KPMG

SAVE THE CHILDREN FEDERATION, INC.

Financial Statements

December 31, 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Save the Children Federation, Inc.:

We have audited the accompanying statement of financial position of Save the Children Federation, Inc. (SCUS) as of December 31, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of SCUS's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative summarized financial information has been derived from SCUS's 2009 financial statements and, in our report dated April 29, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCUS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Save the Children Federation, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

May 6, 2011

SAVE THE CHILDREN FEDERATION, INC.

Statement of Financial Position

December 31, 2010
(with comparative financial information as of December 31, 2009)

(In thousands)

Assets		**2010**	**2009**
Cash and cash equivalents (note 15)	$	95,649	62,579
Grants and contracts receivable (note 15)		45,145	36,962
Contributions receivable, net (note 8)		5,778	5,806
Investments (notes 3 and 4)		118,828	130,421
Inventory (note 2)		17,730	8,083
Prepaid expenses and other assets		11,203	7,932
Assets of pooled income fund and charitable gift annuities (note 4)		2,896	2,830
Land, buildings, and equipment, net (note 9)		15,425	16,702
Loan program fund assets held for others (note 6)		804	800
Beneficial interests in perpetual trusts held by third parties (note 4)		1,663	1,688
Total assets	$	315,121	273,803
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (note 2)	$	27,633	25,984
Deferred revenue (note 15)		96,867	82,881
Severance benefits for foreign national employees		6,437	7,510
Loan program funds due communities (note 6)		804	800
Postretirement benefits other than pensions (note 11)		4,144	4,072
Total liabilities		135,885	121,247
Commitments and contingencies (notes 11, 13, 14, and 15)			
Net assets:			
Unrestricted:			
Undesignated		10,526	12,269
Board designated (note 7)		81,808	73,672
Investment in land, buildings, and equipment		15,425	16,702
Total unrestricted net assets		107,759	102,643
Temporarily restricted (notes 7 and 12)		45,193	32,928
Permanently restricted (notes 7 and 12)		26,284	16,985
Total net assets		179,236	152,556
Total liabilities and net assets	$	315,121	273,803

See accompanying notes to financial statements.

SAVE THE CHILDREN FEDERATION, INC.

Statement of Activities

Year ended December 31, 2010
(with summarized financial information for the year ended December 31, 2009)

(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total	2009 Total
Operating revenue:					
Contributions and private grants	$ 181,083	92,573	—	273,656	194,616
U.S. government grants and contracts (note 15)	159,164	—	—	159,164	138,731
Sponsorships	—	38,823	—	38,823	35,827
Commodities and ocean freight (note 5)	54,899	—	—	54,899	61,724
Fee for service contracts	5,697	—	—	5,697	5,547
Bequests	2,846	154	—	3,000	2,500
Investment return (note 3)	3,728	1,985	—	5,713	5,743
Other	1,512	61	—	1,573	963
	408,929	133,596	—	542,525	445,651
Net assets released from restrictions (note 12)	121,325	(121,325)	—	—	—
Total operating revenue	530,254	12,271	—	542,525	445,651
Operating expenses:					
Program services:					
Program activities (note 17)	452,644	—	—	452,644	400,944
Program development and public policy support	21,646	—	—	21,646	16,811
Total program services	474,290	—	—	474,290	417,755
Supporting services:					
Management and general	23,410	—	—	23,410	21,583
Fund raising	29,467	—	—	29,467	26,319
Total supporting services	52,877	—	—	52,877	47,902
Total operating expenses	527,167	—	—	527,167	465,657
Excess (deficiency) of operating revenue over expenses	3,087	12,271	—	15,358	(20,006)
Nonoperating activities:					
Investment return in excess of spending rate (note 3)	2,096	—	—	2,096	4,903
Foreign currency exchange (loss) gain	(3,192)	—	—	(3,192)	483
Contributions and changes in value of split-interest agreements	3,125	(6)	9,299	12,418	4,530
Total nonoperating activities	2,029	(6)	9,299	11,322	9,916
Increase (decrease) in net assets	5,116	12,265	9,299	26,680	(10,090)
Net assets at beginning of year	102,643	32,928	16,985	152,556	162,646
Net assets at end of year	$ 107,759	45,193	26,284	179,236	152,556

See accompanying notes to financial statements.

SAVE THE CHILDREN FEDERATION, INC.

Statement of Functional Expenses

Year ended December 31, 2010
(with summarized financial information for the year ended December 31, 2009)

(In thousands)

	Program services			Supporting services				
	Program activities (note 17)	**Program development and public policy support**	**Total program services**	**Management and general**	**Fund-raising**	**Total supporting services**	**2010 Total**	**2009 Total**
Salaries	$ 88,249	7,928	96,177	9,100	6,895	15,995	112,172	99,069
Employee fringe benefits	22,023	2,259	24,282	3,063	1,820	4,883	29,165	29,101
Payroll taxes	2,487	525	3,012	521	458	979	3,991	4,039
Total salaries and related expenses	112,759	10,712	123,471	12,684	9,173	21,857	145,328	132,209
Commodities and ocean freight	54,899	—	54,899	—	—	—	54,899	61,724
Grants to other agencies	106,864	520	107,384	1,939	2,471	4,410	111,794	108,219
Professional fees	15,451	1,979	17,430	2,984	2,544	5,528	22,958	16,104
Supplies, materials, etc.	91,847	227	92,074	1,099	326	1,425	93,499	65,564
Other project costs	23,063	10	23,073	—	—	—	23,073	8,657
Telecommunications	3,118	261	3,379	323	619	942	4,321	4,015
Postage and shipping	3,533	55	3,588	42	1,415	1,457	5,045	6,207
Advertising	—	3,929	3,929	290	9,779	10,069	13,998	9,556
Printing	1,940	68	2,008	19	1,873	1,892	3,900	3,859
Occupancy	9,614	1,440	11,054	376	435	811	11,865	11,199
Travel	23,356	1,677	25,033	779	302	1,081	26,114	31,665
Depreciation	1,111	115	1,226	882	373	1,255	2,481	2,971
Other	5,089	653	5,742	1,993	157	2,150	7,892	3,708
Total expenses	$ 452,644	21,646	474,290	23,410	29,467	52,877	527,167	465,657

See accompanying notes to financial statements.

