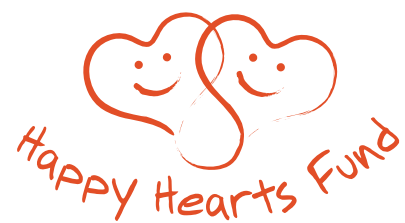


Rebuilding Children's Lives  
After Natural Disasters

# 2008 Annual Report

"Thank you for making us **smile** again!"



Rebuilding Children's Lives  
After Natural Disasters

[www.happyheartsfind.org](http://www.happyheartsfind.org)

## **MISSION:**

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

# FAQ About Natural Disasters

## IS THERE AN INCREASE IN NATURAL DISASTERS?

The total natural disasters reported each year has been steadily increasing in recent decades, from 78 in 1970 to 348 in 2004, according to the EM-DAT (Emergency Events Database). The Center for Research on Epidemiology of Disasters (CRED) suggests that a portion of that increase is artificial. However, about two-thirds of the increase is real and the result of rises in hydro-meteorological disasters. These disasters include droughts, tsunamis, hurricanes, typhoons and floods and have been increasing over the past 25 years.

## WHY ARE NATURAL DISASTERS INCREASING?

Scientists believe the increase in hydro-meteorological disasters is due to a combination of natural and man-made factors. Global warming is increasing the temperatures of the Earth's oceans and atmosphere, leading to more intense storms of all types, including hurricanes. People are also tempting nature with rapid and unplanned urbanization in flood-prone regions, increasing the likelihood that their towns and villages will be affected by flash floods and coastal floods. Nowadays, large land areas are also getting covered with more cement so this means that the flow of water becomes very strong.

## WHAT ARE THE HUMAN AND ECONOMIC LOSSES?

The human and economic losses caused by natural disasters in 2008 were devastating. More than 235,000 people were killed, 214 million people were affected and economic costs were over 190 billion USD. In 2008, 354 natural disasters were recorded, which is less than the 2000-2007 yearly average of 397. However, disaster costs in 2008 were more than twice the 82 billion USD annual average for 2000-2007. Asia remained the most affected continent in 2008 followed by the Americas and Africa. The good news is that the number of deaths from natural disasters has decreased substantially in recent decades thanks to better disaster preparedness and prevention programs. But this statistic is tempered by the fact that more people are being injured, displaced or left homeless.

## HOW ARE CHILDREN AFFECTED BY NATURAL DISASTERS?

More than anyone else, children are the ones suffering the most from the devastating effects of natural disasters. When a disaster occurs, parents struggle to calm the nerves of their injured children, many of whom are inevitably traumatized or in a state of shock. The loss of loved ones and the trauma of going through such terrifying experiences

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

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leave deep emotional scars. Even once the immediate relief operation is over, children still require a lot of assistance. Educational facilities are often destroyed and many children are left with little support, while parents are inevitably involved in cleaning and other recovery activities. As a consequence, children are found to be emotionally struck by the tragedy, and exhibit behavior including crying, fear, and inability to communicate and express their reactions and emotions to the event.

## WHAT STEPS NEED TO BE TAKEN TO HELP CHILDREN RECOVER?

It is vital that the situation of children is monitored to ensure that they are protected from all forms of exploitation and that they continue to enjoy their basic rights, including the right to education. The immediate reconstruction of schools constitutes a key element after a disaster because it allows children to return to a partial state of normality and to replace emotional crises with the joy of being around other children and having a space in which to learn and play at the same time.

## ARE THERE ANY OTHER BENEFITS OF SCHOOL REBUILDING?

Communities also benefit from the reconstruction of schools. While children are attending classes, parents and community members are able to focus on the return to daily work, which will be fundamental to feed their families. The return to work

activities, mainly agricultural ones, also allows communities to rise again and contribute to the rebuilding of a devastated economy.

## HOW IS THE GAP BETWEEN FIRST RESPONSE AND THE REBUILDING PHASE CREATED?

A typical disaster response phase consists of immediate relief, reconstruction and recovery phases. Across these stages, some problems arise over what, when, and how disaster aid is delivered. When disasters occur, Government agencies like firefighters, police officers, or the civil defense are the first ones to arrive but once first emergency is over and the devastating effects are left on the ground, this large-scale "help machine" often seems to suddenly slow down and communities are left with little if not nothing to rise again. The gap between the first response and the rebuilding phase is created. The often high internal debt of many underdeveloped and developing countries forces Governments to look for external help, to international agencies and non-profit foundations' support.

