

Creating Real and Lasting Change



Key Results for Children in 2002

A great deal has changed in the world this past year, yet millions of children still live in poverty and face daily uphill struggles for basic human rights and necessities. Here are some of the places and ways in which Save the Children made positive and lasting change in children's lives:

1. Afghanistan – Save the Children played a leading role in delivering emergency food and medical relief to Afghans during the harsh winter of 2002, as well as in postwar recovery efforts by providing educational opportunities for thousands of boys *and* girls, helping families resume work and beginning to rebuild the nation's infrastructure.

2. Southern Africa – Save the Children was the first agency on the ground responding to the severe hunger crisis with large-scale food aid in Malawi, one of the hardest hit of the southern African countries where more than 12 million people now face severe drought and potential famine.

3. HIV/AIDS – In the face of this ever-spreading pandemic, Save the Children intensified its infection prevention efforts in Asia, Africa and eastern Europe and expanded community care programs for orphans and people living with HIV/AIDS throughout sub-Saharan Africa.

4. Protecting Women and Children in War and Conflict – On the basis of many years on the humanitarian front lines, and the needs documented in its *State of the World's Mothers 2002* report, Save the Children launched *One World, One Wish*, a campaign to urge our government to establish policies and allocate funds for the protection of children and women from wartime atrocities such as rape, trafficking, exploitation and forced military servitude.

Guinea
In times of war, Save the Children pays special attention to the health, education and protection of children and women, like these adolescent refugees from Sierra Leone and Liberia, since they are particularly vulnerable to sexual harassment, abuse and violence.





Pakistan

Maternal and newborn health care, part of the Saving Newborn Lives initiative here, has made a big difference in survival rates and the prospects for children.

5. Saving Newborn Lives – Lifesaving measures were expanded for women of childbearing age and their children in six countries in Africa and southern Asia in the second year of Save the Children’s initiative. Funded by the Bill & Melinda Gates Foundation, it includes tetanus immunization, alternative treatments for low birth-weight babies and the development of a government-sanctioned newborn health-care training curriculum.

6. America’s Forgotten Children™ – Save the Children issued a landmark report to the nation, entitled *America’s Forgotten Children*, which brought national attention to the plight of 2.5 million children living in the United States in remote pockets of rural poverty, and called for legislative change and increased funding to improve these children’s academic, social and financial opportunities through after-school programming.

7. Changing Lives Through Sponsorship – More than 85,000 Save the Children sponsors remained the cornerstone of support that helped us strengthen the impact of community-based health and education programs for children, from early childhood through adolescence, in the United States and around the world.

8. Every Mother/Every Child – Myanmar, a war-torn country all but ignored by the rest of the world, was a leading example of how Save the Children’s acclaimed community-based programs on early childhood, nutrition, reproductive health and family planning provide children in the poorest villages with a healthy start and continued growth.

9. Emergency Response – Amid ongoing violence and physical hardships in the Middle East, Save the Children staff have innovated new strategies for maintaining essential services, such as the delivery of food, water and medical supplies, as well as for creating emergency employment opportunities for adults and programs to help children and teens constructively handle the psychological impact of current events.

10. Seals of Approval – Save the Children earned the top rating (★★★★) from Charity Navigator, an independent rating service, as one of the most efficient and effective international humanitarian organizations, and was included in *Worth* magazine’s prestigious list of the country’s “100 Best Charities” as well as *Vanity Fair* magazine’s annual Hall of Fame issue.

Ethiopia

A reading lesson takes place for this 13 year-old girl in front of the Iresgedi school that Save the Children is building in Negelle.



About Save the Children

Save the Children is a leading international nonprofit children's development and relief organization working in more than 40 countries, including the United States. Our mission is to create lasting, positive change in the lives of children in need.

Save the Children is also a member of the International Save the Children Alliance, comprising 30 independent, national Save the Children organizations working in more than 100 countries to ensure the well-being of children.

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Uganda
Flexible, alternative approaches to standard schooling help Save the Children reach children who would not otherwise have access to education.

Charles F. MacCormack (l.)
in Myanmar.
Thomas S. Murphy (r.)
in Nicaragua.



From the President and Chair

Dear Friends,

Save the Children's mission – to make lasting, positive change in the lives of children in need – has never been more urgent than it is today.

As world leaders contend with rogue states, weapons of mass destruction and global terrorism, millions of children need greater protection from hunger, disease, exploitation and violence.

In 2002, Save the Children intensified its humanitarian response on behalf of **Children in Emergencies and Crisis** in many parts of the world – feeding those without food in drought-stricken southern Africa, bringing lifesaving health care to children and their mothers in Afghanistan and providing health and social services to families in the war torn Middle East.

And because we have learned that the only real solutions to the danger and hardship children face are those that bring about long-term, sustainable change, our development programs continued to provide **Every Mother and Every Child** with access to the tools they need to survive and thrive: basic education, income-earning opportunities and health care, including family planning. At the same time, Save the Children stepped up its efforts to address the HIV/AIDS pandemic, in order to secure the significant advances we've made in the lives of children and families.

During this past year, Save the Children has used its practical, community-based approach and been able to make great strides in **Changing Lives Through Sponsorship**, thanks to the 85,000 caring sponsors who supported more than 500,000 children and their families around the world with our proven child-focused programs.

There are also children in need right here in the United States, living in the poorest rural communities, who received health and education assistance through our Web of Support program. In 2002, we took our 70 years of experience working with **America's Forgotten Children™** and issued a report to the nation, which drew attention to the plight of 2.5 million such children and to the need for funding programs that help them break the cycle of poverty.

The 21st century will undoubtedly bring many difficult and unpredictable challenges. But it holds great promise for progress and change as well, because of the many generous donors, sponsors, foundations and corporations who support Save the Children's work.

Despite the current economic climate, we enjoyed record-breaking revenues in 2002, which enabled us to maintain – and frequently expand – relief and development assistance for children and their families where the need has been greatest.

We are deeply grateful for this unswerving commitment and support, and rededicate ourselves to building an even brighter future for children in the years ahead.

Charles F. MacCormack
President and CEO

Thomas S. Murphy
Chair, Board of Trustees

Children in Emergencies and Crisis

Providing care and protection to children affected by natural disasters, war, displacement and exploitation



A YEAR OF DANGER FOR CHILDREN

Every year, children around the world are thrust into unsafe conditions that threaten their health and safety.

Whether it's an earthquake, a flood, armed conflict or some form of abuse, it is children who are the most vulnerable and the most frequently endangered. From conflicts in Afghanistan and the Middle East to drought in Africa to terrorism in our own country, millions of children found themselves in harm's way during this past year.

Save the Children's priority in responding to such emergencies and crises is first to meet the immediate, lifesaving needs of children and their families by providing food, water, health care and shelter, as well as protection from exploitation and abuse. Also critical is the psychological and social support that helps them to cope with trauma, injury and dislocation.

At the same time, Save the Children works to restore or establish programs in health, education and income generation to help children and families rebuild their lives and livelihoods and to ensure long-term recovery and rehabilitation.



Malawi
An estimated half-million families have been supplied with corn delivered by Save the Children to distribution centers like this one at Monkey Bay.

FEEDING AND CARING FOR THE HUNGRY IN AFRICA

More than 12 million people throughout several countries in southern and eastern Africa are facing the worst food emergency in 10 years as a result of two consecutive years of irregular rainfall and major crop failures, regional economic difficulties and the depletion of grain reserves.

