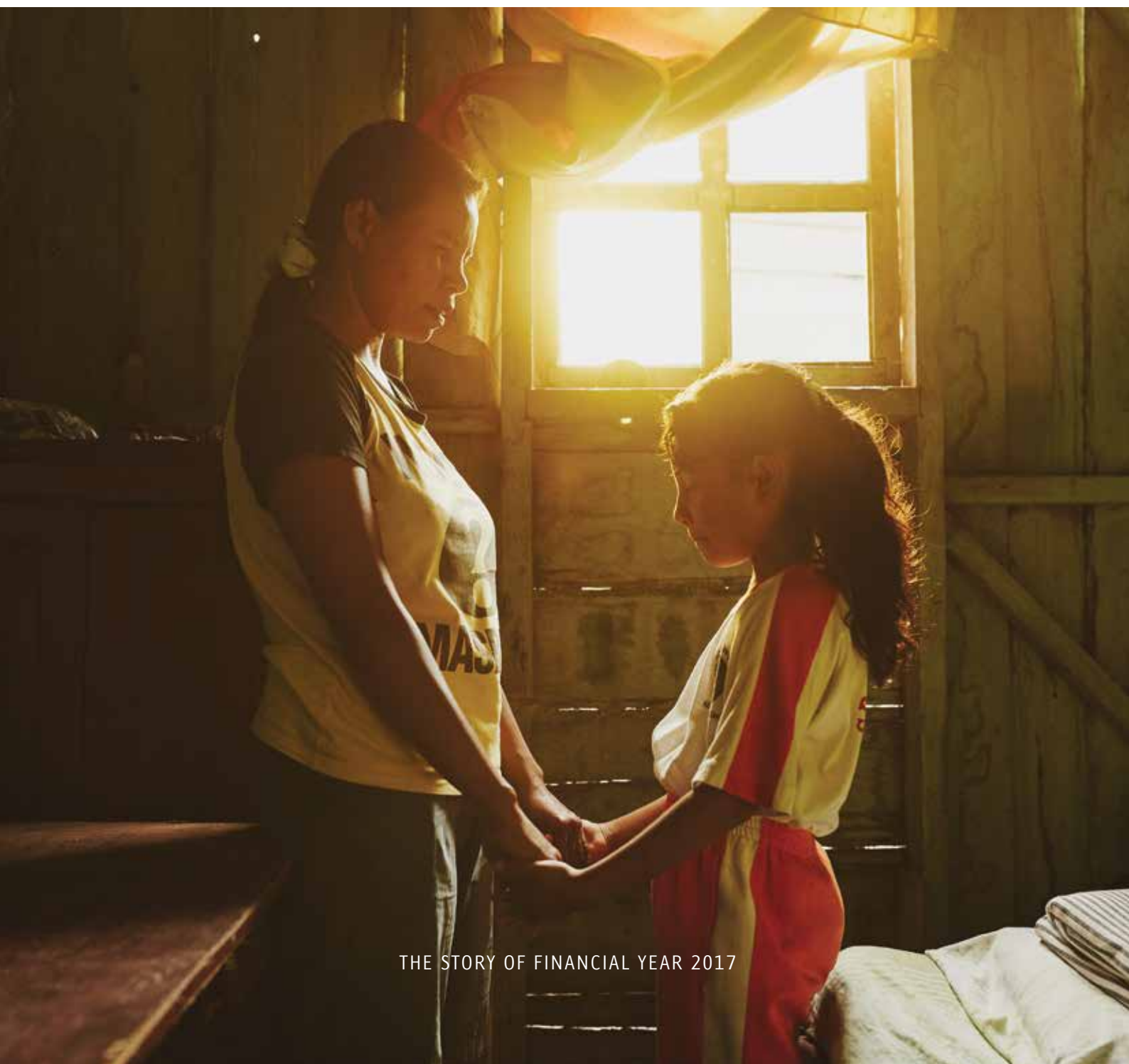


# Annual Report

— 2016 / 17 —



THE STORY OF FINANCIAL YEAR 2017

## COMPASSION AUSTRALIA

Compassion Australia ABN 67 001 692 566 is a public company limited by guarantee incorporated under the Corporations Act. Its registered office is located at Warabrook Boulevard, Warabrook NSW 2304.

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Unless otherwise noted, all scripture quotations are taken from the New International Version.

## FUNDRAISING

Compassion Australia is an active member of Fundraising Institute Australia (FIA). As an FIA Organisational Member, Compassion Australia is a signatory to the FIA's Principles and Standards of Fundraising Practice, and therefore upholds the highest ethical and professional standards for fundraising.



# 01

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**John Bond**

COMPASSION AUSTRALIA'S  
BOARD CHAIRMAN





# 03

## John Bond

WELCOME FROM  
COMPASSION AUSTRALIA'S  
BOARD CHAIRMAN

It's my privilege to welcome you to Compassion's Annual Report for 2017.

What a year it's been! By some measures, it's been our most successful ever—for the first time in our history, we exceeded \$80 million in revenue, and saw an incredible number of children sponsored. What an amazing testament to our supporters' generosity and God's goodness. Yet it's a year that has held its fair share of difficulties and heart-breaking moments.

Through it all, the Board and I have been inspired and encouraged by Compassion supporters, grateful for the hard work and creativity of our staff, volunteers and advocates, and reminded again and again of God's faithfulness, both in times of joy and times of challenge.

The challenges don't come much bigger than the events in India this year, where the Indian government's restrictions prevented funds flowing through to our local partners. After months of discussion and attempts to resolve the situation with officials—with more than 580 local partners unable to operate and no resolution in sight—the leadership made the extraordinarily difficult decision to close down all our program centres there.

As this situation played out, we were both humbled and thrilled by our supporters' encouragement, prayer and faith in God's good plan for India. Thank you! On a personal note, it was tremendous to see the way Tim and the staff shepherded the organisation through one of the most difficult chapters in our history. Well done by all!

As for the Board, we've enjoyed the opportunity to guide this great ministry through the joyful and hard times alike. Each member has contributed valuable expertise and prayerful insight to ensure Compassion Australia takes its opportunities to grow and flourish. It's a privilege to work with such a dedicated and passionate Board of gifted men and women.

As we link arms with our supporters around the globe, as we build up our local church partners on the ground and the passionate staff that serve the children, as we implement new technology and systems to make us more efficient and effective, the future for Compassion—and more than 1.8 million children living in unacceptable conditions—is brighter.

I'm excited to see what the new financial year will bring, and how God will use us all, in whatever role we play in Compassion, to fulfil His mandate on us to release children from poverty in Jesus' name.

Thank you for your prayers and partnership in this great work!

**John Bond** – COMPASSION AUSTRALIA BOARD CHAIRMAN

**Tim Hanna**

COMPASSION AUSTRALIA'S  
CHIEF EXECUTIVE OFFICER





# 05

## Tim Hanna

A REPORT FROM  
COMPASSION AUSTRALIA'S  
CHIEF EXECUTIVE OFFICER

This year, more than any other, I've seen the importance of cultivating 'Simplicity and Passion' in every area of life.

Without simplicity, we can be overwhelmed by complications and indecision. Without passion, we risk just going through the motions and our work lacks impact and depth. These two things are so important—especially when we face challenges.

The closure of our programs in India is, without doubt, the biggest test the Compassion family has ever faced. After almost 50 years of ministry in India, we were deeply grieved to say goodbye.

But that grief doesn't define us, or our year. We're stronger than ever and have seen God's guidance and provision—and our amazing supporters' persistent faith—throughout. And so many sponsors continued their journey by taking up new sponsorships in other countries, which shows their great hearts for, and commitment to, helping children in need.

This year saw the introduction of 'Child Connect': a global connection that is transforming the way we interact with our more than 12 partner countries and 25 field countries.

Continuing to revolutionise our systems and processes (as laid out in our strategy) is vital in bringing supporters and sponsored children closer together—and in setting us up for sustainability and growth. While some teething problems with new systems (along with the India closure) contributed to a higher-than-usual cancellation rate this year, we know that these tools will ultimately help us to grow strongly.

This year alone, Australians sponsored more than 13,600 children, which points to their generosity and the hard work of our Relationship Managers as they present Compassion's work in churches across the country. It reflects some outstanding results at conferences and events, a growing capacity for online interaction and much more.

And we ended the year on a high, with one of the best months of June in our history. Our supporters responded to the End of Financial Year Appeal, which aimed to stop the suffering of children in desperate need of medical assistance, with tremendous generosity.

Every time I visit a church (either here in Australia or in the developing world), sit in a family home, or play at a Compassion child development centre, I'm reminded of God's love for us as His children. And I realise again that there's a special place in His heart for children living in poverty. When we work together with simplicity and passion—and God's grace—we can make a profound and eternal impact in their lives.

Blessings,

**Tim Hanna** - CEO COMPASSION AUSTRALIA

# 2017 Highlights

It's important to celebrate what we've achieved together. These figures represent just a small snapshot of the thousands of children whose stories are being changed through your support—thank you!

---

## \$81m

For the first time, Compassion Australia exceeded \$80m in revenue—a reflection of God's grace, our supporters' generosity, and our staff and advocates' tireless efforts on behalf of children living in poverty.

---

## 13,653

The number of new sponsorships that began this year, representing 13,653 children whose lives will change—not to mention family members' and sponsors' lives!



---

# \$951,000

Amount raised by the Gifts of Compassion catalogue this year—its best ever year!

---

# 151,642

Letters sent from Australian sponsors to their sponsored children.

---

# 111,177

The number of children registered with the Child Sponsorship Program who are known, loved and protected by Australian sponsors.

---

# 44,000

Christmas cards sent by Australian sponsors to their sponsored children this year—to go with \$2.4 million in Christmas gift donations.