## WHAT IS HAPPENS DURING THE FIRST RESPONSE, RECOVERY AND RECONSTRUCTION PHASES?

The aim of the recovery phase is to restore the affected area to its previous state. It differs from the first response phase in its focus; recovery efforts are concerned with issues and decisions that must be made after immediate needs are addressed. Recovery efforts are also primarily concerned with actions that involve rebuilding destroyed property, re-employment, and the repair of other essential infrastructure. Reconstruction is the final stage of the disaster cycle and communities can take up to 5-6 years to recover, in some cases up to 10 years. Poor communities and minority groups have the most difficulty in returning their lives to normal. It is also necessary to assess whether the reasons for relocation are technically correct before planning to relocate people or entire villages. It is equally important to identify local vulnerabilities and determine how to reduce them in ways that lead to durable solutions by using disaster-proof materials.

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## Happy Hearts Fund Example:

**In Indonesia, among the initial 100,000-200,000 displaced people after the 2006 earthquake, approximately a third were children aged 0 - 17 years while more than 500 schools were damaged. The prompt rebuilding of 33 HHF kindergartens and a primary school with a computer lab in the Bantul region allowed the return of more than 1,934 children to a state of normality and gave surrounding communities the power to rise from the disaster. In Indonesia the disaster-proof plans are approved by the local Government's construction departments, which ensure that the most possible safety is guaranteed when rebuilding structures in disasters-prone areas.**

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## About Happy Hearts Fund

**Happy Hearts Fund** was founded by Petra Nemcova in 2005 and it received its 501(c)3 status in 2006. Nemcova was in Thailand when the Indian Ocean tsunami struck on December 26, 2004 and when she returned four months later, she witnessed families without homes, children without parents and entire communities swept away. Nemcova started to focus on rebuilding children's lives and bringing back hope and opportunities to them. Since its inception, HHF has developed educational and sustainable programs that have improved the lives of children in Thailand, Indonesia, Sri Lanka, Vietnam, Cambodia, Pakistan, Czech Republic, Peru, Haiti, India, Democratic Republic of Congo and New Orleans, USA.

In 2008 Happy Hearts Fund has experienced exponential growth. Program support this year increased nearly 200% as a direct result of our fundraising success. Additionally, HHF was able to leverage corporate and "in country" NGO relationships to serve as both financial and human resource multipliers. This model of fiscal responsibility was also applied to the internal operations of HHF. This year HHF programs have benefited more than 17,000 children and 98,000 community members.

Happy Hearts Fund can proudly state that 100% of all public donations go directly towards supporting programs as all administrative and fundraising expenses are underwritten by the board and special donations.

HHF gives



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**\$1 toward building a future for children affected by natural disasters**

**"The biggest need was to help children!** They weren't looking at you but through you with blank eyes and without hope!"



