ANNUAL REPORT 2010

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ON THE COVER: For children like this young girl in Kenya, ChildFund implements
innovative solutions such as solar lighting so education becomes a reality and the
journey to young adulthood can be filled with positive outcomes that last a lifetime.

PHOTOGRAPHERS: Nicole Duciaume, Leslie Knott, Mary Moran

STAFF WRITER: Christine Ennulat

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Member of

[Logos for BBB Accredited Charity, MEETS STANDARDS, InterAction]
Dear Friends,

My eight years of serving on ChildFund International’s Board of Directors has taught me a great deal about the potential of children, and about what it takes to help them achieve it. Time and again, I have witnessed their optimism, and it is powerful.

One thing I admire about ChildFund is how it takes that optimism and turns it into action. Children and families living in poverty dream of better lives for themselves, and they’re willing to work for it. ChildFund gives them the tools they need, whether in the form of vocational skills training, health and nutritional support, microloans, educational opportunities or any of the many ways ChildFund helps. And they appreciate it so much. I’ll never forget walking into one family’s small hut in Ethiopia to find the walls covered with sponsor letters, cards and photos that they’d carefully saved throughout the years.

Meantime, the effects of our struggling economy continue to filter down to the world’s most at-risk people, and the needs for our services continue to grow. More than 80 percent of the world’s population lives in countries where income differentials are widening. So, ChildFund works that much harder to ensure efficient and effective delivery of resources. At the same time, we also strive to shield the children, youth and communities we serve from the economic crisis’s effects. In fact, this year, we funneled an even greater proportion of our overall funding directly into our programs — directly to children’s benefit.

I am thankful to be part of ChildFund. I know that helping even one child leads to great things, and we are grateful for your support of this amazing work. It is both meaningful and tremendously appreciated.

Dr. Charles M. Caravati Jr.
ChildFund Board Chairman
Dear Friends of ChildFund,

Every night, about a billion people around the world go to bed hungry.

The number grows every day. In fact, the World Bank estimates that 89 million to 100 million people will have descended into poverty by the end of this year. Sub-Saharan Africa, Central America and Southeast Asia are seeing some of the highest levels of need in recent memory. Children are hit hardest.

The continuing economic crisis presents an uphill battle for everyone — for the children and families ChildFund serves, for our supporters, for all development organizations struggling worldwide to reverse poverty. In spite of this, Americans still believe it should be our nation’s top priority to “help the world’s poorest children,” according to a survey ChildFund commissioned. Other research on behalf of the United Nations found a similar trend when it showed participants the details of the U.N.’s Millennium Development Goals, eight specific benchmarks for reversing extreme poverty by 2015.

The desire to help the world’s poorest children presents us with a great opportunity, one that our supporters have embraced in many ways. And I have seen firsthand the progress we are making together nearly every day.

Earlier this year, as I traveled in Kenya, a police-man pulled over our van. We weren’t speeding and we weren’t somewhere we shouldn’t have been. He stopped us because he was a former sponsored child, and he had recognized the ChildFund logo on the van. He wanted to thank us.

Barako, who is now 37 and has a family of his own, shared how he came from a very poor family. He told us that he wouldn’t have had the opportunity for an education or the training to be a police officer without the 11 years of sponsorship support he received through ChildFund.

On another day, I heard about an Ecuadorian girl, Monica, who grew up with assistance from ChildFund’s programs, went to college and now manages the credit union that helps grow small businesses in her community.

Later, I learned of Mintesnot, in Ethiopia, who had asked his sponsor to transfer his sponsorship to a younger sister while he worked as a kindergarten teacher and pursued a degree in journalism. He’s now married, a father of one and a senior editor at a government radio station.

Sponsorship reverberates. I believe deeply in the power of our supporters’ caring to change lives — and for those individual lives to lead to enduring change. ChildFund works in 31 countries, serving children and family members in 895 communities. Yes, the dire economic conditions have made it more difficult to do this work, and the numbers above are staggering. That’s why it is all the more urgent that ChildFund continue its work, and to grow and innovate — one child at a time, one family at a time, one community at a time.