SAVE THE CHILDREN FEDERATION, INC.

Statement of Cash Flows

Year ended December 31, 2010
(with comparative financial information for the year ended December 31, 2009)

(In thousands)

		2010	2009
Cash flows from operating activities:			
Increase (decrease) in net assets	$	26,680	(10,090)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation		2,481	2,971
(Gain) loss on disposal of equipment		(4)	234
Change in gifts-in-kind and other inventory		(6,494)	923
Net appreciation in fair value of investments		(6,314)	(9,549)
Contributions and changes in value of split-interest agreement restricted for long-term investment		(9,299)	(980)
Changes in operating assets and liabilities:			
Grants and contracts receivable		(8,183)	(9,116)
Contributions receivable		28	1,584
Commodities inventory		(3,153)	6,903
Prepaid expenses and other assets		(3,271)	1,205
Accounts payable and accrued liabilities		1,649	960
Deferred revenue		13,986	15,136
Severance benefits for foreign national employees		(1,073)	(482)
Postretirement benefits other than pensions		72	730
Net cash provided by operating activities		7,105	429
Cash flows from investing activities:			
Purchases of land, buildings, and equipment		(1,231)	(3,101)
Proceeds from disposal of equipment		31	34
Purchases of investments		(82,153)	(97,701)
Proceeds from sale of investments		100,060	112,472
Net cash provided by investing activities		16,707	11,704
Cash flows from financing activities:			
Contributions restricted for long-term investment		9,324	711
Change in value of split-interest agreements, net		(66)	(343)
Net cash provided by financing activities		9,258	368
Net increase in cash and cash equivalents		33,070	12,501
Cash and cash equivalents at beginning of year		62,579	50,078
Cash and cash equivalents at end of year	$	95,649	62,579
Supplemental cash flow information:			
Donated gifts-in-kind for pharmaceuticals, books, and other materials	$	39,946	17,728
Commodities without freight		54,205	49,672

See accompanying notes to financial statements.

(1) Organization and Purpose

Save the Children Federation, Inc. (SCUS or the Agency) was established in 1932 and operates as a voluntary, nonsectarian, nonprofit organization in the United States of America and throughout the world providing services for children and community self-help assistance.

SCUS is a member of Save the Children Association (SCA), a Swiss membership organization. SCA currently has 29 independent, autonomous, nonprofit, private voluntary membership organizations that bear the name Save the Children or a related designation (the Members). SCA created Save the Children International (SCI), a United Kingdom based charitable entity, of which SCA is the sole member, and therefore, SCI is effectively a wholly owned subsidiary of SCA (see note 16).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, SCUS's net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. As reflected in the accompanying financial statements and discussed below, SCUS's Board of Trustees has designated a portion of the unrestricted net assets for specific purposes.
- Temporarily restricted net assets – net assets that are subject to donor-imposed restrictions that permit SCUS to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of SCUS.
- Permanently restricted net assets – net assets that are subject to donor-imposed restrictions that they be maintained permanently by SCUS and only the income be used as specified by the donor.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. If an expense is incurred for a purpose for which the temporary restricted net assets are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as release from restrictions in the statement of activities. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

(b) Grants and Contracts

SCUS receives funding under grants and contracts from the government of the United States of America, United Nations agencies, and other grantors, for direct and indirect program costs and to provide certain whole or partial subgrants to other agencies. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs.

Revenue from grants and contracts is recognized only when funds are utilized by SCUS to carry out the activity stipulated in the grant or contract agreement. Grants and contracts receivable represent amounts due from funding organizations for reimbursable expenses incurred. Cash received under grants and contracts in advance of incurring the related expenses is reported as deferred revenue.

(c) Contributions

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenue when received. Contributions receivable are recorded as temporarily restricted net assets after recognizing an allowance for uncollectible contributions and a discount (for those pledges, which will be realized one year beyond the statement of financial position), at a risk adjusted rate, to reflect the net present value based on projected cash flows. Bequest income is recorded when the will has gone through probate, is declared legally valid, and the interests that SCUS has in a decedent's estate are reasonably assured to be received.

Contributions received with donor-imposed conditions are recognized as revenue when the conditions have been substantially met. Amounts received in advance of satisfying the donor-imposed conditions are reported as deferred revenue until the conditions are met.

(d) Donated Services, Commodities, and Gifts-in-Kind (GIK)

Donated services are reported as contributions and expenses in amounts equal to their estimated fair value on the date of receipt. Commodities are received and reported at fair value and recognized as revenue as the commodities are distributed for program purposes. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized.

A substantial number of individuals have donated significant amounts of their time to SCUS's program and supporting functions; however, these services do not meet the criteria for recognition in accordance with U.S. generally accepted accounting principles and, therefore, are not recorded in the accompanying financial statements.