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# \$300,000

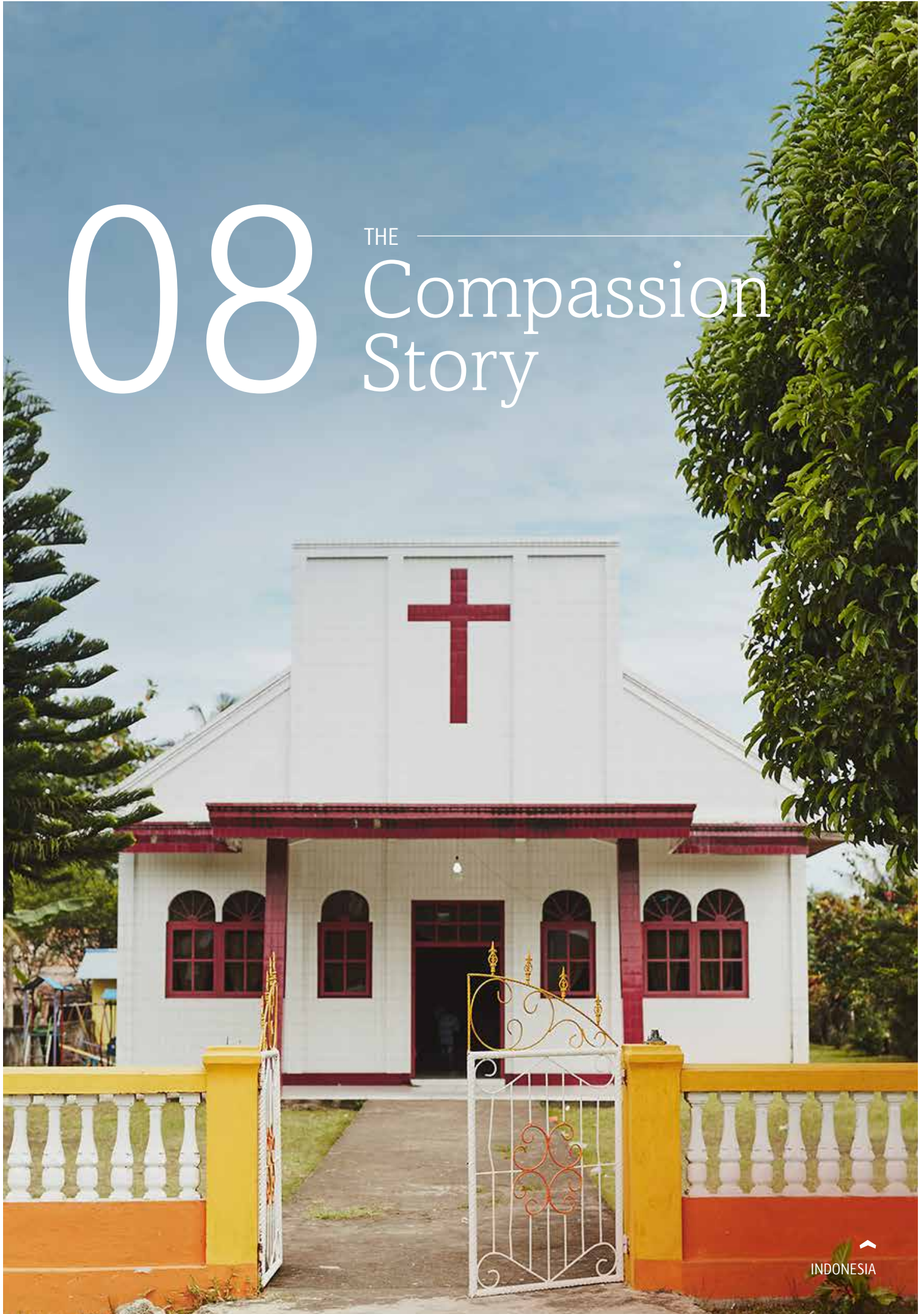
A final gift given by the trustees of a foundation that very generously partnered with Compassion's work over many years. Thank you!

---

# 12,254

Phone calls made in a 10-week period by the dedicated staff of our Supporter Engagement Centre, as they tried to speak with every sponsor of a child in India—to share the news of program closure, answer questions and determine each sponsor's preferred course of action.

# 08 THE Compassion Story





# Who We Are

As part of Compassion International, a global network of more than 12 partner countries and 25 field countries, Compassion Australia is a Christian holistic child development and child advocacy ministry. We are committed to working in partnership with local churches to foster the spiritual, economic, socio-emotional and physical development of children living in extreme poverty.

---

## Our Vision

Transformation of lives, communities and nations through releasing children from poverty in Jesus' name.

---

## Our Mission

Compassion exists as an advocate for children—to partner with, equip and inspire the Church to release children from poverty in Jesus' name.

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## Our Values

TRUST GOD  
BE WELL / VALUE OTHERS  
ACHIEVE TOGETHER  
GROW THROUGH CHALLENGE

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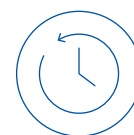


EVERETT & MIRIAM SWANSON  
MAY 1965



EVERETT & KIM SIM





# History of Compassion

Compassion International started in 1952 when American evangelist Everett Swanson's heart was broken seeing children orphaned by the Korean War dying in the streets.

Although he was ministering to troops at the time, he left South Korea promising to help 35 children. By 1975, Compassion International had expanded to 17 other field countries with more than 25,000 sponsored children. Two years later, Compassion Australia started in Laurie and Olive McCowan's Newcastle home with the sponsorship of a single child.

Today, Compassion is transforming the lives of more than 1.8 million children, babies and students through more than 12 international partner countries across 25 field countries.

## **The 80/20 financial split has been Compassion Australia's benchmark since we were established in 1977.**

Approximately 80 per cent of all donations to Compassion are used:

- For the development, delivery and supervision of programs
- For the purchase of goods and services for the direct benefit of the children in our programs
- To facilitate sponsors' personal relationships with their sponsored children
- For community education in Australia

Approximately 20 per cent of all donations are allocated to cover all administration and fundraising costs in Australia.

## **PER CENT OF FUNDS USED FOR ADMINISTRATION AND FUNDRAISING:**

<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
20.21%	19.99%	19.70%	20.07%	20.27%

One hundred per cent of child, family and centre gifts are sent through Compassion to the child development centre, where staff members assist the children and/or families in the purchase of appropriate goods. Ninety per cent of funds donated to the Christmas Gift Fund are pooled to purchase a gift for each Compassion assisted child at Christmas; 10 per cent is allocated for administration and fundraising costs.

We do not use child sponsorship funds for other development activities; these are funded from other sources like Critical Needs.



INDONESIA



TOGO



# Why We Exist

Everything we do for the sake of releasing children from poverty is motivated by our belief in the value of children and the mission of Jesus.

Poverty denies children opportunities and hope for a better future. Poverty tells a child they are worthless and that their story does not matter.

Because of the gospel, we believe there is hope for every child living in poverty.

**But we also know that there is still a lot of work to be done. We remind ourselves regularly of the need and the staggering statistics:**

**385m** In 2013, there were around 385 million children still living in extreme poverty (defined as less than US \$1.90 a day).

**57m** In 2015, an estimated 57 million primary school-aged children were out of school.

**5.9m** An estimated 5.9 million children die each year before reaching age five, mostly as a result of diseases that can be readily and affordably prevented and treated.

**1/3** In sub-Saharan Africa, newborn deaths account for about one-third of the deaths of children under age five.

**Unless the world tackles poverty today, in 2030:**

**167m** 167 million children will live in extreme poverty.

**69m** 69 million children under age five will die between 2016 and 2030.

**60m** 60 million children of primary school age will be out of school.

---

With the help of international development organisations such as Compassion, transformative progress has been made in the last few decades. There was significant progress towards achieving the Millennium Development Goals (MDGs) between 2000 and 2015.

**The encouraging outcomes show that children born today are:**

- Significantly less likely to live in poverty than those born at the start of the new millennium
- Over 40 per cent more likely to reach their fifth birthday
- More likely to be in school

# Where We Work

Compassion Australia is one of more than 12 partner countries around the world: a global network that enables Compassion's child development programs to minister to the needs of individual children in 25 field countries.

To determine the countries in which we will work, Compassion follows several criteria:

**GOD'S DIRECTION:**

We seek God's direction in all relationships and decision-making.

**EVIDENCE OF NEED:**

Compassion works in countries where the per capita income is \$1500 p.a. or less or where there is definite need.

**GOVERNMENT:**

The government of the country must be amenable to Compassion's work and demand no financial contributions.

**ADMINISTRATION:**

With few exceptions, Compassion intends to have a country office and qualified and trainable personnel available in every country in which it works.

**COST EFFECTIVE:**

There should be long-term need for Compassion's assistance, and the country's economic conditions should be conducive to cost-effective programs.

**PROGRAMS:**

Compassion's programs should be of sufficient duration so that positive results in the lives of children can be measured and evaluated.

**FUNDING:**

Compassion must be able to attract funding through sponsorship, special appeals or grants to meet the needs of the children.





## PARTNER COUNTRIES

### EUROPE

---



#### FRANCE

Service d'Entraide et  
de Liaison (SEL)  
1990



#### GERMANY

Compassion Deutschland  
2007



#### ITALY

Compassion Italia  
2001



#### NETHERLANDS

Compassion Netherlands  
1996



#### NORWAY

Compassion Scandinavia  
2013



#### SWITZERLAND

Compassion Switzerland  
2003



#### SWEDEN

Compassion Scandinavia  
2013



#### UNITED KINGDOM

Compassion UK  
1999

### Satellite Offices

---



#### IRELAND

Compassion Ireland



#### SPAIN

Asociación Compassion  
España

### ASIA / PACIFIC

---



#### AUSTRALIA

Compassion Australia  
1977



#### NEW ZEALAND

TEAR Fund New Zealand  
1986



#### SOUTH KOREA

Compassion Korea  
2004

### NORTH AMERICA

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#### CANADA

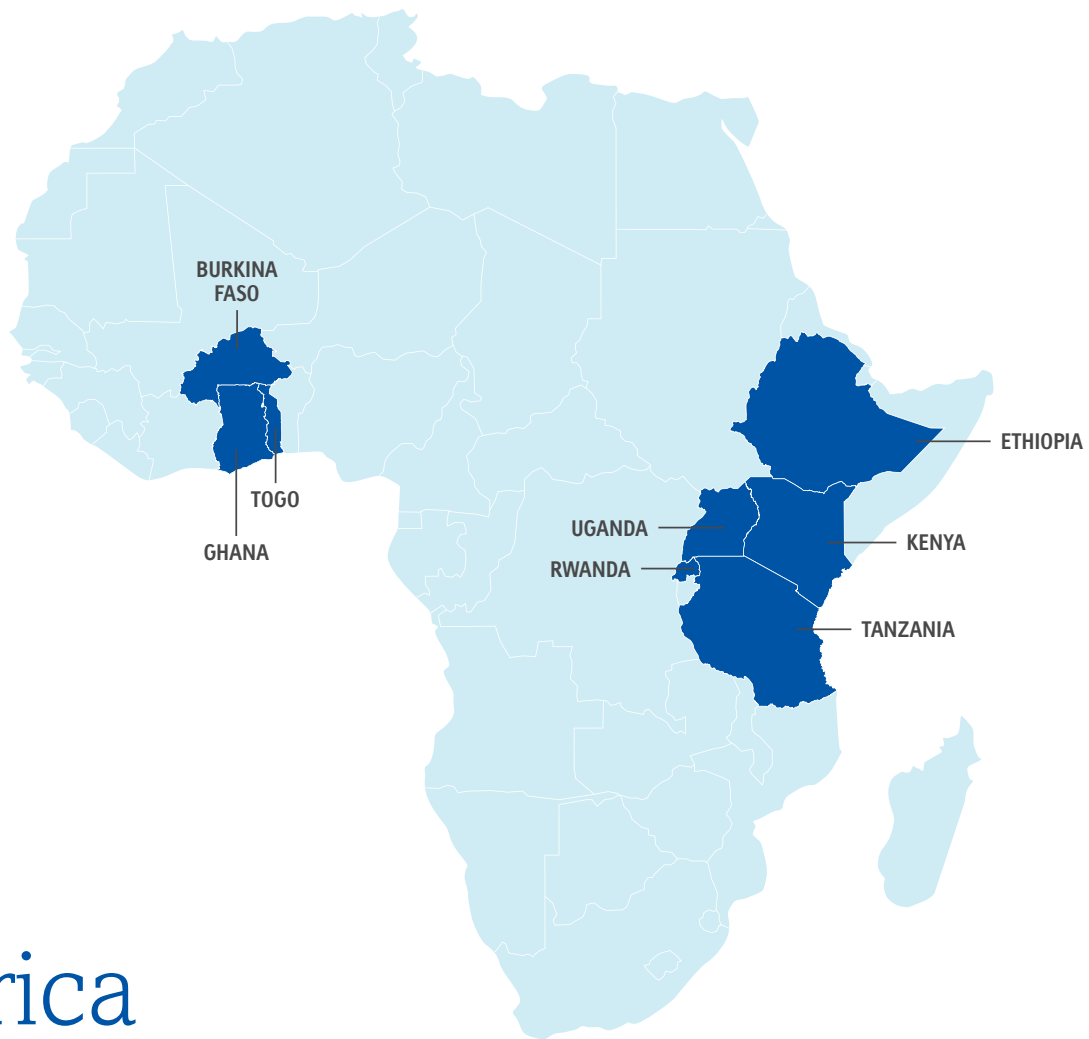
Compassion Canada  
1963



#### UNITED STATES

Compassion USA  
1952

## FIELD COUNTRIES



# Africa

### TOTAL

2690 Church Partners  
699,884 Registered Children  
156 Leadership Students  
227 Child Survival Centres



### BURKINA FASO

Ouagadougou, est. 2004  
256 Church Partners  
78,987 Registered Children  
10 Child Survival Centres