We are so grateful for your support that makes progress in reversing poverty possible.

Warm regards,

Anne Lynam Goddard
President and CEO
IF YOU KNOW CHILDFUND, you know our long work to eradicate poverty, one child at a time. If you know ChildFund, you know we reach children in 31 countries, including the United States. You know we target our support toward each stage of a young person’s life, from infancy through childhood and into young adulthood, because each stage builds on the one before.

You know about our community safety net projects in Kenya, Uganda and Ethiopia to assist children who’ve lost parents and caregivers to the HIV/AIDS epidemic. You know of our malaria prevention programs in Asia and throughout sub-Saharan Africa. You know our many programs work.

But do you know how they work? How our programs empower children to become leaders of enduring change? READ ON.
The high school dropout is a familiar phenomenon. But an elementary school dropout?

In developing countries, it’s not at all unusual. “Your first-grade classroom may have 135 kids in it,” says Mary Moran, ChildFund program specialist in Early Childhood Development. “Your second-grade classroom has 60; and by the time you get to fifth grade, you may be in a class of 10 or 12.”

Why are these children unable to remain in the school environment where they should thrive?

In working with children and young people, ChildFund targets its programming based on three life stages — infancy to age 5, childhood (6 to 14) and youth (15 to 24) — with core interventions tailored to all three. But these stages do not begin or end neatly; in fact, the transition from one stage to the next and within stages is critical, and can make or break later success. The transition from early childhood into primary school can be one of the most problematic. Early grades attrition is a concrete manifestation of this difficulty.

ChildFund’s Stepping Stones program, which piloted in the Mumbwa region of rural Zambia last year, is designed to ease the shift between early childhood and primary school environments from several angles: by bridging expectations across stakeholders’ various roles and environments; by creating linkages among teachers, parents and children; and, most important, by equipping children with skills for coping with change throughout their lives.

“Transition is not a unilateral event,” says Moran. “How do you build the early skills children need to move successfully among environments?”

To start, look at the perspectives of all involved. The child, coming from either the home or one of ChildFund’s child-centered, child-friendly Early Childhood Development centers (ECD), is going into a teacher-centered, highly structured primary school setting in which teaching is mainly by rote recitation. There is little individual attention, and there are few to no materials with which to work or play. The change is often a shock.

The primary school teacher, who will have had little if any training in education methods or child development, may have no sense of — nor reason to consider — where the children have come from. Parents in these remote, rural villages may have had no school experience at all, which means no understanding of the school process or how to support their children in it. The trip to school may be as long as two hours each way.

In Stepping Stones, teachers from five ECD classes and four first-grade classes collaborated on a plan for introducing their environments to each other, whether that meant groups of children visiting classrooms or having parents bring them individually. The teachers from both settings spent time in each other’s classrooms. Training for parents covered their roles, especially in identifying when children are under stress or having other difficulty, as well as in how to engage and interact with teachers. Training for teachers included the converse — how to engage with parents and families. All adults worked in concert on behalf of the child.

While linkage among the constituencies is a central principle in Stepping Stones, it functions largely as support around the children as they learn lifelong skills that will help them to be resilient, to adapt to change and to recognize the differing expectations of people and environments. Teachers were thus trained in social-emotional learning strategies, from exercises that revealed to them different learning styles to new ways to structure their classrooms toward creating transition experiences.

For example, desks or chairs might be arranged in clusters rather than in rows, and the teacher might work with one group of children while three other groups engage with activity stations set up around the room.

In the post-program evaluations, one response was typical of both ECD
and primary teachers: "We now know how to ask questions of children. I thought my role was to make sure they know the information, but now I see it’s more about how they access the information, what kinds of ways they do things." Likewise, the teachers reported that children are more apt to both ask for help and share their enthusiasm for learning.