Noting the sharp increase in severely malnourished children, school absenteeism and the depletion of family income and assets to purchase food, Save the Children was the first to begin disaster relief efforts in Malawi. An

outbreak of cholera and the widespread devastating impact of HIV/AIDS have greatly exacerbated the crisis. The current situation in Ethiopia threatens to be as deadly as the famine that spawned a worldwide anti-hunger campaign in the mid 1980s.

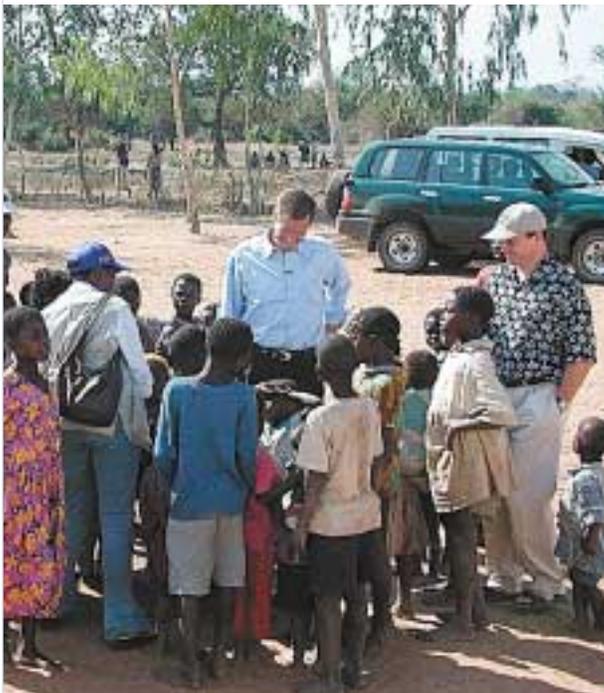
In Malawi, where Save the Children has been active for many years and where as much as 70 percent of the population is unable to meet family food needs, the agency distributed fortified blended foods and maize to the most vulnerable portions of the population. This comprised an estimated 500,000 families caring for orphans and chronically ill relatives as well as households headed by children or the elderly.

Save the Children also helped tens of thousands in Zimbabwe and Zambia with support for food distribution, therapeutic feeding programs, vaccinations, Vitamin A supplements, the training and supervising of local health workers and other related health services. In Ethiopia, Save the Children is working to improve access to safe water, to provide food to families where the shortages are acute and to develop alternative means of generating income.

Much of this effort was made possible through Save the Children's Halaby-Murphy Fund, created to provide urgently needed disbursements at the very onset of an emergency, and through a series of emergency response grants from the Bill & Melinda Gates Foundation.

Throughout the year, Save the Children also partnered with the ministries of agriculture and local nongovernmental organizations in Malawi and Mozambique to provide supplies of improved, drought-resistant varieties of vegetable, maize and cassava seeds, as well as to train community leaders to better manage their resources, establish long-term food sufficiency and prepare for future food emergencies.

Malawi
MSNBC-TV's Brian Williams reported on Save the Children's food distribution center in Mangochi District.





Pakistan
Sapina, an Afghan refugee, waits outside the Save the Children-supported school she attends in the New Saranan Camp.

HELPING AFGHANS BACK ON THEIR FEET

In the year since the catastrophic plight of the Afghan people made international headlines in October 2001, Kabul, the capital, is once again a busy city, full of people, traffic and commerce. Although much of the city's infrastructure was destroyed over the course of 20 years of warfare, roads and buildings are now under construction, young girls are attending school in record numbers and many female civil servants have returned to work.

By contrast, most of the rest of the country still faces serious security issues, health services are grossly inadequate or nonexistent, and the situation for women and girls in remote areas remains very restricted. Save the Children's established presence in the country, dating back nearly 20 years, continues to be a major advantage in facilitating the delivery of humanitarian assistance to children and families in Kabul, the northern Afghan provinces and the Afghan refugees camps in Pakistan, under difficult and dangerous conditions.

Save the Children helped approximately 700,000 Afghans through a critical period with six-month supplies of food, distributed wheat seed and fertilizer to thousands of farmers for spring planting and provided food-for-work opportunities to thousands more.

In partnership with the Afghan Ministry of Education, Save the Children helped rebuild 15 schools and a teacher training college. Children began enjoying sports and arts again, on football fields, in volleyball competitions and through native craft classes, all provided by Save the Children. Land mine education continued as well, instructing children why and how to avoid these dangerous vestiges of war.

While rehabilitating health clinics and providing heat to several hospitals through the winter, Save the Children treated more than 50,000 children for infectious diseases and injuries and provided primary health care for approximately 140,000 citizens. In Andkhoy province alone, 1,700 families were helped back on their feet with micro-credit that allowed them to reestablish small businesses.

Save the Children continues to provide essential humanitarian services to Afghan refugees in Pakistan, including primary health care for 115,00 people in one

area and basic education for 120,000 refugees in another. During the past year about 35,000 children were enrolled in schools run by Save the Children USA, hundreds of teachers were trained, and over 2000 women participated in literacy programs.

MEETING THE NEEDS OF CHILDREN IN THE MIDDLE EAST

Save the Children has worked for decades in this war-torn region, where many children and families face poverty, a lack of social services, inadequate education systems, malnutrition, unsafe water and poor sanitation. All of these conditions deteriorated further this past year due to continuing political unrest and economic instability.

Through offices in Jerusalem, Nablus, Halhoul and Gaza, and in partnership with local nongovernmental organizations, a very courageous and dedicated Save the Children staff of 70 has been helping more than 350,000 of the most critically affected girls and boys in the West Bank and Gaza by applying our groundbreaking expertise in working with children in crisis.

Much of this effort focused on organizing convoys to distribute food, water and clothing, and on maintaining basic and maternal health care, including safe pregnancy and childbirth services. In addition, Save the Children has paid special attention to the emotional and developmental needs of the children in this crisis, striving to provide – as



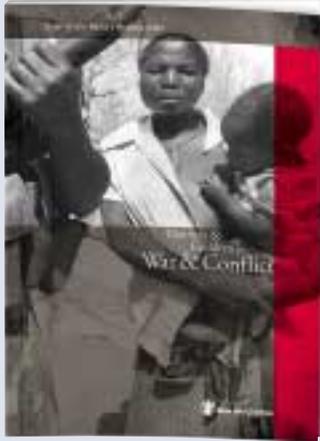
much as possible – an environment of normalcy and routine to minimize stress.

Relief was also accomplished, in part, by developing home-based programs for preschoolers and by rehabilitating schools, libraries and community-run youth centers where older children could gather and safely enjoy sports and recreation activities. Save the Children helped parents support their children through its local microfinance institution that enables women to begin and maintain small businesses, and hired local workers to rebuild roads and buildings as part of an emergency employment generation project.

West Bank
At one of Save the Children's emergency employment projects, this father has an opportunity to earn a living while building a community center for women and youths.

One World, One Wish

Our New Campaign to Protect Women and Children in War and Conflict



State of the World's Mothers 2002

In its third annual *State of the World's Mothers* report, subtitled *Mothers & Children in War & Conflict*, Save the Children gave an unflinching account of the violence and trauma increasingly suffered by civilians – primarily women and children – who currently make up 90 percent of wartime casualties, as compared with only 5 percent a century ago.

The report documented how today's combatants intentionally target civilian populations and seek to destabilize societies, dramatically increasing women's and children's risk of death, disease, displacement and exploitation. In the Mothers' Index, where countries are rated according to the health, education and economic status of their mothers, countries in conflict most frequently ranked near the bottom.

