



Annual Report

2012/13

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 30 Warabrook Boulevard, Warabrook NSW 2304.

Compassion's annual report is a publication of Compassion Australia. All photos are © of Compassion Australia unless otherwise stated and may be reproduced with permission from Compassion Australia.

All scripture quotations are taken from the New International Version.

Fundraising

Compassion Australia is an active member of Fundraising Institute Australia. 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.

Standard of reporting

Compassion Australia was pleased to be recognised as one of 10 finalists in the revenue greater than \$30m category in the 2012 PwC Transparency Awards for the quality and transparency of our reporting.

Compassion Australia's Annual Report 2012 also won a Silver Award in the Australasian Reporting Awards, run by Australasian Reporting Awards Limited.



PwC
Transparency
awards



Top 10 Finalist 2012
> \$30m revenue category



Contents

Chairman of the Board Message	4
Chief Executive Officer Message	5
2012-2013 Highlights	6
Introducing Compassion	7
About Us	8
Why We Exist	11
Where We Work	12
How We Work	14
Child Survival Program	17
Child Sponsorship Program	19
Leadership Development Program	21
Critical Interventions	23
Church Engagement	24
Indigenous Initiative	25
Compassion Partnerships	26
Where We Are Now	27
Current Environment	28
Sustainability	29
Child Sponsorship Trends	30
Our People	32
The Board and Governance	33
Leadership	37
Organisation Structure	39
Organisational Development	44
Strategy, Performance and Financial Position	45
Ministry Goals	46
2012-2013 Ministry Initiatives	48
Compassion's Scorecard	56
From the Finance Director	58
Board Declaration	59
Source of Funds	60
Key Performance	62
Sponsorships and Beneficiaries	64
Program Performance	66
Income Statement	70
Balance Sheet	72
Fund Movements	74
Independent Auditor's Report	77
Glossary of Terms	78

Chairman of the Board Message

Firstly, on behalf of Compassion's Board of Directors, I'd like to thank every individual, church, Child Advocate and business who has been part of seeing Compassion Australia grow over the last year. Financial year 2013 was a successful one for Compassion Australia. Because of our supporters, Compassion Australia is now serving 102,289 babies and their caregivers, children and young adults around the world through our Child Survival, Child Sponsorship and Leadership Development programs.

Our strategy towards Compassion International's global 2020 Vision (see page 46) was imperative to seeing such steady growth over the past 12 months, and will carry us into the new financial year. Our way forward will be forged with simplicity and passion, and with our five focus areas at front of mind: God, our staff, His Church, our supporters and children. With our supporters' ongoing assistance, we hope to continue to see this number grow in the new financial year, and more children released from poverty in Jesus' name.

The year ahead

In financial year 2014, Compassion Australia will commence the second and last year of a capacity building phase that focuses on reviewing our processes, systems and people. Phase 1: Building Capacity forms part of Compassion Australia's strategy for achieving Compassion International's global 2020 Vision: to bear much fruit and bear good fruit, all for the glory of God. More information on Compassion International's global 2020 Vision can be found in this report on page 46.

In the second year of Phase 1: Building Capacity, Compassion Australia will continue to lay the foundations for future growth, primarily through the successful implementation of our strategic ministry initiatives outlined further on page 48. Just as in the year that's been, our strategic ministry initiatives are the tools we will use to prepare for, and inspire, organisation-wide growth.

