



Save the Children®





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Save the Children is the leading independent organization creating lasting change for children in need in the United States and around the world. For more than 70 years, Save the Children has been helping children survive and thrive by improving their health, education and economic opportunities and, in times of acute crisis, mobilizing rapid life-saving assistance to help children recover from the effects of war, conflict and natural disasters. For more information, visit savethechildren.org.

Save the Children USA is a member of the International Save the Children Alliance, a global network of 27 independent Save the Children organizations working to ensure the well-being and protection of children in more than 100 countries.

COVER Mekdes and Meron, orphaned by AIDS, participate in our program in Ethiopia.

ABOVE Children await the opening of school following the earthquake in Pakistan.

OPPOSITE Children in Baton Rouge, Louisiana, display letters of support they are sending to children who suffered from the tsunami in Banda Aceh, Indonesia.

INTRODUCTION

Connecting with Children Half a World Away

During any crisis, children are the most vulnerable, too often lost in the chaos and confusion following natural disasters. In 2005, Save the Children was on the ground to care for children from Indonesia to Louisiana, helping to meet their needs for food, health care and shelter—as well as crayons, paper and a place to play in safety.

Responding to the series of natural disasters that punctuated 2005 has drawn us in close partnership with hundreds of thousands of supporters, who transformed their concern into action for children. Certainly the most dramatic outpouring of support was from children in the United States for children in Asia following the tsunami in December 2004.

One in every ten dollars in private donations to Save the Children came from children. Some 3,000 schools raised \$6.7 million through bake sales, math-a-thons, read-a-thons and walk-a-thons, to say nothing of auctions, chores and emptied piggy banks.

Thanks to the unflagging commitment of *all* our donors in 2005, Save the Children made a difference in the lives of more than 64 million children, family and community members around the world, whether through a community therapeutic feeding center in Dafur, Sudan or our after-school literacy program for children in Kentucky.

This report is Save the Children's tribute to how we have worked together to create positive, lasting change in the lives of children in need.

“Add up your blessings!
If you could give a dollar
for each blessing that
would be great! I am
just asking you to see
how lucky you are and
give whatever you can.
I will too!”

*excerpt from an email sent
by a 7-year-old child to his
friends and family to help raise
funds for Save the Children's
tsunami relief efforts*

Save the Children At work in our world



What goes around comes around. Children in Banda Aceh, Indonesia, are corresponding with children displaced by hurricanes Katrina and Rita. “Do not be sad,” wrote Yuliawati from Aceh. “We are facing these things together, losing our loved ones. But life goes on.” Greg, a 7th grader at Scotlandville School in Baton Rouge, Louisiana, responded: “Dear friend: I know you feel hurt inside, but we are here with you. It’s like we went through the same thing. We lost family members and friends too.”



RESULTS FOR CHILDREN IN 2005

TO OUR CONTRIBUTORS, COLLEAGUES AND FRIENDS

During 2005, Save the Children achieved lasting, positive change in the lives of more than 64 million children, family and community members in need in the United States and around the world. More than 33 million of them were children. Support in the form of emergency assistance, health care and nutrition, education and economic opportunities increased exponentially over the year, reaching more than three times as many children as we did in 2004. This report recounts our results in ensuring the safety, health and well-being of vulnerable children.

The world will remember 2005 for one tumultuous disaster after another—the aftermath of the Asian tsunami, the hurricanes that devastated the U.S. Gulf Coast, the earthquake in Pakistan. In those situations, which are by definition chaotic and frightening, Save the Children assumed the responsibility of caring for children and their families.

At the same time, we kept a steady focus on the children around the world who face a daily struggle against poverty, sickness and hunger. Ten million children under the age of 5 die every year and 4 million of those die before they are a month old. Two-thirds of those deaths could be prevented or treated, with access to health care and other benefits. Save the Children's programs in health care, education, HIV/AIDS prevention and mitigation, improved nutrition and economic opportunities are designed to help families break the grip of poverty on their lives.

In more than 40 countries worldwide, we have made great strides in improving the well-being of children and their opportunities for the future. There is still a long way to go, but each child we help with health, education, building a strong family and a stable community brings us one step closer to our goal.

The Highlights of 2005

Save the Children realized notable results for children through many different programs:

Saving children's lives after natural disasters.

Our emergency response teams moved quickly to assist children and families.

■ As part of the International Save the Children Alliance, we worked on relief and recovery efforts in four Asian countries and Somalia following the tsunami. In Indonesia alone, Save the Children USA provided assistance to some 276,000 survivors—the largest relief effort in our history.

■ Following Pakistan's devastating earthquake, we delivered food and shelter to nearly 30,000 people and opened a 15-bed field hospital that treated 5,500 children and adults in its first month. We are conducting follow-up and primary health care outreach in remote areas.

■ After flooding and landslides in Guatemala and El Salvador, Save the Children distributed more than 120 tons of food to thousands of displaced children.

■ We continue to supply food and other necessities to children and families in 11 camps in Darfur, Sudan. We have established therapeutic feeding centers where severely malnourished children can receive intensive care.

Ensuring healthy babies from the start. Thanks to the support of the Bill & Melinda Gates Foundation, Save the Children has become a global leader in newborn health care. Our initiative has had an impact on more than 20 million women and babies since 2001. In 2005, the Gates Foundation renewed its commitment to Save the Children with a \$60 million grant to continue to improve health care for newborns.

OPPOSITE An Afghani girl who participates in a Save the Children program to improve health and education opportunities for children, especially girls, in Afghanistan.

RIGHT Save the Children president Charles MacCormack was guest of honor at the opening of an early childhood development center in Hrazdan, Armenia.

FAR RIGHT Two children in Hashaba Camp wait in one of Save the Children's health clinics, South Darfur, Sudan.



Applying lessons from abroad to help children at home. Hurricanes Katrina and Rita struck the U.S. Gulf Coast in September 2005, forcing millions of people from their homes. Save the Children brought its experience in disaster assistance to our first major emergency response at home in more than 45 years. We helped to re-open schools, provided books and supplies and introduced psychosocial programs to help 20,000 children deal with the disaster's impact on their lives.

Improving literacy among America's rural poor. Save the Children has worked in poor rural communities in the United States since 1932. Through our early childhood programs and literacy programs, we offer children the opportunity to break out of rural poverty. In 2005, Save the Children launched an ambitious new program to tackle childhood obesity through nutrition and physical activities.

Getting health care to children under 5. For the 30,000 children under the age of 5 worldwide who die each day from pneumonia, measles and other preventable or treatable conditions, Save the Children provides care through targeted initiatives in immunization, nutrition, deworming and other interventions. Save the Children reached 700,000 children in 2005 through our School Health Network.

Speaking out on the power of girls' education. Save the Children is influencing media and policy-makers to consider the plight of 58 million girls who do not attend school through the publication of *State of the World's Mothers 2005: The Power and Promise of Girls' Education*, which shows the benefits that educated girls bring to their children, families and communities.

Improving the lives of children orphaned by AIDS. Save the Children has expanded programs for

children orphaned by AIDS in sub-Saharan Africa and Asia. In a new program in Ethiopia, for example, we are leading a consortium of organizations that reached some 143,000 children in the first six months of 2005.

Combating hunger in Africa. Save the Children's food security program provided food supplies to thousands of rural families in Ethiopia, Malawi, Niger, Mali and Mozambique experiencing famine and malnutrition because of drought and crop failures in 2005. Our community therapeutic care centers have been critical to saving the lives of many severely malnourished children.

Making more loans to help mothers earn a living. Helping mothers develop a source of income is an effective strategy because their children benefit through improved nutrition, health care and education. Through financial partners in 17 countries, we made loans to 412,733 poor women and benefiting 16 million children in 2005.

Involving more donors through sponsorship. In 2005, Save the Children sponsorship programs linked 100,000 people to a child, family and community in need of support for greater opportunities in their lives.

To our many contributors and partners who share in our commitment to children, we extend our heartfelt thanks. Your confidence continues to inspire us.

Charles F. MacCormack
President and CEO

Robert A. Daly
Chair, Board of Trustees



LEFT A newborn baby is kept warm and dry, Pakistan.

RIGHT 7-year-old Rammer works with 5-year-old Leonalyn at the Bongbongan Elementary School in Sibalom, Philippines.

OPPOSITE ABOVE Robert A. Daly, Chair of Save the Children's Board of Trustees, gets a warm welcome in Banda Aceh, Indonesia.

OPPOSITE BELOW Thomas S. Murphy, former Chair of the Board and currently Chair Emeritus of Save the Children, in Indonesia.





Robert A. Daly Elected Chair of the Board of Trustees

Robert A. Daly, former head of Warner Bros., the Los Angeles Dodgers and CBS Entertainment, has been elected the new chair of Save the Children's Board of Trustees.

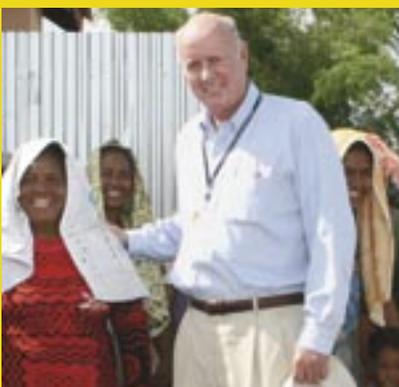
Daly headed Warner Bros. from 1980 to 1999, when he stepped down as chairman and co-CEO. Thirteen of the more than 400 major motion picture releases overseen by Daly garnered Academy Award nominations for Best Picture and three (*Chariots of Fire*, *Driving Miss Daisy* and *Unforgiven*) received coveted Best Picture Oscars. Daly also had a guiding hand in bringing top-rated programming to television, including such acclaimed series as *China Beach*, *ER*, *Friends* and *Murphy Brown*.

Prior to joining Warner Bros., Daly was at CBS for 25 years, serving as executive vice president of CBS Television Network, vice president of business affairs and, eventually, president of CBS Entertainment. After leaving Warner Bros. in 1999, Daly served as managing partner, chairman and CEO of the Los Angeles Dodgers. He currently sits on the boards of the American Film Institute and the Museum of Television and Radio and he is a member of the UCLA School of Theater, Film and Television's Dean's Advisory Board and the UCLA Executive Board for the Medical Sciences.

During 2005, Daly visited Save the Children's literacy program in Kentucky and our relief efforts in Indonesia and Baton Rouge, Louisiana. He also attended the International Save the Children Alliance meeting in London.

During 2005, Save the Children achieved lasting, positive change in the lives of more than 64 million children, family and community members in need in the United States and around the world. More than 33 million of those were children.