**HHF is committed to help accomplish the UN's Millennium Development Goals (MDGs).**

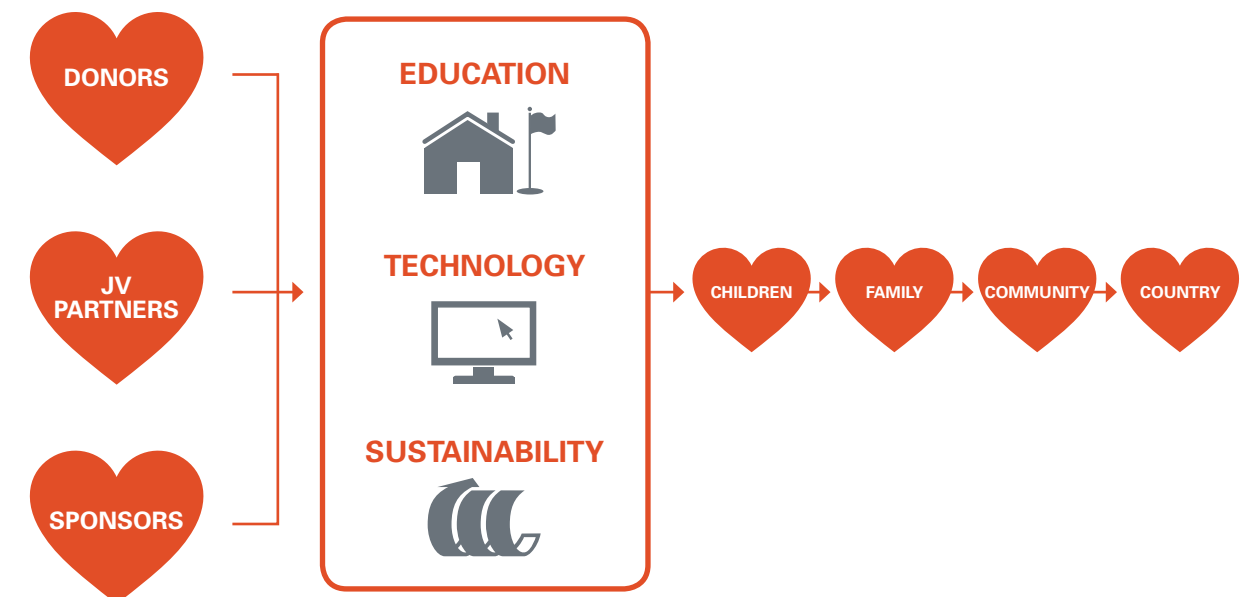




# Happy Hearts Fund Program Structure

In 2008 HHF finalized and began implementation of its program blue print, which contains three key components: Education, Technology and Sustainability.

- 1. EDUCATION** HHF identifies schools in areas adversely affected by natural disasters and builds or rebuilds them, allowing children to start the healing and recovery process. Education and safe educational facilities are the best investments we can make in the effort to overcome and prevent the damaging consequences of natural disasters and poverty.
- 2. TECHNOLOGY** Within each school, HHF establishes a computer lab with the needed IT software, hardware and training in order to create more opportunities for children to have better educational and employment options in their lives.
- 3. SUSTAINABILITY** HHF aims to create independence through its sustainability initiatives. HHF 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.



## 2008 Programs



**PERU** In the spring of 2008, HHF announced a Joint Venture (JV) to help children affected by the 2007 earthquake with **ING PERU/ AFP INTEGRA**, one of the largest financial institutions in the world. As a result of this agreement, ING committed to an investment of up to \$500,000 in the first year and HHF agreed to financially match ING's support. HHF and ING-AFP INTEGRA celebrated the openings of two newly reconstructed schools in the fall of 2008 and one that will open in the spring of 2009. The August 15th 2007 earthquake caused severe damage, particularly in the areas of Pisco, Chincha, Ica, and some areas of Lima. Five hundred nineteen people were killed while 2,180 schools got damaged or destroyed. The JV benefits 1,291 children at the Villa Maria del Triunfo School, 93 children at the Petra Nemcova School, and 77 children at the Bernhard Lotterer School, which were all affected by this devastating earthquake. Having achieved these goals, HHF and ING decided to focus on the construction of more schools and set the goal of rebuilding three natural disaster-affected schools in Peru each year.

All the schools that the JV has rebuilt and will rebuild in Peru are earthquake-proof and equipped with a state of the art computer lab. IBM Peru donated 19 computers and educational software programs in 2008 for the schools located in Lima and the Chincha region. Children attending these schools enjoy the great educational benefits of technology.

HHF is also planning on expanding the collaboration with ING and creating future development programs in other Latin American countries.

**SRI LANKA** The tsunami of December 26, 2004 struck a relatively thin but long coastal area of Sri Lanka stretching over 1,000 kilometers, or two thirds of the country's coastline. The damage stretched from Jaffna in the north down the entire eastern and southern coast, and covered the west coast north of Colombo,

killing over 35,000 people. 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. In addition HHF and HP, in collaboration with the Sarvodaya Shramadana Movement, opened a state of the art computer lab within the Aluthgama Junior School in Bandaragama. The lab is equipped with 13 computers and benefits the 71 children attending the school. Additionally, seven teachers in the school have received valuable IT training and have earned a certificate by the Informal Education Unit of the Ministry of Education, which will be incredibly valuable for their future careers. HHF also funded the construction of a permanent daycare center for 35 children and supported two years of operational costs for the Sunshine Charity in rural Sambalthuru.