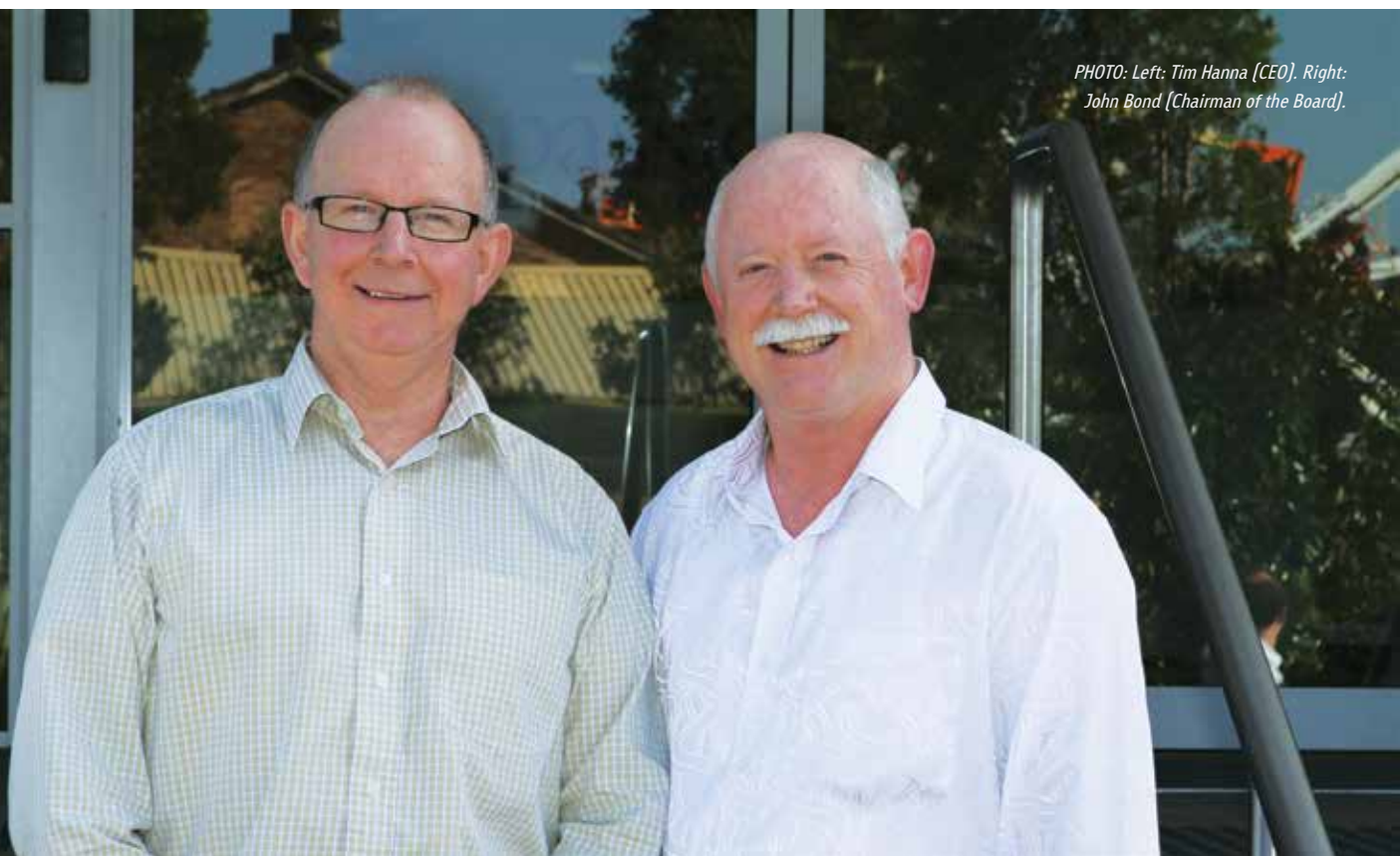
Integral to Phase 1: Building Capacity are our five focus areas: God, our staff, His Church, our supporters and children. Compassion's foundation is Christ. By managing staff, we will impact both the Church and supporters. Focusing on these areas successfully will see benefits for the children we serve. Together, we will continue to strive to release children from all forms of poverty—economic, spiritual, physical, and socio-emotional—in Jesus' name.

We continue to be committed wholeheartedly to this exciting and worthwhile cause.



John Bond
Chairman of the Board

PHOTO: Left: Tim Hanna (CEO). Right: John Bond (Chairman of the Board).



Chief Executive Officer Message

It is with great gratitude that I write this introduction to our annual report. I am both humbled and inspired by the commitment and generosity of our faithful supporters all over Australia who champion the cause of children living in poverty through their care, prayers, letter writing and giving.

This combined generosity has resulted in a year of growth for Compassion Australia both in terms of revenue and number of children sponsored, despite what has been a challenging environment for not-for-profit organisations. As I have travelled to a few of the developing countries where Compassion works this past year, I never cease to be amazed at the difference this support from Australians means. Their support is assisting children practically, in areas such as education and health care, as well as giving hope and opportunity to those caught in the grip of poverty.