Save the Children At work in our world



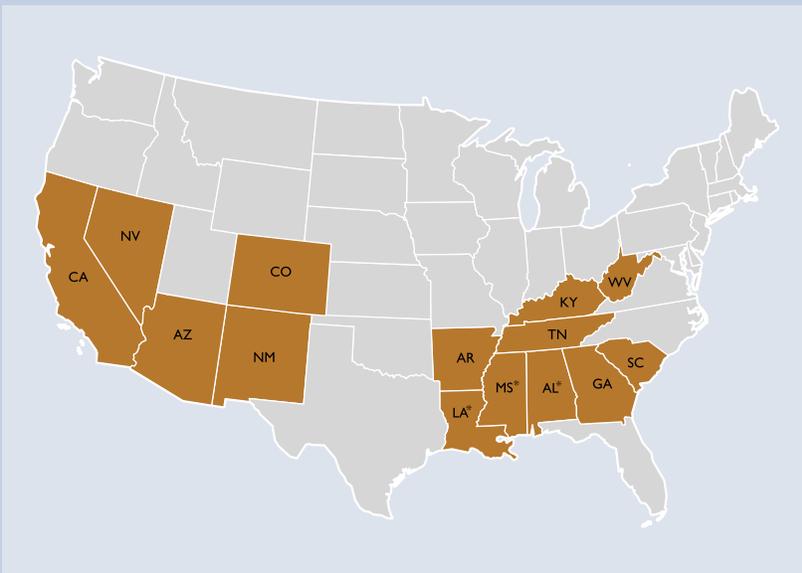
Thomas S. Murphy, Save the Children's Chair of the Board of Trustees for seven eventful years, has completed his term as chair. Under his leadership, Save the Children grew from a \$110 million organization in 1998 to \$271 million in 2004. Through Tom Murphy's leadership, Charity Navigator, a leading independent rating service, has given our programs "four stars" for the last four years running. He will continue to work with Save the Children as Chair Emeritus.

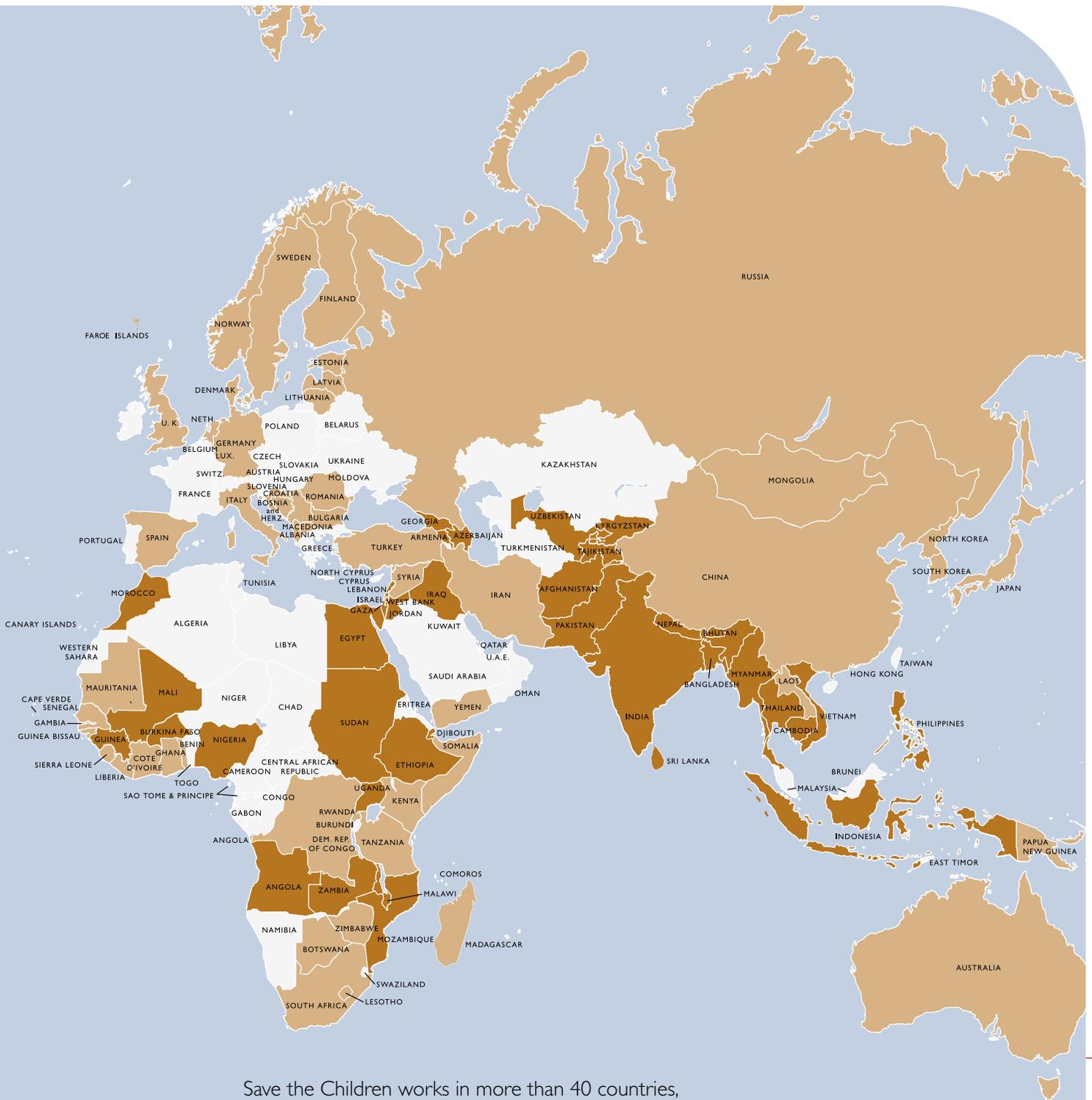
WHERE WE WORK



- Save the Children USA
- International Save the Children Alliance
- No programs

BELOW In the United States, Save the Children works with community partners serving thousands of children in rural communities in 12 states. (*Louisiana, Mississippi and Alabama received Gulf Coast Emergency relief.)





Save the Children works in more than 40 countries, including the United States, serving more than 33 million children and almost 32 million others working to save and improve children's lives, including parents, community members, local organizations and government agencies. It is a member of the International Save the Children Alliance, which includes 27 national Save the Children organizations working in more than 100 countries to ensure the well-being of children.



OUT OF THE RUINS COMES RENEWAL

A Lifeline in Times of Crisis

When disasters strike, children face the greatest struggle to survive and recover. They may be separated from their families without the skills to fend for themselves. Worse, they may be at risk from disease, starvation and potential exploitation and abuse.

Save the Children is the lifeline for children at risk. Over the years, our emergency response teams have refined their skills to respond quickly and effectively. We can mount a response within hours in regions where we have field offices and within 72 hours where we do not.

In 2005, Save the Children's emergency response systems were put to the test. For each natural disaster that devastated vast regions of 13 countries, we were on hand to help children in need. And through it all, we kept up our long-term commitment to children at risk in ongoing crisis situations in Iraq, Nepal, Sudan, West Bank and Gaza, where political conflicts pose persistent threats to children and local populations.

The Incalculable Force of a Wave

On December 26, 2004, an underwater earthquake off Indonesia triggered a tsunami that devastated the coastline of nine countries on the Indian Ocean. Over 200,000 people were killed and thousands of communities were left in ruins.

In a natural disaster of this magnitude, the 27 organizations of the International Save the Children Alliance work together. Given our 30 years in Indonesia, Save the Children USA led the Alliance's emergency response efforts there. Save the Children UK led relief efforts in Sri Lanka, India and Thailand. Through the Alliance, we have assisted more than 625,000 children and families in Indonesia, Sri Lanka, India, Thailand and Somalia in the last 12 months.

Save the Children's early efforts focused principally on education, nutrition and health care. We helped to repair schools and provided text books and supplies so children could return to the classroom almost immediately. We improved children's health and nutrition through daily care at child activity centers and community kitchens, thereby averting a wave of disease that could have cost many more lives. We addressed the psychological distress of thousands of children through our psychosocial programs in schools. We were able to reunite thousands of separated children with family members and are now training government agencies in child protection.

By the end of September 2005, the International Save the Children Alliance had spent nearly \$92 million for relief efforts in the five affected countries. The balance—about \$170 million—is allocated for recovery programs scheduled for 2006 through 2009. These programs will continue to rebuild schools, homes and health centers; provide emotional support for children and promote child protection awareness and activities in communities, in schools and at the national level.

For more information on the work of the International Save the Children Alliance in helping the survivors of the tsunami, visit our website at www.savethechildren.org to download or request copies of *One-Year Progress Report: Rebuilding Lives after the Tsunami* and *Six-Month Progress Report: Tsunami Relief and Reconstruction*.

OPPOSITE Two-year-old Rina was reunited with her father after the tsunami through our registration program for displaced children in Banda Aceh, Indonesia.

RIGHT At a middle school in Banda Aceh, students complete a 15-lesson school-based program designed by psychologists and provided by Save the Children.

FAR RIGHT Jamie, age 2, spends time at an emergency day care center in Pass Christian, Louisiana, following hurricanes Katrina and Rita.



Responding to Disaster at Home

In the aftermath of hurricanes Katrina and Rita, Save the Children launched its first major U.S. relief effort in 45 years to help some of the 300,000 children displaced from their Gulf Coast communities. Drawing on more than 70 years working with poor, rural children in the United States and bringing our emergency response skills from crises worldwide, Save the Children developed a strategy to help thousands of children who were getting lost in the shuffle of recovery and resettlement.

Our first objective was to get schools up and running again. In Louisiana, Alabama and Mississippi, Save the Children helped to repair and re-open schools, early childhood learning centers and safe play areas in shelters. We provided textbooks and school supplies so teachers could resume classes. We also developed educational and recreational activities for children whose parents waited on long lines to obtain housing and other services. Through local partnerships with Boys and Girls Clubs and Big Buddies, we developed education programs for children under age 5 and created “safe spaces” in shelters where children could play and learn.

Save the Children’s psychosocial support program—first developed in our overseas programs to help children deal with emotional trauma from crisis and conflict—was introduced through training programs to teachers and caregivers. They made it part of the curriculum in the early weeks after schools reopened, thereby helping children overcome the emotional and learning problems that may have arisen as a consequence of this natural disaster.

After the Rains Came

Torrential rains and mudslides in Guatemala and El Salvador forced thousands from their homes in October 2005. Save the Children provided food

to children and families living in temporary shelters. In Guatemala alone, where more than 120,000 people took shelter in churches and schools, we distributed more than 21 tons of food rations and improved hygiene and health care. In El Salvador, we provided basic necessities, clothing and psychosocial programs for children.