Despite this transformation of warfare, the global humanitarian response on behalf of women and children has not changed adequately, and Save the Children has launched the *One World, One Wish* public awareness and advocacy campaign to begin making that change. The cornerstone of the campaign is to persuade

Congress to pass the Women and Children in War and Armed Conflict Protection Act of 2003, making the protection of women and children an integral part of the nation's response to conflict situations. This will ensure that more women and children survive their immediate circumstances, and that families and communities thrive in the long term.

In addition to private donations, a significant portion of the initial funding for the campaign has already been received through the sale of T-shirts specially designed by Donna Karan (DKNY). The campaign was publicized in a major feature story in the November 2002 issue of *Marie Claire* magazine that included an eight-page photo spread of dozens of celebrities wearing the *One World, One Wish* T-shirt.

The complete *State of the World's Mothers 2002* report, as well as more information on the *One World, One Wish* campaign and how to contribute, can be found at Save the Children's website, www.savethechildren.org.



With permission by Marie Claire

Advocating

for Children in Emergencies and Crisis

Save the Children seeks to increase policymakers' awareness of the vital safety issues concerning children in crisis situations, and to promote legislation and increased funding for programs that will ensure their protection and well-being.

This includes the introduction in Congress of the Women and Children in War and Armed Conflict Protection Act of 2003, to reduce dramatically the incidence of death, disease, injury, displacement and exploitation among women and children who make up the vast majority of casualties in war and conflict settings.

Every Mother/Every Child

Helping every child and mother to survive and thrive through better health care, education and economic opportunity



TOOLS TO TRANSFORM CHILDREN'S LIVES

While considerable progress had been made over the past few decades, more than 10 million children still die every year, many from preventable diseases. Four million of these deaths are newborns.

Additionally, nearly 600,000 women die – one mother every minute – from causes related to pregnancy or childbirth. Six hundred million children live on less than \$1 a day. Over 125 million children do not go to school, and nearly two-thirds of them are girls. AIDS has orphaned about 14 million children, and three times that number are projected by 2010.

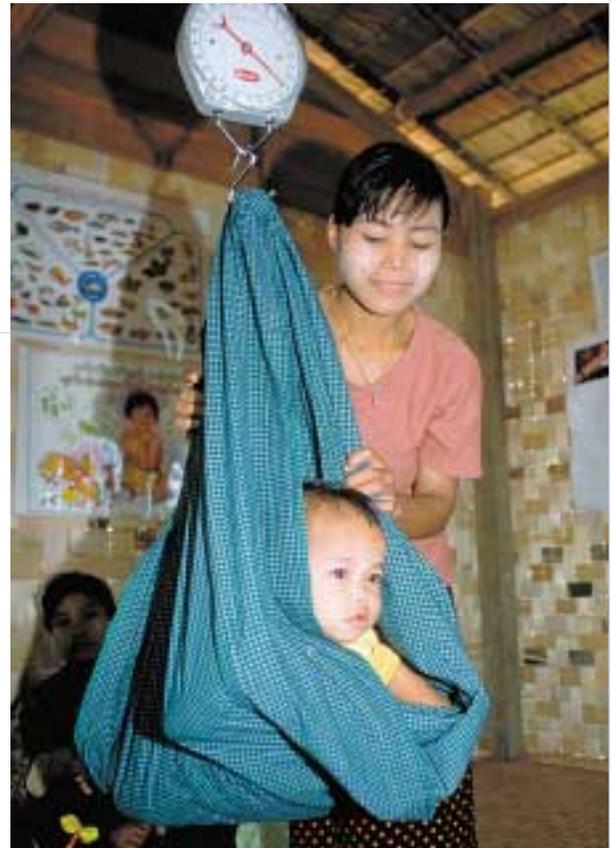
Key to reversing these dire statistics, and helping children to survive and thrive, are the world's mothers. For 70 years, Save the Children has successfully worked from the principle that when mothers are given access to three essential tools – education, health care and economic opportunities – it creates real and lasting change in their lives, their children's lives and for generations to come.

HEALTHY MOTHERS = HEALTHY CHILDREN

To lead healthy and active lives, children need proper nutrition and protection from disease not only during their childhood, but also before it even begins. Save the Children has been an international leader in addressing the critical health needs of women and girls so that their survival and well-being can improve the lives of their children.

Saving Newborn Lives

Based on decades of experience, building on existing programs, and with funding from the Bill & Melinda Gates Foundation, Save the Children has implemented its Saving Newborn Lives initiative in six countries that have among the highest maternal and infant mortality rates in the world. As part of the government of Pakistan's maternal and neonatal tetanus program, for example, 4.5 million women were vaccinated against potentially



Myanmar

Maternal health and nutrition programs allow women to deliver safely and raise children who thrive.

fatal tetanus infection in 2002 thanks to Saving Newborn Lives' nationwide campaign to educate women, families and community leaders about the importance of immunization. In India, Save the Children supported the expansion of successful community-based newborn health-care programs to 140 communities in Maharashtra State. Saving Newborn Lives programs are also underway in Bangladesh, Nepal, Mali, Malawi and Bolivia, promoting the essentials of newborn health such as care for pregnant women, skilled birth attendants, clean delivery and proper care for newborns in the weeks following birth.

Making Motherhood Safe

Every year, nearly 600,000 women — 99 percent of them in developing countries — die from causes related to pregnancy and childbirth.

Nepal
Saving Newborn Lives starts with prenatal health care in countries with some of the highest maternal mortality rates in the world.





Bangladesh
The Reading for Children program helps ready preschoolers for formal education while maintaining mothers' literacy skills.

Save the Children provides access to reproductive health care by training traditional healers, birth attendants and female doctors in modern methods of contraception and other protective health practices so that pregnant women have a better chance of a clean and safe delivery in their home and a healthy newborn.

STRONG BEGINNINGS® FOR EDUCATION

A child's health and success in life is strongly associated with literacy and his or her mother's level of education. In many parts of the developing world, however, children have neither the access nor the money to attend school, and in some countries there is cultural resistance to educating girls. Save the Children's groundbreaking, community-based *Strong Beginnings* program aims to reverse these conditions and has now been replicated in more than 20 countries. It is based on the premise that learning is a life-long process that begins at birth.

Myanmar, where an average of more than 400 women die during pregnancy or childbirth out of every 100,000 live births, is one of many countries where Save the Children conducts family planning and reproductive health programs. Established in partnership with local governments and village health volunteers in underserved rural communities, these programs address the conditions that most often contribute to maternal, as well as infant, mortality: frequent and closely spaced births, malnutrition, disease and obstetric emergencies that are left untreated.

The interventions are simple and low cost, but the results are dramatic. After only 18 months, the use of modern contraception by couples in Save the Children's program area increased from 4 percent to 24 percent; nearly half the pregnant women received iron supplements; and 70 percent received two doses of tetanus toxoid vaccine to protect against neonatal tetanus – a leading killer of newborns.

In Ethiopia, Save the Children's adolescent reproductive and sexual health program currently involves 28 government schools in Addis Ababa, reaching 126,000 students and 4,500 teachers with reproductive health information and referrals to sites where they can obtain condoms, learn about HIV/AIDS prevention and receive counseling services.

Couples attending family planning information sessions in Save the Children's program area in the Philippines are now spacing pregnancies further apart, which has been shown to improve the health and survival of children and of mothers. In Haripur District, Pakistan,

Preparing Children for Success

Save the Children's early childhood development program in the rural Thanh Hoa and Tho Xuan districts of Vietnam is one of the newest examples of families and communities engaged in projects to ensure that children grow up healthy, active and ready to learn. In several remote, ethnic minority areas, groups were organized and individuals were trained to lead discussions for parents and caregivers on topics such as prenatal health, childbirth and postpartum care. They also discussed feeding, bathing and talking with young children, involving them in household tasks and activities using both Vietnamese and their indigenous languages. Such preschool preparation has resulted in higher levels of achievement and lower dropout rates when the children entered the formal school system.