Some of the many highlights of this past year have been:

- The great milestone in August 2012 of supporting 100,000 children, students and babies, which was the fulfilment of a goal set by Compassion's Board of Directors and staff ten years ago.
- The launch of a new Child Sponsorship Program campaign based around the simple phrase: "it works". This has coincided with the publishing of independent research by Dr Bruce Wydick and a team of development economists who studied the long-term impact of Compassion child sponsorship and discovered very positive results in terms of education, employment and leadership acumen. [Full research results on page 30.]

- The development of our regional staffing model, which has resulted in growth of our regional presence and thus an increase in the number of people who have direct contact with churches and supporters all around Australia.
- A transition of Compassion's global leadership. Dr Wess Stafford, who has been the President and CEO of Compassion International for the past 20 years, has recently retired and has been succeeded by Jim Mellado, formally the CEO of the Willow Creek Association, a leadership development ministry.

As you read in more detail about these highlights, and many more aspects of Compassion's ministry, in the following pages, you will understand why I say a huge thank you to our staff, supporters and church partners all around the world who, under the grace of God, make this a most exciting and impactful ministry in which to work.



Tim Hanna
Chief Executive Officer

And we know that in all things God works
for the good of those who love Him, who have
been called according to His purpose.

—Romans 8:28

2012-2013 Highlights

This year, Compassion Australia commenced the first year of a building capacity phase. This phase is part of Compassion Australia's strategy to achieve Compassion International's 2020 Vision of bearing good fruit and bearing much fruit for the glory of God. (Compassion's full strategy can be found on page 46.)

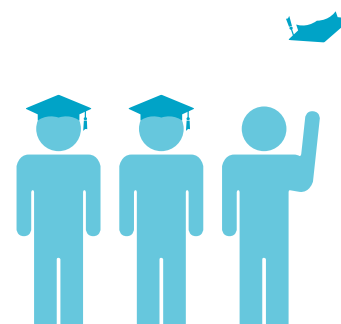
By implementing ministry initiatives that closely align with our strategic goals, Compassion Australia has seen steady growth across all four programs. Here are just a few of the highlights from financial year 2013.



The total number of new child sponsorships grew by 2947, from 96,405 to 99,352.



1.4 million* children are supported through Compassion International, more than 100,000 by Australians.



The number of Leadership Development students sponsored by Australians increased by 18%.



New, independent research confirmed that Compassion child sponsorship works!



A total of 285,332 letters were sent from sponsors to sponsored children around the world.



The Compassion Appeal raised \$1,076,105 for children with special needs.



The Christmas Appeal raised \$2,112,439 toward giving every child a Christmas gift, like new shoes.



There were 1367 commitments to the Child Survival Program, exceeding the target of 1261.



Compassion achieved a total of \$68 million in revenue and support—a 4.9% increase from last year.

* 1.4 million refers to all registered children, including those awaiting sponsorship.

A group of children are smiling and looking towards the camera. The central figure is a young girl with dark hair, wearing a purple t-shirt with a colorful floral design and orange shorts. She is smiling broadly, showing her teeth. To her left, another girl in a pink top is also smiling. To her right, a boy is partially visible, also smiling. In the background, other children are visible, some looking down and others looking towards the camera. The overall mood is joyful and positive.

Introducing Compassion

About Us

Compassion is Australia's second biggest international development organisation* and is part of a global network of more than 12 funding countries and 26 developing countries that is Compassion International. Together we are a Christian holistic child development and child advocacy ministry committed to working in partnership with local churches to foster the spiritual, economic, socio-emotional and physical development of over 1.4 million children living in extreme poverty.

Vision

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

Mission

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

Values

Prayer, Relationships, Advocacy, Integrity, Stewardship and Excellence

History

Internationally, Compassion started in 1952 with 35 children orphaned by the Korean War. Everett Swanson, an evangelist from Chicago, was ministering to troops when he saw children dying in the streets one morning and made a promise to do something about it. By 1977, more than 25,000 children were being supported. In the same year, Compassion Australia started in Laurie and Olive McCowan's Newcastle home.

The ministry of Compassion International grew to 250,000 beneficiaries by 1998, 500,000 in 2003 and eventually one million in 2009. Today, Compassion is transforming the lives of more than 1.4 million children, babies and students through more than 12 international partner countries across 26 developing countries.