Immediate Response to 40 Earth-Shaking Seconds

The powerful earthquake that rocked Pakistan and surrounding countries in October 2005 took the lives of an estimated 73,000 people and left more than 3 million homeless. Save the Children field staff acted immediately to assist the many surviving children and families, providing health care, food and tents.

Because so many of Pakistan’s roads were destroyed, millions of people living in mountain communities had no access to food or medical care in the weeks following the earthquake. Save the Children was among the first international agencies to get through to Muzaffarabad with supplies of blankets, tents, plastic sheeting, high-energy biscuits, milk and juice.

Save the Children has delivered shelter and household materials to nearly 30,000 people, established 81 safe play spaces and provided more than 4,000 children the opportunity to enter school, many for the first time in their lives. We have also conducted primary health care in rural villages and helped establish a tent hospital. Still, we continue to provide assistance to tens of thousands of children who need help to make it through the harsh winter conditions of the region.

Today, Save the Children, which has worked in Pakistan for almost three decades, is providing food,



LEFT Two-year-old Demar plays with a toy provided by Save the Children at the Baton Rouge Convention Center after Hurricane Katrina.

RIGHT At Save the Children’s Therapeutic Feeding Center in Tewila, Sudan, a young girl holds her package of “Plumpy Nut,” a high nutrition, pre-packaged food that can help malnourished children recover quickly.

OPPOSITE ABOVE Febi, age 12, in Banda Aceh, Indonesia.





Helping Children Heal In Indonesia

Save the Children USA's staff in Indonesia was already at work in the region of Banda Aceh when the tsunami struck. They immediately responded to the needs of survivors with life-saving supplies of food and shelter. In the weeks that followed, Save the Children promoted child protection, health, education and emergency economic assistance. Save the Children has assisted some 276,000 children and other survivors in Indonesia alone over the past year.

A high priority in our recovery efforts has been reopening schools, since the tsunami destroyed or damaged 20 percent of those in the region. In addition to repairing 15 schools, we delivered \$1 million worth of textbooks and school supplies that benefit 60,000 children in 210 schools trained 1,000 new teachers, supported scholarships for 2,050 students and provided psychosocial support to help children overcome the traumatic impact of the tsunami. *[For Save the Children USA's financial report on the Asia Earthquake/Tsunami Relief Fund program, see pp. 32–35 of this report.]*

"What could have been a follow-up catastrophe to the tsunami in terms of malaria, typhoid, cholera or pneumonia, never happened because people gave generously for medical supplies, shelters and care for children and that made all the difference. So they should feel very happy. Did it really save those children? The answer is yes," said Charles MacCormack, president and CEO of Save the Children.

The emergency response phase is over, but challenges remain. We are committed to working with communities in Banda Aceh for the next four years in order to return normalcy to the lives of children and their families—by building up the communities that the tsunami tore down.

"What could have been a follow-up catastrophe to the tsunami in terms of malaria, typhoid, cholera or pneumonia, never happened because people gave generously for medical supplies, shelters and care for children and that made all the difference."

Charles MacCormack, President and CEO of Save the Children

Save the Children At work in our world



At the Meira Camp in Pakistan, 14,000 people have come to spend the winter. Anne M. Mulcahy, Chairman and CEO of Xerox Corporation, who recently toured Save the Children's programs in Pakistan, reported: "I had the opportunity to tour the earthquake area [in Pakistan] and view the devastation firsthand. Because of Save the Children, thousands of lives are being saved, futures are being restored and hope is being rekindled. We are so proud to play a small part in your marvelous work."

shelter and medical services to families in the North West Frontier Province and Kashmir, among the worst-hit and most remote areas of the country. In addition, we are supporting programs for 14,000 residents of the government-run Meira Camp, where we provide cash-for-work programs, health care and community kitchens.

As in other crisis situations, Save the Children focuses on getting children back to school and providing teachers with training in psychosocial support to help in emotional recovery. We have outfitted seven camp facilities with safe play spaces and worked with local communities to construct temporary schools or repair existing ones.

Protecting Children in Disaster Areas and War Zones

The interruption of normal life can be a risk factor for children in crisis situations. Schools are often closed or inaccessible and the everyday routines children depend on may be suspended. In the worst circumstances, child traffickers take advantage of disruptions in community life: Children as young as 7 have been abducted or coerced into joining armed forces, where they are used as porters, fighters and for sexual trafficking. Save the Children works to keep children out of harm's way—protecting them from disease, malnutrition, gender-based violence and exploitation.

Save the Children's primary strategy is to organize activities that instill a sense of community among children. In 2005, we used this approach successfully in our ongoing programs in Sudan, Iraq, West Bank and Gaza and Nepal where children have lived for years in uncertainty and violence.

A Sense of Community Helps Children Thrive

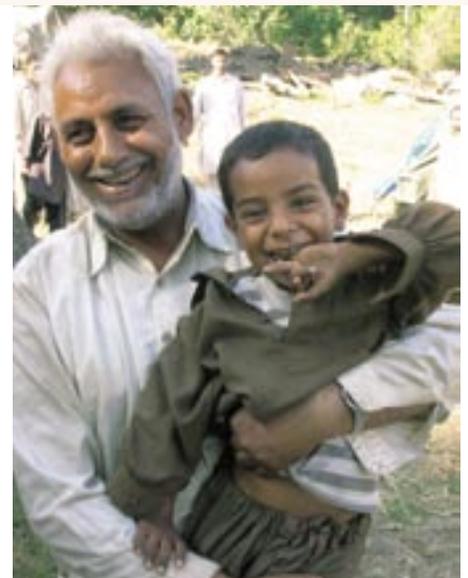
In West Darfur, Sudan, where more than 1.8 million people have been displaced by civil war, children and families live in camps under the most primitive conditions with limited access to food, clean water and health care. The threat of violence is never far away.

To build solidarity among the children in the camps, we engage them in group activities such as sports, art and traditional games. A strong support system among the mothers keeps families together. Save the Children maintains 19 women's centers in 11 camps, where women receive education in literacy, income generation and approaches to reducing gender-based violence.

Moving From Food Shortage to Food Sufficiency

In many parts of the world, a chronic food shortage can quickly deteriorate into a food crisis, leaving millions of children and families at risk of starvation. Unless children have enough nutritious food to eat, their resistance to disease, physical endurance and learning capacity can be severely affected.

In 2005, the African nations of Ethiopia, Malawi, Mali, Mozambique and Niger endured severe food shortages due to extended drought and infestations of locusts. In Mali, Save the Children delivered 220 tons of essential food supplies and established a food distribution program. In the Goa region of Mali, we established a food distribution program serving 3,800 families. We also delivered 16 tons of Plumpy Nut (see p. 10, caption) in Niger, where we have screened some 17,600 children for signs of malnutrition. Save the Children has fed Plumpy Nut to some 30,000 children in Sudan's Darfur region and aid officials there say that it has helped cut malnutrition rates in half. In Darfur, Save the Children has also



delivered regular food rations to 247,336 children and adults in 24 camps, carefully monitoring distribution to ensure that children have what they need.

Save the Children's latest achievement in combating malnutrition is through the establishment of Community-based Therapeutic Care Centers, where malnourished children with complications can be singled out for intensive care. Through this system, many more lives are saved. Save the Children's centers in Ethiopia have benefited some 4,000 children. In Sudan, Save the Children runs four centers that care for an estimated 1,000 children per month.

Addressing the Root Causes of Hunger and Malnutrition in Vulnerable Communities

To prevent the conditions that trigger food crises in vulnerable communities, Save the Children helps to strengthen all the factors that contribute to making food more available and accessible. In rural areas, we work with farmers to adopt better farming practices and to increase the quantity, quality and diversity of local food production from crops as well as animals, for consumption as well as sale. In many settings, we help family members move into more diverse livelihoods, helping them to improve their opportunities to generate regular income and provide the food their children need.

Through Save the Children's community- and household-based programs, families absorb the critical knowledge, practices and behaviors that will improve health among children and other household members. In the home, Save the Children works with families by promoting better dietary practices, including infant feeding and weaning. We also promote dietary diversity by introducing nutritious, locally available vegetables and fruits that help to decrease rates of childhood illness.

Other practices and behaviors that improve health in the family—such as use of anti-malarial bed nets and good sanitation practices—are also part of the changes we promote among children. Because the health of children is closely linked to that of their mother, we pay particular attention to the mother's health, nutritional status, education and economic well-being.

In Bolivia, Save the Children introduced a comprehensive program to improve food availability and family diets. Already, this program has benefited more than 22,000 children through the establishment of small gardens, farm and livestock centers, irrigation systems and increased market access for family farmers. Close to 5,000 children are participating in our program to monitor growth and nutritional status.

A variety of factors make food security a priority among the rural populations of Nampula Province of northern Mozambique: Poor soil, low-yield farming methods and plant diseases prevented farmers from producing enough food, while a monotonous and limited diet negatively affects the nutrition of children and their families. Save the Children is addressing farming issues through education and other extension services and introducing nutritious, local foods for a varied and healthy diet.

In Ethiopia, more than 13 million people are considered to be at risk for hunger and malnutrition. Save the Children is helping the nation's pastoralists (or nomads) to improve maternal and child health practices, including breastfeeding support groups, training for traditional birth attendants and immunization programs for children under 5. Managing 17 therapeutic feeding centers, we were able to save the lives of 96 percent of the 4,000 malnourished children enrolled for care.

OPPOSITE LEFT In Darfur, Sudan, as part of Save the Children's nutrition program, mothers monitor the growth of their children.

OPPOSITE RIGHT A young boy and his father in Pakistan, happy to be safe and sound.

RIGHT Julia and her son, Jonathan, examine fruit tree blossoms in Bolivia where Save the Children is helping to establish gardens and orchards as part of its food security program.





FOR CHILDREN TO SURVIVE AND THRIVE

Four Vital Measures for Thriving Children

Improving the lives of children in the developing world is a challenge that goes far beyond crisis response. From birth to adolescence, children have health and nutritional needs that help determine their physical and mental development. Education is also essential to children if they are to escape lives of poverty and want. Save the Children sees health care and education as the two most important benefits we can provide to children in need.

Moreover, mothers—who form the backbone of family life the world over—are key to children’s health and well-being. By ensuring that girls and pregnant women have adequate nutrition and health care, we help lay the foundation for healthy infants as well. Providing mothers with opportunities to earn money is another effective way to improve the lives of children, because mothers invest in their homes and families. For the long-term well-being of children and families, Save the Children offers programs in health, education and microenterprise development.