**NEW ORLEANS** (USA) The effect of the 2005 Hurricane Katrina on New Orleans was catastrophic and long lasting. Two years later, HHF contributed new computer labs, fully equipped with 157 computers, to the **Andrew Wilson Charter School**, which was renovated and serves 365 children in grades K-5. The commitment for this donation was announced in June 2008 at the Charter Schools National Conference in New Orleans. The donated computers have had a significant impact on raising student achievement at Andrew H. Wilson during the school year. The increased access to technology has provided students with on-line learning opportunities that extend beyond the classroom, support meeting individual student needs, and enhance student engagement and motivation. This has resulted in a gradual closure of the achievement gap between on-level and at-risk students at the school. As students have been successful with their technology learning, their motivation to try harder has grown. Through the improvement in technology skills, children are also able to better compete in their future search for jobs.

## 2008 Programs *(continued)*

**THAILAND** Thailand is the first country where HHF focused its efforts in helping children and communities affected by the 2004 Asian Tsunami. The Tsunami that hit six provinces in the south of Thailand on 26 December 2004 was an unprecedented natural disaster. It devastated more than 400 kilometres of coastline, killing nearly 9,000 people and destroying the livelihoods of some 35,000 families. The immediate effect on children was severe. Thousands died. More than 1,200 lost one or both parents. Thousands more were forced to move to temporary shelters. Over 200 schools serving 50,000 children lost teachers, pupils or buildings.

In response to the Tsunami, HHF built the Chao Thai Mai School, which hosts 150 children from the surrounding Tsunami-affected sea gypsy community. This community has a population of 750 people, many of whom lost their jobs because of the Tsunami. In this same region, HHF also renovated the Wat Pattikaram school for 112 children and established a state of art computer lab with 16 HP computers and IT skilled professionals as well as English teachers that give children the opportunity to improve their technology skills. Both of these schools transformed the community and became the reason why all of these families returned to this area after the Tsunami.

In 2008 HHF also absorbed a program from the NGO 4Kali called **Support-A-Child (SAC)**, which was established to provide support to 145 children affected by the Tsunami and other underprivileged children. One of the objectives of the program is to prevent the institutionalism of vulnerable children by emphasizing kids and family support in order to prevent their post-disaster breakdown. Thanks to the many scholarships, micro-loans and small business developments, some families have started to become self-sufficient, allowing their children to be removed from the program.

**INDIA** HHF contributed to the development of educational opportunities for children in India by supporting a teacher training program for 25 teachers in 20 schools. HHF is collaborating with a non-profit organization called **Absolute Return for Kids (ARK)** in Mumbai initially, with expansion into Delhi and Pune. The program focuses on developing great leaders for the educational sector who will become the next deans for schools in India.

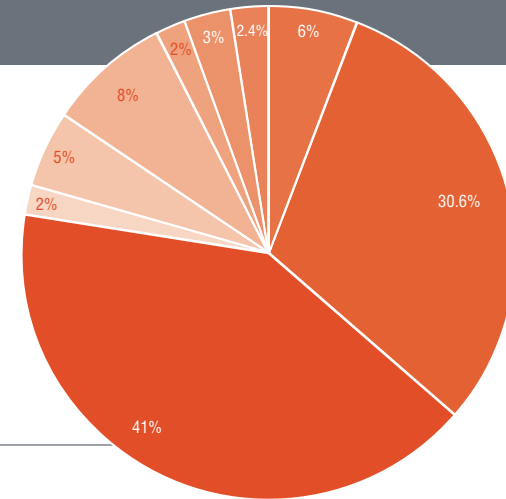
**INDONESIA** HHF, with the help of the **Yayasan Manusia Untuk Masyarakat Foundation (MUM)**, has thus far funded the building of 30 kindergartens and one primary school, which includes a state of the art HP computer lab, in the Bantul region, as well as one kindergarten on the island of Bali. The 30 Kindergartens and primary school were destroyed by the devastating earthquake that struck the island of Java on May 27, 2006, killing 5,800 people and severely damaging or destroying more than 500 schools in the Bantul and Klaten districts. The newly constructed HHF kindergartens are all decorated with colorful murals, bright playgrounds and they provide education to more than 1,500 children. HHF is continuously focusing on the rebuilding of other kindergartens and schools which are still in need in order to spread further knowledge, skills and happiness in this region.

The 2006 Indonesia earthquake **affected more than 500,000 students** in the Bantul region.

