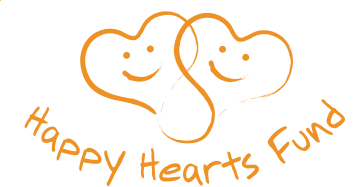


2009 ANNUAL REPORT

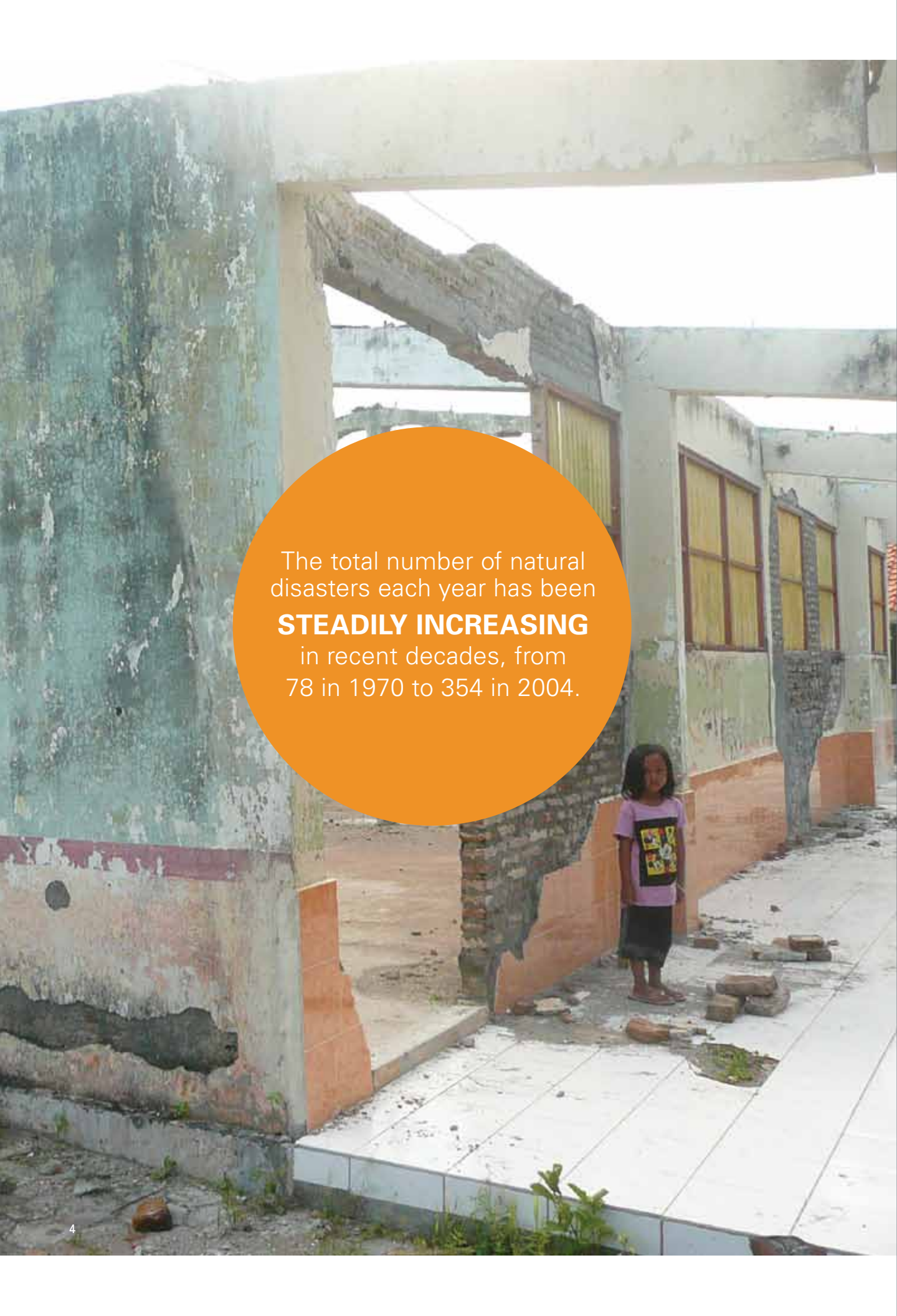


Rebuilding Children's Lives
After Natural Disasters



Rebuilding Children's Lives
After Natural Disasters

MISSION The Happy Hearts Fund (HHF) mission is to improve children's lives through educational and sustainable programs in natural disaster areas.



The total number of natural disasters each year has been **STEADILY INCREASING** in recent decades, from 78 in 1970 to 354 in 2004.

ABOUT NATURAL DISASTERS

RECENT NEWS HAS BEEN FILLED WITH REPORTS OF NATURAL DISASTERS: EARTHQUAKES, VOLCANIC ERUPTIONS, TSUNAMIS, SEVERE HURRICANES AND CYCLONES, FLOODING AND DROUGHT IN MANY AREAS OF THE WORLD. MANY ARE WONDERING, ARE NATURAL DISASTERS INCREASING IN FREQUENCY?

IMPROVED EARLY WARNING SYSTEMS AND MEDIA COVERAGE

Some disasters, like earthquakes, may appear to be on the rise, but aren't. This is due, in part, to improved detection and media coverage. Due to increases in the number of seismographic stations (350 stations in 1931; 4000 stations today) and improvement in the quality of the seismographic measurements, we are detecting and locating small earthquakes that would have been unnoticed and unreported in the past. Each year, seismic stations document 12,000 to 14,000 earthquakes – an average of 50 each day. Many more of those reports receive public attention because of improved international media coverage.

According to long term records, USGS reports that “we can expect, on the average, about 18 major earthquakes (7.0 - 7.9) and one great earthquake (8.0 or above) in any given year.” Of course, earthquakes don't happen according to the averages. We tend to ignore the years when there are fewer earthquakes and pay more attention to years when there are more. The US Geological Service reports that, “Although it may seem that we are having more earthquakes, earthquakes of magnitude 7.0 or greater have remained fairly constant throughout this century and, according to our records, have actually seemed to decrease in recent years.” (source: USGS <http://www.usgs.gov/hazards/>)

DEGRADED ENVIRONMENTS

Barrier islands and reefs, flood plains, and mangrove swamps are all part of the earth's protection system against flooding and tsunamis, but loss of these natural resources has put many coastal areas at greatly increased risk. Swamps and marshes are being filled in and developed, decreasing the water they can absorb. Rivers are straightened and channelized, increasing the speed of the flow and decreasing the volume of water the river can hold. Paved roads, parking lots, and large buildings all decrease the natural absorbency of the land and increase run-off during storms. Inadequate agricultural practices, including deforestation and overgrazing, leads to erosion and desertification. On clear cut hillsides, there is increased risk of flooding and landslides. Increasing development in many parts of the world has failed to conserve natural features which provide protection from natural disasters.

MORE PEOPLE AT INCREASED RISK

The earth's population is increasing, and much of that increase is in low lying coastal areas prone to flooding and storms; in earthquake zones; and in other high risk areas, such as steep hillsides. New construction in rapidly growing areas could reduce human risk by using building practices (called “mitigation”) that minimize damage from flooding, earthquakes, and other natural disasters.

ABOUT NATURAL DISASTERS continued...

However, in most areas, this is not happening. With more people, particularly vulnerable populations, at increased risk, we see much greater impact - more casualties and losses - from the same sized earthquake or flood.

GLOBAL WARMING & CLIMATE INSTABILITY

Weather patterns are changing in many parts of the world. Global warming may be responsible for the fact that extreme weather events (tornados, cyclones, hurricanes, drought, floods, and landslides) are increasing in frequency, intensity, and impact. Ms. Margareta Wahlström, the United Nations Special Representative of the UN Secretary-General for Disaster Risk Reduction, reported that "Over three quarters of the people killed - and 95 % of the total affected by natural hazards - since the beginning of the year 2009 were due to extreme weather events."

SUMMARY

Occurrences of natural disasters are on the rise. Overall, there is an increase in the rate, severity, and impact of natural disasters. Extreme weather events are primarily responsible for the dramatic rise in natural disasters. Geophysical natural disasters such as earthquakes and volcanic eruptions continue at a rate similar to the past. The impact of all types of natural disasters has increased dramatically with increases in population and development. Because increased readiness, preparation, and education have the potential to reduce the impact of natural disasters, disaster education and preparedness will be an increasing focus for Happy Hearts Schools.

The chart to the right, published by Emmanuelle Bournay, UNEP/GRID-Arendal, summarizes the frequency of natural disasters over the last century.

FIND OUT MORE ABOUT NATURAL DISASTERS...