(e) Split-Interest Agreements

SCUS has the following split-interest agreements with donors:

- Charitable Gift Annuities that SCUS manages and invests – These gifts are arrangements between a donor and SCUS in which the donor contributes an asset to SCUS to manage, in exchange for a promise to pay the donor or other third party(ies) identified by the donor, a fixed amount for a specified period of time. SCUS has established a liability for the present value of these future commitments. The liability is calculated annually, and the asset is recorded at fair value. The difference between the fair value of the asset and liability is recorded in the nonoperating section of the statement of activities as contributions and changes in value of split-interest agreements. The remaining asset at the death of a donor reverts to SCUS as unrestricted nonoperating revenue, unless specifically restricted by the donor.

- Irrevocable Charitable Remainder Unitrusts (CRUTs) for which SCUS is not the trustee – CRUTs are reported as contributions receivable and temporarily restricted nonoperating contribution revenue at the present value of the estimated future benefits to be received. Adjustments to the receivable to reflect amortization of the discount and changes in actuarial assumptions are recognized in the nonoperating section of the statement of activities as changes in value of split-interest agreements.
- Pooled Income Funds that SCUS manages and invests – These contributions are accounted for at the fair value of assets to be received discounted for the estimated life of the donor. SCUS recognizes its remainder interest in the assets received as temporarily restricted nonoperating contribution revenue in the period in which the assets are received. The difference between the fair value of the assets and the contribution revenue recognized is recorded as deferred revenue, representing the amount of discount for future interest.
- Perpetual Trusts held and administered by others – Perpetual trusts are recognized as permanently restricted contribution revenue and as an asset at the present value of estimated future cash receipts from the trust assets, which generally has been determined to approximate the fair value of SCUS's portion of the trust assets. Subsequent changes in the value of perpetual trusts are reported as changes in value of split-interest agreements in the nonoperating section of the statement of activities. Income received from the trusts is recorded as unrestricted investment return, unless specifically restricted by the donor.

The liability for the split-interest agreements totals $1,707 and $1,596 for the years ended December 31, 2010 and 2009, respectively, and is included in accounts payable and accrued expenses in the accompanying statement of financial position.

(f) Functional Expenses

SCUS allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated by various statistical bases. Other project costs represent the aggregate of various other program service costs not individually classified in the accompanying statement of functional expenses due to their varying nature and amount from year to year.

Program services are further broken down into program activities and program development and public policy support. Program activities represent the costs associated with the delivery of programs relating to emergencies, education, health and nutrition, child poverty/livelihoods, HIV/AIDs, child protection, and child rights governance. Program development and public policy support relate to the development and technical support of programs and the advocacy efforts in support of the children.

(g) Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

(h) Measure of Operations

SCUS includes in its measure of operations (operating revenue over expenses) all revenue that is an integral part of its programs and supporting activities. The measure of operations includes the investment return equal to SCUS's spending policy and excludes investment returns in excess of or less than the spending policy, increases or decreases in permanently restricted net assets, foreign currency exchange gains/losses, contributions and changes in value of split-interest agreements, bequests in excess of $3,000 and $2,500 for the years ended December 31, 2010 and 2009, respectively, and contributions designated as long-term reserves by SCUS's board of trustees.

(i) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars, the reporting currency, at exchange rates in effect on reporting dates, and revenue and expenses are translated at rates which approximate those in effect on transaction dates. Net transaction and translation gains and losses are included in the accompanying statement of activities in the nonoperating section as foreign currency exchange gain or loss.

(j) Cash and Cash Equivalents

For the purposes of the statement of cash flows, SCUS considers all highly liquid debt instruments purchased with maturities of three months or less, other than those held as part of the investment portfolio, to be cash equivalents.

(k) Investments

SCUS's investments consist of public equities, private equities, alternative strategies, fixed income, real assets, and cash equivalents held for reinvestment. Public equities include mutual funds, common collective trust funds, and hedge funds. Alternative strategies include hedge funds. Fixed income includes mutual funds, corporate bonds, common collective trust funds, and government securities. Real assets include a real estate investment trust fund. Alternative investments, which include hedge funds, real assets, common collective trust funds, and private equities, are reported at net asset value, as a practical expedient for estimated fair value, as provided by the investment managers of the respective funds. All other investments are stated at fair value based upon active markets.

SCUS separates the investment portfolio into the following categories: public equity, private equity, alternative strategies, fixed income, real assets, and cash equivalents.

The public equity category comprises investment strategies that invest principally in publicly traded equity securities. These strategies are generally designed with reference to a benchmark that itself comprises equity securities that are traded on a recognized exchange. Public equities may include hedge funds whose investment objectives are benchmarked to equity markets.

The private equity category comprises investment strategies that invest principally in privately issued equity-related securities. This category includes strategies that participate in venture capital, leveraged buyout, mezzanine, and control-oriented distressed situations.

The alternative (diversified hedge) strategies category comprises strategies that seek to generate return streams that are not highly correlated to broad capital markets and that rely less on the general direction of capital markets to produce positive returns. These strategies may take a variety of forms including long or short positions in the public equity or credit markets that seek to capitalize on perceived mispricing or on the anticipated outcome of an “event,” such as a merger or bankruptcy proceeding.

The fixed income category comprises strategies that invest principally in debt instruments issued by governments, companies, municipalities, or through the securitization of certain types of collateral.

The real assets category comprises strategies that invest in “real assets,” or securities relating to real estate, the natural resources/energy industries, and commodities. These strategies may take a variety of forms including public equity positions in natural resource related securities, private positions in real estate, and derivative positions in the commodities futures markets.

The public equity segments are intended to provide long-term growth and offer high expected real returns and liquidity. Private equity may provide even higher return potential by focusing on opportunities in less efficient and more illiquid markets. Alternative strategies (Long/Short Equity and Absolute Return) are employed to offer market comparable returns with lower expected volatility. Fixed income provides stability and protection in deflationary environments. Real assets provide the portfolio with a diversified hedge against inflation as well as a yield component. Lastly, cash and cash equivalents provide short-term liquidity and serves as a funding source for distributions and rebalancing.

