations at numerous events throughout the US, including state and national conferences on disaster response and preparedness. Additional public education activities included the dissemination of BayPrep findings to government, the business sector and the public through media briefings, workshops and periodic state of preparedness reports.

BayPrep's next steps include an analysis of the findings from the Assessment of Civic Infrastructure to determine gaps in capabilities of the NGO community and opportunities for government and corporate engagement; assessment and evaluation of the DRO training process; development of specific standards and metrics for disaster resilient organizations, and development of a model for sustaining preparedness.

The BayPrep program is underwritten by grants from The William and Flora Hewlett Foundation, Walter and Elise Haas Fund, The San Francisco Foundation, and Pacific Gas and Electric Company.

"We know from past crises that St. Anthony Foundation is one of the first places that people in the community come to when emergencies arise. Fritz helped us strengthen our disaster preparedness plan so that we will be better able to meet the needs of the community when future crises happen."

FATHER JOHN HARDIN, OFM
EXECUTIVE DIRECTOR, ST. ANTHONY FOUNDATION

African Capacity Networks



"NEPARC's effort towards achieving 'regional excellence in humanitarian interventions' is challenging resources, relationships, organizational responsibilities and fundamental principles of Africa's humanitarian community. I recognize however, that we are making progress. More and more ANSs are joining us, and our partners are encouraging and supporting us in our effort to design a clear and achievable future path to deliver a more predictable, effective and accountable humanitarian response on the ground."

KEBOUR GHENNA,
NEPARC CHIEF EXECUTIVE

Africans continue to be particularly vulnerable to natural disasters and humanitarian crises as a result of endemic poverty, subsistence-based livelihoods, and the devastating impact of global climate change. Approximately 316 million people in Sub-Saharan Africa live on less than \$1 per day and escalating food prices are pushing 30 million more into poverty. The effects of climate change could render 75 to 250 million more Sub-Saharan Africans vulnerable by the year 2020.

The African Capacity Networks program seeks to improve the lives of vulnerable Africans by increasing the effectiveness, accountability and fundability of local humanitarian service providers. The program promotes systemic change by enabling local service providers to take charge as responders to disasters in their own countries by first gaining the trust of their stakeholders through better transparency, sustainability and effectiveness metrics.

The New Partnership for African Red Cross and Red Crescent Societies (NEPARC), a consortium of relief organizations in Africa, was created with the support of Fritz Institute in 2004. The members of NEPARC requested that Fritz Institute develop a set of third-party metrics which would demonstrate organizational excellence to stakeholders within

their countries, and among their peers and donors. The Fritz Standard of Humanitarian Excellence provides objective assessments of three core dimensions of organizational functioning: transparency, accountability and governance, financial sustainability, and program effectiveness.

Achieving certification in Level 1 is dependent upon passing an on-site third-party audit. Whether or not a humanitarian organization passes the audit on the first attempt, the process provides baseline metrics against which the organization can objectively measure progress. Certification in Levels 2 and 3 is contingent upon the successful implementation of peer-based and internal assessments.

Between 2004 and 2006, Fritz Institute assisted 17 NEPARC member societies in the Level 1 audit; of these, seven achieved Level 1 certification. In 2007, Fritz Institute observed the Lesotho Red Cross Society in its first Level 1 audit. Ethiopian Red Cross Society undertook a Level 1 re-audit in 2007 and earned the highest score (92%) to date for any African National Society. Fritz Institute also partnered with KPMG Kenya to pilot the financial sustainability assessment in Uganda, resulting in the first Level 2 certification of a NEPARC member society.

NEPARC recruited Chief Executive Kebour Ghenna to establish a Secretariat and lead the consortium in February 2007. Fritz Institute financed the NEPARC Secretariat's operational costs in 2007, including the Chief Executive's salary and expenses. Five additional African National Societies joined NEPARC under Mr. Ghenna's leadership, raising the number of Francophone member societies to seven.