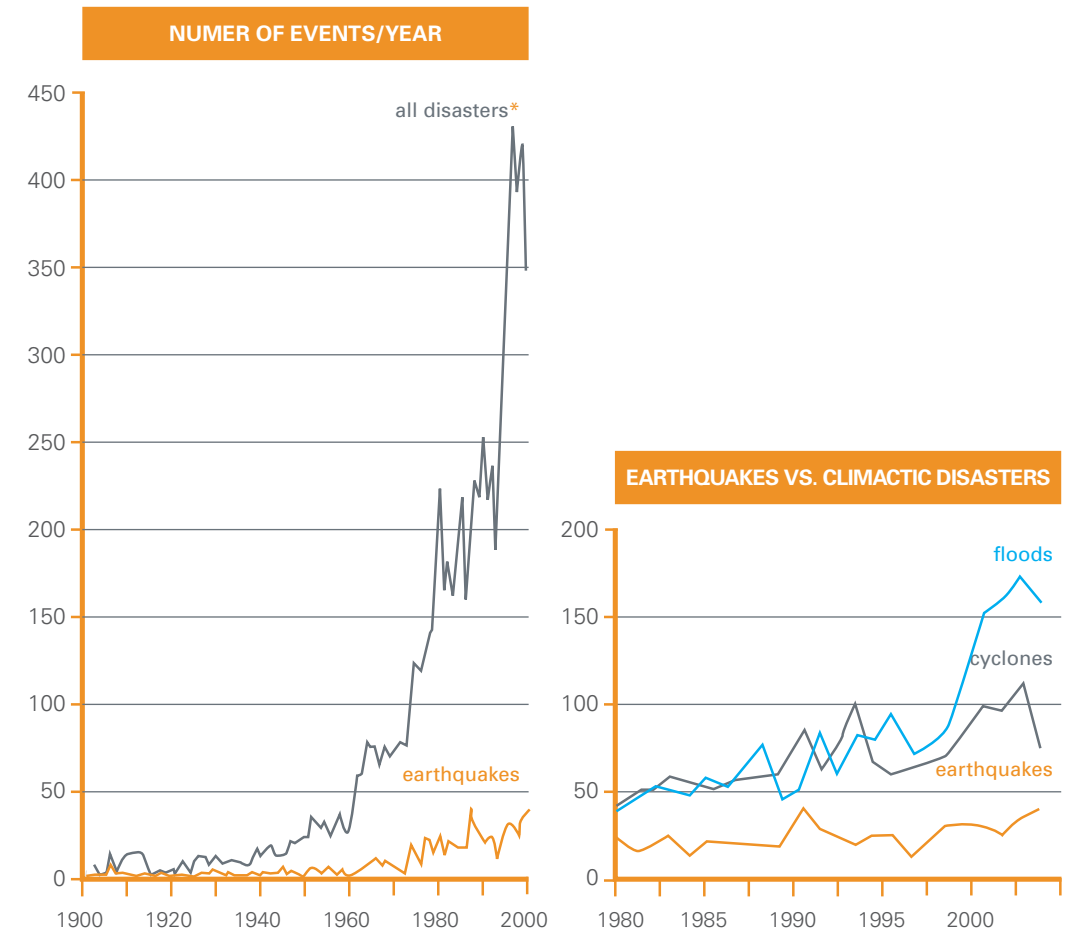
One of the most complete web sites on natural disasters has been developed by the USGS: <http://www.usgs.gov/hazards/>

PBS has an excellent educational website, enriched with animation and images, which explain the causes of volcanic eruptions, earthquakes, and tsunamis. <http://www.pbs.org/wnet/savageearth/index.html>

An outstanding emergency events data base is maintained by the World Health Organization: <http://www.emdat.be/>

TRENDS IN NUMBER OF REPORTED EVENTS

MUCH OF THE INCREASE IN THE NUMBER OF HAZARDOUS EVENTS REPORTED IS PROBABLY DUE TO SIGNIFICANT IMPROVEMENTS IN INFORMATION ACCESS AND ALSO TO POPULATION GROWTH, BUT THE NUMBER OF FLOODS AND CYCLONES BEING REPORTED IS STILL RISING COMPARED TO EARTHQUAKES. HOW, WE MUST ASK, IS GLOBAL WARMING AFFECTING THE FREQUENCY OF NATURAL HAZARDS?



* All disasters include: drought, earthquake, extreme temperatures, famine, flood, insect infestation, slides, volcanic eruption, wave / surge, wild fires, wind storm.

ABOUT HHF

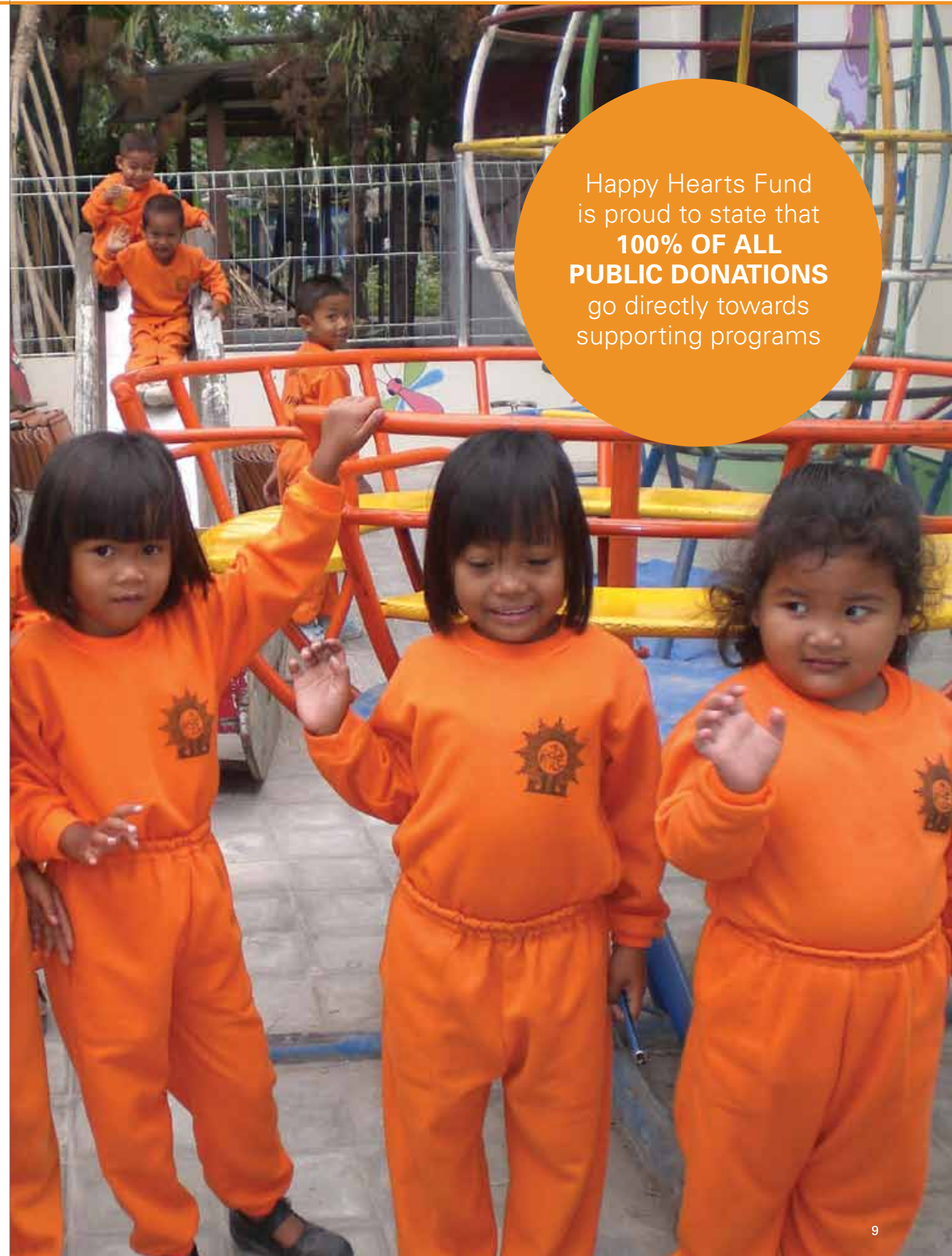
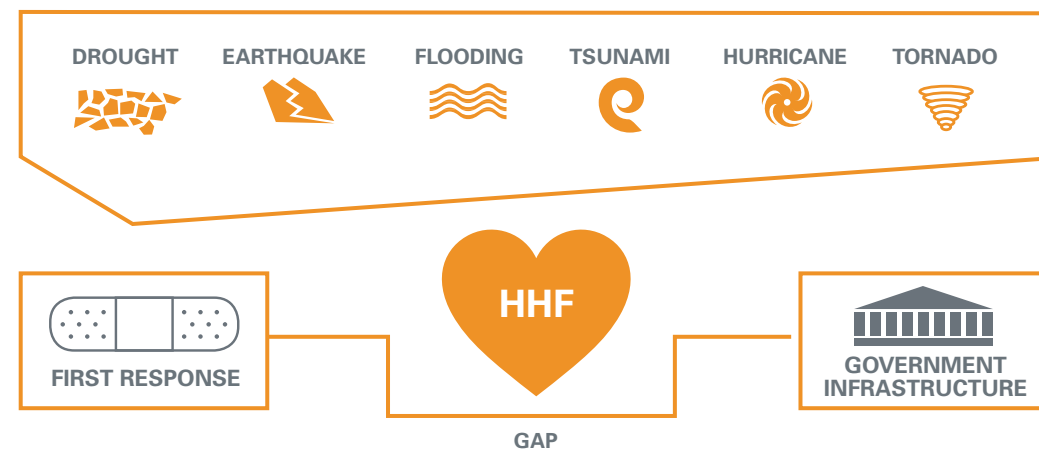
HAPPY HEARTS FUND WAS FOUNDED BY PETRA NEMCOVA IN 2005 AND RECEIVED ITS 501(C)(3) STATUS IN 2006. BY REBUILDING SCHOOLS HAPPY HEARTS FUND BRINGS HAPPINESS BACK TO THE LIVES OF CHILDREN AND ENTIRE COMMUNITIES.