SCUS records purchases and sales of securities on a trade-date basis. Realized gains and losses are determined on the basis of average cost of securities sold and are reflected in the statement of activities. Dividend income is recorded on the ex-dividend date, and interest income is recorded on an accrual basis.

(l) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. generally accepted accounting principles require SCUS to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

SCUS follows the provisions of Accounting Standards Update 2009-12, *Fair Value Measurement and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. This guidance allows, as a practical expedient, for the estimation of fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent as reported by the investment managers.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of SCUS's interest therein, its classification in Level 2 or 3 is based on SCUS's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term (within 90 days), the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(m) Fair Value of Financial Instruments

The carrying value of cash equivalents, receivables, payables, deferred revenue, and loan program fund assets and liabilities approximates fair values as of December 31, 2010 and 2009, due to the relative short maturities of these instruments.

(n) Inventory (Commodities and GIK)

Commodities and GIK in-transit and on-hand in warehouses at year-end are reported as inventory. During 2010 and 2009, SCUS received GIK pharmaceutical vitamins to be distributed in its School, Health, and Nutrition programs. In addition, in 2010, SCUS received program supplies to respond to the Haiti and Pakistan emergencies. The GIK inventory as of December 31, 2010 and 2009 was $9,112 and $2,625, respectively, of such pharmaceutical vitamins and program supplies to be distributed in the future. The commodities inventory was $8,543 and $5,390, respectively, and all other inventory was $75 and $68, respectively. Inventory is valued on a first-in, first-out basis.

(Amounts in thousands)

(o) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or fair value on date of contribution. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Capitalizable costs incurred in connection with ongoing capital projects are recorded as capital projects in progress. These costs will be reclassified into their proper building and equipment categories and depreciated once placed in service.

SCUS has adopted a policy of applying a time restriction that expires over the useful life of long-lived assets acquired, donated, or constructed with contributions restricted for that purpose and, therefore, releases amounts from temporarily restricted net assets equal to the current year's depreciation expense of fixed assets built, donated, or constructed with temporarily restricted contributions. The remaining balances in temporarily restricted balances were $129 and $719 as of December 31, 2010 and 2009, respectively.

The estimated useful lives by asset class are as follows:

	Years
Buildings	25 – 50
Buildings improvements	10
Vehicles	5
Furniture and office equipment	5
Computer hardware/software	3 – 5

(p) Tax Status

The Internal Revenue Service has ruled that, pursuant to Section 501(c)(3) of the Internal Revenue Code (the Code), SCUS is exempt from federal income taxes and is a publicly supported organization, as defined in Section 509(a)(1) of the Code. As a not-for-profit organization, SCUS is also exempt from state and local income taxes.

SCUS follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes* (ASC 740), related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. SCUS believes it has taken no significant uncertain tax positions.

(Amounts in thousands)

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include fair value of alternative investments, net realizable value of contributions receivable, postretirement benefits other than pensions, depreciation, and functional expense allocations. Actual results could differ from those estimates.

(r) Presentation of Certain Prior Year Information

The financial statements include certain prior year summarized information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with SCUS's financial statements for the year ended December 31, 2009 from which the summarized information was derived.

(3) Investments

Investments consisted of the following at December 31, 2010 and 2009:

	Fair value	
	2010	**2009**
Public equity	$ 44,627	37,022
Private equity	2,927	3,678
Alternative strategies	17,666	13,930
Fixed income	25,755	29,485
Real assets	36	288
Cash equivalents	27,817	46,018
	$ 118,828	130,421

SCUS is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. Unfunded commitments as of December 31, 2010 were not material.

In addition to the 5% total return spending rate established by SCUS's Board of Trustees (see note 7), SCUS expends interest earnings on cash and cash equivalents that are not part of the long-term investment portfolio in the current year.

(Amounts in thousands)

The following summarizes total investment return and its classification in the accompanying statement of activities for the years ended December 31, 2010 and 2009:

		2010		
		Unrestricted	**Temporarily restricted**	**Total**
Dividends and interest, net of investment management fees of $571	$	1,207	288	1,495
Net appreciation on investments		4,617	1,697	6,314
Total return		5,824	1,985	7,809
Appropriated for operations		(3,728)	(1,985)	(5,713)
Nonoperating investment return in excess of spending rate	$	2,096	—	2,096

		2009		
		Unrestricted	**Temporarily restricted**	**Total**
Dividends and interest, net of investment management fees of $391	$	987	110	1,097
Net appreciation on investments		8,228	1,321	9,549
Total return		9,215	1,431	10,646
Appropriated for operations		(4,312)	(1,431)	(5,743)
Nonoperating investment return in excess of spending rate	$	4,903	—	4,903

(Amounts in thousands)

(4) Fair Value Measurements

The following tables present the assets and liabilities carried at fair value on the statements of financial position as of December 31, 2010 and 2009.

	2010			
	Assets and liabilities at fair value			
	Quoted prices (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Investments:				
Public equity:				
Domestic mutual funds	$ 13,875	—	—	13,875
Common collective trust fund	—	12,183	—	12,183
Hedge funds	—	18,569	—	18,569
Private equity	—	—	2,927	2,927
Alternative strategies:				
Hedge funds	—	—	17,666	17,666
Fixed income:				
Domestic mutual funds	9,032	—	—	9,032
Domestic corporate bonds	—	3,265	—	3,265
Common collective trust fund	—	5,227	—	5,227
Domestic government securities	7,945	286	—	8,231
Real assets:				
Real estate investment trust	—	—	36	36
Cash equivalents	17,768	10,049	—	27,817
Total investments	$ 48,620	49,579	20,629	118,828

SAVE THE CHILDREN FEDERATION, INC.

