



Annual Report

2012

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A letter from the president

A humanitarian disaster is unfolding in Hungary. Negative growth and rising unemployment combined with Europe's highest inflation rate has swelled the ranks of those living in extreme poverty to an estimated 1.5 million. Despite the fact that Hungary redistributes more wealth as a percentage of GDP than any other EU member country the number of those living in poverty has soared to an estimated 4 million--40% of the population!

In Hungary families with children are more likely to live in extreme poverty than any other social group. This is why the American House Foundation (AHF) decided in 2011 to concentrate on providing food aid to the Hungarian Red Cross for distribution to families with children living in the poorest regions of Jász-Nagykun-Szolnok and Borsod counties.

In March 2013 we will expand the scope of this program to include the poorest regions within Szabolcs and Nógrád counties. This will involve supplying the Hungarian Red Cross with the equivalent of 600 1 kg loaves of bread and 1,200 litres of milk **every day** for distribution to some 950 families. As in the past the bread and milk will be purchased from local bakeries and dairies for delivery to local distribution centers operated by Red Cross volunteers for twice-weekly distribution.

2012 witnessed the continuation of the food aid program whereby AHF provides flour, sugar, oil, and other groceries to the Budapest Chapter of the Hungarian Red Cross for monthly and bi-monthly distribution to poor families and pensioners in Budapest's poorer districts.

These programs will continue through the end of 2013.

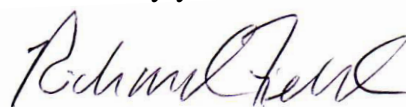
In 2012 we supplied the same quantity of food to Red Cross operated shelters in Budapest as the previous year despite a 5-15% increase in retail food prices.

The weekend food parcel program was extended so that 25 students in Budapest's 8th and 10th districts now receive a bag of groceries to take home every Friday. This was accomplished by narrowing the scope of the school lunch program which we deemed to be an insufficiently targeted use of donor funds.

I would like to thank our donors for their unstinting generosity during these difficult times. Rest assured your donations are reaching those most in need. Of the \$514,000 expended in 2012 on the programs mentioned above over 90% went directly towards the purchase of food. An additional 4% went to defray Red Cross administrative costs. 6% was spent on AHF related overhead.

We also contributed HUF 3 million to various organizations providing early education and university scholarships to Roma youth and combating prejudice and social exclusion. We hope the success of these programs in improving the plight of Hungary's 800,000 Roma will inspire others to contribute to these worthwhile causes.

Sincerely yours,



Richard Field
President

II. An Unfolding Humanitarian Disaster

In Berzék where I live there are a lot of poor people. There are families that burn their furniture so their children won't freeze, but unfortunately they have nothing to eat.

In 2012 real wages fell nearly 3% on average. Two in five Hungarians are now living in poverty, of which 1.5 million are living persistently below the minimum subsistence level, including 22% of Hungarian children.

My name is Beáta. I am the infirm mother of three young children I'm raising on my own. I'm asking you for help because I'm desperate. We don't have much food and we don't have much firewood for the winter.

According to the Central Statistical Office (KSH) the Hungarian economy contracted 1.7% in 2012. Real wages fell 2.9%. Rising energy costs and new taxes resulted in an inflation rate of 5.7%. Record drought drove the price of cereals and oilseeds up 19% and the price of fresh vegetables and fruit up 21% and 10%, respectively. In December the price of cereals was up nearly 40% year-on-year.

Hungarians are eating much less. Between 2002 and 2011 (the last year for which statistics are available) annual per capita consumption of bread fell from 62.7 kg to 41.5 kg. Per capita milk consumption fell from 66.4 litres to 50.6 litres (although this was partially offset by an increase in the consumption of processed milk products like cheese and yoghurt). Per capita consumption of meat and eggs fell from 60.7 kg to 54.1 kg and from 195 pieces to 146 pieces.

According to KSH the subsistence level in the case of households with two parents and three children in 2011 was 277,005 Ft (\$1,288) per month. Today married couples with two or three children living in the Hungarian countryside now struggle to make ends meet on as little as HUF 70,000 (\$325) a month, or less.