In 2009 Happy Hearts Fund began the process of strengthening and expanding its internal structure to be better positioned for long-term growth. Through the expansion and diversification of both the boards of directors and advisors combined with the additions of key staff, Happy Hearts Fund will have the capacity to sustain its continued exponential program growth. We anticipate this process

will be completed in 2010 and lead Happy Hearts Fund into the future.

Happy Hearts Fund is proud to state that 100% of all public donations go directly towards supporting programs as all administrative and fundraising expenses are underwritten by our Board and special donations.

Happy Hearts Fund is proud to state that **100% OF ALL PUBLIC DONATIONS** go directly towards supporting programs





Without education for the young, there is no hope for **THE FUTURE.**

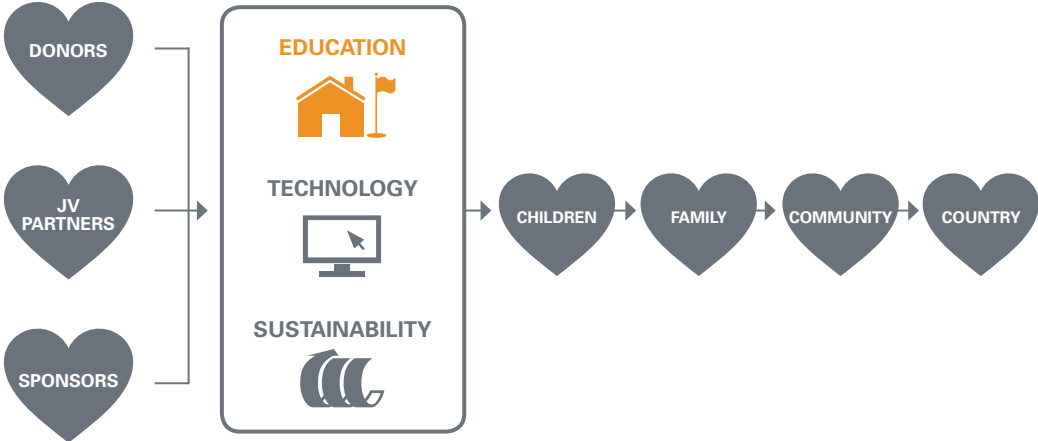
EDUCATION

HAPPY HEARTS IS DEDICATED TO REBUILDING CHILDREN'S LIVES AFTER NATURAL DISASTERS BY BUILDING SCHOOLS AND PROVIDING SUPPORTIVE EDUCATIONAL PROGRAMMING. AFTER EMERGENCY RELIEF AND FIRST RESPONSE ARE COMPLETE, THE PROCESS OF RESTORING ANY DEVASTATED AREA RESTS ON THE FOUNDATION OF EDUCATION. WITHOUT EDUCATION FOR THE YOUNG, THERE IS NO HOPE FOR THE FUTURE.

When an entire community lives in desperate circumstances, there is nothing more powerful than education in developing stability and hope. Returning to school is the best way to address the sense of chaos, loss, devastation, and depression that can take hold of the hearts of children. Children who live in stable communities with functional schools are less vulnerable to human trafficking - a horrifying but all too common aftermath of natural disaster. Schools give children an opportunity to return to the normalcy of their lives before the disaster, provide a place of sanctuary and security, allowing parents to find work, and encouraging the community to look to the future with a sense of stability, pride, and hope.

Children develop their skills and capabilities and become self reliant and optimistic about meeting the challenges of the future.

In building schools, Happy Hearts practices the wisdom of "building back better." Schools are designed to survive the circumstances that led to the loss of the school. Schools in areas of flooding are built on higher, well-drained sites. Schools destroyed by earthquakes meet earthquake resistance construction standards. Schools destroyed by tsunamis are rebuilt at higher elevations for safety. The improved schools are given back to the communities in which they are located.



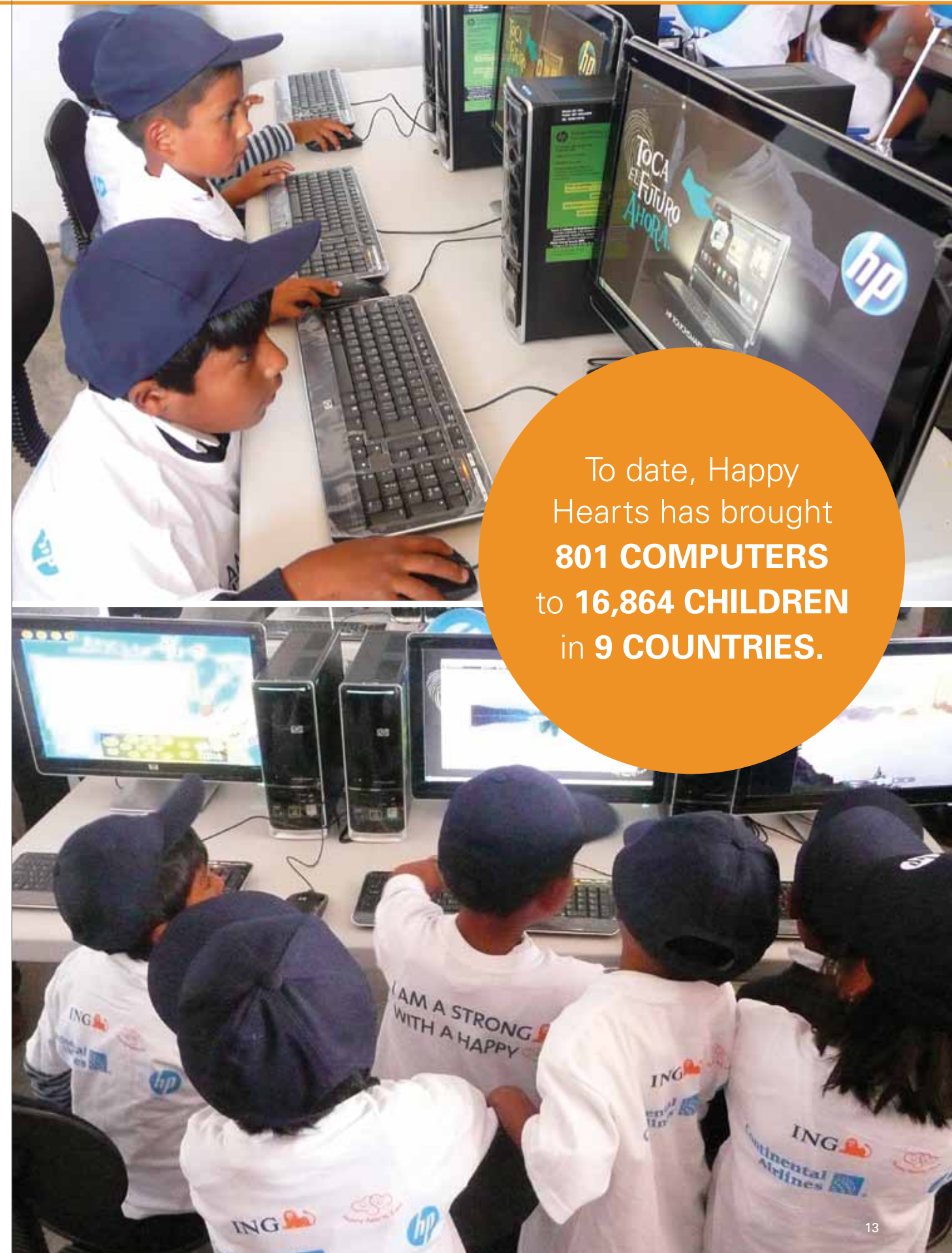
TECHNOLOGY

EDUCATION HAS THE POWER TO UNLOCK THE PROMISE OF THE FUTURE.