Notes to Financial Statements

December 31, 2010
(with summarized financial information as of and for the
year ended December 31, 2009)

(Amounts in thousands)

			2010		
			Assets and liabilities at fair value		
		Quoted prices (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets of pooled income fund (PIF) and charitable gift annuities (CGA):					
Public equity:					
Domestic mutual funds	$	275	—	—	275
Domestic common collective trust fund (transfer from level 1 to level 2)		—	1,003	—	1,003
International common collective trust fund (transfer from level 1 to level 2)		—	306	—	306
Fixed income:					
Common collective trust fund (transfer from level 1 to level 2)		—	1,221	—	1,221
Domestic government securities		—	67	—	67
Cash equivalents		24	—	—	24
Total assets of PIF and CGA	$	299	2,597	—	2,896
Beneficial interests in perpetual trusts held by third parties	$	—	—	1,663	1,663

(Amounts in thousands)

	2009			
	Assets and liabilities at fair value			
	Quoted prices (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Investments:				
Public equity:				
Domestic mutual funds	$ 10,060	—	—	10,060
Common collective trust fund	—	10,831	—	10,831
Hedge funds	—	16,131	—	16,131
Private equity	—	—	3,678	3,678
Alternative strategies:				
Hedge funds	—	—	13,930	13,930
Fixed income:				
Domestic mutual funds	10,839	—	—	10,839
Domestic corporate bonds	—	15,580	—	15,580
Municipal bonds	—	251	—	251
International corporate bonds	—	795	—	795
Domestic government securities	—	2,020	—	2,020
Real assets:				
Real estate investment trust	—	—	288	288
Cash equivalents	32,783	13,235	—	46,018
Total investments	$ 53,682	58,843	17,896	130,421

(Amounts in thousands)

	2009			
	Assets and liabilities at fair value			
	Quoted prices (level 1)	**Other significant observable inputs (level 2)**	**Significant unobservable inputs (level 3)**	**Total**
Assets of pooled income fund (PIF) and charitable gift annuities (CGA):				
Public equity:				
Domestic equities	$ 273	—	—	273
International equities	97	—	—	97
Domestic common collective trust fund	983	—	—	983
International common collective trust fund	201	—	—	201
Fixed income:				
Common collective trust	1,173	—	—	1,173
Domestic government securities	—	62	—	62
Cash equivalents	41	—	—	41
Total assets of PIF and CGA	$ 2,768	62	—	2,830
Beneficial interests in perpetual trusts held by third parties	$ —	—	1,688	1,688

(Amounts in thousands)

The following table includes a rollforward of the amounts for the years ended December 31, 2010 and 2009 for financial instruments classified within Level 3.

	Level 3 assets at fair value					
	Private equity	Public equity	Alternative strategies	Real assets	Perpetual trusts	Total
Balance, January 1, 2009	$ 3,800	5,834	7,966	1,393	1,419	20,412
Transfers from level 3 to level 2	—	(5,834)	—	—	—	(5,834)
Purchases	—	—	8,002	—	—	8,002
Sales	—	—	(4,000)	—	—	(4,000)
Fees	—	—	(86)	—	—	(86)
Net (depreciation) appreciation	(122)	—	2,048	(1,105)	269	1,090
Balance, December 31, 2009	3,678	—	13,930	288	1,688	19,584
Purchases	—	—	3,000	—	—	3,000
Sales	(994)	—	(365)	—	—	(1,359)
Fees	(90)	—	(138)	—	—	(228)
Net (depreciation) appreciation	333	—	1,239	(252)	(25)	1,295
Balance, December 31, 2010	$ 2,927	—	17,666	36	1,663	22,292

Unrealized (losses) gains amounted to $(291) and $21 for 2010 and 2009, respectively, related to Level 3 assets held at December 31, and is reflected in investment return in the accompanying statement of activities.

SCUS's alternative investments contain various daily, monthly, quarterly, and annual redemption restrictions with required written notice ranging from 1 to 65 days. In addition, certain of these investments are restricted by initial lock-up periods. As of December 31, 2010 and 2009, the following table summarizes the composition of such investments by the various redemption and lock-up provisions.

Redemption period	Days notice for redemption	Amount 2010	Amount 2009
Daily: Public Equity – Common collective trust fund	1	$ 12,183	10,831
Monthly: Fixed Income – Common collective trust fund	10	5,227	—
Quarterly: Public equity – Hedge funds	30 – 65	18,569	16,131
Lock-up (a): Private equity	Not applicable	2,927	3,678
Lock-up (a): Real assets – Real estate investment trust	Not applicable	36	288
Lock-up (a): Alternative strategies – Hedge funds	Not applicable	17,666	13,930
Total		$ 56,608	44,858

(Amounts in thousands)

(a) The amount subject to redemption lock-up is set to expire as follows:

Fiscal year		Amount
2011: Alternative strategies – Hedge funds	$	12,501
2012: Alternative strategies – Hedge funds		5,165
2014: Real assets – Real estate investment trust		36
2015: Private equity		2,927
Total	$	20,629

(5) Commodities and Ocean Freight

During the years ended December 31, 2010 and 2009, SCUS was granted and distributed certain agricultural commodities under famine relief contracts with the U.S. government. These commodities and related ocean freight services, which amounted to $26,928 and $30,589, respectively, were recorded as revenue and program expense in the accompanying statement of activities. SCUS also received and distributed commodities under contract with the World Food Program. These commodities and related ocean freight, which amounted to $27,971 and $31,135 for the years ended December 31, 2010 and 2009, respectively, were also recorded as revenue and program expense in the accompanying statement of activities.