Empowering Communities Through Education

The CHANCE project (Child-centered Alternatives for Non-formal Community-based Education) in the Nakasongola District of Uganda demonstrates the power of community commitment and participation. With technical assistance and quality supervision from Save the Children's professional staff, these communities formed a total of 68 classes serving over 2,500 children from populations that otherwise would not have been able to attend school, such as pastoralists who tend livestock for a living, the very poor and those affected by HIV/AIDS. The children's academic performance is surpassing that of students in government schools in all subjects, and is being accomplished in shorter



Uganda
Community-based education for both boys and girls who would otherwise not have access to formal schooling is a central goal of the Strong Beginnings program.

school days and a shorter, more flexible school year that accommodates local needs and lifestyles. Because of high demand, Save the Children is currently expanding the project to neighboring districts and is incorporating health and nutrition education into the curriculum.

Making Girls' Education a Priority

Female literacy and basic education are essential for a woman's health, economic success and the increased survival of her children, yet of the world's 125 million children who are not in school, roughly two-thirds are girls. The reasons are cultural, economic and, sometimes, political, so Save the Children's innovative education

strategies are designed to address these specific issues.

One way this is accomplished is through the Village Schools program, in which school days and sessions are scheduled around the daily and seasonal chores that typically are expected of young girls so they can help take care of their families. In Malawi alone, Save the Children has expanded this most successful program to 455 communities, reaching 336,000 children.

In countries like Ethiopia and Afghanistan, where the culture prohibits girls from traveling far from home, Save the Children has helped communities set up schools in the homes of

volunteer families, where the girls can receive a full basic education that respects local customs.

The indigenous Mayan population of Guatemala has been severely marginalized and impoverished after 40 years of brutal civil war, and the illiteracy rate among Mayan women is as high as 80 percent. Save the Children's Integrated Community Literacy approach not only teaches them to read and write, but also helps with the knowledge and skills they need to gain social confidence and become active community leaders.

Keeping Literacy Alive

The Bangladesh Reading for Children program began among participants who belonged to a group that fostered small business development for women. However after a while, the women met less often and their literacy skills began to deteriorate rapidly. Save the Children helped them to regain and maintain their literacy, and cultivate their children's interest in reading at the same time, by encouraging these mothers to form groups to read to their children. This inspired the mothers to develop a series of children's books in Bengali, drawing on local talent and folk tales, and even to create a mobile library to reach surrounding communities and people of all ages.

PROVIDING WOMEN WITH ECONOMIC OPPORTUNITIES

Of the world's 1.3 billion people living on less than one dollar a day, two-thirds are women. And although women bear the primary responsibility for their children's well-being and education, their low social and economic status in many societies does not provide opportunities for improving their lot.

Vietnam
Families learn together about child health and development so they can give their children the best start when they enter school.





Mozambique
Public awareness efforts, like this AIDS mural, help to de-stigmatize the disease and encourage prevention practices.

Save the Children's most successful program of financial empowerment is one that provides poor entrepreneurial women with access to credit to build small businesses. Women form groups and agree to guarantee each other's loans, thereby eliminating the need for the collateral required by governments and formal lending institutions. Each member is eligible for a small initial loan and, as their businesses expand, loans gradually increase in size as needed.

The Zakoura Foundation, Save the Children's microfinance partner in Morocco, helps women like Fatima Hitafi and her three children. After forming a group and taking out her first loan of \$94 in 1999, she bought fabric for making men's pants and sold enough to make a profit right away. Today, several loans later, Fatima's business employs five women and generates enough income to

support education and health care for her family. She is one of the more than 100,000 women in her country, and 200,000 in 19 countries worldwide, whom Save the Children and its microfinance institution partners have helped build better lives for themselves and their children.



Morocco
Fatima, a client of the Zakoura Foundation, stands with members of her family in the seamstress shop she now owns.

NOW A FUTURE FOR HER CHILDREN

Candelaria and her six children live in El Quiche, a region of the Peace Zone in Guatemala most affected by 30 years of internal conflict, where the predominantly Mayan population continues to face economic and cultural discrimination. Just over a year ago, her family was surviving on corn and beans alone, and eating as little as possible to make it last.



Guatemala
Candelaria supports her family on income from the blouse-making business she built with small loans from a microenterprise organization established by Save the Children.

Although Candelaria knew how to sew, and had been making Mayan women's blouses since she was 15, she could not get ahead of her expenses, and her weekly income of \$6.45 just was not enough. Then Candelaria became a client of the local microenterprise program, *Fondo Microempresarial*, established by Save the Children to increase the incomes of rural women. Instead of paying moneylenders 10 percent interest per month on loans to buy material as she had been doing, she was able to access credit at a reasonable rate with a group-guaranteed loan, and now earns more than \$30 a week. Today her family can afford to buy more wholesome foods, including meat, and after these expenses she reinvests the remaining income in her business. She is glad that her children will have better opportunities, and a better life, than she did.

Fighting HIV/AIDS on Two Fronts

The most serious consequences of the HIV/AIDS pandemic fall on the children, and will spell future disaster for whole societies unless checked. The disease has orphaned more than 14 million children to date, mostly in sub-Saharan Africa, and is spreading most rapidly today among 15- to 24-year-olds who would be the next generation of parents and community builders.



Uganda
During his trip to Africa that was filmed for an MTV special on HIV/AIDS, Bono spoke to Mabel (r.), whose mother is dying of the disease.

Save the Children is fighting HIV/AIDS on two fronts: first, to *prevent* the spread of infection, in countries such as Ethiopia, Bangladesh, Nepal, Georgia, Vietnam, Myanmar, Indonesia and Malawi. This effort includes awareness and education programs among high-risk sex workers and truckers along heavily traveled trade routes, and with peer-led group activities that de-stigmatize the illness and provide healthful lifestyle choices for vulnerable youths.

Secondly, Save the Children is helping communities provide *care and support* for the orphans and child- or elder-headed families left behind. Through its model community-based program in Malawi, Ethiopia and Mozambique, as well as a growing multi-agency partnership (the Hope for African Children Initiative), Save the Children has been helping to ensure that AIDS orphans and vulnerable children receive health care, adequate nutrition and access to education, life skills training and future income-earning opportunities. Community members and leaders join in workshops to learn about HIV/AIDS and discuss the role of girls' education in keeping their communities healthy.

The Need to Do More

With help from Save the Children and its field staff in Africa, this is the message that U2 star and global

activist, Bono, is spreading to audiences around the world in a special video documentary that is airing on MTV on every continent. In May 2002, Save the Children hosted Bono, actor/comedian Chris Tucker and former U.S. Treasury Secretary Paul O'Neill on a fact-finding trip to witness the devastating impact of poverty and HIV/AIDS on the continent and to see first-hand how U.S.-funded humanitarian assistance is working. The documentary covered their visits to Save the Children program areas where they talked with a single mother in Kampala, Uganda who is dying of AIDS and joined a reproductive health assembly in a high school in Addis Ababa, Ethiopia. Highlights from the trip can be seen on the website, www.savethechildren.org.



Malawi
Two of the world's 14 million children who have been made orphans by the scourge of HIV/AIDS.

Advocating for Every Mother and Every Child

During the coming year, Save the Children will focus its advocacy efforts on Congressional foreign appropriations funding with the goal of doubling those funds and directing them towards mother- and child-centered programs that deal with education, family planning, maternal and newborn health, child survival, microcredit and HIV/AIDS.