## Programs Supported in 2008

■ <b>INDIA</b>	<b>\$937,124</b> (41%)	■ <b>USA</b>	<b>\$68,571</b> (3%)
■ <b>CAMBODIA</b>	<b>\$699,415</b> (30.6%)	■ <b>Expressions of love book project*</b>	<b>\$54,856</b> (2.4%)
■ <b>PERU</b>	<b>\$182,853</b> (8%)	■ <b>THAILAND</b>	<b>\$45,713</b> (2%)
■ <b>CONGO</b>	<b>\$137,140</b> (6%)	■ <b>SRI LANKA</b>	<b>\$45,713</b> (2%)
■ <b>INDONESIA</b>	<b>\$114,283</b> (5%)		

\* Expressions of love is a donor specific book project



**CAMBODIA** Cambodia is one of the poorest countries in the world. HHF provides children with educational support and helps fund the building of shelters, educational facilities and vocational training centers in the city of Phnom Penh.

Since 2007, HHF has supported the Center for Children's Happiness, an organization that provides education, food and housing for 140 children rescued from the Steung Mean Chey landfill in Phnom Penh.

In 2008 Happy Hearts provided major funding to send children from CCH for four consecutive years to good secondary schools, allowing three students to attend the International Baccalaureate programs at Northbridge International School, and 21 students to acquire a high quality Cambodian international education at the Pannasastra International School. In addition, Happy Hearts Fund has provided CCH with needed funding to help with general operating costs for 2008, and has also funded the ongoing English language training for all younger children at the center.

HHF also supported the efforts and success achieved by Somaly Mam, an incredibly strong and focused woman who opened the **Somaly Mam Foundation** in order to rescue young girls from sexual slavery and to educate them through vocational training programs.

**CONGO** HHF celebrated the openings of five schools in the city of Lubumbashi in the Democratic Republic of Congo. These schools have been fully renovated, thanks to the collaboration of the **Amari Foundation** from South Africa and to the support of the **Governor of the Katanga Province**. The educational curricula focuses on using technology to educate on issues such as health improvements (i.e. HIV/AIDS prevention), social values, environmental sustainability, English tutoring, local and world history and other subjects of public interest. HHF donated 350 computers to the schools of Imara, Tvendelee, Kitumaini, Cite de Jeunes, and Kiwele in the city of Lubumbashi, benefiting 8,600 children total. These computer labs are available for teacher training programs and for children's classes.



“Hundreds, and sometimes thousands, of children sing, dance and cheer at each Happy Hearts Fund school opening. **They are celebrating the gift of learning.** We can ALL learn from and celebrate these remarkable children.”

- Phillip Caputo,  
HHF Executive Director



**“Providing technology means providing an incredible window of many opportunities for children** - opportunities of greater educational tools at school, cultural cross-bridging through online learning, and a chance for better future jobs through their new, and often required, computer skills. Our IT partners HP and IBM make it possible for children to be able to open this window and create brighter lives for themselves, their families and their community!”

- Petra Nemcova, HHF Founder and Executive Chair



“What is really certain in times, even in these uncertain times, is that **improving children’s lives through education is really our future.**”

- David Hryck, Partner, DLA Piper



“After natural disasters, children need more love, affection and security because they could otherwise develop behavioral problems. **They have to be supported as soon as possible** to prevent emotional or physical damage.”

- Bernhard Lotterer, CEO AFP Integra

## Happy Hearts Fund Future Growth

**Happy Hearts Fund** is strategically positioned for continued external and internal growth with each happening at an appropriate pace ensuring scope and scalability.

### EXTERNAL GROWTH

Through this year's finalized program blueprint, we will focus on replication and expansion of our program model. HHF will show continued external growth benefiting even more children and community members.

#### HHF will

- Build between four to six schools per year in areas affected by disasters.
- Continue placing computer labs in each school which we build. HHF will work on developing the "Kids Connection" whereby computer labs and the children they serve will be able to communicate and learn from this culturally diverse forum. This will bring numerous educational and cross cultural opportunities for students.
- Work on creating sustainability for the schools, which will take the form of culturally specific businesses that are created through a series of community meetings and market studies. The first planned site is in Peru and will be a bakery where the sales from the bread will be put back into supporting the ongoing maintenance of the school.

### INTERNAL GROWTH

HHF recognizes the extent of our external growth has outpaced our internal capacity and, as a result, HHF has planned a strategic review and evaluation of our internal structure for 2009 to ensure capacity at both the board and operational levels. We will identify and add specific positions to the existing core team resulting in the necessary human resources to sustain our external growth projections.

It is important to note that steps are also being taken to ensure the internal growth will take place systematically and responsibly maintaining the same standards of fiscal responsibility that allow 100% of public donations to support programs.