Tuesday 21 August 2012 marked the realisation of a 10-year goal for Compassion Australia: supporting 100,000 children, babies and students living in poverty around the globe. As of June 2013, more than 102,289 children are supported by more than 75,000 Australian sponsors through Compassion Australia.

Allocation of Donations

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

Approximately 80 per cent of donations to Compassion is 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 is allocated to cover all administration and fundraising costs in Australia.

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 Appeal are pooled to purchase a gift for each Compassion assisted child at Christmas; ten 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 Sponsorship Plus and Critical Interventions.

PER CENT OF FUNDS USED FOR ADMINISTRATION AND FUNDRAISING

2013	20.27%
2012	20.50%
2011	20.33%
2010	19.51%
2009	20.19%

* Reported by the ANU Development Policy Centre

Compassion Internationally

Globally, Compassion works in more than 26 developing nations to serve over 1.4 million children living in poverty. The funding for this work comes from over 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, SEL France and TEAR Fund New Zealand. Satellite offices are also operating in Spain and Ireland. [For more on where we work, see page 12.]

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 our overarching organisation, Compassion International, located at our Global Ministry Centre in Colorado Springs, Colorado, USA.

Compassion International liaises with the area offices on behalf of the partner countries, who then work with country offices to implement Compassion's child development model in partnership with local churches in the developing world; this ensures that local congregations 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.

Compassion's Global Development Model

Partner Countries

Compassion's ministry is funded by more than 12 partner countries, including Australia, known as the Global Partner Alliance.



Global Ministry Centre

Compassion's child development programs are managed by Compassion International, located at our Global Ministry Centre in Colorado Springs, Colorado, USA.



Country Office

The main office located in each developing country where Compassion works cultivates local relationships.



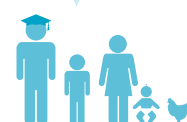
Local Churches

Compassion's child development model is implemented in partnership with over 6200 local churches in 26 developing countries.



Programs

Holistic child development at Compassion is a long-term approach through four programs: Child Survival, Child Sponsorship, Leadership Development and Critical Interventions. [For more about our programs, see pages 16 to 23.]



“ I praise God for Compassion; they have been a great blessing, not only for me, but for all the children in my community. ”

—Olga, sponsored child in Honduras

International Program Results

Because we believe the local church is the best vehicle for human and societal development, Compassion partners with local churches around the world to jointly implement our holistic child development programs.

AFRICA	CHURCH PARTNERS	REGISTERED CHILDREN	LEADERSHIP STUDENTS	CHILD SURVIVAL CENTRES
Burkina Faso (est. 2004)	177	44,078	-	6
Ethiopia (est. 1993)	373	85,609	243	35
Ghana (est. 2004)	197	47,301	-	6
Kenya (est. 1980)	349	90,924	293	50
Rwanda (est. 1979)	240	64,293	134	15
Tanzania (est. 1999)	269	67,000	20	30
Togo (est. 2007)	84	17,851	-	-
Uganda (est. 1980)	301	76,880	356	50
TOTAL	1,990	493,936	1,046	192

ASIA	CHURCH PARTNERS	REGISTERED CHILDREN	LEADERSHIP STUDENTS	CHILD SURVIVAL CENTRES
Bangladesh (est. 2003)	136	28,805	-	14
East India (est. 2002)	234	56,610	100	28
East Indonesia (est. 2005)	215	40,287	16	27
India (est. 1968)	321	74,400	196	43
Indonesia (est. 1968)	338	61,567	162	21
Philippines (est. 1972)	339	67,190	158	40
Sri Lanka (est. 2009)	38	4,363	-	18
Thailand (est. 1970)	220	35,605	95	20
TOTAL	1,841	368,827	727	211

CENTRAL/SOUTH AMERICA	CHURCH PARTNERS	REGISTERED CHILDREN	LEADERSHIP STUDENTS	CHILD SURVIVAL CENTRES
Bolivia (est. 1975)	200	62,702	172	35
Brazil (est. 1975)	187	37,221	107	-
Colombia (est. 1974)	215	59,547	155	-
Dominican Republic (est. 1970)	165	48,489	137	26
Ecuador (est. 1974)	217	59,978	203	53
El Salvador (est. 1977)	192	48,286	99	21
Guatemala (est. 1980)	186	43,231	141	-
Haiti (est. 1968)	255	75,720	84	65
Honduras (est. 1974)	199	46,660	121	-
Mexico (est. 1980)	177	30,244	-	4
Nicaragua (est. 2002)	150	41,386	-	-
Peru (est. 1980)	242	58,143	180	41
TOTAL	2,385	611,607	1,399	245

This is an international program snapshot at 30 June 2013.