For the Health of Children

Achieving progress in health care for children is an urgent need worldwide, because thousands of children die every day:

- Each year, more than 10 million children under 5 years of age die.
- Four million of those children are newborns who die in the first month of life.
- An estimated 70 percent of deaths among all of these children could be prevented if families had dependable access to low-cost, effective health care solutions, such as vaccinations, vitamins and antibiotics, as well as skilled health caregivers and improved hygiene.

Millions of children growing up in developing countries are at risk of premature death and disability because they have limited access to health care: Their families are too poor, their communities are too far away from facilities; their parents may not understand the benefits of preventive and curative care.

Save the Children brings health care to thousands of communities and schools to overcome these barriers to care and ensure that low-cost preventive and curative care is readily available to newborns and children who need it most.

Health Care Starts with New Life

In 2000, the Bill & Melinda Gates Foundation gave Save the Children a 5-year \$50 million grant to support our efforts to improve health and survival among newborns (infants less than one-month-old). Over the last five years, our initiative has reached 20 million women and newborns in 14 countries with low-cost, proven measures that help newborns survive and thrive. Many of these measures—such as care for pregnant women and immunization against tetanus, clean and safe delivery and immediate breastfeeding—improve the health of mothers as well. Evaluations of our country-based programs have shown striking improvements in the number of families benefiting from and seeking newborn health services.

For example, through maternal and newborn tetanus campaigns in Pakistan and Mali, we have helped to immunize at least 13 million women, to protect mothers and their newborns from this preventable cause of death.

To ensure that successful health care solutions reach a broad population, Save the Children works with national and global policymakers.

OPPOSITE Eight-year-old Manar of Jordan harvests olives on her family’s farm. Her mother is a participant in the Save the Children reproductive health program.

RIGHT A Save the Children-trained midwife holds a one-day-old baby in Vietnam.

FAR RIGHT A rural pharmacist in Mali displays malaria medication.



Save the Children is also a global leader in promoting newborn health as a priority for developing countries:

National health policy. Save the Children has worked with the governments of Bangladesh, Bolivia, Ethiopia, Indonesia, Malawi, Mali, Nepal, Pakistan and Vietnam to introduce national newborn health policies and plans.

Global policy and partnerships. With the World Health Organization, UNICEF and others, we have helped to create the Partnership for Maternal, Newborn and Child Health to support collaborative health care programs and research activities for mothers, newborns and children under age 5.

Research into newborn health. In March 2005, the British medical journal, *The Lancet*, published a special issue on newborn survival with articles by several staff and researchers from Save the Children. It attracted international attention through press events in London and Washington, DC as well as high-level events in nine developing countries.

Linking Safe Motherhood and Healthy Newborns

Because the health of a mother is so closely linked with that of her children, Save the Children has implemented programs in more than 20 countries worldwide to improve maternal health. Many health interventions, such as adequate nutrition during pregnancy and contraceptive use to plan and space pregnancies, are beneficial for mothers, newborns and infants alike. We know that when mothers are malnourished or do not receive adequate health care before or during delivery, their babies face a higher risk of disease, low birth weight and premature death.

In 2005, Save the Children improved the availability and quality of pregnancy and delivery

care for women in communities and hospitals, as well as under emergency conditions such as at Darfur, Sudan. We work with local partners to ensure that they introduce appropriate care—from the household to the hospital—beginning with family planning, prenatal care, safe delivery and postnatal care for newborns and mothers.

Charting the Path to Child Survival

While there have been remarkable reductions in child mortality rates in the past 20 years, reaching the poorest communities in the poorest countries remains a challenge. In the developing world, 30,000 children die every day, largely from treatable or preventable diseases such as pneumonia, measles and diarrhea that no longer threaten the lives of children in industrialized countries. In fact, the gap in child death rates between the richest and poorest regions of the world has increased in the past decade.

Save the Children is committed to the goal of reducing child mortality by two-thirds by 2015—one of eight targets known as the Millennium Development Goals that 190 countries worldwide have adopted. Our challenge is to improve health care for children through immunization, the availability of community-based health care and improvements in nutrition, hygiene and other household behaviors.

Combating malaria. Save the Children currently runs malaria prevention and treatment programs in 11 countries where children under 5 are at greatest risk. Several approaches are used in combination to reduce malaria: insecticide-treated bed nets; appropriate use of antimalarial medications to protect or treat women during pregnancy; and treatment for children with malaria. In four countries with high



LEFT Ensuring that mothers bring their children in for regular check-ups and immunizations is critical to our programs in child health. Afghanistan.

OPPOSITE LEFT Mothers enrolled in the nutrition program feed their children in Tali Kyli, Myanmar.

OPPOSITE RIGHT One-year-old Jimmy gets a health exam at the Huancami health clinic, Bolivia.

levels of malaria parasites that are resistant to drugs used in the past, we are working to introduce new drug combination treatments. Save the Children is also piloting a household-based program for indoor insecticide spraying to kill mosquitoes.

New treatments for childhood diarrhea. Research conducted by Save the Children with Johns Hopkins University and the Ministry of Health in Mali has shown that using zinc as well as oral rehydration therapy is an effective approach to reducing childhood diarrhea. Based on this experience, we are cooperating with the U.S. Agency for International Development, the Basics Project and the Ministry of Health in Madagascar to introduce the treatment to this island nation.

School Health and Nutrition

Save the Children works through schools to introduce preventive care to a growing number of children every year. In 2005, we reached over 700,000 school-age children at 1,125 schools in 14 countries across Africa, Asia, the Middle East and Latin America. Our school health and nutrition program addresses the critical factors that keep children from learning and advancing in school—frequent absences are often due to illness, parasites and key micronutrient deficiencies. Our programs also introduce information on health and nutrition, safe water and sanitation, healthy behaviors including HIV/AIDS prevention and health-related school policies. In each country, Save the Children's partners advocate for improved national health policies.

Adolescent and Reproductive Health

There are approximately 1.7 billion young people 10- to 24-years-old in the world today who have reached the age of important decisions concerning

their reproductive and sexual health. For many, these decisions can result in risky or unhealthy behaviors that can lead to a lifetime of compromised health or even premature death.

Sexually transmitted infections, including HIV/AIDS, have already had a devastating impact on young people's lives. HIV/AIDS, however, is not the only health risk that confronts young people today. In many countries, young people are initiating sex earlier but marrying later, while in other countries, such as Bangladesh, the average age at marriage remains low at 14 years. Given these realities, approximately 15 million adolescent girls between the ages of 15 and 19 give birth, accounting for more than 10 percent of all births annually. Births among adolescent girls endanger the life of the young mother and her infant, especially in poor communities.

Save the Children currently implements reproductive health programs in 10 countries in Africa, Asia, Latin America and the Middle East. We focus on educating young people concerning their own sexual and reproductive health and encourage them to use quality services that meet their health needs. Because adolescents often do not have the capacity or authority to make decisions that affect their reproductive lives, we also work with key adults, such as parents, teachers, religious and community leaders and health-service providers to help them understand adolescents' needs and engage adolescents in dialogue and decision-making.

Reviving Hope for Children Living In the Shadow of HIV/AIDS

HIV/AIDS is an epidemic on the rise and its impact on children around the world can scarcely be exaggerated. In 1990, there were fewer than 1 million children



orphaned by AIDS; today there are more than 15 million worldwide and experts estimate the number will grow to more than 20 million by 2010.

Children who have lost parents to AIDS must often assume responsibilities that take them away from school to care for sick family members, oversee younger brothers and sisters or contribute to supporting the household. They may sometimes face separation from their siblings and they are vulnerable to exploitation and abuse.

Solutions for the care and protection of children who are affected by AIDS must come from the communities. Save the Children mobilizes local support to find and care for the most vulnerable children and provide treatment for those who are infected or affected. Our community-based programs are designed to keep children in a family environment, to help them stay in school and to provide other social and emotional support. We also collaborate with local partners on community-based programs to prevent HIV transmission, particularly among youth, as well as programs to prevent the transmission of the virus from an HIV-positive mother to her infant.

Save the Children focuses its greatest efforts in sub-Saharan Africa, home to some 90 percent of children who have lost a parent to AIDS. Following early successes in community-based HIV/AIDS programs in Malawi, we expanded our best practices to Mozambique, where we now reach over 35,000 children directly affected by AIDS. A new program is also under way in Ethiopia, where Save the Children leads a consortium of organizations to address the country's rapidly growing population of affected children. In the first six months of implementation, this program reached an estimated 143,000 children.

Because many families affected by the HIV/AIDS epidemic can no longer afford to send their children to school, many children are obliged to support themselves and their families at the cost of getting an education. Save the Children provides educational opportunities to affected children in Malawi, Mozambique, Uganda and Ethiopia in the form of child care, elementary schools, preschool programs and psychosocial support.

HIV Awareness—The Healthy Alternative to Hindsight

The relentless spread of HIV/AIDS around the world makes it imperative that every adolescent learn about issues of reproductive and sexual health. Young people between ages 14 and 24 represent almost one-third of the 40 million HIV-infected persons worldwide.

Save the Children supports youth clubs and programs focusing on reproductive health to equip adolescents and youth with the information and tools to protect themselves from HIV/AIDS. Programs promoting the use of healthy protective practices reach thousands of young people annually with high-quality, youth-friendly services. Our programs help reduce the risk of unintended pregnancy as well as the transmission of sexually transmitted infections.

Save the Children has expanded these HIV/AIDS programs to Bangladesh, Myanmar, Nepal and Vietnam, focusing primarily on preventing transmission among youth and other high-risk populations.

Education: Bridge to a Brighter Future

For children everywhere, education is the key to positive change in their lives, their communities and the prospects for the next generation. Yet, around the world, 103 million school-aged children are missing out on school—the chance of a lifetime to find a path out of



FAR LEFT Homebound AIDS patient, Fassica, receives care visits from a Save the Children provider: She is pictured with her 5-year-old daughter:

LEFT Young Konde holds her drawing of her family. She attends a school for children orphaned by AIDS in Malawi.

OPPOSITE ABOVE Namande receives vitamin A at the Nakayonza Health Center, Uganda.

OPPOSITE BELOW In Nepal, newborns benefit from improved community- and home-based care through Save the Children's projects.



A Multimedia Prescription For Child Survival

In 2005, Save the Children joined forces with PBS, Vulcan Productions and the Bill & Melinda Gates Foundation in the groundbreaking *Rx for Child Survival*™—both a campaign to help move PBS “viewers to doers” and a six-part NOVA series narrated by Brad Pitt. The campaign included events with 21 local public broadcast affiliates, a journalists’ symposium, public service ads and educational programs. Also featured was a web-based “child survival pack” for individuals donating as little as \$25 to help Save the Children deliver “tools for child survival” such as insecticide-treated bed nets to prevent malaria, immunizations against polio and other life-threatening illnesses; vitamins and other health measures to help give children a chance to live healthy, productive lives.