Moran notes that teachers marveled at parents’ engagement about how their children were doing and how they could help. Parents reported satisfaction in partnering with teachers around their children’s development; some of the preschool teachers literally handed the children over to the primary teachers as parents looked on. For children, a particularly significant element of the process was a graduation ceremony the adults arranged to honor the transition. “In one case, a child told us that graduation was really important because he had his first taste of cake,” Moran laughs. “Another told us that what was so important to her was that her community gave them a book to write in, and it was the first time she had ever had a book.”

On the first day of primary school, only one of the 143 children cried, which is actually an impressive measure of success. More important, though, was the fact that the child’s parent and both of the child’s teachers anticipated the difficulty and created a plan to smooth the change, simply by allowing the parent to be present at school as a quiet observer until the child could fold in. It took only a handful of days.

The focus of Stepping Stones extends beyond first or last days of school. Parents remain involved in their children’s schools. Teachers continue to report successes in their classrooms. And the primary school children are eager to move ahead.

These Zambian children participate in ChildFund’s Stepping Stones program, designed to ease the transition from early childhood to primary school.
The size of the world’s youth population is now an urgent matter. Or perhaps it’s a great opportunity. ChildFund can see it only as both — as an urgent opportunity, because we believe in the potential of children and youth to change the world.

Young people between ages 15 and 24 now account for 18 percent of the world’s population, and 87 percent of them are in developing countries, where 85 percent of working people are self-employed. With an unemployment rate nearly double that of adults, youth are hardest hit by the ongoing global economic crisis as they struggle to break into the job market and start a productive life.

ChildFund has long worked to provide vocational training for young people living in poverty. But in recent years, it has become clear that skills acquisition, the traditional measure of success, is not enough to carry youths from dependence to employment. We owe this wisdom — and even our ways of working — to children and youth themselves.

WHEN WE ASKED CHILDREN HOW they experience poverty, our long-held, widely accepted perception of poverty — as material deprivation — expanded to include two additional strands: exclusion from opportunity and vulnerability to circumstance. The three are intertwined, and their effects vary according to where children are developmentally and geographically.

The disproportionate youth population presents a potentially devastating example of how these three strands function. Most of these young people live in developing countries. With few jobs available, the sheer numbers of youth exclude them from opportunity, which compounds deprivation. Thus, at loose ends, youth are vulnerable to drug use, HIV/AIDS, human trafficking, recruitment as child soldiers and more.

Throughout our 72-year history of working to lift children out of poverty, we have seen again and again how what happens in the first years of life is the cornerstone of healthy development. We also know that development is multifaceted — physical, cognitive and social — and that our programs must address all three. For youth in particular, our interventions are geared toward supporting reproductive health knowledge and HIV/AIDS prevention, helping them prepare for employment and fostering the skills necessary for engagement and leadership in their communities. While each of the three interventions is valuable in itself, the value multiplies when all three are integrated.

IN DEVELOPING COUNTRIES, NEARLY 60 percent of girls will be mothers by age 25. Their ability to make educated choices and avail themselves of youth-friendly health services can only increase their chances of becoming contributing members of society — in a sense, closing the door on reproductive risk-taking in order to open doors to opportunity.

Youth association and civic engagement programs can go a long way toward...
steering youth away from risky behaviors. In Dominica, for example, a youth association collaborated to create an Internet café that provides not only a safe hub for community gathering and socializing, but also income that is funneled into activities such as hiking and field trips. “I really appreciate the fact that ChildFund is helping us channel our efforts and energy into something positive to help our community,” says Srey, 17, the group’s treasurer and a college student. “My parents are very proud and amazed at the fact that at a young age we can manage all this.”

When youth work together, it’s good for them and for their communities. One ChildFund-supported committee of children and youth in India went door to door in their village, reaching out to parents and talking up the importance of school attendance — this increased school enrollment dramatically. In Zambia, a children’s committee took its concerns about underage drinking in their community all the way to the area’s Member of Parliament. Laws were changed.

**WE SET A PRECEDENT FOR** ourselves by going to children to learn about poverty. Since then, we have continued asking young people about their experience — of poverty, of our programs, of their own successes. Sometimes what we learn surprises us, and not always in the way we hope.