### GHANA

Haatso, est. 2005  
281 Church Partners  
74,796 Registered Children  
10 Child Survival Centres



### ETHIOPIA

Addis Ababa, est. 1993  
474 Church Partners  
110,714 Registered Children  
61 Leadership Students  
37 Child Survival Centres



### KENYA

Nairobi, est. 1980  
393 Church Partners  
114,078 Registered Children  
23 Leadership Students  
52 Child Survival Centres



### RWANDA

Kigali, est. 1979  
345 Church Partners  
85,839 Registered Children  
37 Leadership Students  
26 Child Survival Centres



### TANZANIA

Arusha, est. 1999  
390 Church Partners  
85,042 Registered Children  
3 Leadership Students  
30 Child Survival Centres



### TOGO

Lomé, est. 2008  
197 Church Partners  
50,983 Registered Children  
10 Child Survival Centres



### UGANDA

Kampala, est. 1980  
354 Church Partners  
99,445 Registered Children  
32 Leadership Students  
52 Child Survival Centres



# Asia

## TOTAL

1370 Church Partners  
318,499 Registered Children  
134 Leadership Students  
152 Child Survival Centres



### BANGLADESH

Dhaka, 2004

169 Church Partners  
37,243 Registered Children  
24 Child Survival Centres



### INDONESIA

Bandung, est. 1968

331 Church Partners  
75,407 Registered Children  
50 Leadership Students  
19 Child Survival Centres



### EAST INDONESIA

Manado, est. 2005

268 Church Partners  
61,984 Registered Children  
32 Leadership Students  
29 Child Survival Centres



### PHILIPPINES

Quezon City, est. 1972

350 Church Partners  
84,817 Registered Children  
25 Leadership Students  
43 Child Survival Centres



### SRI LANKA

Colombo, est. 2010

63 Church Partners  
11,898 Registered Children  
16 Child Survival Centres



### THAILAND

Chiang Mai, est. 1970

189 Church Partners  
47,150 Registered Children  
27 Leadership Students  
21 Child Survival Centres

## FIELD COUNTRIES



# Central America

### TOTAL

1560 Church Partners  
452,215 Registered Children  
205 Leadership Students  
167 Child Survival Centres



### DOMINICAN REPUBLIC

Santo Domingo, est. 1970  
179 Church Partners  
65,254 Registered Children  
13 Leadership Students  
30 Child Survival Centres



### EL SALVADOR

La Libertad, est. 1977  
275 Church Partners  
60,077 Registered Children  
48 Leadership Students  
22 Child Survival Centres



### GUATEMALA

Guatemala City, est. 1976  
220 Church Partners  
56,629 Registered Children  
47 Leadership Students  
10 Child Survival Centres



### HAITI

Port-au-Prince, est. 1968  
300 Church Partners  
108,569 Registered Children  
20 Leadership Students  
67 Child Survival Centres



### HONDURAS

Tegucigalpa, est. 1974  
198 Church Partners  
55,202 Registered Children  
66 Leadership Students  
10 Child Survival Centres



### MEXICO

Mexico City, est. 1976  
210 Church Partners  
50,231 Registered Children  
18 Child Survival Centres



### NICARAGUA

Managua, est. 2002  
178 Church Partners  
56,253 Registered Children  
11 Leadership Students  
10 Child Survival Centres





# South America

## TOTAL

1189 Church Partners  
398,291 Registered Children  
239 Leadership Students  
183 Child Survival Centres



## BOLIVIA

Cochabamba, est. 1978  
236 Church Partners  
87,655 Registered Children  
33 Leadership Students  
60 Child Survival Centres



## BRAZIL

São Paulo, est. 1974  
186 Church Partners  
51,390 Registered Children  
17 Leadership Students  
11 Child Survival Centres



## COLOMBIA

Bogotá, est. 1976  
265 Church Partners  
82,123 Registered Children  
52 Leadership Students  
10 Child Survival Centres



## ECUADOR

Quito, est. 1974  
265 Church Partners  
97,874 Registered Children  
87 Leadership Students  
62 Child Survival Centres



## PERU

Lima, est. 1985  
235 Church Partners  
79,249 Registered Children  
50 Leadership Students  
40 Child Survival Centres

This is an international program snapshot at 30 June 2017.

Each church partner is responsible for a child development centre that delivers Compassion's Child Sponsorship Program.

Registered children also includes those who are not yet sponsored but are already receiving the benefits of the program.

Leadership students are graduates of Compassion's Child Sponsorship Program centre who are now completing university and leadership training.

The average number of mothers registered in each Child Survival Program is 42. These centres operate in partnership with local churches.



# A Global Network

Compassion International works in more than 25 field countries to serve over 1.8 million children living in poverty.

The funding for this work comes from more than 12 partner countries, known as the Global Partner Alliance, which is comprised of Compassion Australia, Compassion Canada, Compassion Germany, Compassion Italy, Compassion Netherlands, Compassion South Korea, Compassion Switzerland, Compassion UK, Compassion USA, Compassion Scandinavia [Norway and Sweden], SEL France and TEAR Fund New Zealand. Satellite offices are located in Spain and Ireland.

Each member of the Global Partner Alliance operates as a separate entity but adheres to a global covenant agreement on a statement of faith, standards of stewardship and use of the Compassion brand. Shared corporate services, including the oversight of all child development programs, are managed by Compassion International at our Global Ministry Centre in Colorado Springs, Colorado, USA.

Staff at the Global Ministry Centre liaise with staff in field country offices to implement Compassion's child development model in partnership with local churches in the developing world. This ensures that local congregations in field countries are the catalyst for their own community's change.

Child development centres become part of the local church's ministry and are overseen by the pastor, project director and a church project committee. They receive

curriculum support from Compassion but contextualise the interventions they provide as needed. The local church is also accountable for the funds that Compassion provides and is responsible for providing information that is used for reporting to supporters.

---

## KEY TERMS:

### Administration Costs:

Expenses that are not directly related to our income, including the cost of the CEO and Board, Finance, HR and Technology Enablement teams.

### Fundraising Costs:

Expenses that relate directly to income generation, such as support and encouragement for current supporters and the cost of the Marketing, Ministry Relationships and Supporter Ministries teams.

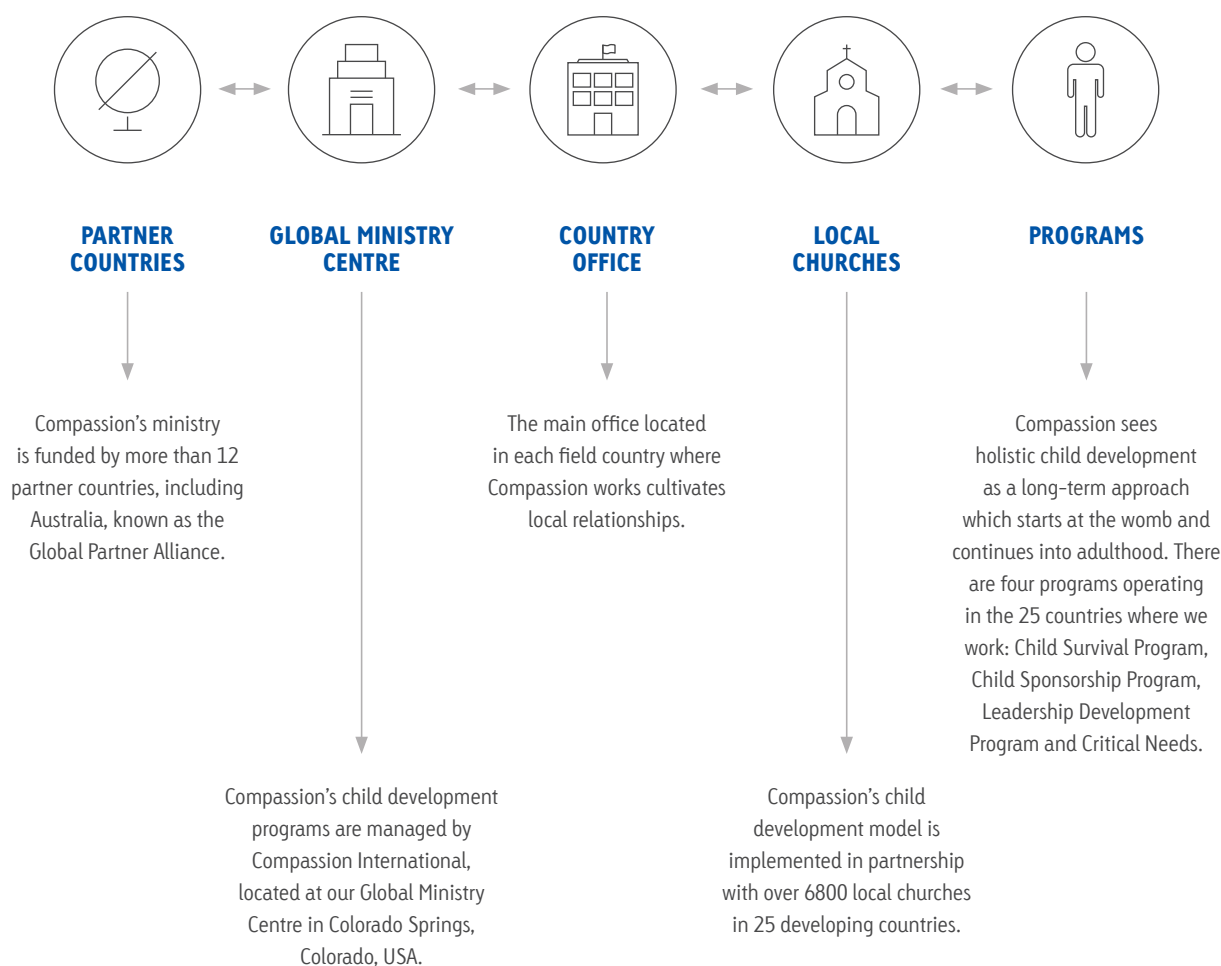
### Beneficiary:

The term "beneficiaries" refers to children registered with the Child Sponsorship Program, including those still waiting for sponsors, as well as mothers and babies served by Compassion's Mums and Babies, and students in the Leadership Development Program.



# Global Development

## COMPASSION'S MODEL



# How We Work

Holistic child development takes a child through a process of growth and fulfilment in all dimensions of their life: spiritually, economically, socio-emotionally and physically. Compassion believes holistic child development is a long-term approach that starts even before a child is born and continues through to school age and beyond.

**Compassion's holistic child development model has three key distinctives:**



## Christ-centred

Every child has an opportunity to hear the life changing gospel message in a culturally relevant way.

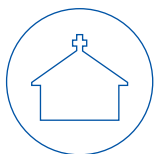
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## Child-focused

Programs engage each child as an individual, fostering their spiritual, socio-emotional, physical and economic development.