This will include the monies proposed by President Bush in the Millennium Challenge Account. The three-year, \$5 billion new foreign assistance initiative, proposed by the president in March 2002, signaled the administration's recognition that the United States must play a much larger role in fighting world poverty. Leading development and humanitarian organizations, including Save the Children, are working to make certain that this is in addition to, not in place of, funds needed for effective, poverty-reducing programs in the poorest nations.

America's Forgotten Children™

Improving health, education and economic opportunity
for children living in poor rural U.S. communities



U. S. CHILDREN IN NEED

Most Americans are unaware of the dire living conditions found in our nation's poorest rural communities. Despite one of the most prosperous decades in history, roughly 2.5 million of America's children live in isolated rural areas, many without telephones or even running water. Persistently poor communities such as these lack key family services – health care, child care, quality education, libraries, community and youth centers – and so are extremely limited in their ability to meet their children's most basic needs. And because they lack human and economic resources, they are unable to attract the skilled and knowledgeable people they so desperately need to help break the cycle of poverty.

The forgotten children who live in these areas often spend their time out of school unsupervised, and are at increased risk of turning to drugs, alcohol, violence and other forms of delinquency that often lead to higher school dropout rates and teen pregnancy.

For roughly 125,000 youths in over 210 of the poorest, most underserved locations in the United States, Save the Children's Web of Support® program offers the most important opportunity to beat the long odds they face. Working in partnership with community- and school-based organizations, Save the Children helps to identify needs, design solutions and provide the financial support and training that enable communities to further develop and sustain their own programs.

BREAKING THE CYCLE OF POVERTY

Save the Children's *Web of Support* program provides children with potentially life-changing breakthroughs in academic, social, emotional and physical development during their unsupervised time out of school. It integrates three critical components known to make a difference in children's lives: caring adults, safe places and constructive activities.

The **education** component of Save the Children's program includes literacy activities and computer laboratories to help children bring their reading skills and technical

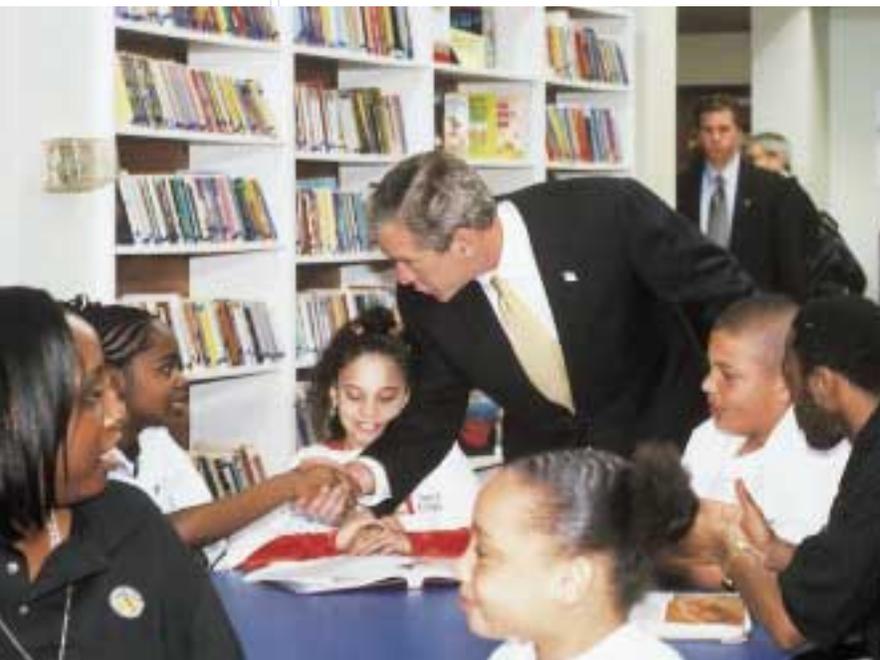
proficiency up to grade level. AmeriCorps and Foster Grandparent volunteers play an important mentoring role for the children, providing both emotional support and, in Hispanic and Native American communities in particular, cultural experiences using native languages, art, music and dance. As a result, many more children from these underprivileged backgrounds go on to succeed academically, finish high school, attend college, and give back in time and service to their own communities.

A focus on **health**, which includes nutrition and physical fitness, is essential for children where health insurance, services and providers are in short supply. Save the Children is working to reduce risky behaviors and encourage healthful life styles at an early age by incorporating eye and dental care, annual physicals, medical referrals, exercise, nutrition and primary health education into its *Web of Support* network of programs.

Economic opportunity takes on special meaning for adolescents when they grow up in extreme poverty and have few resources. Save the Children's leadership training programs and internships help them develop marketable skills and gain valuable experience as they learn to plan and implement community events and service projects and receive training in financial responsibility. Many have used their new skills to benefit others in their communities by working at local youth service agencies, tutoring younger children and advising community leaders about the needs of young people.

In June 2002, nearly 60 teenagers from Save the Children programs in California, Kentucky, New Mexico,

Connecticut
President Bush visited Save the Children's South End Community Center in Bridgeport, Connecticut, and cited it as a model of collaboration in the effort to help America's children most in need.





New Mexico

This 3-year-old and her sisters are active in Save the Children's after-school program at the Pinedale Learning Center.

with sudden situations and extreme emotions that they had never experienced before. For those living in remote, rural areas with no social services or community support, the need for guidance and coping techniques was as great as for the rest of the country.

As a global leader in helping communities abroad deal with crises and disasters of all kinds, Save the Children was able to respond quickly by organizing community forums for parents, counselors, teachers and youths to talk about the events and the feelings they generated. Through Yale University's National Center for Children Exposed to Violence, Save the Children offered mental health consultation, counseling and referral services to community partners in areas where the agency had established programs, particularly Bridgeport, Connecticut and Brooklyn, New York, where children and families were directly affected.

The Fund for U.S. Children in Crisis was established to allow contributions from concerned citizens to support these efforts. It also facilitated the dissemination of advice, via website and radio public service announcements, to help parents help their children grieve, cope and maintain a perspective of cultural and religious tolerance.

As a long term measure, Save the Children also developed a U.S. Children in Crisis tool kit, *Expecting the Unexpected: Building Partnerships and Plans to Help Children Cope with Crises*. The tool kit provides training and resources to help ensure that the agency's community partners and volunteers have the skills needed to effectively prepare for, respond to and recover from emergencies in the future.

South Carolina, Georgia and Mississippi exercised their newly acquired leadership skills at the annual **National Youth Summit** in Washington, D.C. They reported eloquently to their national representatives on the conditions and needs of children living in rural poverty and advocated for further youth program funding.

HELPING U.S. CHILDREN IN THE AFTERMATH OF 9/11

When America was attacked by terrorists on September 11, 2001, adults and children alike were forced to cope

MAKING THE GRADE

Two years ago, 11-year-old Michael was falling significantly behind academically at the Hindman Elementary School in Knott County, Kentucky. Having been already held back twice, he was in the third grade and still unable to read.

Then he met Octoria Craft, a volunteer Foster Grandparent with Save the Children's *Web of Support* program. In just 4 months, working one-on-one with her each day for an hour, Michael increased his reading ability by an entire grade level. During the following school year, he improved his reading by a grade and a half. Michael is now in the fifth grade, where he belongs, and he continues to get closer to his goal of reading at his grade level. But the story doesn't end there.