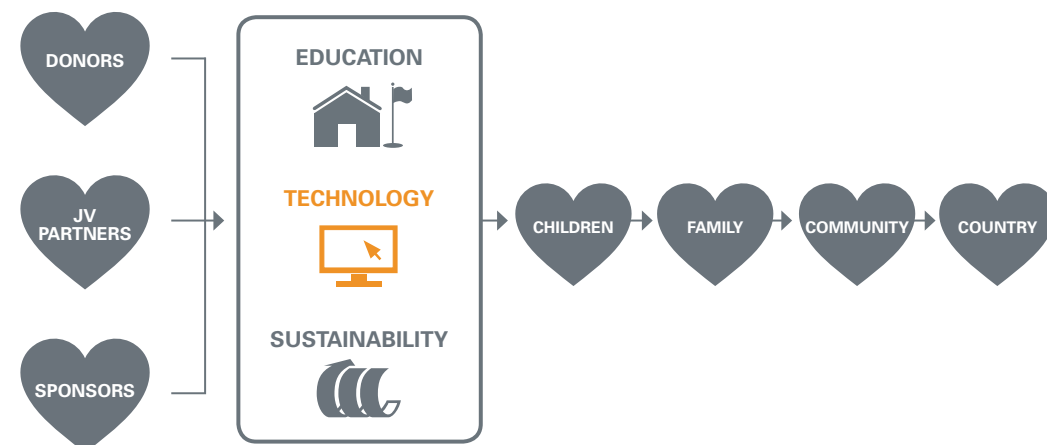
Where unemployment is high, wages are low, and jobs are scarce, education provides the path to employment. In the 21st century, education must include technological literacy, a daunting challenge in communities where essential infrastructure has been destroyed. A state-of-the-art computer lab has been installed in all Happy Hearts Fund primary and secondary schools, nourishing chil-

dren's minds, igniting their curiosity about the world, capturing their interest, and building a foundation of technological skills.

To date, Happy Hearts has brought 801 computers to 16,864 children in nine countries.



To date, Happy Hearts has brought **801 COMPUTERS** to **16,864 CHILDREN** in **9 COUNTRIES.**





GIVING SCHOOLS BACK TO THE COMMUNITY brings a sense of ownership and control.

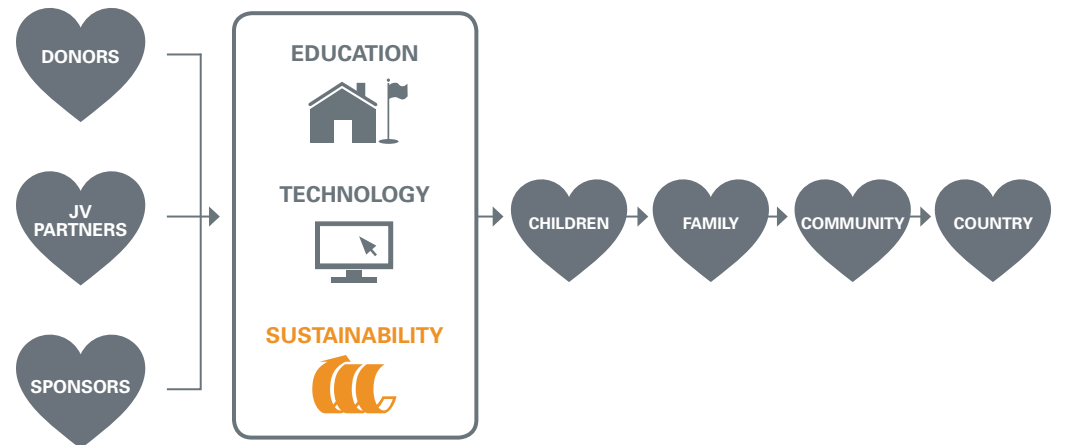


SUSTAINABILITY

Building schools is the first important step for devastated communities. Giving schools back to the community brings a sense of ownership and control.

In 2009, Happy Hearts added the first sustainability component to a Happy Hearts school. The Villa Maria School in Lima Peru includes the Corazones Felices Bakery, located just across the street from the school. The bakery began with training of personnel, school's

staff, bakers, administrators, and of everyone contributing to its operation. During the first year, HHF and ING-Integra will be monitoring the bakery operation and its revenue collection, and a total study of the workings of the bakery will be completed in 2010. Revenues have the potential to provide for the ongoing maintenance of the Villa Maria School and the creation of new educational activities for children and communities.



PROJECT DEVELOPMENT IN 2009

1. PERU On Sept. 29, 2009 HHF and ING-AFP INTEGRA celebrated the openings of the newly reconstructed earthquake-proof primary and secondary school of Santa Rosa in Ica, attended by 272 children. The August 15th 2007 earthquake caused severe damage, particularly in the areas of Pisco, Chincha and Ica. Five hundred nineteen people were killed while 2,180 schools got damaged or destroyed. The Santa Rosa School was one of the schools that got partially destroyed by the 2007 earthquake, which collapsed four of its classrooms, a laboratory, a multi-use room, and a library.

When HHF and ING-AFP Integra first arrived at the Santa Rosa School in Ica, the children were attending classes in a modular container structure that was getting extremely hot in the summer and too cold in the winter. The need was evident and reconstruction soon after begun. Thanks to the precious donation of Hewlett Packard, 10 new flat screen computers were provided to the school and set up in the newly created computer lab. The latter constitutes another testimony of the wonderful collaboration between HHF and HP, which continues teaming up in Peru as well as in other countries, in order to allow children to have access to technologies and web-based educational tools. In Peru, HP generously donated 30 new flat screen computers, 10 of which have already been placed at the Santa Rosa School, while the other 20 will be distributed to the next two schools that the JV will be rebuilding. The new Santa Rosa School state-of-the-art computer lab constitutes the first lab in the Ica region, where the majority of people and children never had access to any kind of technology equipment. The access to technologies and educational web-based tools will allow a growing number of children to learn about different subjects and improve IT skills that will be fundamental in their future job searches.

The year 2009 also marked the creation of the Corazones Felices Bakery within the Villa Maria School in Lima. The bakery constitutes one of the first sustainable businesses that HHF has established with the goal of making each project self-sustainable in the long term. Sustainability is a key component of the HHF mission and it is for such reason that accurate analysis and research is performed before starting any business in order to ensure its success. The Corazones Felices Bakery required accurate training of personnel, school's staff, bakers, administrators, and of everyone contributing to its operation. Training and analysis will be completed at the end of the year to allow a new opening and successful run at the beginning of 2010. HHF and ING-Integra will be monitoring the bakery operation and its revenues collection until it will be able to run independently. Its revenues have the scope of providing for a long lasting maintenance of the Villa Maria School and the creation of new educational activities for children and communities.

2. MEXICO In October 2007, the Mexican states of Tabasco and Chiapas were subject to heavy rains, which caused a widespread flooding that left as much as 80% of the land under water. At least 20,000 people were forced to seek emergency shelter, while over 1,000,000 residents were affected. The Tabasco flooding was caused largely by the sinking of the land over the last century. The constant extraction of petroleum and gas, the construction of dams in the zone, and the erosion of land and deforestation have all contributed toward making this region flood-prone. The 2007 Tabasco flood not only destroyed many family houses and took away people's belongings, but also affected libraries and schools in the Tabasco region.

In Peru, HP generously **DONATED** 30 new flat screen computers.



PROJECT DEVELOPMENT IN 2009 continued...

HHF is in its first year of a joint venture with ING Mexico and promptly responded to the need generated by the disaster. A survey conducted in May 2009 allowed localizing some of the most affected schools and one of them, the Arcadio Zentella Primary School attended by 180 students and located in Xalpa de Méndez, was selected for support. The school received donations from ING Mexico employees that were duplicated by ING Group and allowed the school's relocation, which began in June 2009. The parents of the children attending the Arcadio Zentella School got together to buy the 8,000 acres of land where the new school will be relocated. Construction is scheduled to end at the beginning of 2010 and will allow 227 students to enroll and benefit from the new, safely-constructed facility. The school will also be equipped with a state-of-the-art HP computer lab that will allow children to improve their technology skills.

Accurate research also identified the most feasible and potentially successful sustainable business for the Arcadio Zentella School, in the form of a potable water distribution business that will benefit not only the school but also parents and surrounding communities. The water distribution business will be created

within the school and will have parents contributing to the distribution of potable water, which will be provided by La Victoria water-company in Tabasco. The project is scheduled to be developed during the year 2010 and its business profits will then be used to maintain the school in the coming years.

3. INDONESIA

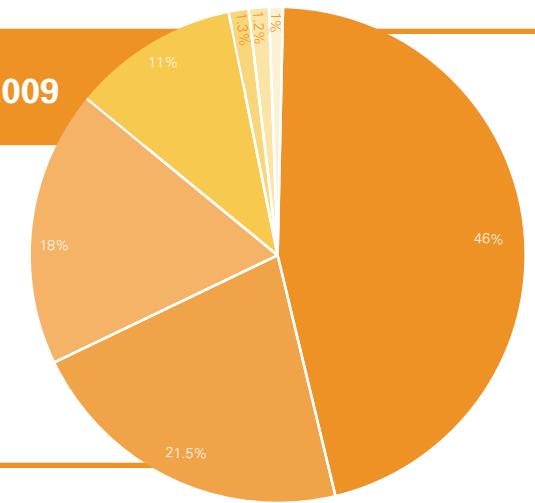
The December 2004 tsunami had a devastating impact on the country of Indonesia and claimed more than 150,000 lives. Five years later, Indonesia is still struggling to cope with the aftermath of the disaster. Schools, roads, water and sanitation systems were destroyed, and more than half a million people were displaced. A series of subsequent disasters have affected Indonesia, as in the cases of the 2006 and 2009 earthquakes, and HHF has renewed its support to the many affected children and communities.