Fritz Institute provided financial support for NEPARC's Board Meetings in Addis Ababa, Ethiopia and Kampala, Uganda as well as the General Assembly in Abidjan, Ivory Coast. Representatives from 17 member National Societies attended the 2007 NEPARC General Assembly Meeting. Several organizations shared recommendations from their experiences with the Level 1 audit and outlined reforms spurred by the audit process. NEPARC's strategy for 2008-2010 includes developing, maintaining and enhancing region-wide and external cooperation, communication and leadership; ensuring accountability and building capacity in a measurable way; and enhancing the creation of fully supported, sustainable and professionally-staffed national societies.

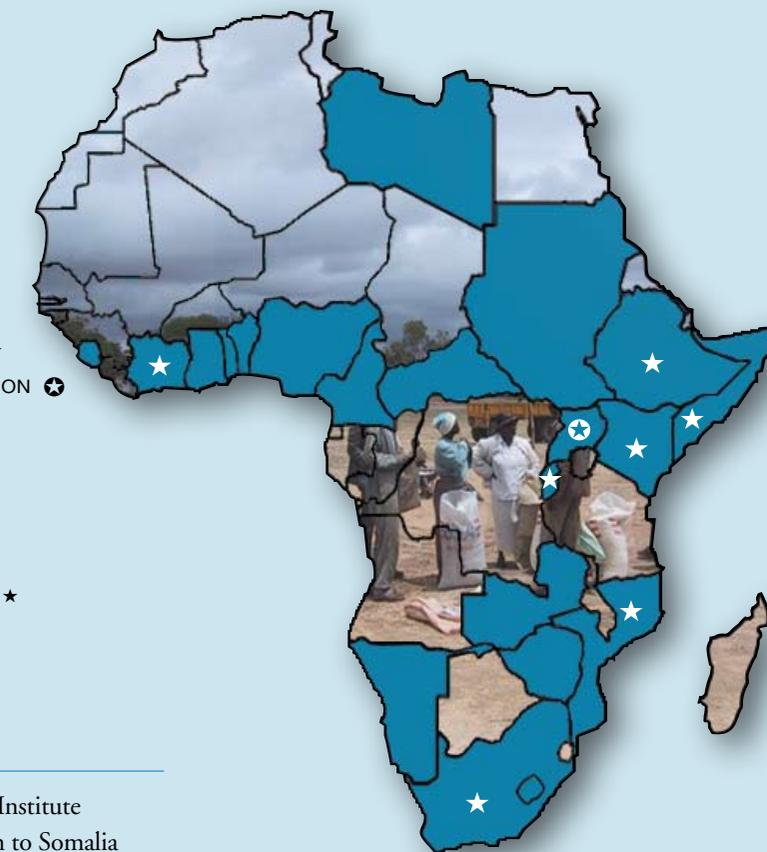
NEPARC MEMBER ■
ACHIEVED LEVEL 1 CERTIFICATION ★
ACHIEVED LEVEL 1 AND 2 CERTIFICATION ⊕

NEPARC MEMBER SOCIETIES

Benin	Namibia
Burundi	Nigeria
Cameroon	Rwanda ★
Central African Republic	Sierra Leone
Ethiopia ★	Somalia ★
Ghana	South Africa ★
Ivory Coast ★	Sudan
Kenya ★	Uganda ⊕
Lesotho	Zambia
Libya	Zimbabwe
Mozambique ★	

At the 2007 General Assembly, Fritz Institute officially awarded Level 1 certification to Somalia Red Crescent Society and Level 2 certification to Uganda Red Cross Society. Fritz Institute also presented certificates to NEPARC member societies from Lesotho, Ghana, and Burundi for their participation in the Level 1 audits. In solidarity as a NEPARC partner, Spanish Red Cross Society received a plaque for achieving Level 1 certification at the Joint Partner Meeting following the assembly.

The African Capacity Networks program is underwritten by The Hewlett Foundation.