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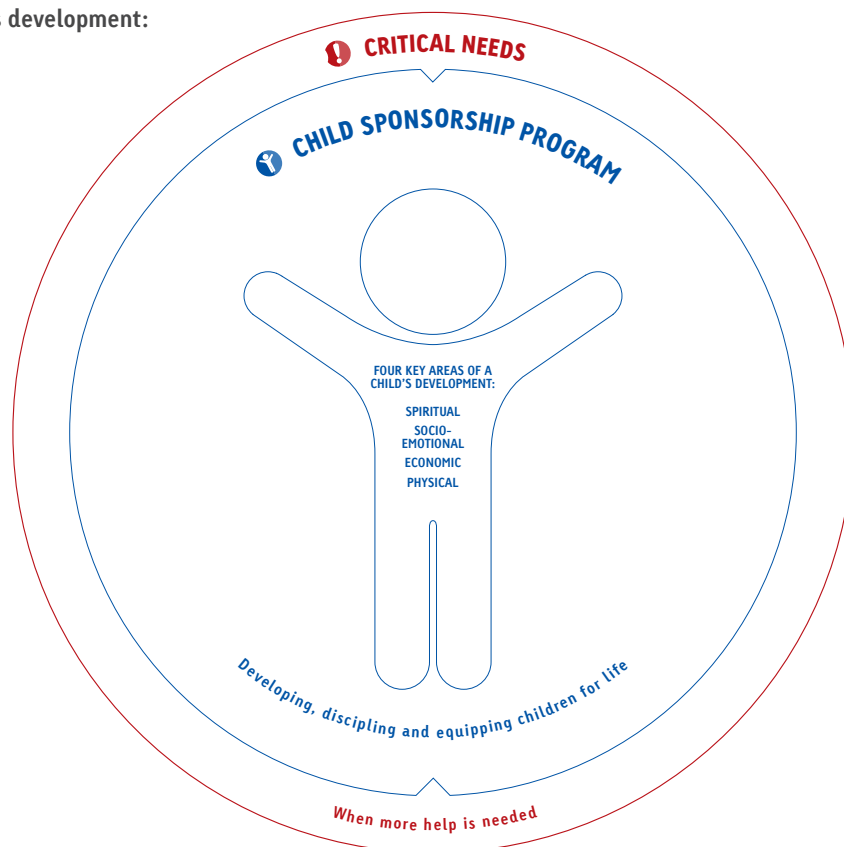
## Church-based

Our programs are run exclusively by our church partners in the children's communities.

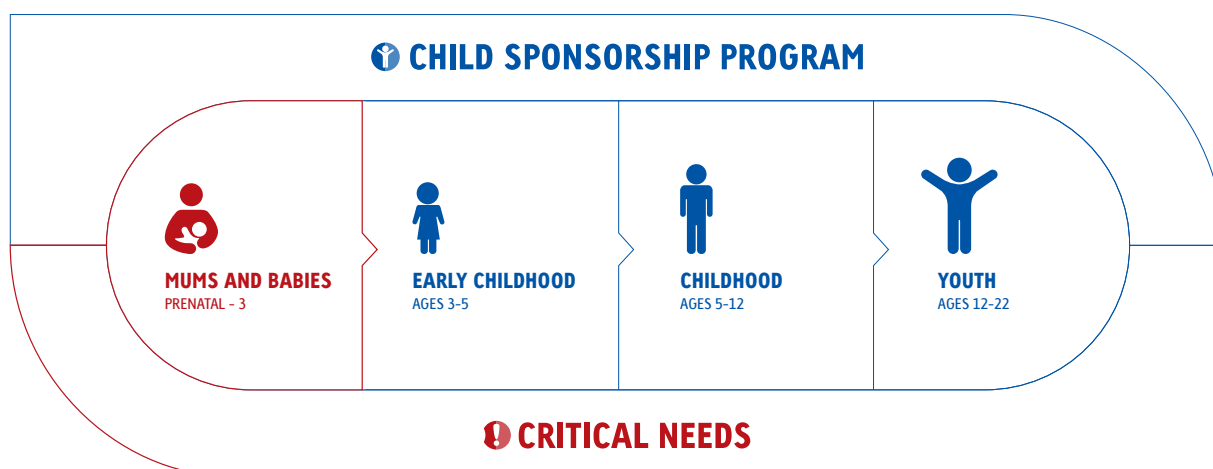




Compassion's programs address the key areas of a child's development:



We work with children at each stage of life, from the womb to the workforce, so they can develop their God-given potential and become healthy and fulfilled adults.



 Funded through local and sponsorship resources

 Funded through non-sponsorship resources



↑  
TOGO



↑  
BOLIVIA



COMPASSION'S

# Mums & Babies

For mothers and their children living in poverty, the first few years of a child's life are critical for survival.

It is throughout these early years that Compassion works with babies and their caregivers to prevent premature death, secure good health and enable positive development.

In partnership with Compassion, local churches aim for a caregiver to be not only sufficiently healthy to provide for their child's wellbeing, but also self-confident and able to form healthy relationships. Opportunities are given to caregivers to learn new skills to be economically self-supporting and they are also given the opportunity to hear the gospel in a culturally relevant manner.

For infants, Compassion provides support so that they can be physically healthy, confident and able to interact well with others, and eager to experience their world and communicate their experiences.

## SUPPORTING MUMS AND BABIES

The work of supporting babies and their caregivers is delivered primarily through home-based activities and home visits, and supplemented by church-based group activities. Babies and caregivers typically receive:

- Pre- and post-natal care, including checkups and vaccinations
- Nutritious food and supplements
- Education on essential topics like signs and symptoms of complications in pregnancy, and caring for newborns
- Personal hygiene, health, and nutrition education
- Opportunities for both mothers and children to build relationships and social skills
- Income generation opportunities
- The opportunity to experience the love of Jesus

## NUMBER OF BABIES AND CAREGIVERS SUPPORTED BY AUSTRALIA AT THE END OF THE FINANCIAL YEAR:

YEAR	CAREGIVERS	CHILDREN	TOTAL
2017	1705	1687	3392
2016	2527	2493	5020
2015	2629	2605	5234
2014	2578	2511	5089

## MUMS AND BABIES IN 2017

In financial year 2017, there were 729 Child Survival centres around the world providing support to babies and caregivers living in poverty.

In financial year 2017, the gross income for the Child Survival Program (Mums and Babies plus Survival Interventions) was \$1,488,248, compared to last year's figure of \$1,571,330.

As we look toward financial year 2018, the Child Survival Program (which Mums and Babies provides funding for) is set to undergo some changes. Please refer to page 40 for more information about this.







# Child Sponsorship PROGRAM

Compassion's Child Sponsorship Program gives people the opportunity to connect with an individual child living in poverty.

For a child, the program works by providing safe places to play and laugh, the chance to see a doctor when they're sick, access to education and the chance to discover Jesus' incredible love for them.

By being an active part of a child's life through letter-writing, prayer and encouragement, a sponsor equips that child to transform their life, community, and maybe even their nation.

Though all centres operate within Compassion's holistic child development framework, each centre has the freedom to contextualise its activities to suit the needs of its children. A sponsor takes a key role in their sponsored child's development by offering words of hope and encouragement through the exchange of letters and prayers, as well as regularly giving financial support.

## CHILD SPONSORSHIP PROGRAM IN 2017

This financial year, 13,653 children were sponsored—this is our best year since the global financial crisis, and a great reflection of God's grace, the generosity of Australian Christians, and the hard work and diligence of Compassion staff and advocates. The Child Sponsorship Program's income was \$59,291,408.

The cancellation rate, which also includes sponsors who did not resume sponsoring after their sponsored child graduated or otherwise departed from the program, was 11.52 per cent. This is a disappointing result but reflects the closure of all program operations in India, as well as short-term disruption to many sponsors caused by our implementing new technology. Improving on this result will be a priority in 2018.

As we look toward financial year 2018, the Child Sponsorship Program is set to undergo some changes. Please refer to page 41 for more information about this.

## NUMBER OF CHILDREN SPONSORED BY AUSTRALIA AT THE END OF THE FINANCIAL YEAR:

2017	2016	2015	2014
111,177	110,225	105,476	100,996

## SUPPORTING CHILDREN LIVING IN POVERTY

Through a child development centre based at a local church in their community, a Compassion assisted child receives access to education, health care, nutritious food and safe places to play. In financial year 2017, there were more than 6800 child development centres across the 25 countries Compassion works in.







# Leadership Development PROGRAM

The Leadership Development Program was designed for graduates of the Child Sponsorship Program with exceptional academic and Christian leadership potential, opening the door for further formal education at university.

Students are selected according to strict criteria that includes academic achievement, Christian commitment, demonstrated leadership skills and a willingness to serve.

Through the program—and support and encouragement from their sponsor—a student receives Christian leadership training and mentoring alongside their university studies. Thanks to this training, Leadership graduates are already making significant, positive change in the world around them.

---

#### NUMBER OF STUDENTS SPONSORED BY AUSTRALIA IN THE LEADERSHIP DEVELOPMENT PROGRAM AT THE END OF THE FINANCIAL YEAR:

2017	2016	2015	2014
23	91	138	177

---

#### LEADERSHIP DEVELOPMENT PROGRAM IN 2017

The current model of the Leadership Development Program is being gradually phased out, with no new student registrations into the Leadership Development Program since June 2014.

Current students have full support and the opportunity to complete both their tertiary studies and the Leadership Development Program, with all students expected to graduate by October 2019.

In financial year 2017, the total income for the program was \$240,855.

#### YOUTH DEVELOPMENT IN 2018

Leadership development is an important part of our Holistic Child Development Model, and Compassion aims to extend similar opportunities to those provided by the Leadership Development Program to all sponsored children.

As the Leadership Development Program finishes up, the Child Sponsorship Program will take on the responsibility of providing these opportunities.

For more information on this, please refer to page 41.







# Critical Needs

This year saw the consolidation of Critical Needs following its launch last year.

Critical Needs removes obstacles to children's development and provides preventative action in nine different areas of need. Critical Needs builds upon the Child Sponsorship Program to address the issues facing children, their families and communities.

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## AMOUNT SENT FROM AUSTRALIA FOR CRITICAL NEEDS WORLDWIDE:

<b>2017</b>	\$9,995,808	<b>2016</b>	\$6,927,089
<b>2015</b>	\$6,813,034	<b>2014</b>	\$5,867,828

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\*Totals exclude giving to Mums and Babies.

## CRITICAL NEEDS IN 2017

Critical Needs funds rose significantly this year. When programs in India closed, it became clear we would not be able to send sponsorship funds given for the children there. Many sponsors instead asked that their money be directed to Where Most Needed, which is a Critical Need. Some of the Critical Needs projects that Compassion Australia supporters helped fund in financial year 2017 include:

### Solar power for a centre in Tanzania:

Provided a reliable source of power to equip TZ-0754 Church of God Mirambo Child Development Centre to implement a youth development program of vocational training in skills including tailoring, cooking and bakery

classes, computer skills, music, carpentry, welding and aluminium work classes.

### Rebuilding after disaster in the Philippines:

Provided housing and repair materials to 2520 families of registered children and local centre staff who were victims of Typhoon Nock-ten (also known as Typhoon Nina) on Christmas Day 2016.

### Technical training for secondary students in Bolivia:

Local staff identified 80 per cent of the sponsored children from 15 to 21 years at BO-0382, Iglesia Universitaria Child Development Centre intended to pursue higher education or start their own business and began technical training courses to help them pursue their goals.