More than 5,800 people were killed and an estimated 7,519 seriously injured by a powerful 6.3 earthquake that rocked central Java at 5:55 AM on Saturday on May 27, 2006. The quake reduced many school buildings to rubble and cut off essential services, as large cracks in roads and runways reduced movement to and from the area. Sadly, young children were recognized as those hit particularly hard. It was estimated that among the initial 100,000-200,000 displaced people, approximately a third were children aged 0 - 17 years. The lack of activities for children and play areas were a significant issue. Due to the end of the school year and holiday at the time of the earthquake, many children were found to not have any constructive activities in which to participate during the day. Recreation facilities were destroyed in the earthquake and little ones were often left with no support, while parents were involved in cleaning and other recovery activities.



PROGRAMS SUPPORTED IN 2009

INDONESIA	\$489,296	(46%)
PERU	\$230,049	(21.5%)
THAILAND	\$195,772	(18%)
CAMBODIA	\$117,865	(11%)
CONGO	\$13,527	(1.3%)
MEXICO	\$12,237	(1.2%)
SRI LANKA	\$7,036	(1%)



In the immediate aftermath, provincial offices of the Ministry of Education reported that 423 primary schools and 91 Junior Secondary Schools in Bantul, the area most badly hit by the earthquake, were completely destroyed, with an additional 48 primary schools and 16 junior secondary schools heavily damaged. The great majority of the estimated 525,000 primary and junior secondary school students were affected. With the loss or damage of nearly 90% of the school infrastructure in Bantul District, the school year was abruptly halted. While the Government immediately invested in the reconstruction of primary and secondary schools, little or no help was provided to kindergartens and pre-school facilities. With the help of the Yayasan Manusia Untuk Masyarakat foundation (MUM), HHF committed to fill this gap in pre-primary education and started rebuilding kindergartens in the immediate aftermath of the disaster.

In July 2009 HHF and MUM have rebuilt two kindergartens in Bantul, which were completely destroyed by the 2006 earthquake and never received any external support; and have built extensions for three of the already created HHF-MUM kindergartens. The two newly constructed kindergartens, Tk Masyithoh 4 Pandak and Tk Paud Kasih Bunda in Bantul, Yogyakarta, will provide education for 50 and 40 children respectively. The building of an extra classroom, which was completed in June 2009, within the Al-Fatah Kindergarten, Nogosari Kindergarten, and Sriharjo Primary School all in Imogiri, Yogyakarta, created

a safe and larger environment for 57, 54, and 340 children respectively.

On September 2, 2009 at 3:00pm another 7.0 earthquake struck West Java in Indonesia. The two areas that were mostly affected were Cibereum and Pangalengan. MUM immediately surveyed the areas and found 40 kindergartens to be rebuilt, with likely many more to be found and supported. As in the case of the 2006 earthquake, the government had begin reconstructing primary and secondary schools while many kindergartens had been left without support. In November 2009, HHF approved the construction of four kindergartens, which will be completed in the year 2010.

As of today, HHF and MUM have rebuilt 32 kindergartens and one primary school, which includes a state of the art HP computer lab. The newly constructed HHF kindergartens and primary school are all decorated with colorful murals, bright playgrounds and they provide education to 1,879 children in total.

4. SRI LANKA

The tsunami of December 26, 2004 struck a relatively thin but long coastal area of Sri Lanka stretching over 1,000 kilometers, killing over 35,000 people. In 2008 HHF supported part of the operational costs of the Community Tsunami Early-Warning Center (CTEC) in the village of Pereliya in order to allow 900 in-need children and more than 60,000 community members to gain an education on natural disaster issues. CTEC is a Community-Based Disaster Risk

PROJECT DEVELOPMENT IN 2009 continued...

Management (CBDRM) initiative, originally established by a group of local and foreign volunteers to provide information about tsunamis and other natural disasters to the public and generate active participation from the community.

The focus has been and remains to be on educating children and adults that survived the 2004 tsunami in disaster preparedness and providing warnings 24/7 while raising young leaders to serve as volunteers in their communities. During the past two years, CTEC has focused on the creation of partnerships with the schools in the Galle region and has successfully achieved the goal of training 1,230 students attending eight schools in the Peraliya/Hikkaduwa region.

Having seen the incredible benefits and positive impact that CTEC had on children and community members, HHF decided to renew its support and cover the entire 2009 operational cost of the center. More so, HHF is now evaluating the possibility of creating a fully equipped HP computer lab at CTEC that could provide technology-based training to the many children in the community of the Galle region, which was badly devastated by the 2004 Tsunami. The lab would provide computer lab training to more than 300 children in the immediate area and would allow access to about 5,000 additional children in the entire Galle region.

5. NEW ORLEANS

The effect of the 2005 Hurricane Katrina on New Orleans was devastating and its effects are still visible today. In 2008, HHF donated 157 computers to the Andrew Wilson Charter School, which raised student's achievements and permitted access to valuable online learning programs. At the time when the HHF donation was made, the school was serving 365 children in grades K-5. In 2009

the state of Louisiana provided \$20Mil in capitol funding for the renovation of a wonderful school facility in the Broadmoor Neighborhood that will increase attendance to up to 600 students and extend grade levels to K-12. The grand opening is scheduled for January 2010.

Having witnessed the great impact that technology had on the Andrew Wilson Charter School students, HHF is now evaluating the support of other Katrina affected schools. HHF is aware that five years after the disaster much has been done but that there are still areas where support is very much needed. Helping those who received little or no support remains one of our main priorities.

6. THAILAND

The impact of the Boxing Day Tsunami on the coastal villages of the Thai provinces of Ranong, Phuket and Phang Nga were devastating and damaged most of the coastline and its fishing-based economy. According to the Ministry of Education, an estimated 50,000 children got affected by the tsunami and an estimated 1,480 children lost one or both parents. (Source: UN Resident Coordinator, Thailand). Children made up approximately one third of the 1.9 million people in the affected southern provinces. The immediate effect on children was severe and over 200 schools serving 50,000 children were affected.

Five years after the devastating Tsunami, all schools have been rebuilt thanks to the prompt response from the international community and the government of Thailand, although the level of support that each school has received varies. While buildings were reconstructed, many fisherman and ethnic minority communities are still struggling today. After the tsunami, over 120,000 individuals working in the tourism sector lost their jobs. An additional 30,000 people employed

in the fisheries sector lost their sources of livelihood and approximately 5,000 boats were lost or damaged. (Source: UN Resident Coordinator, Thailand).

Thanks to a newly established collaboration with a Thai based NGO, The Raks Thai Foundation, HHF is in the process of analyzing the needs of some of the schools in the provinces of Krabi and Phang-nga that received little support after the Tsunami. The assessment, which will take place in 2010, will determine the creation of new projects in disaster-affected areas that will have the goal of supporting some of the many children and communities still in need of help. The goal will also be to create sustainable activities that will improve the lives of many disaster affected individuals and generate revenue for the schools that we will be supporting.

In response to the need of the many minorities and the sea-gypsy community after the Tsunami, HHF had already build the Chao Thai Mai School in Phang-nga, which today hosts 220 children coming from the surrounding Moken sea gypsy community. In this same region, HHF established a state-of-the-art computer lab with 16 HP computers and an IT skilled professional at the Wat Pattikaram School attended by 126 children. In order to support the many orphans and affected children of the Tsunami, HHF also continues funding the Support-A-Child program (SAC), which provides support to 140 children. Thanks to our support, some families have started to become self-sufficient, allowing their children to be removed from the program.

7. INDIA

In India, HHF and the Absolute Return for kids (ARK) NGO are contributing to the development of educational opportunities for children by supporting a teachers' training program for 25 teachers in 20 schools in Mumbai, Delhi and Pune. The program focuses on develop



ing great leaders for the educational sector who will become the next deans for schools in India. The target of the program is to reach the poorest of the poor children who are in school and have access to education. The average household income of their families is generally less than Rs3000 (\$70) per month and about 9,000 children are reached.

The first pilot program, which trained 13 teachers in the city of Delhi, will be completed in May 2010, while the other two teachers' trainings in Pune and Mumbai, which trains seven and five teachers respectively will be completed in May 2011. The highly skilled teachers that will graduate from the program will then be prepared to teach within some of the most valuable schools hosting many vulnerable children, who will be given the opportunity to receive a high level of education.

8. HAITI

In Haiti, HHF is working on re-building children's lives through our "Sustainable Schools" program where we rebuild schools, provide opportunities through computer labs and establish a business which sustains the school. Our goal is to create independence and empowerment.

In addition to the "Sustainable Schools" program model we are working on "Sustainable Learning." By providing strong educational bonds and long lasting relationships between rebuilt schools that were affected by the earthquake and US / International schools that make a multi-year commitment to supporting and sharing resources, we will position the children for recovery, ensure they will thrive and that their voices will not be forgotten!

LETTERS

INDONESIA – CHILD - TSUNAMI

Name: Murni Apri Astuti
Class: VA

Hello, my friends. My name is Murni. I would like to share about the situations before and after the earthquake.

I was at the first year of elementary school when the earthquake hit us. I studied at Gondosuli Elementary School and had a lot of friends to play and share stories with. Gondosuli and Tunggalan Elementary Schools used to be separated, but they have now been merged into Sriharjo Elementary School.