Lloyd McCormick, ChildFund’s Regional Technical Adviser–Youth Development for Africa, found one example of this in a recent large-scale youth survey ChildFund performed in 10 countries in Africa, eight in the Americas and six in Asia. “Youth’s maturity level on civic engagement and other issues is surprising, but *not* about the economy and their expectations for the future,” he says. “Employers we talk to say youth don’t have a realistic expectation — they don’t realize that they have to work their way up.”

Because most unemployed youth in
developing countries reside in rural areas, where there is little if any formal employment structure, they must become entrepreneurs. But the ability to produce something does not a business person make. McCormick recalls visiting some graduates of vocational training in Uganda. “We found six young women sitting in the village with their sewing machines, waiting for people to come to them,” he says. “Nobody had worked with them on how to promote their business and provide good customer service.”

Once again, an integrated approach is key. McCormick cites one of ChildFund’s programs in The Gambia, in which we have partnered with Junior Achievement Worldwide to implement a youth entrepreneurship and economics education program using JA’s educational materials and technical support, a strong complement to the youth association work already established there. Youth also meet successful people in their communities and hear about the hard work that got them there. To date, 406 youth have completed JA training in The Gambia.

One of them, 24-year-old Tida, now has a business selling clothing, cosmetics, shoes and other items. “I have learned and experienced the banking system, business management skills, negotiation and conflict resolution and record keeping,” she says. Friends thought she was a little crazy when they saw her walking through rain to go to training. Now, she says, “Others are asking when will be the next training, because they want to be part of the program.”

ChildFund Senegal has piloted a JA program as well. In Ecuador, Kenya and The Gambia, ChildFund partners with the nonprofit organization Aflatoun, using its curriculum to teach social skills and financial literacy to children ages 6 to 14. A Youth Agriculture Marketing Project in Zambia sought to increase youth income levels by using a multifaceted approach that taught crop, goat, poultry and pig production; agribusiness; organizational development; and contract negotiation. As early as the midterm project evaluation, the youths involved were already earning enough income to visibly improve the overall quality of life in their village.

**WITH OUR LONG EXPERIENCE AND our many ongoing programs worldwide, ChildFund is uniquely positioned at the forefront of the new field of study that is youth employment. Drawing on learning from youth and adult livelihood projects as well as best practices in the industry, ChildFund has recently crafted a Youth Employment Model that gathers into one package perhaps the most deliberately comprehensive approach to youth livelihood to date. Its standard of success: long-term, non-exploitative employment at a decent wage.**

The plan, which can be applied in any type of trade, is built upon five key components that ChildFund has already applied in various combinations in many effective programs: a market analysis.
conducted by youth but guided by mentors, technical skills training and production support, basic business skills training, life skills training and extended mentoring and follow-up. A unique factor is that the young people are placed in producer groups in which individuals all produce the same item. In short, they develop microenterprises that generate an aggregate volume of a size and quality to attract a bulk buyer, which gives them a point of entry into the local value chain. Group members are paid individually according to the proportion of the total that they produce.

Dev Miller, ChildFund’s senior specialist in microenterprise development, who crafted the program model with McCormick, describes how this could play out once the market analysis has helped the group settle on an activity likely to produce income, such as honey. “You might train youth to build honey hives, and then bring in an expert to show them how to render the honey and package it,” she says. “By having all of the group produce, it makes it profitable to have the buyer — maybe it’s an exporter in the capital city — send a truck to the region and pick up a volume shipment of quality honey.”

The group mentor facilitates market linkages, identifies potential buyers and helps the youth negotiate price. Group members maintain the relationship with the buyer and get a far better price than they would if they were to go individually to the local market. “If you can help an 18- or 19-year-old develop the skills they need to become economically active,” says Miller, “you have influenced some 40 years of a productive work life. So it’s a good investment, and it’s also the right thing to do.”

Now look back at the numbers cited at the beginning of this report, and multiply by 40. The potential is enormous, and ChildFund is working to actualize it at every opportunity.