## Happy Hearts Fund Partners



**CORPORATE PARTNERS** allow us to multiply results without burdening resources.

A few examples include:

### Continental Airlines

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

### DLA Piper

1. 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

### Integra and ING

1. By financially matching all funds HHF allocates to support its programs in Peru, this partnership provides HHF donors the opportunity to leverage 2 to 1 and result in more schools being built and more children benefiting
2. Provides HHF with an “in country” presence and the necessary human resources on the ground to manage the day to day operations
3. Navigates “the system” of politics and bureaucracy without compromising integrity or cultural relevance

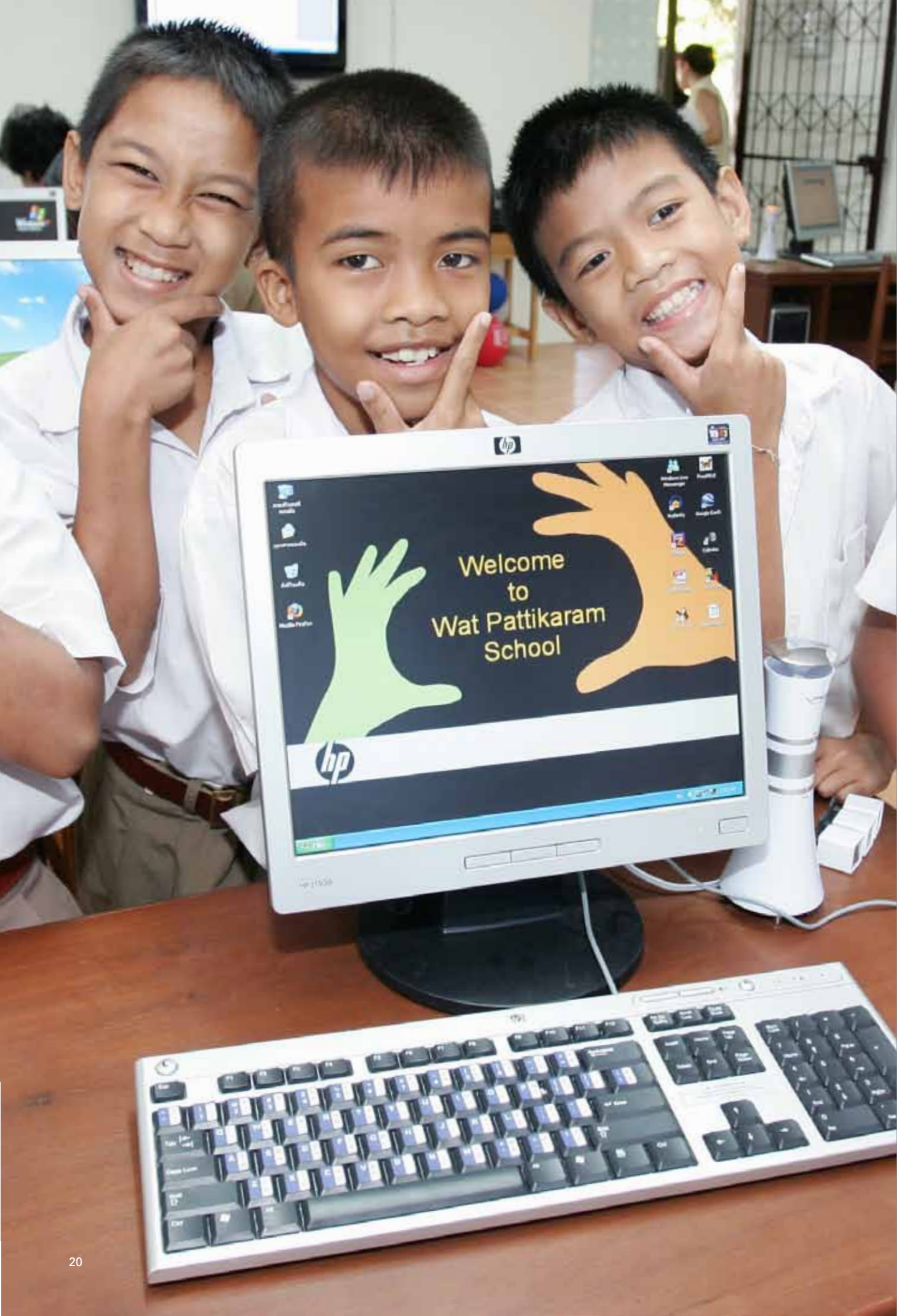
A fundamental belief of HHF is that **together we can effectuate systemic change**. We have seen firsthand the dramatic results collaborations with like minded partners can have for countless children and community members.