On Saturday morning, we were rocked by an earthquake. I was having breakfast when the earthquake occurred. The chair where I sat moved to the left and right. The movements were slow at the beginning, but later much faster.

I ran out of my house to save myself. I did not have a chance to think about my family members because I was so panic at that time. Fortunately, my family members are safe. I saw houses falling down. I heard people crying because their family members were killed and buried in the debris of their houses. Suddenly, yells of tsunamis were heard. All people ran to the local football field, so did my family. We found that there had been so many people in that field upon our arrival. I also saw corpses lying on the ground. After a while, some people donated foods for us, but I did not feel like to eat. I just thought about my family members. After the situations improved, people went homes and so did my family.

Upon our arrival at our neighborhood in the afternoon, I found that there had been tents erected. It got darker, we all spent the night in the tents. I could not

sleep at the beginning because I was restless and worried about what happened to us on the day. After everybody fell asleep, I finally fell asleep as well. Time passed so quickly. I woke up in the following morning and felt it was just a dream. But, when I wanted to wash up my face to the bathroom, I found that our bathroom had collapsed and it was full of debris. My friends came and invited me to walk around and see our school buildings. We found that our school buildings also collapsed. We were very sad.

When it was announced that our school would soon be opened, we were very happy. However, the teaching and learning activities were held in tents, not in buildings. After waiting for several months, our new school buildings were developed. My friend and me feel very happy to be able to study in school buildings again. We enjoy studying there because there are plenty of friends. Our new school has now got a computer center, library, laboratory and other learning facilities. We can learn a lot of from our new school and all students love and feel comfortable studying at our new school. I thanks to the Almighty God for His blessings to me. **I also expressed my sincere gratitude to Happy Hearts Fund that has helped us to rebuild our school.**

My friends, that is all what I can share about me.

Thank you.



PERU (CHINCHA) – TEACHER

As any other morning, the children attended classes normally at the former school, which was starting to look old as time went by. At 1 p.m. the bell rang announcing the end of another school day. The children, tired and hungry, went home happily without a clue of what would happen later, exactly at 6:40 p.m.

The earthquake was devastating. It destroyed just about every house, especially those made of adobe. We were hit by two continuous violent earthquakes of a magnitude of 8.0, which explains its terrifying effects and how it took away the happiness of families. We lost everything, including the school.

I was not able to see my students during those days as teachers were affected as well. When I could finally come, I saw a heartbreaking scene. Children slept on the streets, and many of them went to the roads to ask for food for their families. Our school collapsed completely and had been looted. We lost furniture, books, and other educational material.

This terrifying scene deeply depressed me. I tried to help with some food and clothes. Unfortunately, our income as teachers limits our help. After one and a half months following the earthquake, we returned to the school. Classes were organized in huts. It was cold and the drizzle would wet the children's notebooks. Many children stopped going to school for various reasons and those who did go ended up with bronchial diseases because of the cold both in homes and school.

The following year we were blessed by the Lord, who guided the steps of the members of Happy Hearts Fund towards our school. Without expecting anything in return

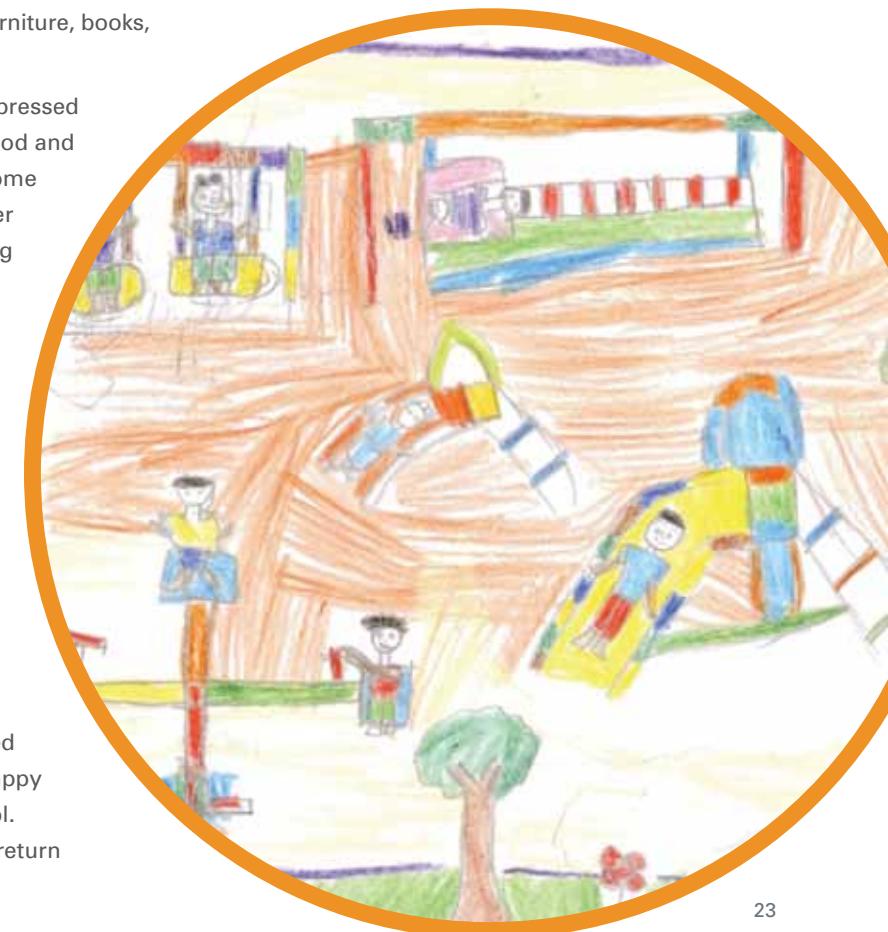
and with a high altruistic spirit, they have made the reconstruction of our school possible. Thanks to this Fund, we have now a beautiful school. Children are happy; they play, learn, and are able to enjoy comforts they never imagined having.

The sorrow and pain was left behind. Our school grows and improves each day and we continue receiving the support of these generous persons. I am very grateful to you for not forgetting us and devoting some of your time to us.

Through your generosity, **you have brought back hope and joy to this small neighborhood and especially to the children.**

Sincerely,

Marleni R. Huayta Sarmiento





“Who suffers the most when natural disasters such as earthquakes, tsunamis, floods, etc strike? The poorest are mainly the vulnerable ones and they get affected the most! This vicious circle continues for generations. The goal of HHF is to give children empowerment and independence through education, technology and sustainability. This will bring them opportunities to change the future for themselves and for generations to come!”

– **Petra Nemcova**, HHF Founder and Executive Chair

“We are very happy and thankful to have this HP computer lab at our school as computers help children learn about new subjects, thanks to the use of internet and educational DVDs, and increase their opportunities to get a good job in the future.”

– **Mr. Supon Changjob**, Director of Wat Pattikaram School, Thailand



Everyone has something to contribute. By coming together and sharing our collective gifts children can once again experience happiness because they have hope. To all of our partners and supporters, thank you!

– **Phillip Caputo**, HHF Executive Director

“Six long years have passed since the Indian Ocean Tsunami. Many more natural and complex emergencies have emerged since then. Will another Tsunami come again? This question is still fresh in the minds of many people who live along the coastal belt of Sri Lanka. For them, HHF together with CTEC brings big relief through the world’s first Community-based Tsunami Early warning system. This system is run by people for people.”

– **Dr Novil Wijesekara**, The Community Tsunami Early-Warning Center (CTEC), Sri Lanka



“Education is essential for children. It gives them dignity and self confidence. It makes them better members of their communities and enables their insertion in society. Education is a key factor of poverty reduction and enhances sustainable development.”

– **Bernhard Lotterer**, CEO AFP Integra, Peru

PRESS



PETRA NEMCOVA: HOW ACCESS TO EDUCATION CAN HEAL THE RAVAGES OF NATURAL DISASTERS

DECEMBER 24, 2009

Special to Dispatch from Petra Nemcova, Founder and Chair, and Phil Caputo, Executive Director, Happy Hearts Fund

Last week, the Happy Hearts Fund launched the Bring Happiness Back! campaign at the United Nations to commemorate the 5th anniversary of the Indian Ocean tsunami, in coordination with the United Nations Office for Partnerships. The campaign shines a much-needed spotlight on both the devastating negative impact that natural disasters have on children and the equally positive multiplier effect that a simple, but smart, intervention of educational resources can have on children and on a community's reconstruction over the long-term.

The Happy Hearts Fund was created in 2006 so it is a relatively new organization but it has already distinguished itself as one of the more innovative and adaptive groups contributing to post-disaster recovery. We attribute much of our success to the Millennium Development Goal framework and the work of the United Nations in general.

MDG Two in particular – Universal Primary Education – has provided our projects and partners with vital reference points and a robust policy framework; and it has informed both our programmatic conceptualization and implementation. We have found over and over again that restoring access to education is one of the most surefire ways to revitalize children's lives and a disaster-ravaged community. While children are at school, parents are able to focus on reconstructing their lives and return to their jobs. To date, HHF has rebuilt schools in eight countries, including, Indonesia, Thailand, Peru, Mexico, Sri Lanka, Haiti, India and Hurricane Katrina-affected areas of the United States. Globally, HHF programs benefit more than 12,000 children and 230,000 community members annually.