Sending youth into the world with a viable skill is critical. These youth are learning business skills in selling charcoal, a product much in demand in Senegal.

SCORING PROGRAM EFFECTIVENESS
The Youth Employment and Well-Being Scorecard

If the worldwide emphasis on youth livelihoods is comparatively new, then the area of monitoring and evaluation of youth enterprise programs is even more nascent. Knowing how critical it is to measure the effectiveness of our programming, ChildFund has developed the Youth Employment and Well-Being Scorecard.

Created with funding from the Brinson Foundation, the 14-question survey is a simple, cost-effective monitoring tool for ChildFund’s youth employment and livelihood enhancement interventions. Its simplicity renders it flexible enough to apply across diverse types of programming. At the 2008 Global Youth Enterprise Conference, the high level of interest among the 350 participants gave early validation to the effort.

The survey is designed to assess change not just in income but in overall welfare. This encompasses preparedness for the workforce and parenthood, health, physical well-being and capacities for leadership and social engagement. As a holistic measure of well-being, the Scorecard echoes ChildFund’s integrated approach to programming.

At press time, staff training on the Scorecard has been conducted in four countries, and baseline surveys have been completed in Senegal and Ethiopia. In Senegal, a follow-up survey performed a year after the baseline showed a 13 percent increase in the average overall score of the participants, youth clients of our microfinance partner IMCEC (Institution Mutualiste Communautaire d’Epargne et de Credit). The improvement is significant in light of current economic conditions.

The Scorecard, which provides immediate feedback that can be quickly applied on the ground, will be an invaluable resource in ChildFund’s continuing efforts to offer the programs most likely to improve the lives of children and youth.
A lot can happen in a thousand days. A pregnancy can begin, a child can be born, and that child can reach his or her second birthday. Or not.

Every year, more than 3.5 million children die from malnutrition. To an organization such as ChildFund, whose stated purpose is to empower children toward becoming leaders of enduring change, those numbers represent an unthinkable loss of potential.

Through its 72 years of serving children, ChildFund has become known for its contributions in nutrition and child health. We ensure that children get what they need through our many community-based nutrition programs and partnerships.

In Honduras, mother support groups track children’s growth monthly. When a child is not achieving growth benchmarks, the mothers respond immediately by changing practices or taking the child to a Health Hut for help. This monthly structure — and the engagement of these mothers — stops malnutrition before it starts.

While the United States is considered the land of opportunity, for too many U.S. children the gap between that dream and the realities of their day-to-day life seems insurmountable. ChildFund works in some of the most impoverished communities in the U.S., serving diverse populations in South Dakota, Mississippi, Oklahoma and Texas through programs in early childhood development, after-school enrichment, youth leadership and preventive health.
Mothers of moderately malnourished children in India and Indonesia learn to improve their feeding practices and promote preventive health behaviors through culturally sensitive programming provided in group educational sessions.

Malnourished children who are orphaned or otherwise vulnerable due to the HIV/AIDS epidemic receive food supplements through ChildFund initiatives in Kenya and Ethiopia funded by PEPFAR (the President’s Emergency Plan for AIDS Relief). Families receive support through home-based services, including regular home visits from community-based organizations and volunteers.

Working with Bolivia’s Ministry of Health (MOH), ChildFund carefully monitors and supports children during their first two years of life to ensure normal growth and development. Community-based health workers visit mothers in their homes to reinforce effective feeding and to educate mothers about culturally appropriate development stimulation. The MOH provides medical care as well as food supplements and micronutrients to malnourished children.

In Senegal, ChildFund community health workers promote healthy growth among children age 2 and younger during monthly promotion sessions with mothers at health huts. Mothers of malnourished children receive intensive counseling and follow-up, and their children are referred to local health clinics for medical treatment and food supplements. ChildFund Senegal leads a consortium of humanitarian organizations to provide these services nationwide.