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 who are now completing university and leadership training.

The average number of mothers registered in each Child Survival Centre is 35. These centres operate at local church projects.

Why We Exist

Compassion is a Christian child development ministry that is motivated by our faith to assist children and their families who are living in poverty—regardless of their beliefs, gender or background.

Compassion defines poverty as a condition characterised by the deprivation of basic human needs, the denial of opportunities and the deficiency of internal assets that prevent a person from realising their God-given potential. In turn, we believe addressing poverty requires a holistic response that tackles spiritual, socio-emotional, economic and physical poverty. [For more on how we work, see page 14.]

For children, poverty can be crippling. It can cause illness, chronic malnutrition and impaired physical and mental development. It denies children access to basic health care and education, weakens a child's protective environment and exposes them to abuse and exploitation. Poverty denies children opportunities and hope for a better future, and though progress is being made, the statistics still highlight the staggering problems.

- Nearly eight million children died in 2010 before reaching the age of five, largely due to pneumonia, diarrhoea and birth complications. Our Child Survival Program [see page 17] provides mothers, caregivers and pregnant mothers with pre-natal and post-natal care to help combat the problems that often affect a child in their first few years of life.
- An estimated 200 million children under five years of age in developing countries fail to reach their potential in cognitive development each year. Our Child Survival Program aims to reach the most vulnerable children and prevent premature death, secure good health and enable positive early child development.
- Between 2006 and 2008, around 850 million people were living in hunger—15.5 per cent of the world's population. Our Child Sponsorship Program [see page 19] provides children from age three to around 22 with physical support, including nutritional meals when necessary, as part of a holistic approach to child development.
- In 2010, 61 million children of primary school age were out of school. More than half of them (33 million) were in sub-Saharan Africa and a further one fifth (13 million) in southern Asia.

Our Child Sponsorship Program assists children in attending school, helping parents to purchase school books, pens and uniforms when required. In addition, Compassion encourages graduates of the Child Sponsorship Program, who demonstrate distinct academic ability and leadership skills, to continue to university through our Leadership Development Program.

- In 2010, there were 219 million malaria cases leading to approximately 660,000 malaria deaths, mostly among African children. Our Critical Interventions [see page 23] aim to remove any obstacles that stand in the way of a child's healthy development and their ability to reach their full potential, including health epidemics and more.
- The World Bank estimates that approximately 73 per cent of the population in South Asia and sub-Saharan Africa live on less than US\$2 per day. Our Leadership Development Program [see page 21] assists young adults to complete university and be equipped with leadership skills that may help them gain steady employment and promote change within their own communities and nations.