My wife and I live in Nyíregyháza. Our only income is the money we get from the State after our three children, half of which goes to pay utility bills. This leaves us with 25,000 Ft a month to live on. There are days when I go without food so that our children needn't.

In 2011 households with one child spent an average of 135,932 Ft (\$632) on food and non-alcoholic beverages per capita, or 372 Ft (\$1.72) a day per person. By contrast two parent households with three or more children spent just 120,245 Ft (\$560) per capita or 329 Ft (\$1.53) a day per person.

Statistics tell only part of the story. Unable to both feed their children and pay utility bills thousands of Hungarian households have had their gas and electricity turned off and their access to drinking water restricted. Unpaid utility bills threaten thousands of households with foreclosure.

I simply cannot make ends meet these days. After paying the bills there is hardly anything left over for food. I can only afford to put meat on the table once every other month. My grandson starts school in September. I am very frugal but there simply isn't enough money for the two of us.

Unfortunately, it may be many years before the Hungarian economy recovers and the situation begins to improve. By then an entire generation of children will be lost to malnutrition unless something is done.

Between 2010 and 2012 AHF supplied \$1.3 million worth of food to the Hungarian Red Cross for distribution to Hungary's poor. Our goal this year is to provide some \$600,000 worth of food through a significant expansion of the bread and milk program. We also plan to award \$100,000 in grants to other Hungarian NGOs working with the poor and homeless.

III. Material and financial donations in 2012

A. Donations to the Hungarian Red Cross

In 2012 AHF supplied the Budapest chapter of the Hungarian Red Cross with 22.4 million Ft worth of food for distribution to schools and shelters. This included:

- Bread and vegetables (green peppers, radishes, spring onions) as well as cold-cuts, cheese, fruit, and margarine supplied twice a week to day and night shelters in the 8th, 10th, 13th, 19th and 21st districts.
- Bread, cold-cuts, cheese, margarine, fruits and vegetables delivered twice a week to schools in the 6th, 8th, and 9th districts to supplement student lunches.
- Weekend food parcels supplied every week to two schools for 25 students. Each parcel contained a loaf of bread, 1 kg of cold-cuts, 1/2 kg of margarine, 1/2 kg cheese or 450 g sandwich cream, 1 kg of apples, four green peppers, 1 litre of milk and 1 litre of orange juice. Cost per parcel: 2,200 Ft.
- 9.6 million Ft worth of groceries for monthly or bi-weekly distribution to the poor in Budapest. Food parcels consist of 1kg flour, 1 kg chipped wheat, 1 kg sugar, 500 g pasta, 1 litre cooking oil, 1 litre milk, 500 g lentils or yellow beans, and 400 g of canned meat. Cost per parcel: 2,150 Ft.

AHF supplied 124,000 loaves of bread and 248,000 litres of milk delivered to the Jász-Nagykun-Szolnok and Borsod-Abaúj-Zemplén county chapters of the Hungarian Red Cross for twice weekly distribution to 500 families at a total cost of 67.6 million Ft.

In addition to the above AHF contributed 6.1 million Ft towards defraying Red Cross administrative costs in 2012. We also funded 0.7 million Ft worth of repairs to a Red Cross men's shelter located in Budapest's 21st district.

B. Contributions towards educational programs

1. Roma Education Fund

Studies show that children develop crucial cognitive, physical, social and emotional skills by the age of three. The better these skills are developed, the better children perform in school. The Roma Education Fund operates various pre-school programs towards which AHF contributed 1,418,750 Ft in November 2012. We will contribute the forint equivalent of €5,000 in March 2013.

2. UCCU Foundation

UCCU volunteers visit secondary and tertiary schools and conduct a 90 minute interactive program on the causes and effects of prejudice. Children are encouraged to express their feelings about Roma and to ask questions. AHF supported UCCU's efforts to promote the social integration of Roma children with contributions totaling 500,000 Ft in 2012.

3. Roma Versitas

This organization supports qualifying Roma university students with monthly stipends. AHF contributed 380,000 Ft in 2012 and will contribute another 570,000 Ft in 2013.