Octoria and Michael have become close friends, and this has done wonders for Michael's self-esteem. His sense of achievement grows even more whenever he helps another child who is struggling over a word. Octoria says that she "never would have thought in a million years how exciting it is to see a child learn how to read," and that for the first time in her life she feels that she has accomplished something. A much more self-confident Michael is now on a path toward success, with his long-range sights set firmly on high school.



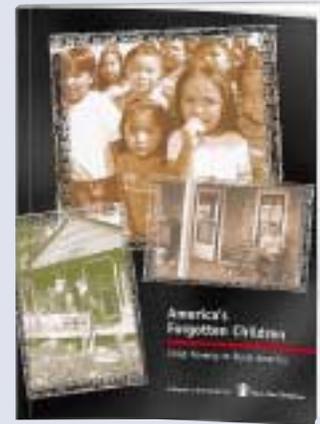
Kentucky
Children like Michael improve their reading skills as well as their self-confidence with the one-on-one attention of Foster Grandparents, like Octoria, in Save the Children's Web of Support program.

Report to the Nation

During the National Youth Summit on Capitol Hill, Save the Children released a report to the nation, *America's Forgotten Children: Child Poverty in Rural America*, which exposed the critical situation facing children living in poverty in remote parts of the United States. Using a large body of research on child development as well as decades of first-hand experience, the report also issued a call to action for government, corporations and foundations to work together in a concerted effort to overcome the challenges of rural child poverty.

The report marked the beginning of Save the Children's *America's Forgotten Children* campaign, which will continue to raise public awareness through the media and advocacy efforts to provide children in our poorest neighborhoods with the resources and skills to lead successful, independent lives.

Among the report's recommendations were **to develop human resources** by providing training for the people who live in poor communities and creating incentives to attract skilled personnel to work there; **to build community institutions**,



such as youth and recreation centers where residents can safely gather, socialize and participate in activities; **to help families earn a living wage** with adequate training, local employment opportunities and welfare-to-work policies that address the needs of children; and **to increase public and private support** for the development of community-based programs for children in the poorest rural areas of the country.

West Virginia
Save the Children's Web of Support after-school programs help children in the poorest rural communities prepare for success.



Advocating for America's Forgotten Children

With its report to the nation and the launching of its *America's Forgotten Children* campaign, Save the Children is mobilizing to influence public policy and increase funding for programs benefiting children in the poorest rural communities throughout the United States.

Efforts will focus on the fiscal year 2004 appropriations bills for the Departments of Health and Human Services, Housing and Urban Development, Education, Agriculture and Justice, all of which include programs directed toward low-income children and their communities. Specifically, Save the Children will work to promote the passage of legislation to reauthorize the Corporation for National and Community Service (CNCS), whose programs, such as AmeriCorps and Foster Grandparents, are essential to U.S. children in need.

Changing Lives through Sponsorship

Mobilizing caring individuals to support health and education programs for children in need



COMMUNITY-BASED APPROACH FOR LASTING RESULTS

Save the Children was established in the United States during the Great Depression of the 1930s, and introduced the first school hot lunch programs for children living in the poorest and most isolated rural communities in Appalachia. Over the years, Save the Children expanded to other parts of the United States and around the world, and created additional life-changing health and education programs. Many of these are funded by Save the Children sponsors, caring individuals who enjoy the personal connection that child sponsorship provides. Today, through sponsorship, tens of thousands of individuals play a vital role in creating real and lasting change, and building a brighter future for children around the world.

Sponsorship in the 21st century is the culmination of 70 years of experience helping children and communities to help themselves. The result is a coordinated plan that focuses on five critical areas with the greatest potential impact on a child's life and growth: early childhood development, primary education, school health and nutrition, adolescent development and the HIV/AIDS pandemic. Each sponsorship program, like the ones described below, has been specifically developed to meet needs in the communities where we work. Each is monitored and evaluated for effectiveness with the ultimate goal of transferring ownership to local leaders.

STRENGTHENING CHILDREN'S HEALTH THROUGH SCHOOLS

One of the benefits of Save the Children's school health and nutrition programs is the reduction of iron deficiency among school-age children. Young children with low iron are lethargic, slow to learn and may even suffer a loss in IQ. When children reach school age, this deficiency contributes to poor classroom performance and high absenteeism and early dropout rates. Iron deficiency is especially harmful to girls, who will soon become mothers, as it carries a risk of maternal mortality as well as preterm and underweight infants.

Delivering iron supplements to children through schools is a particularly effective means of overcoming this problem. In Mali, where more than half the children in Save the Children-supported community schools were anemic, teachers in 30 schools gave a single iron-folic acid tablet to each child every week for 10 weeks, and were trained in the causes of anemia and the possible side effects of giving iron. The children were also treated for worms since some can contribute to anemia. After only two weeks, anemia had been reduced by 8.2 percent among those treated, while anemia rose by 9.4 percent in an untreated control group.

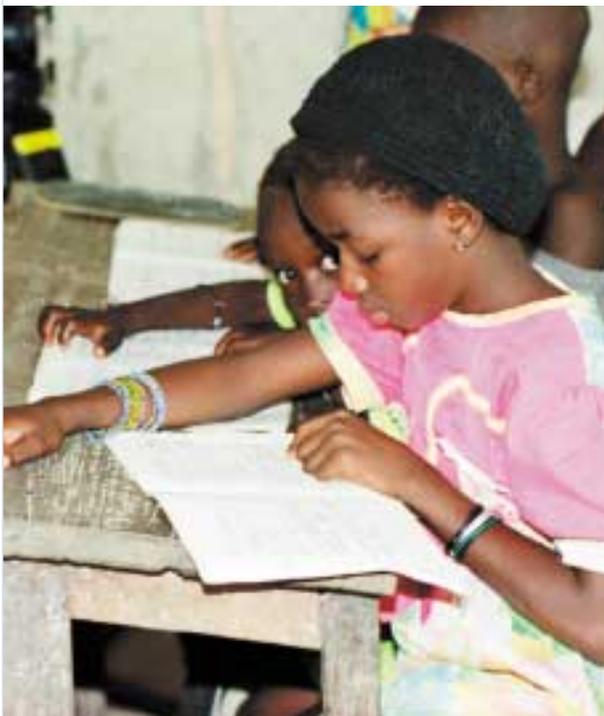
In the Philippines, where about one-fifth of the children were anemic, a similar school program was implemented to administer iron supplements and deworming medicine. At the end of 10 weeks, anemia prevalence had dropped by 1 percent in schools where the children were treated, while in the control group anemia rose by 10 percent.

MAKING LITERACY A FAMILY AFFAIR

American Indians have a long and proud oral tradition, one that preserves their cultural history and tribal customs. Historically, however, American Indian communities have viewed literacy as an uncertain benefit. Today, many reservation families do not have literature and recreational reading in their homes. In some cases, adults are disadvantaged readers themselves, which offers little support to children and youths struggling to keep up in school. This has had a significant impact: American Indian youth have the highest dropout rates of all ethnic groups in the country, and low levels of literacy greatly affect employability.

Mali

Anemia is a major problem here, but children felt and studied much better after they were given iron supplements in school by teachers who had been trained.





Arizona
Save the Children's successful literacy program utilizes culturally relevant material and involves whole families.

In Zuni Pueblo in southwest New Mexico, Save the Children designed a literacy program for its sponsored children that would involve whole families using a culturally stimulating curriculum. One aspect of the program was the creation of Family Book Packs. Specially trained staff, local partners and service volunteers from the AmeriCorps and Foster Grandparents programs worked together to produce a variety of packs that met the needs and traditions of each community. They included a mix of instructional books to improve reading skills, leisure reading materials for different ages and reading levels, and guidelines for parents on activities to involve the whole family. Approximately three-quarters of the sponsorship communities in Save the Children's western area have incorporated Family Book Packs into their literacy efforts.