Making progress

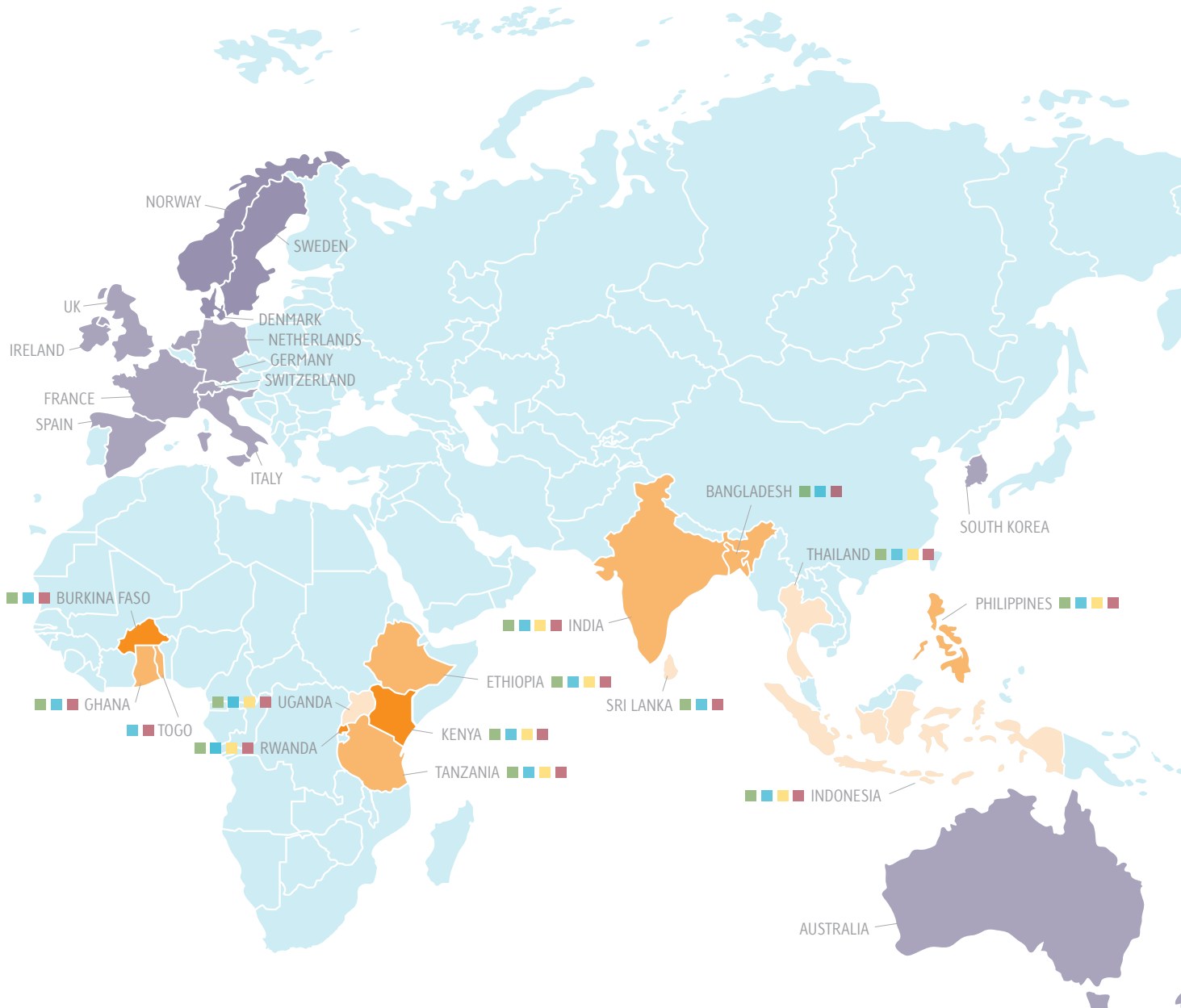
With the help of international development organisations, including Compassion, progress has been made. Over the past two decades, almost 1 billion people have been lifted out of extreme poverty, millions have gained access to improved water sources and sanitation facilities, and child mortality rates have dropped significantly.

However, of the 7 billion people living in the world today, around 1.1 billion still live below the international poverty line of US\$1.25 per day; in response to God's call, Compassion is dedicated to caring for the poor and seeing more and more children released from poverty worldwide. [See Compassion's vision and mission on page 8.]

Statistics compiled from various sources: UNICEF, United Nations, World Health Organisation

Where We Work

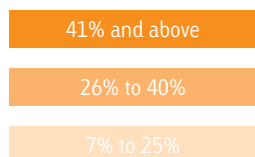
In partnership with over 12 funding countries around the world, Compassion Australia's child development programs minister to the needs of individual children in 26 developing countries. This map shows not only the presence of Compassion programs in each country, but also the relative need of the people, based on the population percentage living below the poverty line.



Percentage of the country's population living under the poverty line of US\$1.25 per day*.

Compassion Australia is one of over 12 partner countries around the world.