**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

1. 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.
2. Each year our kindergartens are evaluated and “rated” by the government as the top in the entire country
3. Strong leadership, the founder, and clear and transparent communication make this a solid partnership that will continue working together for years to come





## Happy Hearts Fund Board of Directors

## Advisory Board Members

**Ben Benson**, Entrepreneur

**Preston Haskell**, Entrepreneur

**Michael Hirtenstein**, Private Investor

**Faith Kates**, President  
Next Model Management

**Jeffrey Levy**, Partner

**Roberts Ritholz Levy Sanders**,  
Chidekel &Fields LLP

**Petra Nemcova**, Founder & President  
Happy Hearts Fund

**Glenn Nordlinger**, Managing Director

The Nordlinger Group

**Russell Simmons**, President &CEO

Rush Communications

**Robin Solomon**, Vice President Trustee Services  
Mt. Sinai Hospital

**Ken Sunshine**, President & CEO  
Sunshine, Sachs & Associates

**David M. Hryck**, Partner  
DLA Piper, US LLP

**Sean Penn**, Actor and Humanitarian

**Lynn Powers**, President  
Chief Executive Officer of North American  
Operations Gaiam, Inc.

**Simon de Pury**, Chairman  
Phillips de Pury & Company

**Benno C. Schmidt, Jr.**,  
Former President of Yale University  
Co-founder, CEO & Chairman of Edison Schools  
Chairman, City University of New York

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HHF TAX ID: 20-5072728

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# Happy Hearts Fund, Inc. Statement of Financial Position

## ASSETS

	DECEMBER 31	
	2008	2009
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$3,229,641	\$2,150,467
Investments, at Market Value	—	99,934
Contributions Receivable	1,167,688	1,128,018
Prepaid Expenses	8,000	—
<b>Total Current Assets</b>	<b>\$4,405,329</b>	<b>\$3,378,419</b>

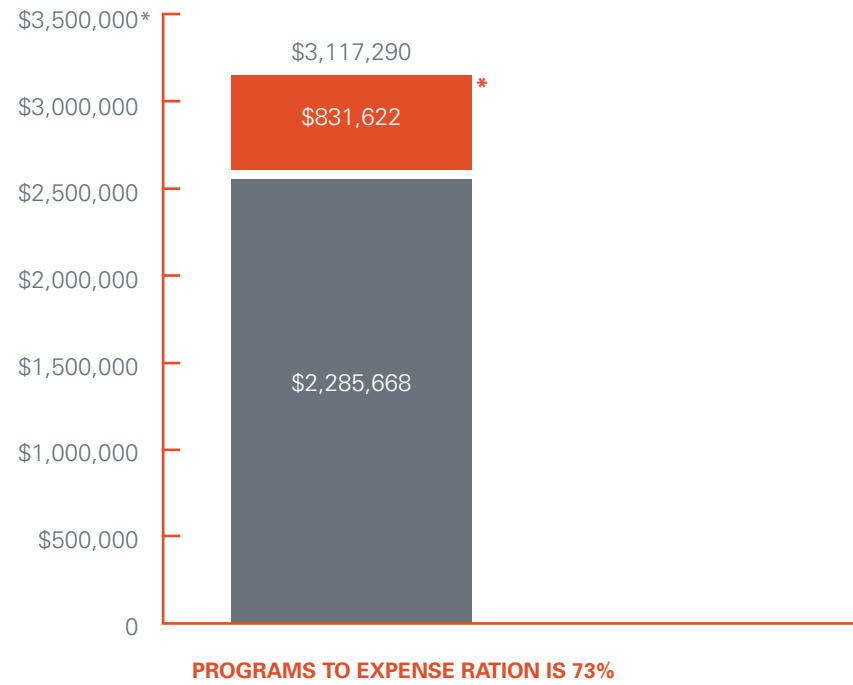
## LIABILITIES AND NET ASSETS

	DECEMBER 31	
	2008	2009
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$73,732	\$36,151
Grant payable	484,300	—
<b>Total Current Liabilities</b>	<b>558,032</b>	<b>36,151</b>
<b>UNRESTRICTED NET ASSETS</b>	<b>3,847,297</b>	<b>3,342,268</b>
<b>Total Liabilities and Net Assets</b>	<b>\$4,405,329</b>	<b>\$3,378,419</b>