Another cultural literacy program, the Guest Authors

and Illustrators Project, arranges for well-known American Indian authors and illustrators to present their works to children and youth and to conduct art, prose and poetry workshops. The children's works are published as keepsakes for families and put on community display. This interactive and collective teaching strategy succeeds in enhancing literacy because it is based on material that is culturally relevant and inspires both the exploration and expression of ethnic heritage.

GUIDING ADOLESCENTS TOWARDS HEALTHY LIVING

In a recent review of reproductive health programming in Bangladesh, Save the Children observed a striking gap that was having serious implications for the area's adolescent population. While recent programs had achieved success

GETTING READY FOR SCHOOL IN EL SALVADOR

Maura is an active and healthy kindergartner in the rural community of Miraflores, El Salvador, about 12 miles from the capital, San Salvador. Her favorite subject is coloring, and she also fancies herself an excellent make-believe cook.

Many families here, like Maura's, were displaced from their original homes because of years of violent unrest in their part of the country. The disruption in their lives left little time or resources to focus on education or early childhood development activities that would have prepared children for primary school. Without such preparation, 25 percent of the children in poor, remote areas end up having to repeat the early grades of primary school, often dropping out at an early age.

Fortunately, Maura and her family have been participating in the Lifelong Learning Center program, established as part of Save the Children's sponsor-supported regional Central America initiative. With a focus on early childhood development, the initiative includes the construction of preschool centers, teacher training and materials for preschool classrooms. Above all, it mobilizes community support for the early childhood program as a way to ensure their children's successful transition to primary school.

Maura's mother, who has become a facilitator of women's literacy sessions, says she is pleased with the progress and positive changes she has seen in her daughter, and is now sending Maura's younger sister to the center as well.



El Salvador
Maura (r) was well prepared for kindergarten, thanks to Save the Children's early childhood development program.

among adults, particularly with the issue of sexually transmitted diseases, risk-taking behavior among adolescents – such as sexual activity at an early age, multiple partners, unprotected sex and early marriage – was apparently widespread but not being addressed.

Based on a detailed needs assessment and analysis, the Bangladesh field office developed an adolescent reproductive and sexual health program for its 13 sponsorship communities in Nasirnagar. *KAISHAR*, which in the Bangla language means ‘the period of adolescence,’ was designed to reach primarily adolescents between 13 and 16, with a particular effort on behalf of those who are illiterate, not in school and marginalized from community support.

Save the Children adapted its successful adolescent development program for the local, Bangladeshi conditions and is using a four-pronged approach:

Information: Getting adolescents to feel comfortable, and develop the necessary skills, to seek information and assistance on reproductive and sexual health;

Services: Ensuring that quality reproductive health care services are accessible and available to meet adolescents’ needs;

Candor: Raising parents’ knowledge of adolescent development, and facilitating open discussions with their teens;

Communication: Disseminating written and oral messages concerning changes during puberty, proper nutrition and hygiene, benefits of delaying marriage and childbirth, preventing sexual harassment and abuse, and preventing pregnancy and sexually transmitted diseases, including HIV/AIDS.

AN ADDITION TO THE FAMILY CIRCLE

All indications were that it was going to be a terrific reunion. Hamdy Sayed of Charlottesville, Virginia was taking his wife, two sons, daughter and daughter-in-law back to his home in Egypt to meet the extended family, many of whom his children had never met before.



Egypt
Doa’a was thrilled at her very first swing ride, as her newly adopted “big sister” sponsor, Nema Sayed, looked on.

But nothing prepared them for the thrill of the day they spent with their sponsored children, Doa’a and Hossam, in Minya, a small town along the Nile about a six-hour bus ride from Cairo. Having been Save the Children sponsors for more than 20 years, Hamdy and his wife, Judy, knew that children living in poverty didn’t have childhoods the way we think of them in America, and that to share their gifts in life with those less fortunate was just something they had to do.

For their daughter Nema, the visit was a wonderful way to make the program “real” and to see the benefits of sponsorship in the laughter of these children. Her brother, Blayne, says, “I feel that we’ve brought these kids into the circle of our family.”

“As trite as it may sound, ‘love’ and ‘care’ are words that so well describe what we saw and felt,” Judy says, “and the dedication and camaraderie among the Save the Children staff was exceptional.” Hamdy is quick to agree, praising the quality and caring of the staff and adding that the approach of their programs to empower children, their families and communities, impressed him enormously.

The Sayeds were also pleased to learn that programs, like Safe Spaces for girls, were being used by the Egyptian government as models for other parts of the country. “To us, it means that the programs and their objectives are likely to be more far-reaching and beneficial to the Egyptian children and their families.”

Advocating for Children by Sponsors

Save the Children has a 70-year history of inviting sponsors to become partners in creating real and lasting change in the lives of children in need.

Through the newly created Save the Children Action Network (SCAN), sponsors now have an avenue to expand their relationship with the agency and support for its work. Members of this new grassroots network will receive periodic e-mail alerts on the important issues affecting children, along with suggestions for contacting their elected representatives to advocate for funding and policies to fight poverty, disease, illiteracy and exploitation.

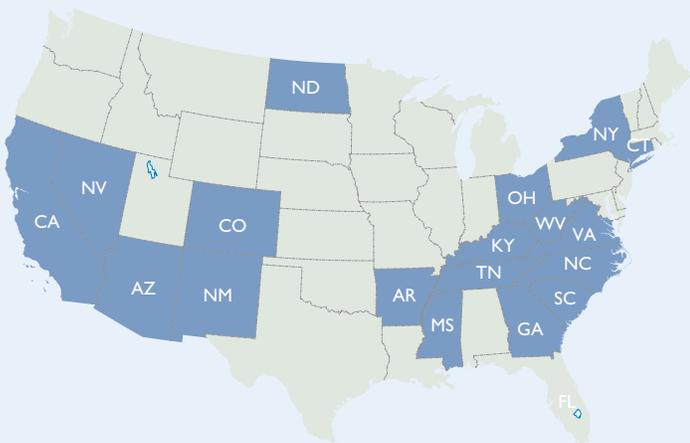
To join the Save the Children Action Network, visit our website at www.savethechildren.org