### Homes for 13 highly vulnerable children in Uganda:

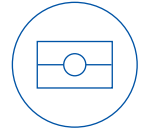
Rebuilt the homes of 13 children and their families who were living in dilapidated and unsafe mud houses in Bushenyi and Ntungamo regions.

### A new child development centre in Haiti:

Helped launch a new child development centre—HA-0902, Lherisson Child Development Centre in Port-au-Prince—by covering the costs of classroom furniture, kitchen equipment and supplies, administrative equipment including computers and office furniture, staff recruitment and training, minor building enhancements and more.

### Water and sanitation in East Indonesia:

Built new toilet facilities and provided safe water for 153 children registered with the program at ID-0604 Gideon Child Development Centre in Singkawang City, West Kalimantan to help protect their health and dignity.



# Indigenous Initiative

Since 2009, Compassion Australia has been proud to partner with Indigenous Ministry Links Australia and an Indigenous church and community in North Queensland which operates a Christian holistic early childhood development centre.

The centre, led by Indigenous teacher Janice Walker, helps to encourage improved child development and a successful transition into the local public school system through a structured, developmentally-based playgroup.

In order for Indigenous Australians to make a successful transition to school, children need a positive initial experience with learning, the presence of Indigenous teachers and support, and Indigenous culture\*.

By partnering with the playgroup, Compassion is able to support the work of highly skilled individuals making a difference for children within Australia, providing children with the opportunity to flourish during their early years.

The playgroup is held in a classroom at the local primary school, helping the children and parents become familiar with the school environment. Through attending the playgroup with their parents or caregivers, children develop their social skills, fine motor skills, and basic literacy and numeracy skills. This gives children the best possible start to their school life, setting a good foundation for their future learning and education.

Currently, up to 35 children plus their parents and caregivers regularly participate in program activities.

## THE INDIGENOUS INITIATIVE IN FINANCIAL YEAR 2017:

- More children have successfully transitioned into prep school [kindergarten]. Feedback from teachers about children who have come through the playgroup consistently states that these kids are better prepared academically and developmentally, and adjust better to the transition than kids who have not benefited from the playgroup.
- Strengthened relationships with families. One major barrier to successful schooling for Indigenous children is the lack of relationship between educators and a child's parents or caregivers. The playgroup and school put great emphasis on building these relationships, which enables greater engagement by the children and family.
- Continuing deep engagement of the local school with the playgroup. The more children are exposed to the larger school environment, the better prepared they will be for the transition into school. Activities this year, including under 8's day, NAIDOC week, before school reading programs, sports days, book fairs, and other cultural activities, have been particular highlights.

\*Dockett, S. Mason, T. & Perry, B. [2006] Successful transition to school for Australian Aboriginal children. *Childhood Education*, 82(3), 139-144.



# Church Engagement

The local church is the focal point of the ministry of Compassion and the beam of hope in every region where Compassion works.

Throughout Australia, our partnership with local churches enables us to release more children from poverty in Jesus' name.

Each weekend in local churches across Australia, staff and advocates present Compassion's work. With their passion and enthusiasm, new innovations including the Virtual Reality Experience, and simpler processes to begin sponsorships, this weekly activity continues to be one of the primary engines that drives our growth.

We are so grateful for our partnerships with local churches in Australia. We could not carry out our ministry to children living in poverty without them.

## HIGHLIGHTS AND MILESTONES IN 2017:

# 81%

Of surveyed people who immersed themselves in Compassion's new Virtual Reality Experience at church events this year rated it as "Awesome!"

# 395

Children sponsored by seven churches in Western Australia with a focus in the Philippines; this year, the churches took part in a Filipino Partnership Party event to promote fellowship and deepen their prayerful engagement with Compassion's work in their focus regions

# 1100

Delegates attended the International Discipleship Making Conference, where Compassion was the major sponsor this year; an important new opportunity to increase our profile among church leaders throughout Asia

# 12

Number of speaking engagements for Crystal Dinaldo, a Filipino Compassion alumni who came on a speaking tour around Tasmania, sharing her testimony and encouraging church partners, donors and potential supporters with the difference sponsorship makes to a child living in poverty

# 37

Trips organised for church partners, donors and other supporter groups to visit the developing world this year to see Compassion's work in action, inspiring deeper engagement and strengthening relationships



I WANT  
JUSTICE-  
OCEANS OF IT.

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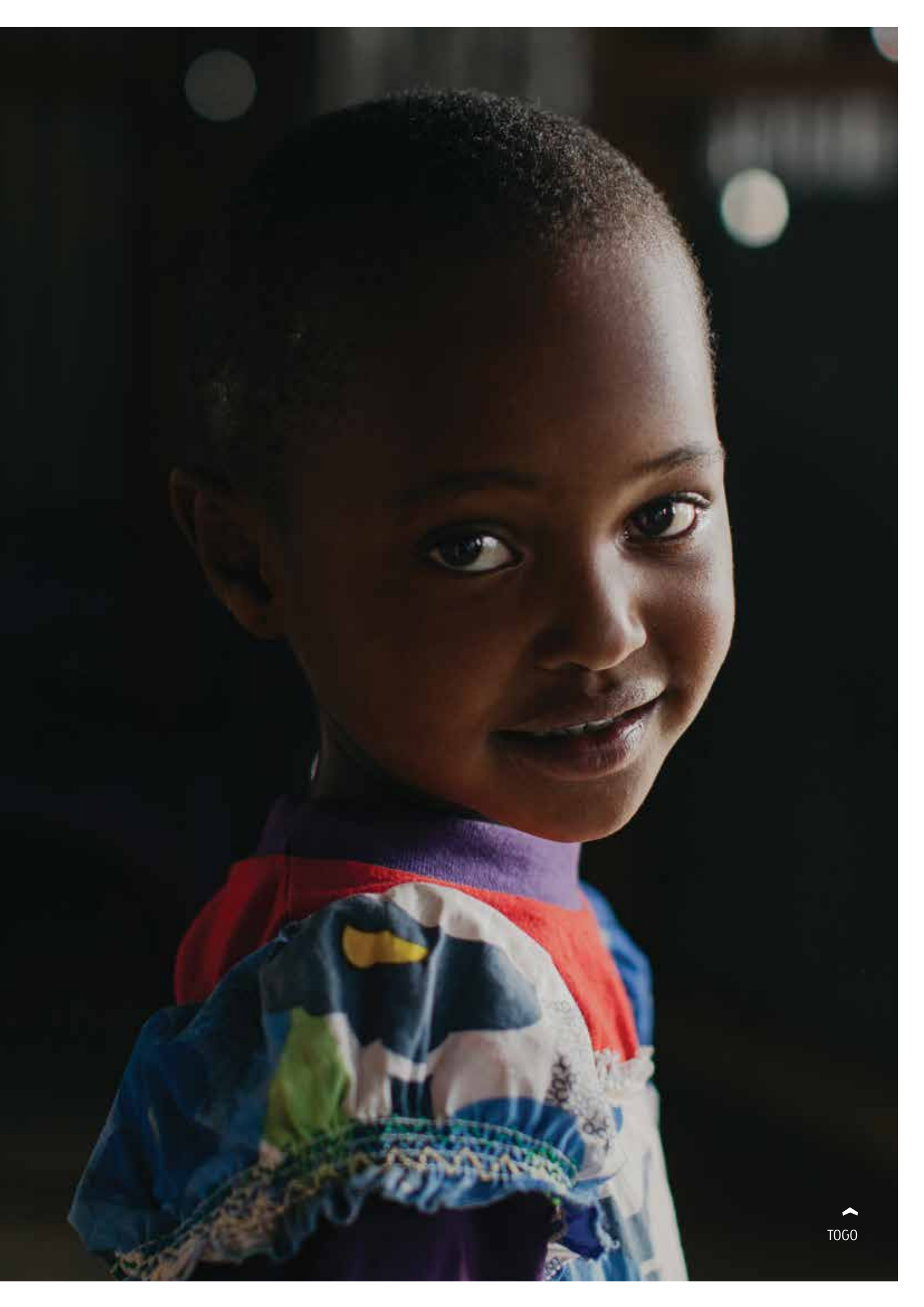
I WANT FAIRNESS-  
RIVERS OF  
IT.

---

THAT'S WHAT I WANT.  
THAT'S ALL I WANT.

---

Amos 5:21-24 (MSG)



TOGO



*"I can tell you there have been  
some amazingly heroic things going  
on in India over the last year.  
The local church is not going  
away. They were there before  
us; they'll be there after us."*

*- Jimmy Mellado  
Compassion International  
President and CEO*







COMPASSION

# Closure in India

As well as being an incredibly exciting and successful year, 2017 was also an extraordinary one for a very sad reason: the closure of all Compassion's programs in India. This devastating turn of events was—and remains—the biggest challenge in Compassion's history.

Yet there was great cause for hope: our supporters' overwhelmingly generous response, the children's resilience, the ongoing work of the local church partners who are so committed to the children, and God's grace and provision throughout. After almost 50 years of work in India, there remain many reasons to celebrate!

## WHY DID COMPASSION CLOSE ITS PROGRAMS IN INDIA?

From mid-2016, the Indian government's restrictions prevented Compassion International getting funds through to our local partners in that country. For months, we attempted to resolve the situation through a number of channels for the sake of more than 147,000 children and 589 local partners.

However, the government did not lift its restrictions and all of our local partners, including our country offices, eventually depleted their resources.

Compassion therefore made the very difficult decision to formally end all program operations in India on 15 March 2017.

## WHO WAS AFFECTED?

**As Compassion closed its doors in India, hundreds of thousands of people around the world felt the effects:**

- More than 147,000 registered children and students across India, as well as their families and communities.
- 7011 children sponsored by Australians.

- 589 local church partners who were receiving funding and support from Compassion International.
- 127 national office staff members and thousands more child development centre staff and volunteers.

## HOW DO THINGS STAND NOW?

- While 7011 children sponsored by Australians departed the program in India, 4480 were immediately sponsored in other countries, as sponsors said "Yes!" to continuing their support for children in need.
- This means a retention rate of 63.9 per cent across Australia.
- Hundreds of local churches continue to run child-focused ministries in India, even without Compassion's support.

## COMPASSION INTERNATIONAL

For Compassion International, India made up about eight per cent of operations. While we do not know the full financial impact of this decision at this time, we remain encouraged about Compassion's stability and long-term position. We continue to work diligently to be good stewards of donations and to prepare for unforeseen financial challenges. With God's grace, committed sponsors, and intentional efforts to plan ahead financially, we are well placed to navigate this challenge.

We continue to pray for India and celebrate almost five decades of work there. While our programs have closed, we recognise God's goodness in the 49 years of partnership with local Indian churches. Through those partnerships, hundreds of thousands of children in India have been released from poverty!

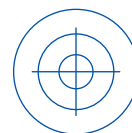


INDONESIA



DOMINICAN REPUBLIC





# Ministry Goals

Compassion Australia continues to pursue its strategic goals as the primary drivers of growth and the means by which we serve 1.8 million children, caregivers and students, our passionate and committed supporters, and our staff, advocates and volunteers in Australia and overseas.

## COMPASSION AUSTRALIA'S STRATEGIC GOALS

1. Acquire and engage new supporters
2. Delight and retain existing supporters
3. Revolutionise systems and processes
4. Develop people and culture

These goals will serve us well as global changes take place (see page 40) in the coming years.

2. The program closure in India this year resulted in a large number of cancellations; it also has a significant impact in terms of future growth. Opportunities to expand the work of Compassion in India—one of the largest developing nations in the world, where millions of children live in poverty—have ended. While our position in 25 developing nations remains strong and there is great need (and potential for growth) in those nations, our exit from India will be a factor in our growth rate in the immediate future.