Nearly one-third of the world’s children suffered from chronic malnutrition before the 2008 food crisis sent prices soaring. ChildFund continues to push back by mobilizing communities to rally around their youngest members. When communities nourish their children, they nurture their future.
ChildFund International helps deprived, excluded and vulnerable children have the capacity to improve their lives and the opportunity to become young adults, parents and leaders who bring lasting and positive change in their communities. We promote societies whose individuals and institutions participate in valuing, protecting and advancing the worth and rights of children.

Working in 31 countries, ChildFund assists 15.2 million children and family members, according to our 2007 survey. ChildFund is currently introducing a more rigorous methodology for counting children and families served, and this data will be shared in 2011.

For further information, visit our website at www.ChildFund.org
## Financial Statements

### A Message From the Chief Financial Officer

ChildFund International is proud of the continued confidence that our donors have in us to deliver desperately needed educational and health services to the children we serve. We are grateful for your dedication to improving the lives of these children and their families. Even though we are all experiencing the difficult economic challenges, you have enabled ChildFund to increase its direct program services to children by almost 4 percent over 2009 and increased the amount of program services to children to 81.1 cents of every dollar to benefit children.

ChildFund continues to take to heart each and every dollar sent for the benefit of children. We remain accountable for children and youth to be healthy and secure, educated and confident, and skilled and involved. We have streamlined processes in order to reduce our management and general expenses, and we will continue to look for opportunities to do so to ensure increasing direct benefits to children remains our priority.

We thank you for the sacrifices you make to support the children you sponsor and entrust with us the confidence to serve their life-saving needs. We will continue to work to stretch each and every dollar to ensure that each child’s life is brighter every day and their vibrant future is assured.

Sincerely,

James Tuite  
Vice President, Finance & Operations/Chief Financial Officer

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### ChildFund International  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
As of June 30, 2010 and 2009

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<th>2010</th>
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<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
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www.ChildFund.org
# Financial Statements

## ChildFund International

### CONDENSED CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2010 and 2009

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<thead>
<tr>
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<th>2010</th>
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<td>Other revenue</td>
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### EXPENSES

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<td>Micro-Enterprise (Family Income Generation)</td>
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<td><strong>TOTAL EXPENSES FROM OPERATIONS</strong></td>
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<td>Non-Operating Gains (Losses)</td>
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<td>Realized loss on investments</td>
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<td>(633,730)</td>
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<td>Unrealized gain (loss) on investments</td>
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<td>Change in value of trusts</td>
<td>488,365</td>
<td>(1,205,305)</td>
</tr>
<tr>
<td>Change in accrued benefit liability other than net periodic costs</td>
<td>(1,477,893)</td>
<td>(4,332,257)</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>4,655,647</td>
<td>83,785</td>
</tr>
<tr>
<td>Net assets at beginning of year</td>
<td>56,367,334</td>
<td>56,283,549</td>
</tr>
<tr>
<td><strong>NET ASSETS AT END OF YEAR</strong></td>
<td><strong>$ 61,022,981</strong></td>
<td><strong>$ 56,367,334</strong></td>
</tr>
</tbody>
</table>

A complete copy of the Consolidated Financial Statements, with a report from independent auditors and auditor’s certification, KPMG LLP, is available upon request by calling 1-800-776-6767, or visiting our website at www.ChildFund.org.

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### How Your Gifts Help Children

- **Program Services for Children**: 81.1% ($172.6 Million)
- **Fundraising**: 11% ($23.4 Million)
- **Management & General**: 7.9% ($16.8 Million)

### Areas of Assistance to Children and Families

- **Education**: 35.7% ($61.5 Million)
- **Health & Sanitation**: 25.6% ($44.1 Million)
- **Nutrition**: 8.5% ($14.7 Million)
- **Emergencies**: 6.8% ($11.9 Million)
- **Micro-Enterprise (Family Income Generation)**: 11.8% ($20.4 Million)
- **Early Childhood Development**: 11.6% ($20 Million)
These boys in ChildFund’s programs in Afghanistan are running happily on a path to becoming contributing members of society.
Developing early childhood social and cognitive skills offers children a strong foundation as they transition into their primary school years.