Our experience in the field has made us all too aware that there is a substantial gap between immediate relief (i.e. survival needs like

food, water, first aid, etc) and the rebuilding process. Too often, after the TV cameras and the food pallets disappear, the ravaged infrastructure sits unrepaired, and the rebuilding can take anywhere from six to 10 years in developing countries. You can find people living in temporary shelters up to five years after a disaster and, even worse, children suffer multiyear gaps in their education. At HHF, we focus our energies intentionally on that gap, and we are working to move education and school reconstruction higher up on the list of immediate reconstruction and recovery needs.

As we assist in the school rebuilding process, we seek to add as much value as possible. HHF establishes computer labs within its schools, which enhances the quality of education for children while teaching new skills and affording better job opportunities. HHF also incubates and fosters a community-oriented business as a programmatic companion to the new schools, thereby ensuring a long-term funding stream for the maintenance and development of the school, and, by extension, the community. These community-based small enterprises are particularly critical for the project's enduring sustainability and the community's immediate economic reconstruction.

The "Bring Happiness Back!" campaign again is squarely grounded in the overarching framework of MDG Two. The mission of "Bring Happiness Back!" campaign is to help rebuild the lives of children who have been forgotten after natural disasters. The first goal is to raise \$200,000 in two months starting on December 15th for the construction of six of the 40 kindergartens that were destroyed by the September 2009 earthquake in Java, Indonesia. Our staff on the ground reports that children are not getting any help with respect to restoring primary education, and

we are keen to make sure that these children are not left voiceless and forgotten. We are seeking allies, partners and support. We have seen the incredible impact that rebuilding a kindergarten can make in a child's life and a community's recovery, and we want to do as much as we can. Please take a moment to view the short video we have prepared to remind everyone about the power of nature and the even greater power of the human heart! For more information, please visit www.happyheartsfund.org or follow us on Facebook or Twitter.

The Happy Hearts Fund (HHF) empowers children in disaster-affected areas by providing access to education and technology in a sustainable way. HHF initiatives are focused on bridging the gap between emergency post-disaster relief and fully restored infrastructure. For more information, go to www.HappyHeartsFund.org. The image below is of Petra and Phil in front of the school.



Sriharjo School (Before)



Sriharjo School (After)



PRESS continued...

RESTORING THE LIVES OF CHILDREN AFTER NATURAL DISASTERS: HOW YOU CAN BRING HAPPINESS BACK

NOVEMBER 19, 2008

Five years ago on the day after Christmas, Boxing Day as it is known, the world experienced the deadliest tsunami in recorded history. Millions of people's lives were changed utterly and irreparably, and thousands of towns and villages were simply swept away. Nevertheless, the raging force of nature was met with an equally powerful and formidable countervailing force: the compassion of the human heart. After the water returned to the ocean, an avalanche of aid, donations and sympathy was channeled to the affected countries from nations, organizations and individuals around the world.

I was there on that day, and I was one of the lucky few able to go back to my family and the warmth of our home. Unfortunately, millions of others who survived were displaced and their recovery and rebuilding processes were substantially delayed. Four months after the tsunami, I returned to Thailand to see how I could help. I saw families without homes, children without parents and incomprehensible destruction. After seeing children without a single spark of hope in their eyes, I felt the need to do what I could to restore hope and happiness in their lives. And so, with the generous help of others, I established the Happy Hearts Fund (HHF) in 2006. Since then, HHF has expanded, and the hard-working HHF team, led by executive director Phillip Caputo, is now directly helping children in post-disaster areas in eight countries: Haiti, India, Indonesia, Mexico, Peru, Sri Lanka, Thailand, and Hurricane Katrina-affected areas of the United States.

THE
HUFFINGTON
POST

Unlike malaria or polio, we can't work towards a cure for natural disasters or prevent them from ever happening -- but we can restore hope by helping communities get back on their own feet through rebuilding in safe and sustainable ways and creating opportunities for a better future. And that's exactly what the Happy Hearts Fund strives to do. First, HHF identifies adversely affected schools and rebuilds them so that they can withstand future disasters. Secondly, HHF supplies each school with a computer lab and provides needed IT software, hardware and training to ensure every child has the opportunity to receive a better education, experience the world via technology, and learn new, valuable skills.

Finally, HHF ensures sustainability in each project. We establish and incubate a small business -- like a bakery or a similar community-oriented business -- where revenues are used for ongoing school maintenance. That way, HHF ensures its investment will have the financial resources necessary to



maintain the school for years to come, while giving a sense of pride and ownership back to the community. Each year, we help more than 12,000 children and 230,000 community members in disaster-affected areas by giving them the tools they need to rebuild their lives and create a better future for generations to come.

We have seen our schools serve as a stabilizing, restorative force in rebuilding the lives of children and whole communities by bridging the gap between emergency post-disaster relief and fully restored infrastructure. The immediate reconstruction of schools constitutes a key element of relief as it allows children -- who are found to be struck the most by tragedy -- to start the healing and recovery process. It is one of the most surefire ways to rebuild a child's life and revitalize communities. While children are attending classes, parents and community members are able to focus on the return to daily work, which is fundamental to caring for their families and rebuilding devastated economies.

The last five years have been difficult for all tsunami survivors, especially the children. I can't help but think of that 6-year-old child who lost both parents and is still struggling with long-term physical and emotional trauma. That child is now turning 11 years old and is on the cusp of adolescence. How does he process what happened? How can she source the resilience required to believe that the world is still a happy place where we must all give back and help one another?

The work of HHF is not just aspirational do-gooding; it makes good common sense. The world is becoming smaller and more fragile. We need every mind and every pair

of hands to make the planet a more livable, kind and just place to live. For better or worse, our lives are now inextricably entwined with that 11-year-old child, and HHF wants to make sure we are all better for it.

HHF is a relatively young group but it has already distinguished itself as one of the most innovative and adaptive organizations contributing to post-disaster recovery. We are marking the fifth anniversary of the tsunami by launching the "Bring Happiness Back!" campaign, part of which is a short video that we hope will raise awareness about the power of nature to change lives in a moment, and, most importantly, the power of the human heart to bring happiness back.

Whether it be the Boxing Day tsunami, Hurricane Katrina or an earthquake in Peru -- behind every disaster, there are thousands of stories about thousands of forgotten children whose lives have been stopped and changed forever. Our goal is to "Bring Happiness Back!" to the children who are forgotten. As its first goal, the "Bring Happiness Back!" campaign will seek to raise \$200,000 in two months starting December 15 for the reconstruction of six of the 40 kindergartens that were destroyed in Java, Indonesia by the September 2009 earthquake. We have seen the incredible impact that a rebuilt kindergarten or access to a computer can make in a child's life, and we are keen to do more. You can be the one bringing the happiness back to those forgotten children.

Petra Nemcova was in Thailand when the Boxing Day Tsunami struck. She is the founder and chair of the Happy Hearts Fund.

HHF will **CONTINUE EXPANSION** within its current countries and expects to add programs in Mexico.



FUTURE GROWTH

EXTERNAL GROWTH

Finalizing our program blueprint in 2008 has allowed HHF to replicate it, resulting in even more children and community members being benefited.

HHF is on pace to:

- Build between eight to ten schools per year in areas affected by natural disasters
- Complete and open our first business, a bakery in Peru, the revenues of which will sustain the adjacent school

HHF will continue expansion within its current countries and expects to add programs in:

- Mexico

INTERNAL GROWTH

HHF has completed a strategic review and evaluation of our internal structure and has initiated steps towards ensuring capacity at both the board and operational levels. We anticipate the process of internal growth and expansion to continue into 2010.



PARTNERS

A FUNDAMENTAL BELIEF OF HHF IS THAT TOGETHER WE CAN EFFECTUATE SYSTEMIC CHANGE. WE HAVE SEEN FIRSTHAND THE DRAMATIC RESULTS COLLABORATIONS WITH LIKE MINDED PARTNERS CAN HAVE FOR COUNTLESS CHILDREN AND COMMUNITY MEMBERS.

CORPORATE PARTNERS allow us to multiply results without burdening resources. A few examples include:

Continental Airlines

- Enables us to have a presence around the world, giving our programs a personal touch
- Keeps our administrative expenses low so the funding provided by our board can be allocated towards increased human resources

opportunity to leverage 2 to 1 and results in more schools being built and more children benefiting

- Provides HHF with an “in country” presence and the necessary human resources on the ground to manage the day to day operations

- Navigates “the system” of politics and bureaucracy without compromising integrity or cultural relevance

DLA Piper

- As one of the largest international law firms in the world with 3,500 lawyers in more than 65 offices around the world, their pro bono representation of HHF allows for continued program expansion into new countries

Hewlett Packard

- Enriches our schools with technology that allows the children to further their education and creative skills.