## A YEAR FOR GRATITUDE AND REFLECTION

**2017 has been a challenging year, due to a combination of factors, including:**

1. Our new customer relationship management system was introduced two years ago, and the intervening time has been spent refining it to meet our needs. This has meant some disruption to supporters and the way they interact with their sponsored children and with Compassion.

We're grateful to God for His grace and strength, to our supporters for their engagement and encouragement, and to our staff for their diligence and positivity as we've faced these difficulties. We remain committed to our strategic direction and it's important we reflect on the year so we can be open to all the opportunities God has for us in the future.

## GLOBAL PLANS FOR

# Continued Growth

To strengthen all Compassion assisted children's opportunities for development—and to optimise opportunities for global growth—Compassion International is implementing some important changes from financial year 2018.

### **MUMS AND BABIES TO FOCUS ON SURVIVAL**

The first step to releasing a child from poverty is survival.

Mums and Babies will become even more focused on child survival, by giving mothers and their children targeted support during the vulnerable prenatal months and the first year of life.

When a child reaches age one, he or she will transition from Mums and Babies to the Child Sponsorship Program.

#### **Key benefits of this approach:**

##### **Children have a smoother pathway to development:**

Young children and their caregivers will continue to participate in home-based care past the age of one. Allowing them to be registered with the Child Sponsorship Program from that age gives them a smoother development pathway from infancy into their school-aged years. The physical transition from home-based to centre-based program activities at their local church's child development centre will occur between the ages of three and six, depending on the local education system and other contextual factors.

##### **Supporters can help more babies survive their first critical year of life:**

Supporters of Mums and Babies can target their support to children at their most vulnerable stage of development—from the womb to age one—and to help launch new Mums and Babies survival projects in more communities worldwide. After completing the planned closure of some Child Survival Program centres at the end of this financial year, Compassion International will enter financial year 2018 with 684 survival projects—and launch 616 more over the coming year, bringing the total number to 1300.

##### **Compassion has a more stable foundation for growth:**

This change will allow growth to be driven long-term through the Child Sponsorship Program—for Compassion International, this means a higher level of stability and therefore better resilience and prospects for growth; it also means Mums and Babies funds can be targeted to provide even more pregnant mums and younger, more vulnerable babies with desperately needed support.



## CHILD SPONSORSHIP FROM AGE ONE

The Child Sponsorship Program will continue as Compassion's flagship program. After more than 60 years' experience, and compelling research (both independent and internal), we know that Compassion child sponsorship is effective and powerful in releasing children from poverty.

Following a pilot program that included 24 child development centres in three countries—Bangladesh, Bolivia and Rwanda—Compassion decided to pursue a change that will see children at the age of one become eligible to be sponsored.

Sponsors will be able to connect with a child as early as age one and stay with them until they finish the program. Earlier sponsorship of the child creates life-long impact, and provides more opportunities for sponsors to encourage these precious children throughout crucial developmental ages.

From a practical perspective, this change strengthens the child's transition from Mums and Babies to the Child Sponsorship Program. It has benefits for registered children and their families, for supporters and sponsors, and for the strength of Compassion's program and future growth (see page 40 for key benefits).

## YOUTH DEVELOPMENT STRATEGIES

As the Leadership Development Program is phased out (see page 29), all students registered with the Child Sponsorship Program will gain stronger opportunities for leadership development and further training.

To fulfil this goal, the Child Sponsorship Program will incorporate youth development strategies—produced by field country offices for all their program centres and funded by Critical Needs—that give all registered youths the opportunity to develop and grow to their full potential.

Youth development strategies will provide customised development plans for each child in the Child Sponsorship Program—some may choose to attend university or another higher education institution, while others may receive vocational or ministry training. No matter what they pursue, sponsored children will have the opportunity to explore their dreams and apply their individual interests and passions to the next chapter of their lives.

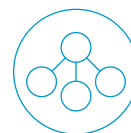
Already, field country offices have begun the process of exploring their options, creating strategies, developing partnerships with government, non-government and community partners, seeking support for the relevant Critical Needs, and looking to refine and solidify their approaches as they monitor students' progress.

These strategies and the program activities that develop from them will continue to be implemented in 2018 and into the future.

# 42

THE People's  
Story





# The Board & Governance

Compassion Australia is governed by a voluntary Board of Directors. The Board comprises seven members, each with unique skills and experience, united for the purpose of releasing children from poverty in Jesus' name.

Compassion Australia is a company limited by guarantee, with a Constitution that defines the organisation's purpose, objectives and powers, and how income is to be applied. It is the role of the Board of Directors to ensure we operate in accordance with the principles and commitments stated in our Constitution.



**DR JOHN BOND**

**Position:** Chairman of the Board of Directors, Board member since 2002

John is a Minister of Religion with international ministry experience. He has worked with Youth for Christ International, Sports and Leisure Ministries, as Senior Minister of Thornlie Church of Christ and Lifestreams Christian Church. He is currently serving as the South-East Asia Pacific World Zone leader of Dynamic Church Planting International and is the Founding Director of Sonlife Ministries Inc.



**MIKE JEFFS**

**Position:** Vice Chairman of the Board of Directors, Member of the Ministry Services Committee\*, Member of the Board of Directors of Compassion International, Board member since 1995

Mike has extensive business knowledge, with 40 years' experience in management and director roles. He is the Founder and Director of Network Communications Pty Ltd, and the Managing Director of Australian Christian Channel Pty Ltd and Southern Cross Institute Pty Ltd.

\*Ministry Services Committee - Responsible for Finance, Building and Logistics, Human Resources, and Information Technology.

\*\*Ministry Relations and Supporter Engagement Committee - Responsible for Frontline, Church, Advocacy, Donor, Marketing and Supporter Engagement.

\*\*\*Executive and Governance Committee - Responsible for the Executive Team, structure, Board membership nominations, Board development and innovation.





#### ISAAC MOODY

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**Position:** Member of the Ministry Relations and Supporter Engagement Committee\*\*, Board member since 2008

In 2011, Isaac founded Prethink Group, a group of small businesses including the historic Gabbinbar Homestead, Scrub Turbo Clean and the Idea Bureau. In addition, Prethink Group holds property and agricultural investments. Isaac is passionate about technological innovation, exceptional service, strategic marketing and fostering a positive staff culture which aims to set others up for success.



#### MABEL CHUA

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**Position:** Secretary of the Board, Member of the Ministry Services Committee, Board member since 2012

Mabel holds a Master of Laws, Bachelor of Laws and a Bachelor of Commerce majoring in accounting and finance. Prior to becoming the Managing Director of M 6:8 Legal in Perth, Mabel was a partner at a multi-disciplinary boutique legal practice. Mabel has served in various leadership capacities in her local church and in the Christian community.



#### KENT MEDWIN

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**Position:** Member of the Executive and Governance Committee\*\*\*, Member of the Ministry Services Committee, Board member since 2010

Kent is Managing Director of Rock Property, and a Director of St Michael's Collegiate School. He is the former Chairman of the following organisations: Live Free Tassie, Pathways Tasmania, and Ultra 106.5. Kent was also the Vice Chair of Common Ground Tasmania.



#### SAM VALICH-DEWHURST

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**Position:** Member of the Ministry Relations and Supporter Engagement Committee, Board member since 2015

Sam has over 20 years' industry experience in brand communication. She is a strategic thinker, brand developer, qualitative researcher and communicator, and has worked with hundreds of creative teams across industries in Australia, the UK and USA. Sam is the founder of Monostory—a value-driven brand tool enabling organisations and individuals to live with purpose across every area of business and life.



#### MARK MCCRINDLE

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**Position:** Member of the Ministry Relations and Supporter Engagement Committee, Board member since 2015

Mark is a demographer, social researcher and founding principal of McCrindle Research. Along with his team of data analysts, he works to identify emerging trends and research insights that can inform strategy and effective engagement.



# Board Declaration

The Board of Directors of Compassion Australia declares that:

- (a) The financial statements and notes as set out on pages 55 to 63 are in accordance with the Corporations Act 2001 and:
  - i. Comply with Australian Accounting Standards, and
  - ii. Give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the company.
- (b) In the directors' opinion, there are reasonable grounds to believe that the organisation will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

**John Bond**  
CHAIRMAN OF THE BOARD

**Mike Jeffs**  
VICE CHAIRMAN OF THE BOARD



^  
BANGLADESH



^  
HONDURAS



# How the Board Operates

## STRUCTURE

The Board meets face to face at least four times per year, including an annual general meeting every October. Members are also encouraged to be involved in other Compassion activities such as promotional events, conferences or Insight Trips to Compassion field countries.

## BOARD COMMITTEES

Each Board member serves on at least one Board committee. These are not decision-making bodies but rather provide insight into the operational aspects of management at Compassion. Each committee reports to the Board, who then discuss any issues.

## RECRUITMENT

Potential Board members are recommended by current Board members and chosen for their contribution to the decision-making process. Each director is required to be a Christian, committed to a local church and living a life consistent with the Christian faith. Potential members are invited to a Board meeting as observers. The Board then makes a decision and, if successful, the applicant is invited to join the Board.

## TRAINING AND DEVELOPMENT

We believe our Board functions effectively, but we are always looking for areas to improve on. These include developing a healthy gender balance on the Board, improving induction practices, developing performance review procedures for Board members and the CEO, ongoing Board education, and the continued development of a Board manual.

## REIMBURSEMENT

Directors are not paid any remuneration for their services, but Compassion does reimburse related reasonable expenses, such as travel and accommodation.

## LENGTH OF SERVICE

The Board's Constitution sets out the length of time a member may serve on the Board. Members are appointed for three years and must retire at the end of their term. They can stand again and, subject to the Board's approval, be re-elected for a further term.

## CONFLICTS OF INTEREST

No Board member shall benefit, either directly or indirectly, from any individual or group that conducts business with the organisation without full disclosure and the approval of the Board of Directors.



# Risk Management

## AND SUSTAINABILITY

### FOREIGN EXCHANGE RISK

Compassion sends funds all around the world, which means we need to deal with foreign currency exchanges. The Ministry Services Committee of the Board (which is responsible for the Finance team) determines our approach to mitigating our foreign exchange risk. This is based on regular prudent analysis of trends in financial markets and reviewing economic indicators.

### INVESTMENT RISK

Investment decisions and guidelines are approved by the Ministry Services Committee of the Board. Compassion Australia invests all available funds in either low-risk, interest-bearing accounts—including short maturing term deposits—or in commercial property holdings.

### ETHICAL STANDARD

At Compassion we endeavour to conduct our ministry with the highest ethical standards, inspired by our dedication to the Bible. Employees are expected to demonstrate integrity and ethical behaviour through transparent relationships with governments, churches, other not-for-profit associations, beneficiaries, and the general public.

### CRISIS COMMUNICATION

Compassion currently has a well-established reputation amongst the public as a trusted voice in the development conversation. Compassion's Crisis Communication Plan equips us to proactively protect our positive reputation by immediately and thoughtfully addressing public concerns about Compassion's activities, and prioritising timely and accurate communication to supporters in the event of a crisis.

### CHILD PROTECTION

As part of our ongoing commitment to child safety, during the past year we have conducted a review of our child protection policies and procedures. As part of this review we have approved an updated child protection policy and procedure, introduced a code of conduct and a thorough online training program for all employees to complete. We are also participating in the global Child Protection Project 2.0, in which Compassion globally is reviewing its child protection measures. Compassion Australia will be implementing further strategies to increase our effectiveness in this area resulting from this project.