4. Kerecsend

The village of Kerecsend offers pre-school and after school programs free of charge to town residents. Volunteers at the pre-school prepare children for kindergarten and provide free child-care for the working poor. They also prepare parents for the demands of raising school-age children. Volunteers at the after school program help students with homework, tutor students in small groups, provide one-on-one counseling, and teach communication and conflict resolution skills. In 2012 AHF contributed 700,000 Ft to the northern Hungarian city of Kerecsend to help fund these programs and will contribute another 300,000 Ft in 2013.

C. Miscellaneous donations

1. Arany Liliom Foundation

We supported the important social advocacy work of Ilona Csecsei on behalf of the working poor and the homeless with contributions totaling 1,860,000 Ft in 2012.

2. AmCham Foundation

We donated 500,000 Ft to the American Chamber of Commerce's foundation, proceeds of which were used in 2012 to enable children in foster care to attend summer camp, as well as to help 260 children develop skills in conflict management, learning, and communication.

IV. Plans for 2013

Total expenditures for 2012 were \$561,000 (see exhibit 1). In 2013 we plan to widen the scope of the bread and milk program from 500 families living in Jász-Nagykun-Szolnok and Borsod-Abaúj-Zemplén counties by an additional 450 families living in Szabolcs and Nógrád counties at a projected cost in 2013 of \$538,000 (see exhibits 2-4).

All other programs are to continue at their current levels (after adjusting for inflation) through the end of 2013 at a projected cost of \$180,300 (see exhibit 5).

In response to numerous requests for donations AHF's board of directors has decided to make \$100,000 worth of grants available to NGOs engaged in charitable activities targeting poverty, homelessness, and social exclusion. Half the money will be distributed in April on the basis of grant proposals received by the end of March. The other half will be distributed in October on the basis of grant proposals received by the end of September.

Total expenditures for 2013 are budgeted at \$937,000 of which AHF's operating costs and overhead is projected to be \$31,000 in 2013 or less than 4% of total expenditures.

V. Exhibits

Exhibit 1: Summary of expenses (2012)

Category	HUF	USD
Bank costs	449,779	2,100
Administration	6,860,625	32,000
Shelter repairs	2,514,275	3,200
Monthly, bi-monthly food packages	9,594,724	44,800
Food to shelters	12,209,046	57,000
Food to schools	10,149,800	47,400
Bread and milk	67,585,133	316,000
Misc. contributions to Hungarian Red Cross	6,114,375	28,600
Contributions to other NGOs in Hungary	5,708,750	26,600
Misc. donations	684,070	3,200
Total	120,048,012	561,000

Exhibit 2: Average monthly net earnings by county and Budapest (2011). (Source: HVG)

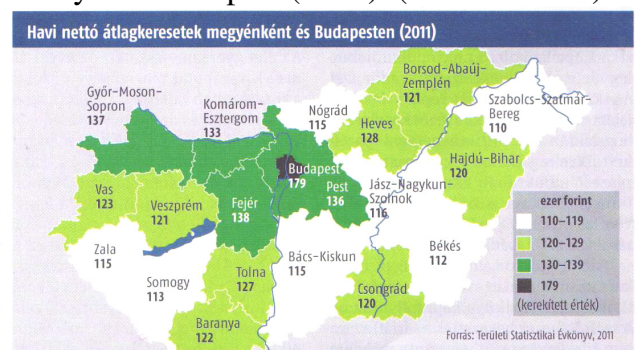


Exhibit 3: Milk and bread distribution (2012)

County	Families	Cost
Jász-Nagykun-Szolnok	250	\$160,000
Borsod-Abaúj-Zemplén	250	\$156,000

Exhibit 4: Milk and bread distribution (2013)

County	Families	Cost
Jász-Nagykun-Szolnok	250	\$152,000
Borsod-Abaúj-Zemplén	250	\$153,000
Nógrád	225	\$125,000
Szabolcs-Szatmár-Bereg	225	\$125,000

Exhibit 5: Budapest food distribution

Program	2012	2013
Shelters	\$57,000	\$66,200
School lunch	\$28,500	\$32,500
Monthly food parcels	\$44,800	\$59,900
Weekend parcels	\$19,000	\$21,700