# Happy Hearts Fund, Inc. Statement of Activities

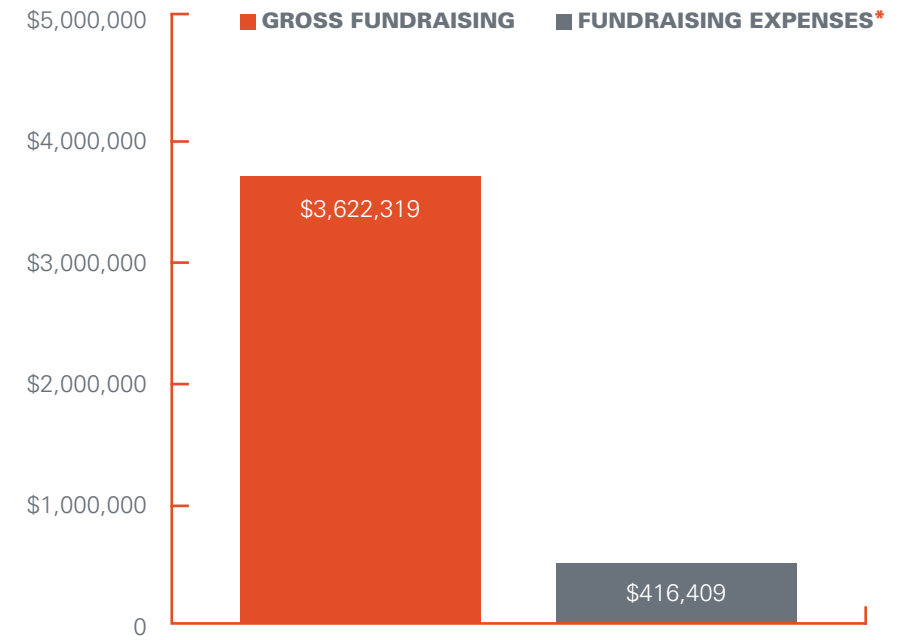
	YEAR ENDED DECEMBER 31	
	2008	2007
<b>PUBLIC SUPPORT AND REVENUE</b>		
General Contributions	\$606,769	\$1,045,199
<i>Contributions for:</i>		
Masquerade in Venice Event, net of direct donor benefit expenses of \$95,709	2,839,761	—
Heart of Gold Ball, net of direct donor benefit expenses of \$108,363 in 2007	110,551	3,368,208
Contributed Services	76,608	64,505
Interest and Other Income	65,238	16,449
<b>Total Support and Revenue</b>	<b>3,698,927</b>	<b>4,494,361</b>
<b>EXPENSES</b>		
Program Services	2,268,921	787,511
Expression of Love	54,726	83,897
<b>Total Program Services</b>	<b>2,323,647</b>	<b>\$871,408</b>
<b>SUPPORTING SERVICES</b>		
Fundraising—Masquerade in Venice	281,144	—
Fundraising—Heart of Gold Ball	135,265	322,940
Management and General	453,842	144,724
<b>Total Supporting Services</b>	<b>870,251</b>	<b>467,664</b>
<b>Total Expenses</b>	<b>3,193,898</b>	<b>1,339,072</b>
<b>Increase in Unrestricted Net Assets Before Change in Value Investments</b>	<b>505,029</b>	<b>3,155,289</b>
<b>CHANGE IN VALUE OF INVESTMENTS</b>	<b>—</b>	<b>59</b>
<b>Increase in Unrestricted Net Assets</b>	<b>505,029</b>	<b>3,155,348</b>
<b>Unrestricted Net Assets, Beginning of Year</b>	<b>3,342,268</b>	<b>186,920</b>
<b>Unrestricted Net Assets, End of Year</b>	<b>\$3,847,297</b>	<b>\$3,342,268</b>

## Programs to Expense Ratio 2008

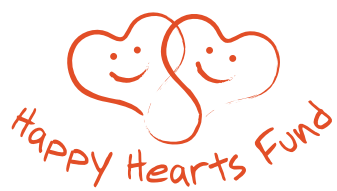


\* HHF receives specific donations to underwrite all administrative and fundraising expenses allowing all public donations to support our programs.

## Gross Fundraising vs. Fundraising Expenses 2008



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



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