### TECHNOLOGY RISK

Protecting our intellectual property and supporters' information is critical to Compassion Australia's operation and reputation. Our risk management strategy is achieved through a series of controls, including policies, processes, procedures, organisational structures, and software and hardware tools. Compassion volunteers and staff are responsible for protecting sensitive information, with procedures in place to ensure consistent information handling according to its sensitivity and level of importance. Our Newcastle office is also protected by a backup system, located remotely in case of catastrophic damage or data loss at our primary location.

Compassion Australia also complies with the Payment Card Industry Data Security Standard.

### EXTERNAL AUDITING

Compassion Australia engages Bentleys Brisbane [Audit] to perform a thorough audit on our financial reports each year. Bentleys is an accounting and audit firm; the lead auditor is Mr Martin Power FCA. Full financial reports dating back to 2012 are available to view at [www.compassion.com.au/annualreports](http://www.compassion.com.au/annualreports)



## FINANCIAL SUSTAINABILITY

Compassion Australia funded approximately 80 per cent of activities through recurring monthly support. By using this recurring model of fundraising, there is an assurance that Compassion's current level of program funding is sustainable. This enables Compassion to focus fundraising efforts on retaining existing supporters and engaging new supporters. For more information on Compassion's income, please refer to page 55.

## INTERNAL AUDITING

Compassion International has a global internal audit and risk management function that routinely monitors financial and operational integrity at child development centres and field offices across the globe. As part of this, Compassion reviews project partner financial activity and conducts child development centre visits on a regular basis, which can include audits. This way we can ensure all programs are meeting minimum standards of financial accountability and programmatic integrity.

During financial year 2017, Compassion International has been developing a new audit tool to assist in assessing the processes and risk in Compassion's field offices. This new audit tool has been in the process of being tested this financial year; it will continue to be tested in FY2018, to be rolled out in FY2019.

Staff from Compassion Australia's Finance and Risk Management departments have been involved in the development of this new audit tool and will take part in the audits of Compassion's field offices.

Observations and action items from both project and field offices are documented and brought to the attention of staff and management for consideration, decision making, action planning, and subsequent follow-up.

Compassion International also has an anonymous fraud and ethics reporting hotline. This is an independent and objective process that determines the legitimacy of any allegations and takes appropriate action.

## RISK MANAGEMENT IN INDIA

In 2010, India revised its national Foreign Contribution Regulation Act (FCRA) to regulate activity deemed detrimental to the public interest. In February 2016, the

Indian government put Compassion on a "prior approval list" through its Ministry of Home Affairs, which essentially prevented Compassion funds from entering the country. In the following months, Compassion International went to the greatest lengths possible to protect and continue its ministry in India. With the faithful prayers of staff and supporters, Compassion:

- Sought the counsel of legal experts in both the US and India, all of whom assured us we have abided by all Indian laws
- Leveraged multiple diplomatic channels, including the involvement of former US Secretary of State John Kerry, and former and current US Ambassadors to India
- Testified before the US House of Representatives' Foreign Affairs Committee and gained overwhelming support
- Engaged our sponsors and supporters in the US to write over 84,000 letters to Congress
- Thanked the members of Congress who signed a letter to the US India Ambassador seeking resolution

Compassion was not alone in facing these governmental restrictions. At the time our operations ended, several thousand other foreign NGOs faced deregistration, with some of them facing restrictions similar to Compassion.

## MITIGATING SIMILAR RISK IN OTHER NATIONS

In the wake of the decision to close operations in India, it is important to assess the broader context in which Compassion works.

We face increasingly complex and challenging regulatory environments across many nations in which we work. To prevent another situation like India's, the Compassion International General Counsel Office is assessing risks we may face in the future, so we can be prepared to respond to them and address them before they become a reality. They are also actively building relationships to create government awareness of Compassion's work—in the USA and other global partner countries—should we need to engage them for help in a future situation. Additionally, through the efforts of our global strategic priorities, Compassion International is looking to be nimble and responsive to risks and warning signs that may affect our ministry.

# Leadership

The Executive Team at Compassion Australia ensures the strategy developed by the Board of Directors is implemented across the ministry. In addition to overseeing specific areas of Compassion's ministry, the Executive Team is responsible for the ongoing health and growth of Compassion Australia.



**DR TIM HANNA**

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**Position:** Chief Executive Officer since 2010

Tim was a senior pastor for more than 30 years and a former senior lecturer at the Australian College of Ministries. In 2008 he took the role of National Director of Church and Mission with Compassion Australia before becoming the CEO of Willow Creek Australia, where he served for two years before returning to Compassion as CEO.



**BEN DODD**

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**Position:** Executive Director of Finance [Chief Financial Officer] since 2015

Ben has a background in economics and banking and joined Compassion Australia in 2009 as Finance Facilitator. After moving into the Budget and Forecast Manager role, he was made Finance Director before being promoted to Chief Financial Officer in mid-2015.

As Chief Financial Officer, Ben is responsible for growing, enhancing, and protecting Compassion Australia's financial health and position, ensuring the ministry is sustainable for generations to come.



#### **JANINE DALY**

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**Position:** Executive Director of Supporter Engagement since 2014

Prior to joining Compassion in 2009 as a Relationship Manager, Janine had 15 years' management experience in the retail sector. After being made NSW State Manager at Compassion in 2011, Janine was promoted to Executive Director of Supporter Engagement in 2014. In her current role, Janine leads the Supporter Engagement section who are responsible for engaging, delighting and supporting sponsors through their experience with Compassion.



#### **DEB ADAMS**

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**Position:** Executive Director of Ministry Services since 2011

Deb joined Compassion in 2006 as Human Resources Specialist after working in the same role at Hunter Water Corporation. She was made Human Resources Director in early 2007 and was promoted to Executive Director in 2011. In her current role, Deb oversees Ministry Services, which includes Human Resources and Wellbeing, Information Technology, Legal and Sector Compliance, Risk Management and Special Projects.



#### **ADAM HOLLAND**

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**Position:** Executive Director of Ministry Relationships since 2012

Adam has a BA (Honours) in Philosophy and a Masters in Information and Knowledge Management. He has led and managed teams in local church, academic and local government contexts. Adam joined Compassion in 2012 as Executive Director of Ministry Relationships. In his role, he leads the Ministry Relationships section that engages directly with churches, Compassion Advocates, donors and supporters to see children lifted out of poverty.



#### **JEREMY HORN**

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**Position:** Advisor to the Executive Team (part-time) since 2014

Jeremy has an extensive background in software-as-a-service provision and business systems architecture. He also served as a member of the Compassion Board for over eight years. Jeremy plays a valuable process and technology advisory role to the Executive Team.





52

THE

# Finance Story



# 53

## Ben Dodd

A REPORT FROM  
COMPASSION AUSTRALIA'S  
CHIEF FINANCIAL OFFICER

A year of increase, challenge and a strengthened financial position.

Our total income for the year rose to a new record of \$81.03 million, representing an income growth of 2.85 per cent. The majority of this increase comes from our flagship program, Child Sponsorship.

Our income growth for the year was lower than expected because of the difficult decision in the second half of the year to withdraw our operations from India. This affected about 10 per cent of our supporter base and resulted in higher than normal cancellations and refunds. [Refer to Income and Expenditure, p55]. Coupled with this, we continued to stabilise our new technologies implemented in the prior year.

The Australian economy produced a repeat performance on the prior year for the sector. It meant fundraising still continued to be difficult, although confidence was growing and new income opportunities were opening up. We saw a mixed bag of prudence and confidence from consumers with mixed indicators such as low wages growth, high household debts, a lowering savings ratio, property prices increasing and low interest rates.

Compassion's core programs experienced flat growth throughout financial year 2017. The number of children, caregivers and students supported by Australian sponsors was 112,905, remaining level from the previous year. For the most part, this flat growth was due to cancellations in our Child Sponsorship Program associated with India.

Further to this, we grandfathered our Leadership Development Program and transitioned unfunded Child Survival Program projects.

A continued focus on financial stewardship saw expenditure on administration and fundraising reach 20.21 per cent of expenditure. This was a fantastic result given the challenges of continuing to stabilise technologies from a prior year replacement. The percentage of funds used for program activities benefitting the children we minister to was 78.9, while advocacy initiatives accounted for the remaining 0.89 per cent. Looking to the future with expenditure, Compassion has implemented a multi-year initiative to focus on greater efficiency in an effort to invest into new fundraising opportunities.

As a result of God's blessing and good financial management to increase income and drive more money to the field, Compassion ended the year with an operating surplus of \$211,000.

Compassion remains in a robust financial position due to our supporters, whose generosity continues to give children living in poverty a hope and a future.

**Ben Dodd** - COMPASSION AUSTRALIA CFO





THAILAND



TOGO



# Income, Expenditure

## SPONSORSHIPS AND BENEFICIARIES

### INCOME:

Our income for the year was \$81.03 million, which was an increase on last year of \$2.24 million or 2.85 per cent. Our growth in donations came most notably through our Child Sponsorship Program, although the increase is reflected in our Critical Intervention Fund.

Regarding our Child Sponsorship Program, we had the highest number of children sponsored since the global financial crisis, finishing the year with more than 13,600 kids sponsored. Income and child sponsorship growth was lower than we had expected because of our decision to conclude operations in India. This decision affected about 10 per cent of our supporters, which meant we undertook significant effort to transition supporters to sponsor new children. This resulted in a number of refunds and higher than normal cancellations, and lowered our expected results. Total cancellations closed the year at 12,700. As a result, Compassion experienced one per cent growth (or more than 900 kids) in the number of children sponsored.

Compassion Australia's income is sustainable year on year. Our main source of income is through our Child Sponsorship Program, which is a recurrent income source. Approximately 80 per cent of our total income is considered recurrent due to our ongoing partnership with current supporters. The majority of our remaining income comes through semi-recurrent sources such as Christmas, child and family gifts, as well as one-off appeals. This means that our current income level is sustainable, enabling us to focus on keeping our current supporters engaged, partnering with new supporters, and developing and continuing one-off appeals.

### EXPENDITURE:

Compassion Australia spent 20.21 per cent or approximately \$16.3 million on administration and fundraising this financial year.

In financial year 2017, 79.79 per cent of our expenditure was used on programs. This expenditure was used:

- For the development, delivery and supervision of child development programs
- To purchase goods and services for the direct benefit of the children in our programs
- To facilitate sponsors' personal relationship with their sponsored children
- For community education

### NET SURPLUS:

Income less expenditure resulted in a planned small net surplus of \$211,000. Management of financial reserves over the next few years will continue to focus on maintaining an optimum ratio of program and operating reserves while marginally increasing equity. [See p61 for more information on financial reserves.]

### LOOKING TO NEXT YEAR:

The forecasted global and domestic economic climate shows signs of greater opportunity for growth. For financial year 2018 we have set a modest income growth target of 1.4 per cent. This target is based on planned initiatives and activities but also reflects a low growth year as a result of our exit from India. This will provide us with approximately \$82.2 million in revenue for the year which will allow us to spend approximately \$65.76 million on program related services.



# Income & Expenditure

FOR THE YEAR ENDED 30 JUNE 2017

REVENUE	2017	2016
Donations and gifts		
Monetary	\$80,501,709	\$78,162,308
Non-monetary	-	-
Bequests and legacies	\$139,853	\$192,786
Grants	-	-
AusAID	-	-
Other Australian	-	-
Other overseas	-	-
Investment income	\$376,637	\$347,470
Other income	\$14,823	\$87,195
Revenue for international political or religious proselytisation programs	-	-
<b>TOTAL REVENUE</b>	<b>\$81,033,022</b>	<b>\$78,789,759</b>

Note—We have not provided a table of cash movements for designated purposes because no single appeal, grant or other form of fundraising for a designated purpose generated 10 per cent or more of the organisation's international aid and development revenue for the financial year.