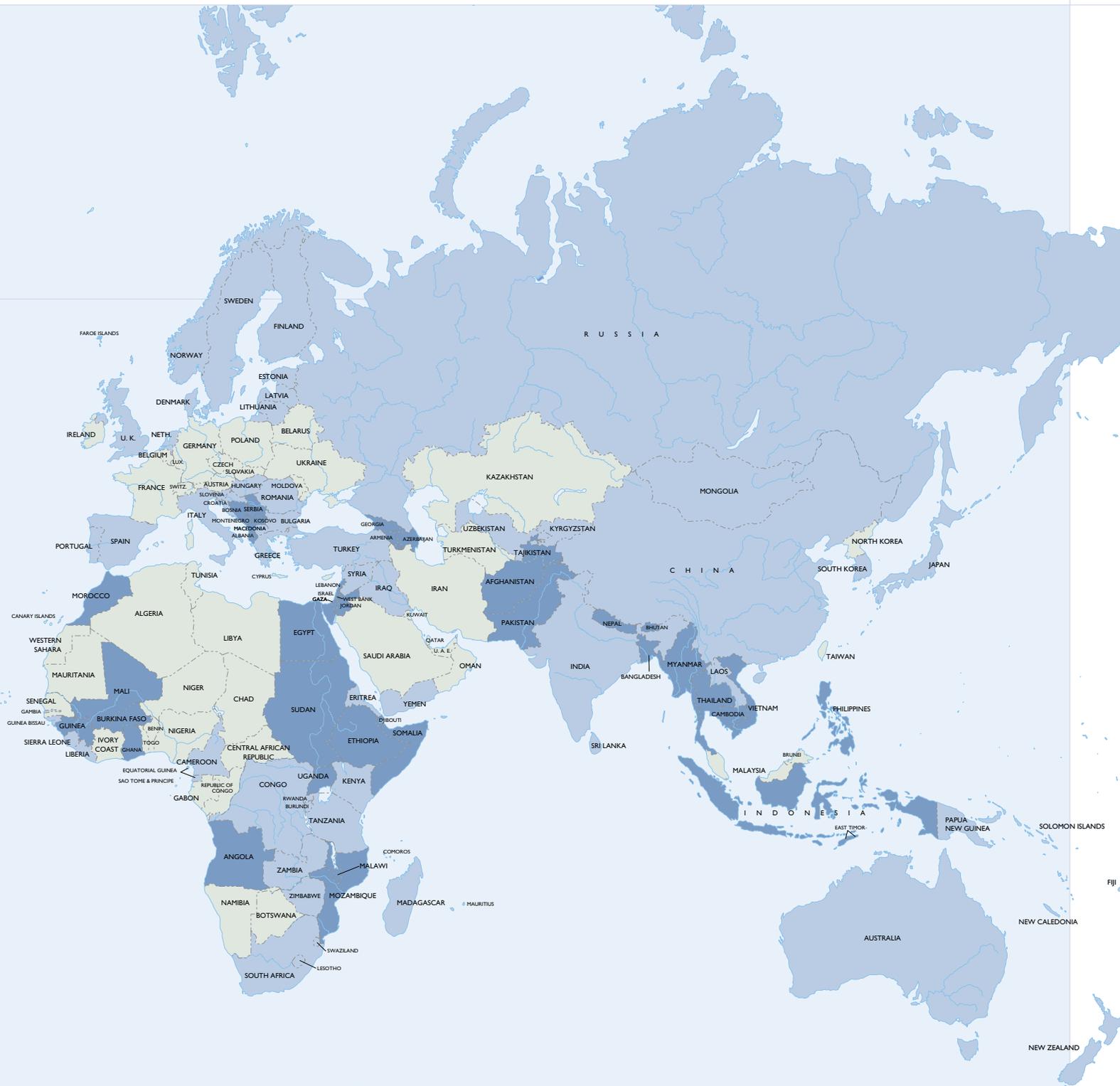
Our Global Neighborhood



Save the Children in the United States

In the United States, Save the Children works with community partners serving approximately 125,000 children in 243 poor, mostly rural areas in 18 states.





Where We Work

Save the Children works in over 40 countries, including the United States, serving more than 12 million children and families. It is a member of the International Save the Children Alliance, which includes 30 independent, national Save the Children organizations working in more than 100 countries on behalf of children in need.

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

Financial Report

I am pleased to report that Save the Children's operating revenues for fiscal year 2002, including all restricted and unrestricted sources, totaled nearly \$202 million, an increase of 18% over the previous fiscal year. An area of significant growth was in agricultural commodities that increased 49% and totaled \$38 million. Strong results were also found in government grants, which increased \$9.8 million or 13%, and private contributions and grants, which increased \$7.9 million or 18% over the previous year.

Our continued improvement in the amount of expenditures supporting program services is evidenced by our resulting 88% of total expenditures attributable to program. Also notable is that while there was growth in program expenditures, the management and fundraising expenses decreased \$1.2 million and now account for only 12% of overall expenditures. We are very proud of our commitment to efficient fundraising and management that has allowed increasing support of our program services.

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



Patricia Long
Vice President, Finance and Administration
Treasurer

HIGH MARKS FOR SAVE THE CHILDREN

- **Charity Navigator**, which helps charitable givers with information and evaluations of the financial health of more than 1,700 charities, awarded Save the Children four stars, ★★★★★, its highest score. Full information can be found at CharityNavigator.com.
- **Worth** magazine included Save the Children in its exclusive list of the country's "100 Best Charities," and wrote the following: "Save the Children can teach other nonprofits a thing or two about marketing: The organization consolidates funds from its famous child-sponsorship efforts to benefit entire communities."
- **Vanity Fair** magazine, in its annual Hall of Fame issue, recognized Save the Children and its president and CEO, Charles F. MacCormack, for bringing better health, education and financial security to millions of children and their families worldwide.

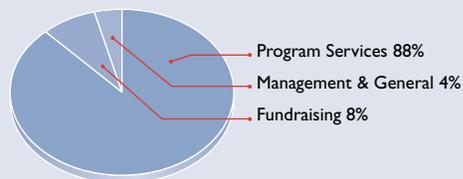
Condensed Financial Information

	FY 2002	FY 2001
Operating Revenue		
Child Sponsorship	25,205,000	25,272,000
Private Gifts, Grants, & Contracts (incl. Bequests)	52,095,000	44,540,000
Government Grants & Contracts	120,088,000	97,797,000
Other Revenue	4,506,000	4,155,000
Total Operating Revenue	\$201,894,000	\$171,764,000
Operating Expenses and Changes in Net Assets		
Program Services		
Education	30,501,000	26,865,000
Primary Health	35,817,000	32,648,000
Economic Opportunity	6,964,000	9,634,000
Food Security & Resource Management	28,694,000	20,340,000
Emergency, Refugee and Civil Society	67,999,000	52,007,000
Program Development & Advocacy	6,561,000	6,025,000
Total Program Services	176,536,000	147,519,000
Fundraising	15,146,000	16,313,000
Management & General	7,766,000	7,882,000
Total Operating Expenses	\$199,448,000	\$171,714,000
Excess of Operating Revenue over Operating Expenses	\$2,446,000	\$50,000
Non-Operating Activity	2,017,000	(1,509,000)
Increase/(Decrease) in Net Assets	4,463,000	(1,459,000)
Net Assets, Beginning of Fiscal Year	\$37,060,000	\$38,519,000
Net Assets, End of Fiscal Year	\$41,523,000	\$37,060,000

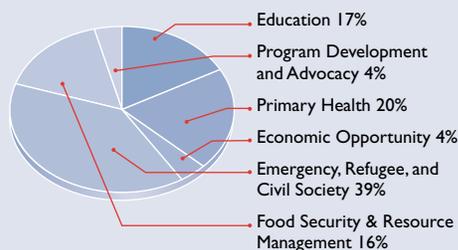
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In fiscal year 2002, based on 2001 costs, Save the Children charged 14% for supporting costs to restricted gifts donated for current use.

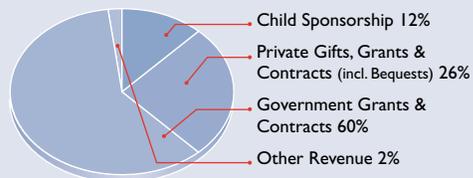
How We Use Our Funds



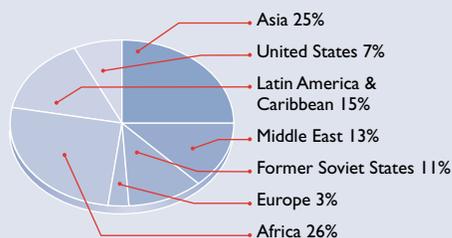
Nature of Our Programs



Sources of Support and Revenue



Where We Work





Myanmar

This little girl, wearing *thanaka*, a traditional makeup, proudly displays her colorful handiwork.