"NEPARC is a revolutionary concept that is transforming the Red Cross Red Crescent Movement."

NICK YOUNG,
SECRETARY GENERAL, BRITISH RED CROSS

"NEPARC has achieved miracles in a very short time."

IBRAHIM OSMAN,
DEPUTY SECRETARY GENERAL, IFRC

Supply Chain Portfolio



Fritz Institute's Supply Chain Portfolio provides recognition, resources and tools to humanitarian organizations and logisticians throughout the world, building a community of knowledge and expertise through our conferences, association, certification program and HELIOS software.

HUMANITARIAN LOGISTICS CONFERENCE (HLC):

Since 2003, Fritz Institute has convened an annual Humanitarian Logistics Conference in Geneva, Switzerland, where representatives from the world's largest aid organizations gather to discuss common challenges faced in humanitarian logistics as well as practical solutions to those challenges. HLC is unique in its ability to attract participants from all sectors of the humanitarian 'ecosystem' to come together and focus on improving logistics. Since the first conference, several key initiatives

have been developed as a direct result of feedback from participants, including the Humanitarian Logistics Association, and HELIOS. In 2007, more than 50 heads of logistics from 34 organizations participated in HLC.

HUMANITARIAN LOGISTICS ASSOCIATION (HLA):

Humanitarian Logistics Association (HLA) is a professional organization committed to increase humanitarian logistics effectiveness, improving lives and dignity of beneficiaries by facilitating cooperative relationships with its members and partners. HLA was created at the 2005 Humanitarian Logistics Conference. Today there are over 100 members who actively participate in the resources and activities of HLA: certification and training; communication; career development; solutions/tools; convenings; and research and knowledge management. Throughout 2007 the HLA Steering Committee worked to further develop program plans and make preparations to convene its first general session following HLC 2008.

CERTIFICATION PROGRAM: Recognizing that the professionalism of humanitarian logistics is based on the rigorous training of logisticians, Fritz Institute developed a training and certification program specifically geared for humanitarian

logisticians. There are two levels of qualifications aimed at different audiences within humanitarian organizations. The program is meant to provide a career progression for humanitarian logisticians, and ensures impact effectiveness at different levels within these organizations.

The Certification in Humanitarian Logistics course (CHL), officially launched in September 2006, teaches the base principles of logistics and supply chain operations in the humanitarian context to increase the proficiency and expertise of humanitarian logisticians working at an operational level. In 2007 enrollment exceeded our expectations - nearly 500 candidates had registered for the program, 53% of whom are working in Africa. During 2008 Fritz Institute will work with its advisory committee and partners to broaden the reach of the program.

The Certification in Humanitarian Supply Chain Management (CHSCM), to be launched in May 2008, emphasizes more strategic elements of supply chain management and is aimed at senior logisticians and logistics managers working at tactical or strategic levels of humanitarian organizations.

Both courses were developed in collaboration

with an Advisory Committee of logisticians from eight leading humanitarian organizations. The Certification Program development and implementation is funded by Fritz Institute, DFID, ECHO, and USAID.

Over time, Fritz Institute will track the impact of certification on individuals' and organizations' logistics effectiveness.

HELIOS: Developed with extensive input from humanitarian logistics professionals, HELIOS provides complete transparency across the humanitarian supply chain, from mobilization to the warehouse. HELIOS automates logistics processes at both the headquarters and field levels, providing tactical visibility from each of these perspectives. HELIOS is designed to function under the most demanding disaster situations, and is equally capable of automating the routine, day-to-day supply chain activities that allow humanitarian organizations to mobilize instantly when emergencies arise.

The benefits of using HELIOS include: significantly faster delivery of aid; improved disaster preparedness; reduced costs; enhanced accountability; improved decision making; and collaboration, coordination and resource sharing

within the international humanitarian community.