Complementing the *Rx for Child Survival: A Global Health Challenge* series on NPR was the October 31 issue of *TIME* magazine devoted to global health. *TIME* also hosted a 3-day Global Health Summit, which brought together health experts and advocates including Bill Gates, former President Bill Clinton, Bono, Sir Richard Branson, Kofi Annan and others. Charles MacCormack, president and CEO of Save the Children, participated in a panel moderated by ABC’s Deborah Roberts, “Why do 10 million children have to die every year?”

Save the Children is continuing this campaign for child survival in its public education and advocacy efforts. We are spearheading new legislation in the U.S. Congress—the Child and Newborn Health Act—to increase U.S. contributions to maternal and child survival programs in the developing world.

“Bill and I believe that no investment in global health has a greater return than saving the life of a newborn.”

Melinda Gates, December 2005

Save the Children At work in our world



The Bill & Melinda Gates Foundation has given Save the Children \$60 million to research and pilot programs to test best practices in newborn health care in 18 countries in Africa and Asia. We will focus particularly on newborn care in the first week of life, when the majority of babies die. “Bill and I believe that no investment in global health has a greater return than saving the life of a newborn,” said Melinda Gates when the grant was announced in December 2005.

poverty. In more than 30 countries, Save the Children provides basic education for children in need from early childhood through young adulthood. We also provide learning opportunities for children cut off by culture or circumstance—such as children orphaned by AIDS, children in disaster situations and girls—whose chances for productive lives diminish every day they are not in school.

Preparing Schools and Children for Learning

Achieving successful educational experiences for children is a two-sided equation: We help local partners to strengthen community schools and we train teachers to make school a rewarding experience. We also clear away barriers to learning through programs that prepare children to enter—and stay—in school. Save the Children's work with schools and communities results in low-cost, child-friendly approaches to learning for girls and boys alike. We are committed to helping children make the most of learning experiences so they can find productive employment when they reach adulthood.

Early childhood development programs. Across Africa, Asia and Latin America, Save the Children helps to prepare pre-school children for their first year of school. When 3- to 5-year-olds have a chance to develop social, cognitive and physical skills before they enter first grade, they are more likely to do well and remain in school. Our programs stress active learning and introduce language and mathematics concepts. Evidence shows that investing in children early on increases their ability to learn and achieve as they proceed through school.

Community-based education. Save the Children's basic education program emphasizes learning integrated

with cultural traditions and a caring environment. We also provide bridge programs to bring out-of-school youth back to the classroom with options to complete formal schooling, participate in youth social networks, sports and workplace preparedness; or access the power of information technology.

■ In Guatemala, Save the Children's "Welcome to School" program is using the region's rich Mayan cultural heritage to shape classes and activities in 40 rural schools, increasing cultural pride and knowledge among 2,400 students. This public-private alliance with government and private partners focuses on life skills, reducing drop-out rates and equal participation of girls and boys.

■ In the Philippines, Save the Children is addressing the problem of drop-out rates at 20 public schools where many children start first grade but few return. Here, poor health and malnutrition make learning a struggle for young children because they tire easily and have trouble concentrating. Save the Children is working to eliminate hunger and improve nutrition among school-aged children, and encouraging parental and community support to help young children stay in school.

■ Resources for education are scarce in Haiti and more than 42 percent of school-aged children do not attend school. This situation worsened after a destructive flood in 2004, which destroyed so many of the island's schools. But this year, 17,278 children—46 percent of them girls—attended schools established by Save the Children and we continue to work with partners on a range of programs to improve both quality and access to education.



LEFT Five-year-old Kumbai writes her ABC's for the first time at her early child development program in Mindanao, Philippines.

RIGHT School children at their lessons in Maissade, Haiti.

OPPOSITE ABOVE Om Kalsoum, a 14-year-old girl, attended a school program for girls that Save the Children developed in Egypt.

OPPOSITE BELOW Soumaila, a 14-year-old student, attends a community-based school in Guinea.





ISHRAQ: Expanding Educational Opportunities for Girls in Egypt

Om Kalsoum was an illiterate, 14-year-old girl from the rural village of Daqouf in Upper Egypt, whose father did not believe in educating girls and refused to enroll her at the local school. So Om Kalsoum missed out on primary school, staying home with her mother and sisters and rarely leaving the house. "I used to cry when I saw the girls walking to school in their uniforms. I wished I could be like them," she said.

After her father passed away, Om Kalsoum's uncle, who supported schooling for girls, enrolled her in Ishraq (Arabic for "sunrise")—a school program for girls aged 13–15 that Save the Children has developed in Egypt. It was a safe place to learn, play and grow. She learned to read and write, incorporated new thinking about life skills and participated in sports activities—virtually unthinkable in traditional society where sports are a male monopoly.

Although Om Kalsoum flourished with Ishraq and continued at a preparatory school, she finally had to return home to help her mother. Ishraq had prepared her to take on this responsibility: She had learned about managing a small business and she had learned how to bake. "Ishraq taught me about self-confidence, how to express my opinions and how to take an active role in my family," she said. She convinced her uncle to make her a loan to open a sweet shop. Today, she talks enthusiastically about her future and dreams of becoming an Arabic teacher and expanding her bakery.

We help local partners to strengthen community schools and we train teachers to make school a rewarding experience.

Save the Children At work in our world



Save the Children's work in education combines cultural traditions and a caring environment with a positive learning program. Through continuing family support and child-friendly curricula, community-based schools, like the one 14-year-old Soumaila attends in Guinea, experience improved attendance rates.

Breakthroughs in Girls' Education

More than 58 million girls around the world do not attend school. Frequently, they are kept at home because of safety concerns, poverty or cultural and religious beliefs. But educating girls can have far-reaching impacts in terms of health, increasing family income and breaking the cycle of poverty—both for individuals and for nations as a whole.

Save the Children's 2005 *State of the World's Mothers* report took up the issue of educating girls. *The Power and Promise of Girls' Education* highlighted the progress of poor nations in making girls' access to primary education a priority. Among the report's major findings:

- While some of the world's poorest countries are making dramatic gains in improving educational opportunities for girls, a number of substantially wealthier nations in the developing world are lagging behind.
- Eleven relatively poor countries are currently on a fast track toward rapidly improving living conditions for children as a result, in part, of dramatic gains in girls' education.
- Of 71 developing countries studied, Bolivia, Kenya, Cameroon and Bangladesh have made the most progress in girls' education. Each country has increased girls' enrollment substantially and has had considerable success in keeping girls in school.
- Rwanda, Iraq, Malawi and Eritrea rank lowest in terms of progress due largely to a combination of negative factors, including conflicts, AIDS and rapid population growth.

The report reached 30 million people in the United States and millions more around the world through media coverage and distribution to experts in education, health, policymakers and donors. *[For a copy, visit Save the Children's website at www.savethechildren.org.]*

Helping Children Learn in Challenging Settings

For many children living in camps after a natural disaster or in communities caught up in armed conflict, school can be a safe haven. In both emergency and conflict situations, Save the Children opens schools to children—not just for education, but also to establish a sense of normalcy and for protection from exploitation and child trafficking.

- War and violence have forced children in southern Sudan to flee their homes with their families and live in camps in Darfur. Rather than letting these displaced children abandon their schooling, Save the Children supports 42 schools in 11 camps. Currently, 16,000 children are continuing their education.
- Save the Children's recovery efforts in Indonesia following the tsunami focused on reestablishing schools and learning opportunities. Save the Children trained volunteers to work with children under age 5 in "safe play areas" and provided 5,500 children with a normal routine in their lives. Other staff began immediately with emergency activities and materials and trained 1,700 teachers to help children heal from the traumatic experience. We distributed more than \$1 million books, school kits and supplies benefiting an estimated 60,000 children. We also funded a scholarship program for 2,000 students and supported youth and students taking national exams.
- Nearly 15 million children have been orphaned by AIDS. Particularly in Africa, many children must abandon learning in the struggle to support themselves and their families. In Malawi, Mozambique, Uganda and Ethiopia, Save the Children provides child care, preschool, psychosocial support, mainly for children under 9 years of age. Youth clubs and other nonformal education programs focus on reproductive



LEFT A game of hand ball at the Save the Children-sponsored adolescent girls program in Alsaliba Village, Egypt.

OPPOSITE LEFT Paolo peeks through his mother's loom, which she purchased through the small loan program in Guatemala.

OPPOSITE RIGHT Thanks to a small loan program developed by Save the Children, Aliyeva earns money at a local market selling plastic flowers, Azerbaijan.

health to ensure that adolescents have the tools and understanding to protect themselves.

New Players In Local Economies

Mothers at Work

Save the Children has expanded its small loan, or “microfinance,” program for women because it makes good business sense—and good sense for their families. Starting with loans of \$30 to \$100, women can establish small businesses that integrate them into local or regional markets. Reliable studies show that women, as the economic force in most poor families, are likely to invest their income in the health, education and well-being of their children. They are also likely to pay back their loans—and perhaps take out larger ones to expand their operations.

Microfinance has little to do with commercial banking or the world of high finance. Among the 1.3 billion people worldwide who live in desperately poor circumstances, two-thirds are women. Few if any could put up collateral to qualify for a loan at a bank. Instead, women join lending cooperatives through which all participants jointly guarantee each other’s loans. They are responsible to each other as well as to the lending institution to manage their money well. The group also gives them a support system they can rely on outside the home.

In 2005, Save the Children and its local partners lent more than \$60 million to some 400,000 women reaching over 16 million children in 17 countries in Africa, Asia, the Middle East, Eurasia and Latin America:

- Save the Children’s microfinance partner in Mali nearly doubled its client base from 11,000 to over 20,000 clients in 2005. A new program offering loans for agricultural projects helped to reach more remote

farming households. Despite a poor rainy season, 90 percent of the loan clients improved their income through increased production and diversified crops.

- Incentives have been introduced to Nepal’s loan program to encourage loan officers to reach the nation’s poorest clients in the most remote areas. This year, even though working conditions were hampered by the Maoist insurgency, this program increased its outreach to 70,000 active clients and some 280,000 children. Save the Children will continue to provide technical assistance to ensure that the mothers of Nepal have access to enterprise loans.

- In Morocco, our local partner, Foundation Zakoura, increased its outreach to more than 200,000 clients, 97 percent of them women. As one of the largest microfinance institutions in Africa and the Middle East, Zakoura is implementing a range of new loans, not only for enterprises such as rural tourism, but also for improvements that help the poorest people connect their houses to running water and electricity, all of which positively impact their children’s well-being.