(6) Loan Program Fund Assets Held for Others

SCUS currently manages, on behalf of certain communities, a number of loan programs that have been funded primarily by the U.S. Agency for International Development. Pursuant to this program, SCUS holds cash for certain constituent community organizations that provide loans to various indigent people concerning child welfare issues.

(7) Endowments

The SCUS endowment consists of 88 individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

SCUS is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Board of Trustees of SCUS has interpreted Connecticut's version of UPMIFA (CUPMIFA) as requiring the preservation of 50% of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SCUS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees of SCUS in a manner consistent with the standard of prudence prescribed by CUPMIFA. In accordance with CUPMIFA, SCUS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of SCUS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of SCUS
- The investment policies of SCUS

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CUPMIFA requires SCUS to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were $887 and $1,036 as of December 31, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

(c) Return Objectives and Risk Parameters

SCUS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SCUS must hold in perpetuity or for donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term while shouldering an acceptable level of risk and maintaining adequate liquidity. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, SCUS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SCUS targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The policy governing the investment of SCUS's endowment is twofold: to provide a reasonable and prudent level of currently expendable income in accordance with the spending policy set by the Finance and Administration Committee of SCUS's Board of Trustees (5% of the endowment's moving average fair value over the prior 24 months as of June 30 of the previous fiscal year in which distribution is planned); and to support SCUS and its mission over the long term by ensuring that the future growth of the endowment is sufficient to offset normal inflation plus reasonable spending, thereby preserving the constant dollar value and purchasing power of the endowment for the benefit of future generations of children in need.

Prior to April 29, 2009, no spending was allocated from any donor-restricted endowment that had a value below its historic value. The Finance and Administration Committee on April 29, 2009, after consideration of the factors provided in CUPMIFA, approved a policy for 2009 and forward that absent donor-imposed directions, that it is prudent given the current market climate to apply the current spending policy to below historic value funds until funds hit the threshold of 50% of historic value.

(Amounts in thousands)

At December 31, 2010 and 2009, endowment net assets, excluding beneficial interests in perpetual trusts held by third parties, consist of the following:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$ (887)	2,023	24,621	25,757
Board-designated funds	81,808	—	—	81,808
Total endowments	$ 80,921	2,023	24,621	107,565

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$ (1,036)	1,401	15,297	15,662
Board-designated funds	73,672	—	—	73,672
Total endowments	$ 72,636	1,401	15,297	89,334

(Amounts in thousands)

Changes in endowment net assets for the years ended December 31, 2010 and 2009 consisted of the following:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2009	$ 51,883	1,424	14,586	67,893
Investment return:				
Investment income	411	10	—	421
Net appreciation (realized and unrealized)	5,715	125	—	5,840
Total investment gain	6,126	135	—	6,261
Contributions	3,503	—	711	4,214
Spending rate	(3,067)	(53)	—	(3,120)
Appropriation for expenditure	—	(105)	—	(105)
Transfers to create board-designated endowment funds	14,191	—	—	14,191
Endowment net assets, December 31, 2009	72,636	1,401	15,297	89,334
Investment return:				
Investment income	602	110	—	712
Net appreciation (realized and unrealized)	4,654	1,337	—	5,991
Total investment gain	5,256	1,447	—	6,703
Contributions	6,641	26	9,324	15,991
Spending rate	(3,612)	(765)	—	(4,377)
Appropriation for expenditure	—	(86)	—	(86)
Endowment net assets, December 31, 2010	$ 80,921	2,023	24,621	107,565

(Amounts in thousands)

(8) Contributions Receivable, Net

Contributions receivable consisted of the following as of December 31, 2010 and 2009:

		2010	2009
Pledges receivable:			
Due within one year	$	3,431	2,624
Due within two to five years		383	515
Due beyond five years		85	91
		3,899	3,230
Less discount to present value at rates ranging between 1.4% and 4.0%		(73)	(94)
Pledges receivable, net		3,826	3,136
Charitable remainder unitrusts receivable, at fair value		1,028	962
Bequests receivable		924	1,708
Total contributions receivable, net	$	5,778	5,806

(9) Land, Buildings, and Equipment, Net

Land, buildings, and equipment consisted of the following as of December 31, 2010 and 2009:

		2010	2009
Land	$	1,027	1,027
Buildings and improvements		13,155	13,155
Furniture and equipment		18,512	18,063
		32,694	32,245
Accumulated depreciation		(20,875)	(18,803)
Systems building capitalized costs in progress		3,606	3,260
Total land, buildings, and equipment, net	$	15,425	16,702

(Continued)

(10) Pension Plans

SCUS maintained three defined contribution plans (Diversified, Prudential, and Fidelity-UK for U.S. citizens, terminated staff, and Third Country Nationals, respectively) covering all eligible employees in 2009. On January 4, 2010, most active U.S. citizen employees' plan accounts were transferred to Fidelity-U.S. from Diversified. The plans require SCUS to contribute 4% of each eligible employee's compensation and match 100% of the first 4% contributed by each eligible employee. During the years ended December 31, 2010 and 2009, SCUS's total pension expense under the defined contribution plan was $3,094 and $3,213, respectively.

(11) Postretirement Benefits Other than Pensions

In addition to providing pension benefits, SCUS provides healthcare benefits for certain retired employees. To be eligible for these benefits, employees must complete at least 10 years of service with SCUS and have reached age 55. SCUS also provides dental, life, and accidental death and dismemberment benefits for participants who retired before October 1, 1995. SCUS accrues the expected cost of providing postretirement benefits to employees and their beneficiaries and covered dependents, if applicable, during the years that the employees render service. The special termination benefits of $513 in 2009 represented the postretirement benefit obligation associated with the employees who were eligible and participated in the voluntary early retirement program offered in the fall of 2009.