In addition to providing HELIOS to humanitarian organizations to meet their internal needs, our vision is to build a community of users united around a common goal - optimizing the global humanitarian supply chain. The HELIOS User Group (HUG) is comprised of organizations working together to develop and promote HELIOS as the common platform for the sector. Oxfam is currently testing HELIOS in Sudan and Indonesia; World Vision International deployed in Somalia and is expanding to Zambia; and IMC will begin the pilot in their logistics center in Croatia.



"The course not only gave us the confidence to do our jobs well and to excel in our careers, but also helped to enhance the importance of this profession. I am glad to apply the acquired knowledge in the field."

TABINDA SYED, UNICEF

DONORS



PROGRAMME ADVISORY COMMITTEE



HELIOS USER GROUP



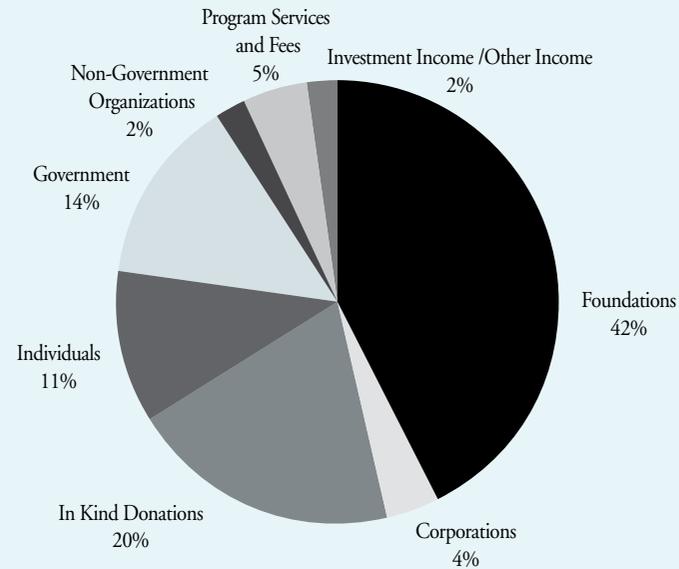
2007 Financial Overview

For the year ended November 30, 2007



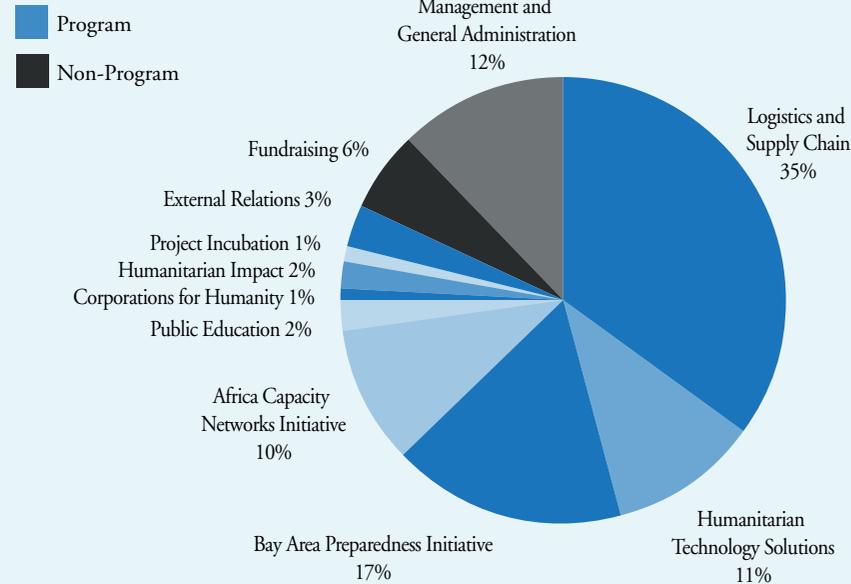
FRITZ
INSTITUTE

REVENUE / SUPPORT AND PROGRAM FEES



TOTAL REVENUES \$3,976,724

EXPENDITURES BY PROGRAM



TOTAL EXPENDITURES \$3,276,310

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AS OF MAY 2008

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