- Connects the children in our programs to the outside world and to each other

Integra and ING

- By financially matching all funds HHF allocates to support its programs in Peru, this partnership provides HHF donors the

NGO PARTNERS provide direct contact to the children and community members we are benefiting while ensuring cultural values are being met. A prime example is:

MUM

- Through their Bantul Kindergarten Project (BKP), MUM and HHF have been able to partner and produce remarkable results by completing more than 25 kindergartens for children whose governmental requirements demand certain levels of reading and writing before entrance into primary school is allowed however has not allocated the funding necessary to rebuild the country’s kindergartens.

- Each year our kindergartens are evaluated and “rated” by the government as the top in the entire country

- Strong leadership, the founder, and clear and transparent communication make this a solid partnership that will continue working together for years to come



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AUDIT REPORT/FINANCIALS

ASSETS

	DECEMBER 31
CURRENT ASSETS	2009
Cash and Cash Equivalents	\$2,271,329
Investments, at Market Value	5,220
Prepaid Expenses	2,300
Deposits	4,600
Total Current Assets	\$282,416

LIABILITIES AND NET ASSETS

	DECEMBER 31
LIABILITIES	2009
Accounts Payable and Accrued Expenses	\$108,341
Total Liabilities	\$108,341
NET ASSETS	
Unrestricted	\$2,175,108
Temporarily Restricted	—
Permanently Restricted	—
Total Net Assets	\$2,175,108
Total Liabilities and Net Assets	\$2,283,449

YEAR ENDED DECEMBER 31

	2009
PUBLIC SUPPORT AND REVENUE	
General Contributions	\$143,575
Contributions for Masquerade in Venice Event	2,500
Contributed Services	118,000
Interest and Dividends	18,341
Total Support and Revenue	\$282,416

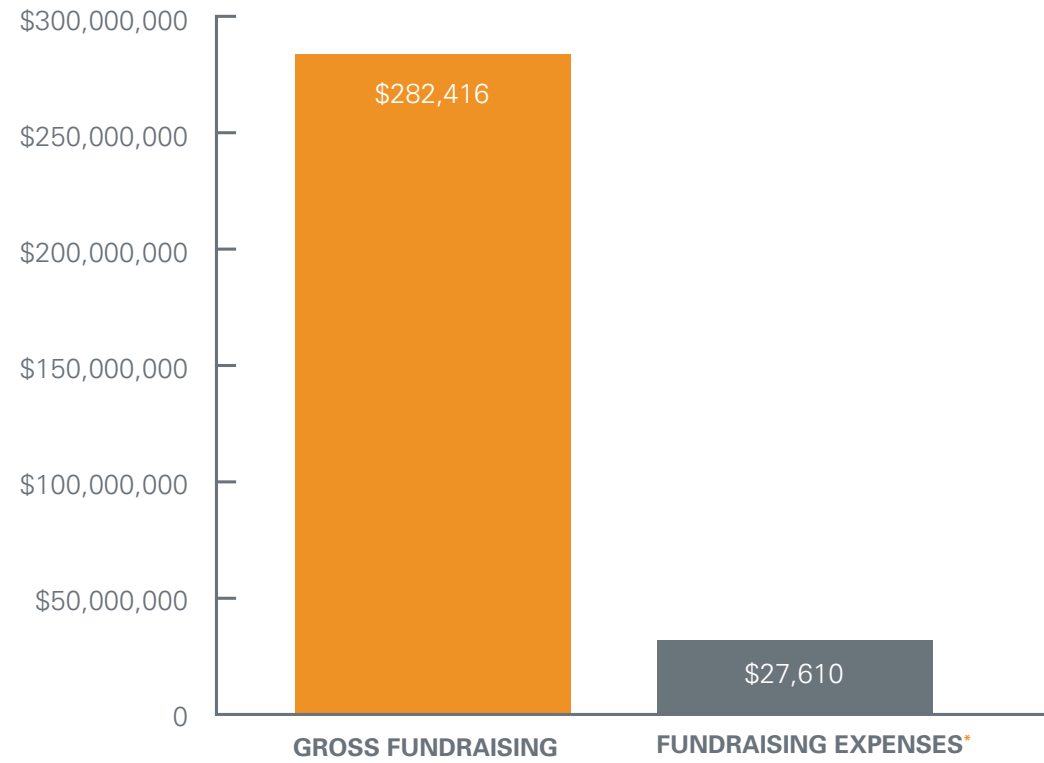
EXPENSES

Program Services	\$1,065,782
Management and General	196,559
Fundraising	27,610
Total Expenses	\$1,289,951

DECREASE IN UNRESTRICTED NET ASSETS BEFORE UNREALIZED GAIN OF INVESTMENTS

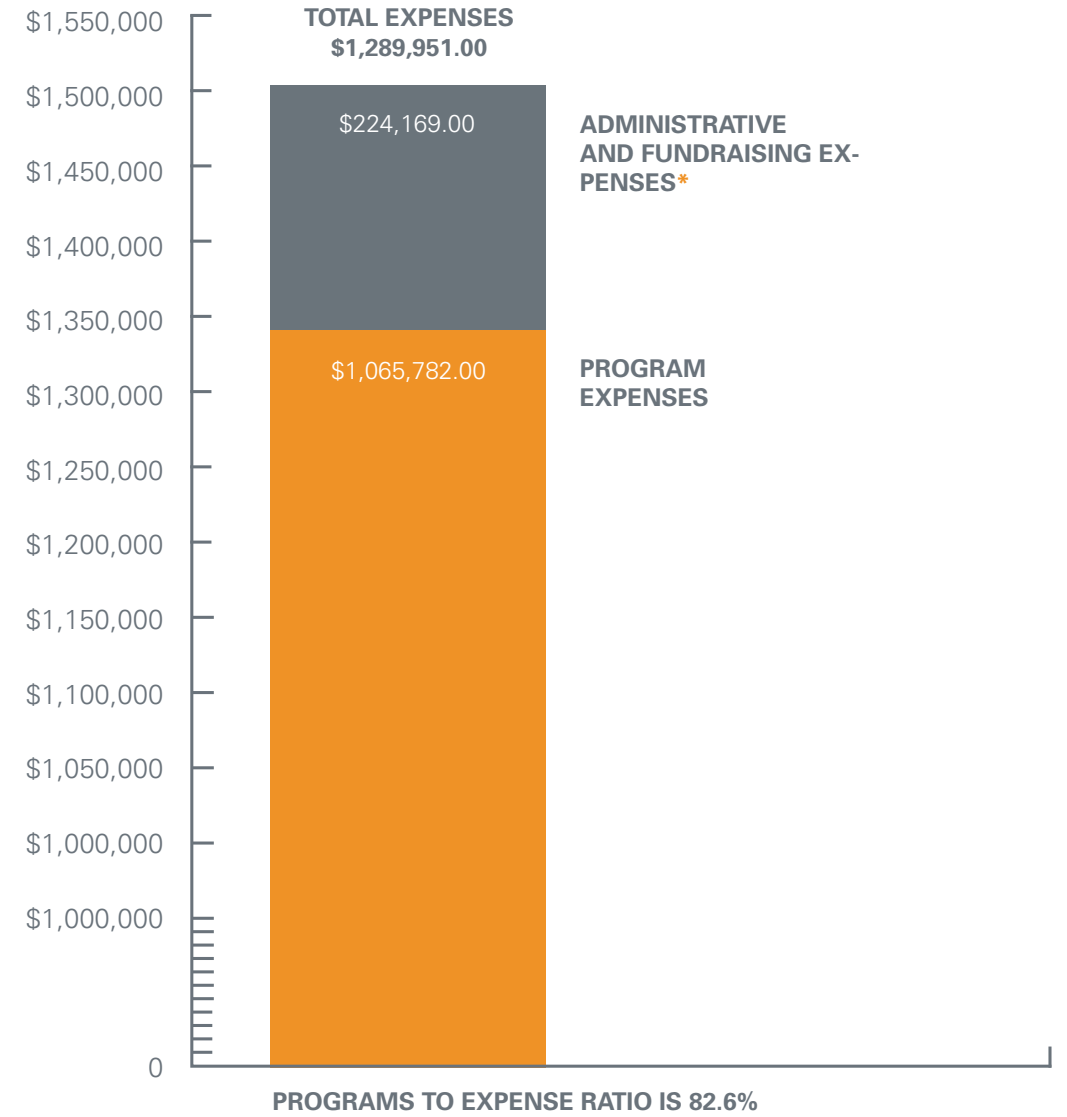
Unrealized Gain on Investments	1,534
Change in Unrestricted Net Assets	\$(1,006,001)

GROSS FUNDRAISING VS. FUNDRAISING EXPENSES 2009

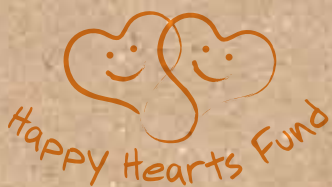


* HHF receives specific donations to underwrite all administrative and fundraising expenses allowing all public donations to support our programs.

PROGRAMS TO EXPENSE RATIO 2009



* HHF receives specific donations to underwrite all administrative and fundraising expenses allowing all public donations to support our programs.



Rebuilding Children's Lives
After Natural Disasters

www.happyheartsfund.org