(Amounts in thousands)

The following tables set forth SCUS's amounts relating to postretirement benefits other than pensions recognized as of and for the years ended December 31, 2010 and 2009:

		2010	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	$	4,072	3,342
Service cost		155	200
Interest cost		207	197
Plan participants' contributions		169	149
Special termination benefits		—	513
Actuarial (gain) loss		(313)	80
Benefits paid		(146)	(409)
Benefit obligation at end of year		4,144	4,072
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
SCUS contribution		(23)	260
Plan participant contributions		169	149
Benefits paid		(146)	(409)
Fair value of plan assets at end of year		—	—
Postretirement benefits other than pensions liability	$	4,144	4,072
Components of net periodic benefit cost:			
Service cost	$	155	200
Interest cost		207	197
Amortization of prior service cost		(12)	(12)
Net periodic benefit cost before special termination benefits		350	385
Special termination benefits		—	513
Net periodic benefit cost	$	350	898

(Amounts in thousands)

		2010	2009
Assumption used for obligations as of December 31, 2010 and 2009:			
Discount rate		4.80%	5.35%
Assumptions used for benefit cost for the years ended December 31, 2010 and 2009:			
Discount rate		5.35%	6.15%
Amounts not yet recognized as a component of net periodic benefit cost as of December 31, 2010 and 2009:			
Net actuarial gain	$	(480)	(167)
Prior service credit		(45)	(57)
Total	$	(525)	(224)

		2010	2009
The components of postretirement benefit cost other than net periodic benefit cost for the years ended December 31, 2010 and 2009, reported in fringe benefit expenses:			
Net actuarial (gain) loss	$	(313)	80
Amortization of prior service cost		12	12
Total	$	(301)	92
Amounts expected to be recognized as components of net periodic benefit cost in 2011:			
Amortization of gain	$	(6)	
Amortization of prior service cost		(12)	
Total	$	(18)	

The following future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year		Amount
2011	$	407
2012		395
2013		385
2014		400
2015		380
2016 – 2020		1,785

(Amounts in thousands)

The basis for claims costs are future payable medical claims (before administrative expenses) projected from current levels based on the medical trend rate. Current claims levels vary by age and sex, and are modeled based on the plan provisions and actual retiree claims history. SCUS utilizes the RP 2000 White Collar Mortality Tables projected to 2017. The turnover is based on a three-year select and ultimate table. The medical trend rates do not affect the employer liabilities because of the employer cap effective January 1, 2001 (i.e., retirees pay for cost increases after that time).

SCUS has not identified any provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act that would be expected to have a significant impact on the measured obligation at December 31, 2010 and 2009.

(12) Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the years ended December 31, 2010 and 2009:

		2010	2009
Asia Programs	$	2,816	4,177
Middle East/Eurasia Programs		734	251
Africa Programs		2,882	2,297
Latin America/Caribbean Programs		5,522	1,841
U.S. Programs		11,990	10,597
International Programs including match		3,217	2,114
Sector/Thematic Programs (Emergency, Education, Health, etc.)		3,795	3,330
GIK Programs		9,236	3,707
HQ Sponsorship Programs		354	48
Other HQ Programs		54	268
Silver funds		2,016	981
Split-interest agreements		1,478	1,457
Donor-restricted for future periods		509	1,215
Individual temporary restricted Planned Giving funds		590	645
	$	45,193	32,928

(Amounts in thousands)

Temporarily restricted net assets released from restrictions for the years ended December 31, 2010 and 2009 were satisfied by incurring expenses for the restricted purposes specified by the donors as follows:

		2010	2009
Asia Programs	$	14,436	26,267
Middle East/Eurasia Programs		2,395	3,402
Africa Programs		9,182	9,421
Latin America/Caribbean Programs		25,799	6,994
U.S. Programs		7,161	9,019
International Programs including match		3,253	4,197
Sector/Thematic Programs (Emergency, Education, Health, etc.)		2,952	2,576
GIK Programs		34,417	19,221
HQ Sponsorship Programs		13,898	14,193
Other HQ Programs		1,283	257
Split-interest agreements		28	—
Donor-restricted for future periods		54	—
Supporting services		6,467	4,304
Total	$	121,325	99,851

Permanently restricted net assets at December 31, 2010 and 2009 included $24,621 and $15,297 of permanent endowment funds and $1,663 and $1,688 of beneficial interests in perpetual trusts held by third parties, respectively. The income is expendable primarily to support donor-specified purposes such as emergency relief and scholarships.

(13) Lease Commitments

The following is a schedule of the minimum future lease commitments for operating leases having initial or remaining noncancelable lease terms greater than one year as of December 31, 2010:

		Amount
Year:		
2011	$	5,601
2012		3,422
2013		2,640
2014		2,358
2015		2,380
Thereafter		9,189
	$	25,590

Rent expense, included in occupancy on the statement of functional expenses, amounted to $7,737 and $6,702 for the years ended December 31, 2010 and 2009, respectively.

(14) Commitments and Contingencies

SCUS is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on SCUS's financial position, changes in net assets, or cash flows.

SCUS receives funding from governmental agencies for various activities, which are subject to audit. Although such audits may result in disallowance of certain expenditures, which would be absorbed by SCUS, in management's opinion, the ultimate outcome of such audits would not have a significant effect on the financial position, changes in net assets, or cash flows of SCUS.