EXPENDITURE	2017	2016
INTERNATIONAL AID AND DEVELOPMENT PROGRAMS EXPENDITURE		
International programs		
Funds to international programs	\$52,461,103	\$51,338,150
Program support costs	\$11,248,959	\$10,497,888
Community education	\$715,750	\$947,284
Fundraising costs		
Public	\$10,795,820	\$10,144,665
Government, multilateral and private	-	-
Accountability and administration	\$5,539,759	\$5,561,804
Non-monetary expenditure	-	-
<b>TOTAL INTERNATIONAL AID AND DEVELOPMENT PROGRAMS EXPENDITURE</b>	<b>\$80,761,391</b>	<b>\$78,489,791</b>
Expenditure for international political or religious proselytisation programs	-	-
Domestic programs expenditure	\$60,440	\$84,331
<b>TOTAL EXPENDITURE</b>	<b>\$80,821,831</b>	<b>\$78,574,122</b>
<b>EXCESS / (SHORTFALL) OF REVENUE OVER EXPENDITURE</b> (Total Comprehensive Income)	<b>\$211,191</b>	<b>\$215,637</b>

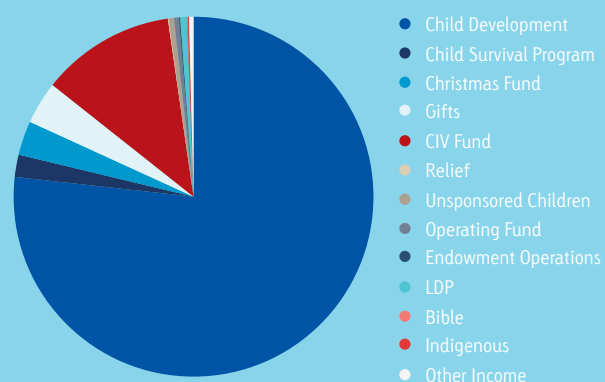
<b>STATEMENT OF CHANGES IN EQUITY</b> (For the year ended 30 June 2017)	<b>2017</b>	<b>2016</b>
Balance at 1 July (commencing balance)	\$16,222,296	\$16,006,659
Adjustments or changes in equity	-	-
Excess / (shortfall) of revenue over expenses	\$211,191	\$215,637
Other amounts transferred (to) or from reserves	-	-
Balance at 30 June (year end balance)	\$16,433,487	\$16,222,296

# Key Performance

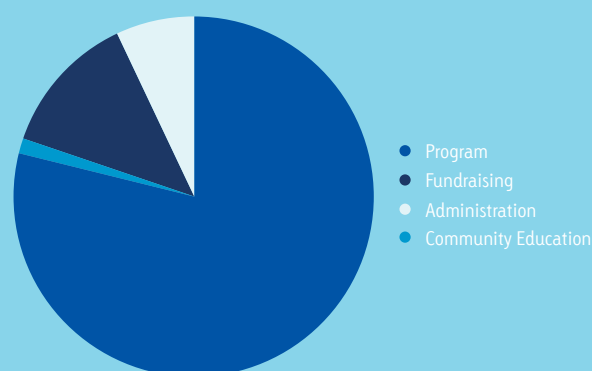
The following is a snapshot of Compassion's financial performance over the past three years across our various funds.

SPONSORSHIPS	2017	2016	2015
Income Per Staff	\$48,749	\$44,772	\$44,564
Child Cancellation Rates	11.52%	6.95%	7.26%
Sponsorship Retention Rates	88.48%	93.05%	92.74%
Children Per Sponsor	1.37	1.36	1.35
Revenue Growth %	2.85%	3.64%	5.58%
Return on Fundraising Investment	7.48	7.75	7.52

## INCOME BY SOURCE 2017



## EXPENDITURE 2017





INCOME BY SOURCE	2017		2016		2015	
Child Development	\$59,291,408	73.17%	\$60,542,609	76.84%	\$57,784,710	76.01%
Child Survival Program	\$1,488,248	1.84%	\$1,571,330	2.00%	\$1,895,728	2.49%
Christmas Fund	\$2,473,268	3.05%	\$2,407,713	3.07%	\$2,271,606	2.99%
Gifts	\$3,124,421	3.86%	\$3,010,208	3.83%	\$2,947,896	3.88%
CIV Fund	\$13,332,184	16.45%	\$9,465,368	12.06%	\$8,719,387	11.47%
Relief	\$144,887	0.18%	\$55,234	0.07%	\$200,782	0.26%
Un-sponsored Children	\$248,824	0.31%	\$371,676	0.47%	\$494,515	0.65%
Operating Fund	\$330,162	0.40%	\$361,204	0.46%	\$587,229	0.77%
Endowment Operations	\$46,259	0.06%	\$70,895	0.09%	\$72,407	0.10%
LDP	\$240,855	0.30%	\$471,391	0.60%	\$736,721	0.97%
Bibles	\$143,218	0.18%	\$67,514	0.09%	\$55,934	0.07%
Indigenous	\$109,269	0.13%	\$76,178	0.10%	\$242,065	0.32%
Other Income	\$60,019	0.07%	\$318,439	0.41%	\$13,653	0.02%
<b>TOTAL</b>	<b>\$81,033,022</b>	<b>100%</b>	<b>\$78,789,759</b>	<b>100%</b>	<b>\$76,022,633</b>	<b>100%</b>

EXPENDITURE	2017		2016		2015	
Program	\$63,770,502	78.90%	\$61,920,369	78.81%	\$58,912,624	78.83%
Community Education	\$715,750	0.89%	\$947,284	1.20%	\$1,099,463	1.47%
Fundraising	\$10,795,820	13.36%	\$10,144,665	12.91%	\$10,036,320	13.43%
Administration	\$5,539,759	6.85%	\$5,561,804	7.08%	\$4,689,401	6.27%
<b>TOTAL</b>	<b>\$80,821,831</b>	<b>100%</b>	<b>\$78,574,122</b>	<b>100%</b>	<b>\$74,737,808</b>	<b>100%</b>





# Sponsorships & Beneficiaries

	2017	2016	2015
<b>SPONSORSHIPS</b>			
Australian-supported Child Sponsorships	111,177	110,225	105,476
Worldwide Child Sponsorships	1,669,376	1,651,712	1,553,185
<b>BENEFICIARIES</b>			
New Beneficiaries	13,653	12,077	11,871
Cancelled Beneficiaries	13,591	7,477	7,379
Net Growth	62	4,600	4,492
Net Growth %	0.05%	4.25%	4.33%
<b>TOTAL BENEFICIARIES</b>	<b>112,905</b>	<b>112,843</b>	<b>108,243</b>

<b>BENEFICIARIES BREAKDOWN</b>			
Child Sponsorship Program	111,177	110,225	105,476
Child Survival Program	1,705	2,527	2,629
Leadership Development Program	23	91	138
<b>TOTAL BENEFICIARIES</b>	<b>112,905</b>	<b>112,843</b>	<b>108,243</b>

<b>OTHER COMMITMENTS</b>			
Critical Needs	30,126	28,226	27,542



# Balance Sheet

Overall, Compassion Australia's balance sheet remains healthy and in a strong financial position.

Total assets for the year decreased by \$1.16 million on last year. This was due to a decrease in cash and cash equivalents by \$1.29 million. This is a timing issue; we received monies late in financial year 2016 that were not transferred until early in financial year 2017. Cash and cash equivalents finished the year at \$13.58 million. The majority of this cash is temporarily held by Compassion for programmatic use and is recognised with a corresponding liability in current liabilities.

Total liabilities decreased by \$1.37 million compared to last year and this variance exists within our current liabilities. Last year we had higher obligations on our program commitments compared to this year.

Our current ratio is 1.25; while this is noted as being below average—largely due to significant fixed assets in property and the structure of our balance sheet—it still shows that we have sufficient current assets to cover our current liabilities. This is slightly more than last year's ratio of 1.22 and is considered to be a low risk as our income is reliable and regular. Strengthening this ratio over the years is a key strategy for management.

Our balance sheet shows an increase in equity of \$211,000 for financial year 2017. The resultant equity position reflects maintenance of two key strategies: holding equity for the future and maintaining appropriate operating reserves.

# Balance Sheet

AS AT 30 JUNE 2017

ASSETS	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$13,580,797	\$14,870,565
Trade and other receivables	\$1,270,290	\$1,150,457
Inventories	-	-
Assets held for sale	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>\$14,851,087</b>	<b>\$16,021,022</b>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	-	-
Other financial assets	-	-
Property, plant and equipment	\$10,347,778	\$10,237,273
Investment property	\$1,400,876	\$1,464,526
Intangibles	\$1,966,508	\$2,009,059
Other financial assets	-	-
Other non current assets	-	-
Revenue for international political or religious proselytisation programs	-	-
<b>TOTAL NON CURRENT ASSETS</b>	<b>\$13,715,162</b>	<b>\$13,710,858</b>
<b>TOTAL ASSETS</b>	<b>\$28,566,249</b>	<b>\$29,731,880</b>



LIABILITIES	2017	2016
<b>CURRENT LIABILITIES</b>		
Trade and other payables	\$11,574,654	\$12,975,593
Borrowings	-	-
Current tax liabilities	-	-
Other financial liabilities	-	-
Provisions	\$221,474	\$136,985
Other	-	-
Other financial liabilities	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$11,796,128</b>	<b>\$13,112,578</b>
<b>NON CURRENT LIABILITIES</b>		
Borrowings	-	-
Other financial liabilities	-	-
Provisions	\$336,634	\$397,006
Other	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>\$336,634</b>	<b>\$397,006</b>
<b>TOTAL LIABILITIES</b>	<b>\$12,132,762</b>	<b>\$13,509,584</b>
<b>NET ASSETS</b>	<b>\$16,433,487</b>	<b>\$16,222,296</b>

<b>EQUITY</b>		
Reserves	-	-
Retained earnings	\$16,433,487	\$16,222,296
<b>TOTAL EQUITY</b>	<b>\$16,433,487</b>	<b>\$16,222,296</b>



## **Report of the Independent Auditor on the Summary Financial Statements To the Members of Compassion Australia**

### **Opinion**

The summary financial statements, which comprise the summary Balance Sheet as at 30 June 2017, the summary Income and Expenditure and Statement of Changes in Equity for the year then ended, are derived from the audited financial report of Compassion Australia (the "Company") for the year ended 30 June 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial report.

### **Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by Australian Accounting Standards - Reduced Disclosure Requirements and *Division 60 of the Australian Charities and Not-for-Profits Commission Act 2012*. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

### **The Audited Financial Report and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial report in our report dated 27 October 2017.

### **Directors' Responsibility for the Summary Financial Statements**

The Directors of the Company are responsible for the preparation of the summary financial statements and the extraction of such information from the Company's full financial report to give an abridged summary of the financial position and performance of the entity for the relevant financial year under review. This responsibility includes ensuring the summary financial statements are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.



Bentleys Brisbane (Audit) Pty Ltd  
Chartered Accountants



P M Power  
Director  
Brisbane  
7 November 2017





**COMPASSION AUSTRALIA**

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This annual report is also available online at  
[www.compassion.com.au/annualreports](http://www.compassion.com.au/annualreports)