Preparing Youth for Employment

Save the Children also helps youth make the transition from school to the job market. In Jordan, we created an innovative public-private partnership to train youth in economics, business skills and decision-making to prepare them for entering the world of work. Through the efforts of 500 instructors at 91 schools and two universities, this program has reached 13,000 young Jordanians over the past four years. Similar programs are now under way in Lebanon and Egypt.





U.S. PROGRAMS

The Ticket Out of Poverty

For many Americans, one of the stunning revelations in the aftermath of the Gulf Coast hurricanes is the extent of poverty in the United States. Indeed, 13 million children live below the poverty line nationwide. But in rural areas, where poverty rates are highest, families fend for themselves as best they can and children have limited prospects for improving their circumstances.

There are an estimated 2.6 million children living in poor rural communities of our country—in the Mississippi River Delta and the Deep South, on Native American reservations, Appalachia and other regions where people grind out a subsistence living. In these regions, funding for schools, libraries and after-school programs may be stretched to the limit and children may not receive the full benefits of education. Children may get little encouragement at home to study and most families cannot afford books or computers.

Save the Children believes that education is the best solution for helping children out of the cycle of

poverty. With a strong educational foundation, children in even the most impoverished and remote communities have a chance at college, productive employment and a future. We create programs that strengthen children's academic performance, improve their health and broaden their horizons.

Closing the Literacy Gap

Most children living in rural poverty in the United States fail to thrive at school because they lack the literacy skills they need to be successful. In fact, over 50 percent of fourth graders in rural America read below grade level, as compared to 38 percent nationally.

To address this problem, Save the Children is reaching out to more than 27,300 children at 30 sites around the United States, both through our model literacy programs and through partnerships with schools and community-based organizations. In-school, after-school and summer literacy programs target low-income children whose reading levels are significantly below grade

CORPORATE PARTNERS FOR CHILDREN IN THE UNITED STATES

In 2005, an impressive array of both large and small corporations contributed to Save the Children's efforts to improve the lives of children in need. Many have shown a special interest in helping poor children through U.S. programs. A significant number of these corporate donors involve their employees and customers in our efforts, helping to broaden our base of supporters.

T.J. Maxx raised over \$1.4 million for U.S. Programs through their "Happy Hearts" promotion to customers. T.J. Maxx, a partner of Save the Children for 21 years, also sponsored over 835 U.S. children—one for each store and headquarters' department.

Cisco Systems' \$470,000 grant to U.S. programs was accompanied by the services of the Cisco Learning Institute, that will design ways to improve our information flow and management procedures.

Mott's provided critical support for our work on obesity among children living in rural poverty, which led to the creation of our nutrition and physical activity model programs nationwide.

Scholastic Book Clubs has donated 375,000 books to communities served by Save the Children through its ClassroomsCare initiative. Since 2001, this program has donated 1.5 million books.

American Express, through its small business network, OPEN, supported model literacy programs in California on behalf of its Business Cardmembers.

OPPOSITE A pre-school teacher in the emergency day care program at the Little Peoples Day Care Center in Saucier, Mississippi, works with Brandon on printing his letters.

RIGHT A young Native American girl eats an applesauce snack provided by Mott's.

FAR RIGHT Three-year-old Kayla reads with her teacher at the emergency daycare center in Pass Christian, Louisiana.



level. Our annual external assessment found that children who participated in Save the Children literacy programs during school year 2004–2005 demonstrated real gains in reading proficiency. The percent of students reading at grade level increased from 30 percent to 35 percent overall—a statistically significant change. Although much remains to be done, the evaluation found that 48 percent of children had made greater gains in reading proficiency than would have been predicted if they had just attended school.

Targeting Obesity among Children

In March 2005, Save the Children released *Nutrition and Physical Activity Field Assessment of Children in Rural America*, the first national qualitative assessment to examine the issue of the obesity among children in rural America. The findings of the report showed several related factors contributing to the problem:

- Rural communities have limited parks, recreational facilities and fitness centers.

- Children spend an excessive amount of time in sedentary activities, including television viewing, playing video games and using computers.

- Many isolated communities have limited access to healthy foods, which also has an impact on food choices.

- Eating large quantities of sweets, fast food and fried foods is common among children at school, at home and in the community. Particularly in Native American, African-American and Hispanic communities, children are eating more and exercising less.

This report set the stage for Save the Children's new community-based obesity prevention program. This new core initiative in U.S. Programs is intended to improve the health of children in rural America.

At the start of the 2005–2006 school year, we initiated activities at 25 sites. In the coming year, we will introduce a communications and awareness program to change policy and practices in the school environment as well as outreach to parents and communities.

The Mattel Children's Foundation launched a global partnership with Save the Children to promote education and literacy for young children. A portion of Mattel's donation funds early childhood programs in Appalachia.

IKEA North America Services has supported literacy programs since 2001 including the development of a national reading curriculum, *Reading Comes First: A Guide for Reading Mentors*.

Wells Fargo Foundation has made a generous commitment to benefit children in the Central Valley of California through literacy programs.

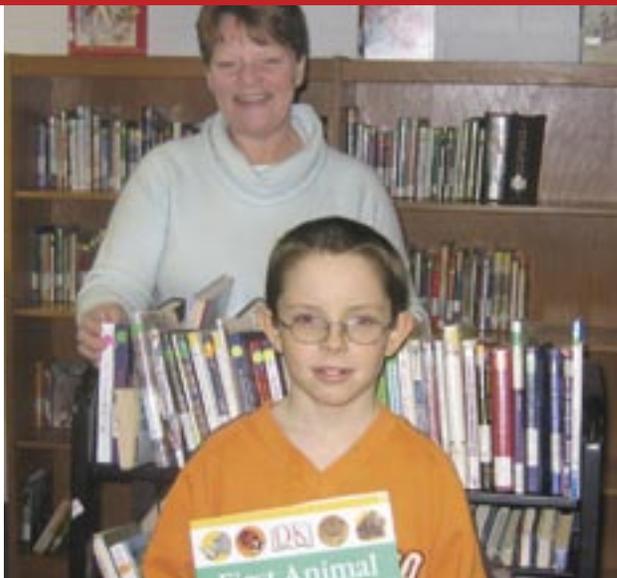
Brookstone helps children in rural America through its in-store greeting card promotion, "Giving, a reason to smile." Each store and headquarters division continues sponsoring children.

United Airlines has made a generous commitment of air travel which enables Save the Children to focus its resources on high-quality programs for children.

Hertz car rental days and vehicles help our staff lower their travel and administrative costs, which means more resources for programs for children.

Jo-Ann Stores, a leading home sewing and crafts retailer, has licensed Save the Children children's artwork for fabrics and products. All royalties go to Save the Children's U.S. Programs.

Foot Locker provided a generous in-kind contribution of new sneakers for children in our programs.



LEFT Debbie, a program coordinator for the Family Resource Center at Carr Creek Elementary School, works with third grade student Amos to shelve a shipment of books, donated to the school library by Save the Children's partner, Scholastic Books.

OPPOSITE ABOVE A literacy instructor reviews reading skills with 8-year-old Zachary at Jones Fork Elementary School, eastern Kentucky.

OPPOSITE BELOW Latheina takes a shot at the Save the Children after-school program at McNary Elementary School, New Mexico.



Kentucky Passes State Funding for Save the Children Programs

In the rural Appalachian region of Kentucky where Save the Children began its work in 1932, the agency reinforces literacy for elementary school programs in Knott, Letcher, McCreary, Clay and Owsley counties. The Rural Literacy Initiative offers in-school, after-school and summer programs for over 6,000 children through 8th grade.

Kentucky has improved the economic and educational trends for children, but still struggles with the impact of poverty and illiteracy. Overall, 25 percent of children in Kentucky live in poverty and high school drop-out rates remain at 12 percent. Making sure that children have a solid grasp of reading early on can help keep them in school.

The Commonwealth of Kentucky took the lead in strengthening literacy among elementary school children by funding Save the Children's Rural Literacy Initiative in 2005. The Cabinet for Health and Family Services pledged \$250,000 for the program and bipartisan support in the legislature resulted in another \$250,000. Save the Children matched that commitment through private funding.

"By committing resources to improved literacy, Kentucky is establishing a model for effective state and nonprofit programs. We aim to make this program one that Kentucky can showcase and that other states can emulate," said Mark Shriver, Vice President of U.S. Programs for Save the Children.

"The Rural Literacy Initiative is a unique partnership for the state. By partnering with Save the Children to better educate children in disadvantaged communities, we address poverty at its core. The impact goes well beyond the classroom," said Mark Birdwhistell, Secretary of the Cabinet for Health and Family Services, Commonwealth of Kentucky.