Bolivia – *Government of Bolivia v. Save the Children* – Save the Children is a cooperating sponsor with the U.S. Agency for International Development (USAID) in connection with USAID's Food for Peace/Title II (USAID/FFP) commodity monetization program in Bolivia. Due to a long unresolved disagreement between the Government of Bolivia and the Government of the United States in connection with the tax exemptions applicable to donated commodities that are monetized in Bolivia, in December 2008, the Government of Bolivia began asserting claims of past due taxes on Title II shipments monetized in Bolivia against Save the Children and other Non Government Organizations (NGOs) working with the USAID/FFP program. As of December 31, 2010, the Bolivian customs agency has served Save the Children's office in Bolivia with 46 separate claims totaling approximately $11.5 million for allegedly unpaid customs charges and penalties in connection with shipments of Title II commodities between 2002 and 2009. Save the Children intends to vigorously defend the claims and has filed objections to each claim. As of December 31, 2010, no amounts have been accrued relating to this matter due to the uncertainty of the outcome of this event.

(15) Significant Funders and Concentrations of Credit Risk

During the years ended December 31 2010 and 2009, 95.1% and 92.0%, respectively, of U.S. government grants and contracts revenues were received from USAID. At December 31, 2010 and 2009, 31.2% and 16.4% of grants and contracts receivable and 6.7% and 21.4%, respectively, of deferred amounts received under grants and contracts were related to USAID. The operations of SCUS's programs at present levels are dependent upon continued funding from USAID.

Financial instruments that potentially subject SCUS to concentrations of credit risk consist principally of cash and cash equivalents and grants and contracts receivable. At December 31, 2010 and 2009, 10.2% and 9.7% of cash and cash equivalents (including liquid investments) were deposited in banks in foreign locations, respectively.

(16) Subsequent Events

In connection with the preparation of the financial statements, SCUS evaluated subsequent events from December 31, 2010 through May 6, 2011, which was the date the financial statements were available for issuance, and concluded that only the following disclosure was required.

Pursuant to a strategic plan approved by the Members of SCA in November 2009, SCA was authorized, subject to certain terms and conditions, to develop a structure to manage international humanitarian field programs on behalf of the Members that benefit children, families, and communities in accordance with the shared vision, mission, and values of the Members and SCA.

This implementation arrangement differs from previous arrangements, in which Members were responsible for implementation of their own programs in the field. Members will continue to implement programs in their country of domicile.

On March 25, 2011, the Members, SCA, and SCI entered into a series of governing agreements. Together, the agreements: 1) authorize SCI to implement international programs for Members under the Save the Children name and logo; 2) provide for the allocation of roles and responsibilities among Members, SCA, and SCI, including how SCUS and other Members will design programs and provide resources to SCI to implement international programs and cover costs associated with program implementation in accordance with applicable laws and donor requirements and regulations; 3) effectuate the transfer of certain assets and employees from SCUS to SCI for the implementation of international program activities; and 4) define certain financial policies and practices.

SCUS, along with other Members, has committed resources to launch SCI. The commitments made by SCUS include investment (start up) costs, a contribution to establish reserves for SCI, and transfers of certain fixed assets in the field. The cost of operating SCI will be shared among its Members. There will be some employee termination costs in the future associated with the transfer.

Transition of Members’ country and regional operations into SCI will be staggered: South Central Asia and Southeast Asia are expected to transition in 2011. The Middle East, Latin America, and Africa are expected to transition throughout, and by the end of 2012.

In 2010, SCUS incurred expenses for SCI investment (“start up”) and SCI Financial Management Systems (FMS) of $2,063 which were shown as grants to other agencies in the accompanying statement of functional expenses.

SAVE THE CHILDREN FEDERATION, INC.

Notes to Financial Statements

December 31, 2010
(with summarized financial information as of and for the year ended December 31, 2009)

(Amounts in thousands)

(17) Program Activities

A summary of program activities by sector and type for the year ended December 31 2010 and 2009 is as follows:

	2010								
	Emergencies	Education	Health and nutrition	Child poverty/ livelihoods	HIV/Aids	Child protection	Child rights governance	Total	2009 Total
Salaries	$ 20,549	24,884	22,307	8,767	6,028	5,325	389	88,249	74,657
Employee fringe benefits	5,128	6,210	5,567	2,188	1,504	1,329	97	22,023	20,362
Payroll taxes	579	701	629	247	170	150	11	2,487	2,470
Total salaries and related expenses	26,256	31,795	28,503	11,202	7,702	6,804	497	112,759	97,489
Commodities and ocean freight	52,446	—	2,453	—	—	—	—	54,899	61,724
Grants to other agencies	24,884	30,133	27,013	10,616	7,299	6,448	471	106,864	106,847
Professional fees	3,598	4,357	3,906	1,535	1,055	932	68	15,451	11,641
Supplies, material, etc.	25,598	24,351	21,829	8,579	5,899	5,211	380	91,847	64,030
Other project costs	5,370	6,503	5,830	2,291	1,575	1,392	102	23,063	8,657
Telecommunications	726	879	788	310	213	188	14	3,118	3,127
Postage and shipping	823	996	893	351	241	213	16	3,533	4,939
Printing	452	547	490	193	132	117	9	1,940	2,109
Occupancy	2,239	2,711	2,430	955	657	580	42	9,614	8,592
Travel	5,439	6,586	5,904	2,320	1,595	1,409	103	23,356	28,924
Depreciation	259	313	281	110	76	67	5	1,111	1,519
Other	1,183	1,435	1,287	507	349	307	21	5,089	1,346
Total program activities	$ 149,273	110,606	101,607	38,969	26,793	23,668	1,728	452,644	400,944