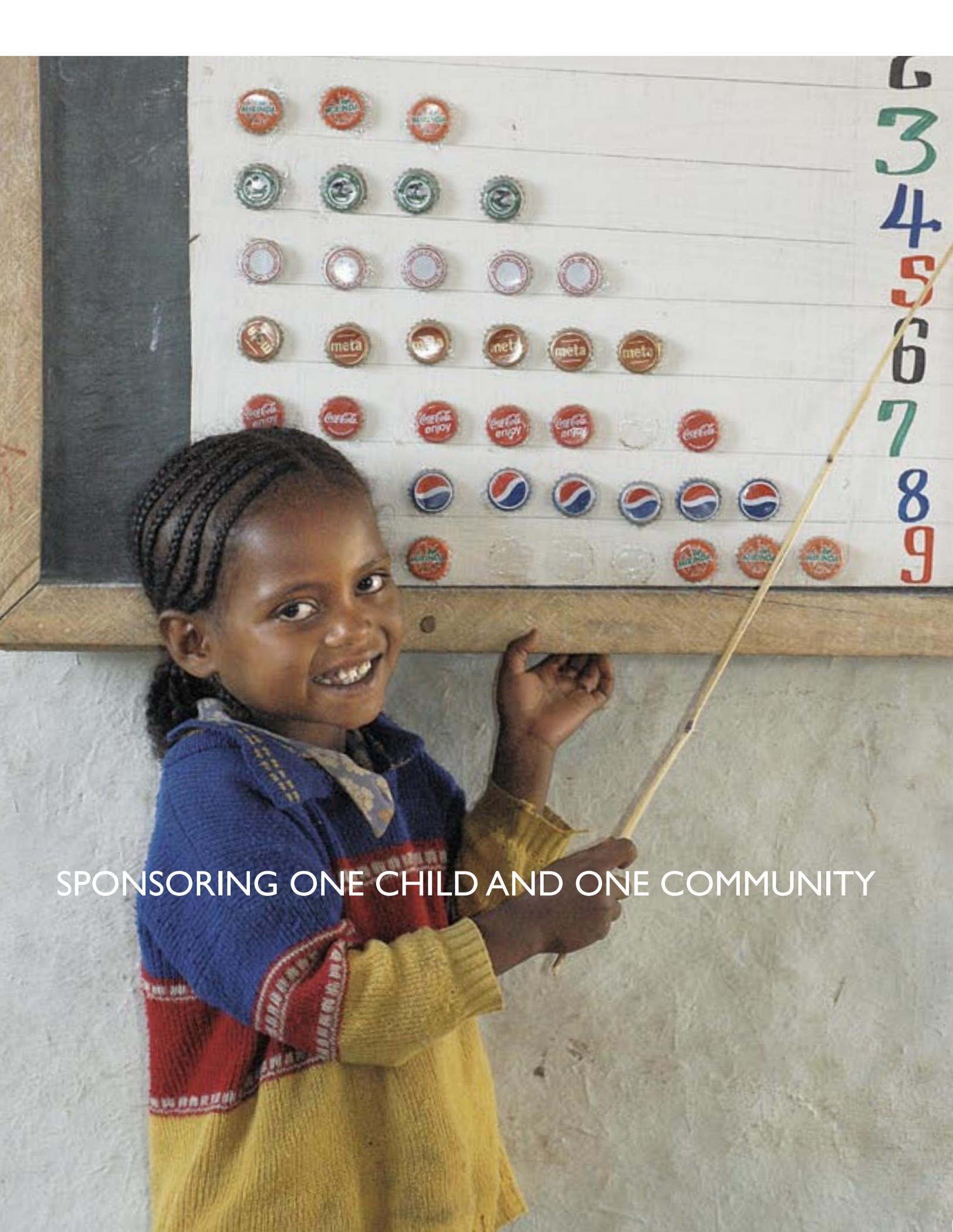
"By partnering with Save the Children to better educate children in disadvantaged communities, we address poverty at its core. The impact goes well beyond the classroom."

Mark Birdwhistell, Secretary of the Cabinet for Health and Family Services, Commonwealth of Kentucky

Save the Children At work in our world



Keeping children moving for at least 30 minutes a day is a critical part of school curricula. Many American children are overweight because sports and physical education are not available at school. Carolyn Sparkman, who works on Save the Children's child care and after-school program in Kentucky says, "Children need to run and use their muscles.... It is a tremendous boost for their self esteem."



SPONSORING ONE CHILD AND ONE COMMUNITY

New Approaches to Sponsorship

Among the millions of children around the world who participate in Save the Children's programs, some supporters want to get to know one in particular. Sponsorship offers people the opportunity to experience the lives of children and their communities through photos and letters. For many sponsors, watching a child grow is one of the chief rewards of participating in Save the Children's program.

Other approaches to sponsorship are also available. Some people choose to contribute through our **Lifeline** program, which charts the progress of children in a community through the experience of an "ambassador" child who represents all of the children living in his or her community in letter and photos. Others prefer to support a field office and all of the programs it implements. Each approach brings its own rewards and satisfaction.

Our most recent advance is **e-Project Sponsorship**, which allows sponsors to monitor the progress of special projects online. Save the Children provides email and website updates from the field staff, profiles and stories about children and their families and information about the countries and communities that receive support through Sponsorship. At regular intervals, reminders are sent out to visit the website for updates. Through the amazing access of web technology, supporters are able to see the tangible difference they make as never before.

In 2005, Save the Children welcomed 18,142 new sponsors to join some 100,000 people worldwide who help children in need through our program. For children ages 3-18 from 23 countries and 11 states in the United States, sponsorship brings positive change to their lives and the life of their communities.

Investing in a Child's Development

Sponsorship programs focus on children's health and intellectual development from early childhood to adolescence and give them the tools to succeed in school and in life. We carefully monitor each child's progress. As children grow, Save the Children's programs also reinforce the ability of families and communities to encourage and support them.

Early childhood development. Programs for children aged 3 to 5 prepare them to make a successful transition into primary school. We train parents, caregivers and teachers in the skills to support children and improve their cognitive abilities, health, emotional development and social behaviors. We also equip parents and local leaders with the know-how to run their community-based early childhood development program that recognizes their needs and culture and ensures children an excellent foundation for lifelong learning.

Primary education. Even in primary school, curricula and schedules must reflect local culture and community. We provide support for building and supplying schools, while also helping to train teachers and administrators in student-centered basic education. In the United States, our commitment is directed to improved literacy through after-school, summer and in-school programs.

School health and nutrition. The aim of this program for students 6 to 12 years is to improve children's health and nutrition status through the provision of health and nutrition services, safe water and sanitation. We also promote healthy behaviors, including HIV/AIDS awareness and prevention.

AIDS care and prevention. Focusing on the needs of children orphaned by AIDS and vulnerable children

OPPOSITE The unifying theme to Save the Children's Sponsorship Program is education. Four-year-old Feyittu attends the Maru Sombo Community School in Ethiopia, supported by Save the Children.

RIGHT Children attending a sponsorship school in Mali on their marks for a race.



of all ages, we provide support for basic food and shelter, assistance with school fees and—for older children and caregivers—economic opportunities, planning for bereavement and guardianship and health information.

Adolescent development. As children aged 12 to 18 prepare for the challenges facing them as they mature, Save the Children introduces greater access to health information and health services. These programs seek to ensure a healthier transition to adulthood through better information on preventing AIDS and through intellectual and livelihood skills needed for success in life.

Some Significant for 2005

Save the Children's sponsorship programs have made significant achievements in scaling up education and health activities both nationally and regionally in 2005. Most notably, we have engaged national leaders as well as communities to strengthen their commitments to educating children:

Nepal. Save the Children co-authored and advocated Nepal's first school health and nutrition policy, which has been endorsed by Nepal's Ministers of Education and Health.

El Salvador, Guatemala, Honduras and Nicaragua. The success of our early childhood development programs has been reaffirmed by donors in 2005. Save the Children received more than \$3 million from donors such as Kraft Foods Inc., Starbucks, UNICEF and USAID, as our reputation in education programming has been established in these Central American countries.

Ethiopia. The Community Schools Program is Save the Children's strategy for providing education to children and families in the most remote corners

of the world. But it depends on building close and lasting partnerships with villagers, teachers and children. Save the Children in Ethiopia offers alternative educational opportunities for the millions of children who do not have access to schools. We have pioneered inexpensive and more appropriate learning models based on flexible schedules, relevant curricula and active community participation in the educational process. We also work to enhance communities' engagement in the educational process by supporting Parent Teacher Associations in many parts of the country to work more closely with the local educational and school authorities.

Mozambique. Save the Children is implementing a program to help adolescents protect themselves from HIV/AIDS and unwanted pregnancies. Through youth clubs, counseling centers and peer education, we connect youth to reproductive health and voluntary counseling and testing services to lessen the impact of HIV/AIDS on young people's lives.

Another benchmark for Sponsorship in 2005 was taking part in the InterAction Certification Process to ensure that our program meets all standards for excellence in the areas of operations, program design, implementation and monitoring and evaluation.

New technologies and programmatic advances continue to add impact to sponsors' contributions. But if the tools for helping sponsored children are continually evolving, the seminal idea—to provide a window on our work with children and families in need—has remained unchanged since it was conceived nearly 70 years ago.



LEFT Latawyna, a young Navaho girl, looks up from her schoolwork. Through Save the Children's eye glass program, she now does her work with ease, New Mexico.

OPPOSITE ABOVE Emiley, who participates in Save the Children's literacy program in Kentucky, now reads at grade level.

OPPOSITE BELOW Save the Children staff member, Sujanmoy, was one of our first children to be sponsored in the village of Kunda, Bangladesh.



Taking on a Challenge Is the First Lesson in Reading

Emiley, a bright first-grader at Hindman Elementary School in eastern Kentucky, loved looking at picture books and telling stories, but reading was challenging. She had problems associating different sounds with combinations of letters. Instead, she tried to figure out the story from the pictures.

In her first and second years of school, Emiley got help from a volunteer foster grandmother who helped her with phonics. In first grade, she attended Save the Children's after-school literacy program and went on to summer reading camp. The literacy coordinator, Rita, worked hard to change Emiley's "picture reading" habits, until she could read words and convert letters to sounds. Now Emiley reads independently and tracks her progress by taking quizzes in the Accelerated Reader program on the computer.

Emiley is currently in third grade and reading more than just picture books. The faculty and staff at her school and at the Save the Children program are excited to see her literacy skills improve and her love of reading grow. These days, when she is finished with her own literacy activities, she sometimes helps out at the after-school program by reading with younger students, including her own little sister, Whittany.

New technologies and programmatic advances continue to add impact to sponsors' contributions.

Save the Children At work in our world



In 1983 at age 9, Sujanmoy Chowdhury became one of the first children to be sponsored in the village of Kunda in Bangladesh. After he completed his studies, he joined the staff of Save the Children's Bangladesh Field Office. Sujanmoy is now a key member of the Save the Children's Finance and Administration team in Bangladesh.

Sujanmoy is giving back in his personal life as well, helping two children in his village of Kunda as they complete their studies.

FINANCIAL REPORT

It is my pleasure to present Save the Children's fiscal year 2005 financial results. We experienced growth in all areas of our operations through the successful execution of year one activities within our 3-year strategic plan for fiscal years (FY) 2005–2007. The most notable growth was due to our response to global emergencies, which has offered us a unique challenge in conveying our financial results, specifically the relationship between revenues and expenses for the year. As such, the following is a discussion of management's analysis for our FY 2005 financial performance.

FY 2005 has clearly been a landmark year for Save the Children. Operating revenues were up over 58 percent, which was due in large part to operating revenues generated from the overwhelming donor response in private giving for the Asia Earthquake/ Tsunami Relief Fund (AETRF). In total, revenues exceeded \$407 million from all sources and expenses topped \$323 million, which is a 32 percent increase over FY 2004.

Revenues

Operating revenues were \$397 million and non-operating revenues exceeded \$10 million. Revenues exclusive of the AETRF were up more than 14 percent (from \$250.5 million in FY 2004 to \$285.8 million in FY 2005). This growth was reflective of significant shifts in funding streams from efforts to diversify our funding base:

Revenue Source (without AETRF)	FY 2005 Over FY 2004	FY 2005 % of Total	Historical Range
Contributions, Private Grants	+28% or +\$18M	29%	29–33%
Sponsorship & Other Private Gifts	+12½% or +\$4M	13%	11–12%
U.S. Government Grants	+17% or +\$18M	44%	50–55%
Food Aid	-11% or -\$5M	14%	18–23%

The \$111 million of revenue in the AETRF consisted of over \$94 million in contributions, private grants and other private revenues and over \$17 million in U.S. Government Grants and Food Aid, which represents the 44 percent remaining of 58 percent operating revenue growth.

Non-operating revenues were \$10.4 million, which exceeded the annual target of \$10 million.

Expenses

Operating expenses grew at a very robust rate of 32 percent or \$78.5 million to \$323 million, again, largely due to the emergency response activities. As can be seen below, all programmatic areas grew during the year.

Use of Funds	FY 2005	FY 2004	FY 2003
Program	91%	90%	90%
Education	\$ 36.8M	\$ 33.4M	\$ 35.7M
Primary Health	\$ 38.8M	\$ 40.5M	\$ 43.9M
HIV/AIDS	\$ 18.2M	\$ 9.8M	\$ 4.4M
Economic Opportunity	\$ 9.5M	\$ 5.3M	\$ 7.1M
Food Security & Resource Mgmt	\$ 45.0M	\$ 33.9M	\$ 30.2M
Emergency, Refugee & Civil Society	\$ 134.7M	\$ 87.4M	\$ 87.6M
Program Develop. & Public Policy Support	\$ 10.2M	\$ 8.6M	\$ 6.7M
Fundraising	6%	6%	6%
Management & General	3%	4%	4%

The one exception was Primary Health, where there was a slight reduction in spending as the result of the phase-down of the initial grant for Saving Newborn Lives.

Save the Children USA has met its commitment for the past three years to optimize funds toward program delivery. In this year, the planned efficiency



was furthered by the disproportionate ramp-up in program activities in relationship to fundraising and management and general costs. While FY 2005's Program Services represented 91 percent of agency expenses, we anticipate that this will return to our target of 90 percent in FY 2006.

Net Assets

Because of the lag in spending against revenues, FY 2005 ended with a net asset excess of \$84 million.

The three primary contributors to this excess were:

- Planned 5-year spending of the private contributions received for AETRF (excess of \$53 million). Generally accepted accounting principles require that contributions be recognized in the year they are received while program expenses are not recorded until incurred, creating a timing delay in the matching of expenses against designated revenues. The expenses that will be incurred in FY 2006–2008 for the AETRF will “draw down” against the surplus creating the appearance of annual deficits in FYs 2006 and 2007.
- An anonymous donor gave \$5 million for growth and expansion of our U.S. Programs and stipulated that these be spent over a 2-year period that did not commence until October 2005. For the same accounting reasons stated in the previous bullet, this created a \$5 million surplus that will be spent in FYs 2006 and 2007.
- The remaining \$26 million of excess was from additions to our endowment and revenues received late in September (FY 2005) for the Gulf Coast emergency response that would not be spent until October (FY 2006).

Because of these extraordinary circumstances and to ensure transparency, Save the Children is providing a multi-year view of the effects we anticipate that the AETRF and the U.S. Programs spending will have on our financial picture in the next three years. As can be seen in the figure on page 35, while we are projecting negative annual net assets for FY 2006 and FY 2007, our cumulative net assets remain healthy representing approximately six months of operating expenses.



Vickie J. Barrow-Klein

*Vice President, Finance and Administration
Treasurer*

The full financial statements, audited by PricewaterhouseCoopers, LLP, are available upon request by calling 1-800-728-3843 and on our website at www.savethechildren.org.

OPPOSITE LEFT Twelve-year-old Haguiar studies at a learning center in the Philippines supported by Save the Children.

OPPOSITE RIGHT In her primary level four classroom in Kibuye, Uganda, 12-year-old Nanyonga listens in class.

RIGHT This group of children in Gaza takes part in a psychosocial program that Save the Children has developed.



FINANCIAL REPORT

FIG 1 Nature of Our Programs

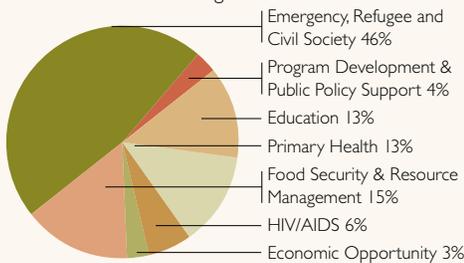


FIG 2 Where We Work

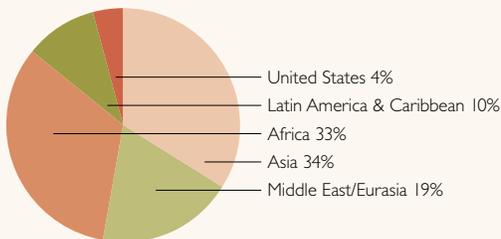


FIG 3 Sources of Support & Revenue

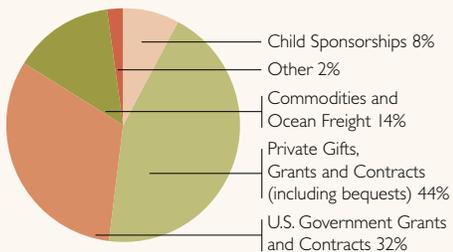


FIG 4 How We Use Our Funds



CONDENSED AUDITED FINANCIAL INFORMATION (\$000s)

	2005	2004
Operating revenue		
Child Sponsorships	\$30,764	\$28,725
Private Gifts, Grants & Contracts (incl. Bequests)	174,873	64,851
AETRF	92,048	-
U.S. Government Grants and Contracts	128,120	106,569
AETRF	3,352	-
Commodities and Ocean Freight	53,711	45,611
AETRF	13,096	-
Other	9,154	4,754
AETRF	2,314	-
Total Operating Revenue	396,622	250,510
AETRF	110,810	-
Operating Expenses		
Program Services		
Education	36,817	33,428
Primary Health	38,751	40,450
HIV/AIDS	18,248	9,785
Economic Opportunity	9,537	5,336
Food Security & Resource Management	44,952	33,857
Emergency, Refugee and Civil Society	134,686	87,423
Program Development and Public Policy Support	10,174	8,597
Total Program Services	293,165	218,876
Supporting Services		
Management and General	10,789	9,405
Fundraising	19,055	16,251
Total Supporting Services	29,844	25,656
Total Operating Expenses	323,009	244,532
AETRF	57,577	-
Excess of Operating Revenue over Expenses	73,613	5,978
Excess Related to Unrestricted Fund	7,897	786
Excess Related to Temporary Restricted Fund	12,483	5,192
Excess Related to AETRF	53,233	-
Non-Operating Activities		
Investment Return in Excess of (less than) Spending Rate	2,567	29
Contributions and Change in Value of Split-interest Agreements	7,853	20,982
Non-Operating Activity (Endowment Campaign Gifts & Pledges)	10,420	21,011
Total Operating Revenue and Non-Operating Activity	407,042	271,521
Total Operating Expenses	323,009	244,532
Increase/(Decrease) in Net Assets	84,033	26,989
Net Assets, Beginning of Year	77,271	50,282
Net Assets, End of Year	\$161,304	\$77,271

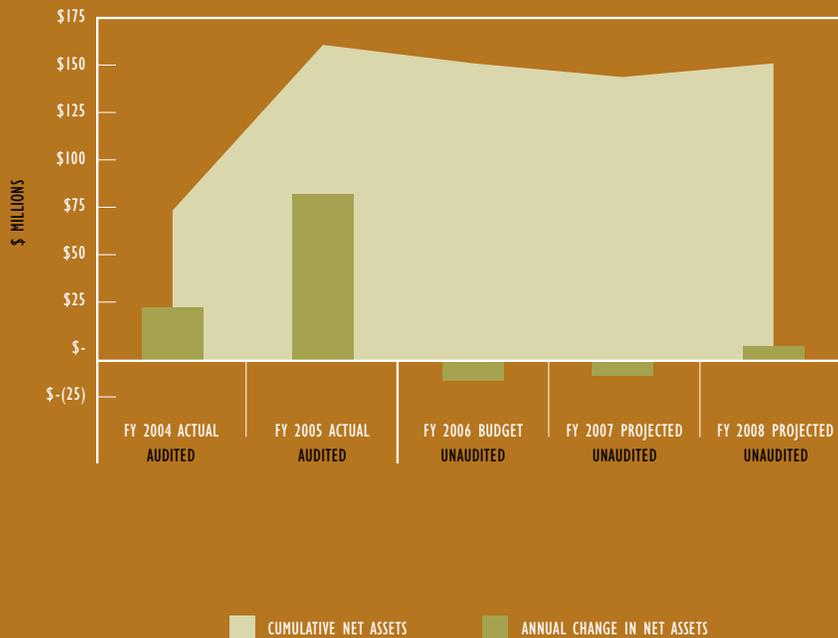
The full financial statement, audited by PricewaterhouseCoopers LLP, is available upon request by calling 1-800-728-3843 or by visiting our website at www.savethechildren.org.

In fiscal year 2005 based on 2004 costs, Save the Children charged 14 percent (10 percent for fundraising and management and 4 percent for program development and public policy support) for supporting costs for restricted gifts donated for current use.

ASIA EARTHQUAKE/Tsunami RELIEF FUND FISCAL YEARS 2005–2008 (\$ in 000s)

	Audited FY 2005	Unaudited FY 2006	Unaudited FY 2007	Unaudited FY 2008
Operating Revenue				
Sponsorship	\$0	\$0	\$0	\$0
Contributions and Private Grants	92,048	12,117	10,000	4,000
Other Private	2,314	1,225	0	0
U.S. Government Grants	3,352	938	1,000	1,000
Food Aid	13,096	5,000	3,000	3,000
Total Operating Revenue	110,810	19,280	14,000	8,000
Operating Expenses				
Grant Expenses (Field and Home Office)	19,255	13,055	11,000	5,000
Food Aid	13,096	5,000	3,000	3,000
Private Field Expenses	20,441	22,300	20,000	7,600
Private Home Office Expenses	4,785	2,281	1,938	0
Total Operating Expenses	57,577	42,636	35,938	15,600
Excess/(Deficit) Operating Revenue & CF	53,233	(23,356)	(21,938)	(7,600)

NET ASSETS OVER 5 YEARS



LEFT Actual and projected net assets over a five-year period (FY 2004–2008) for all program activities (including the annual and cumulative impact of the FY 2005 tsunami response).

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LEFT Save the Children program manager, Sonia Khush (left), visits with some of the children in Banda Aceh, Indonesia.

BACK COVER LEFT Chris, age 7, eastern Kentucky.

BACK COVER MIDDLE AND RIGHT Children participating in Save the Children's early childhood programs, Baton Rouge, Louisiana.

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