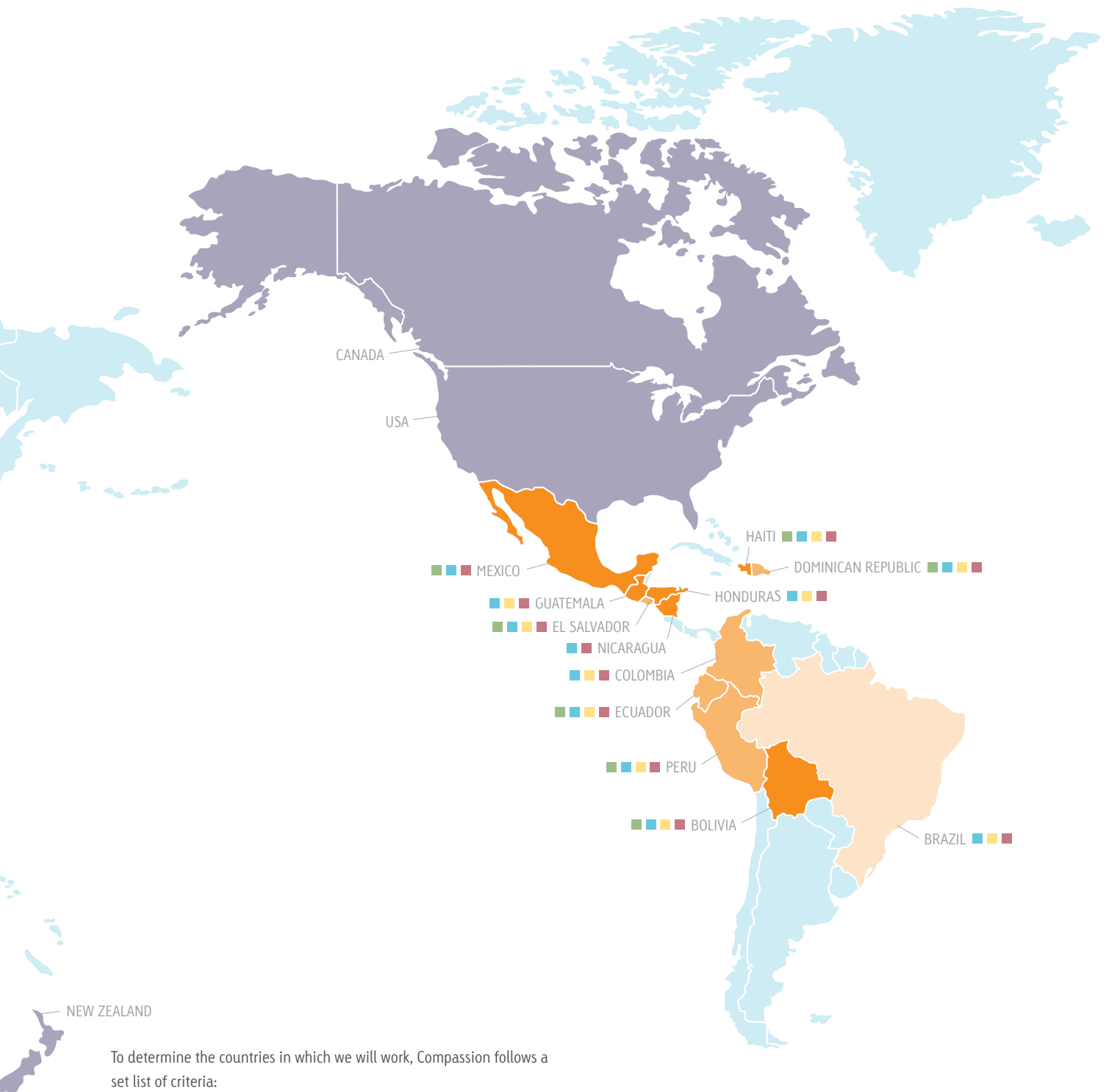
Compassion's child development programs operate in developing countries around the world.



Partner Countries

- Child Survival Program
- Child Sponsorship Program
- Leadership Development Program
- Critical Interventions

* The World Factbook



To determine the countries in which we will work, Compassion follows a set list of 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 the work of Compassion 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 needs for Compassion's assistance, and the country's economic conditions should be conducive to cost-effective programs.

Program: 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.

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 school age and beyond.

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

Christ-centred: Every child has an opportunity to hear and respond to the life-changing gospel message in a culturally relevant way.

Child-focused: Our ministry engages each child as a complete individual, releasing them from spiritual, economic, socio-emotional and physical poverty.

Church-based: Our programs are run exclusively by our Church Partners in the children's communities.

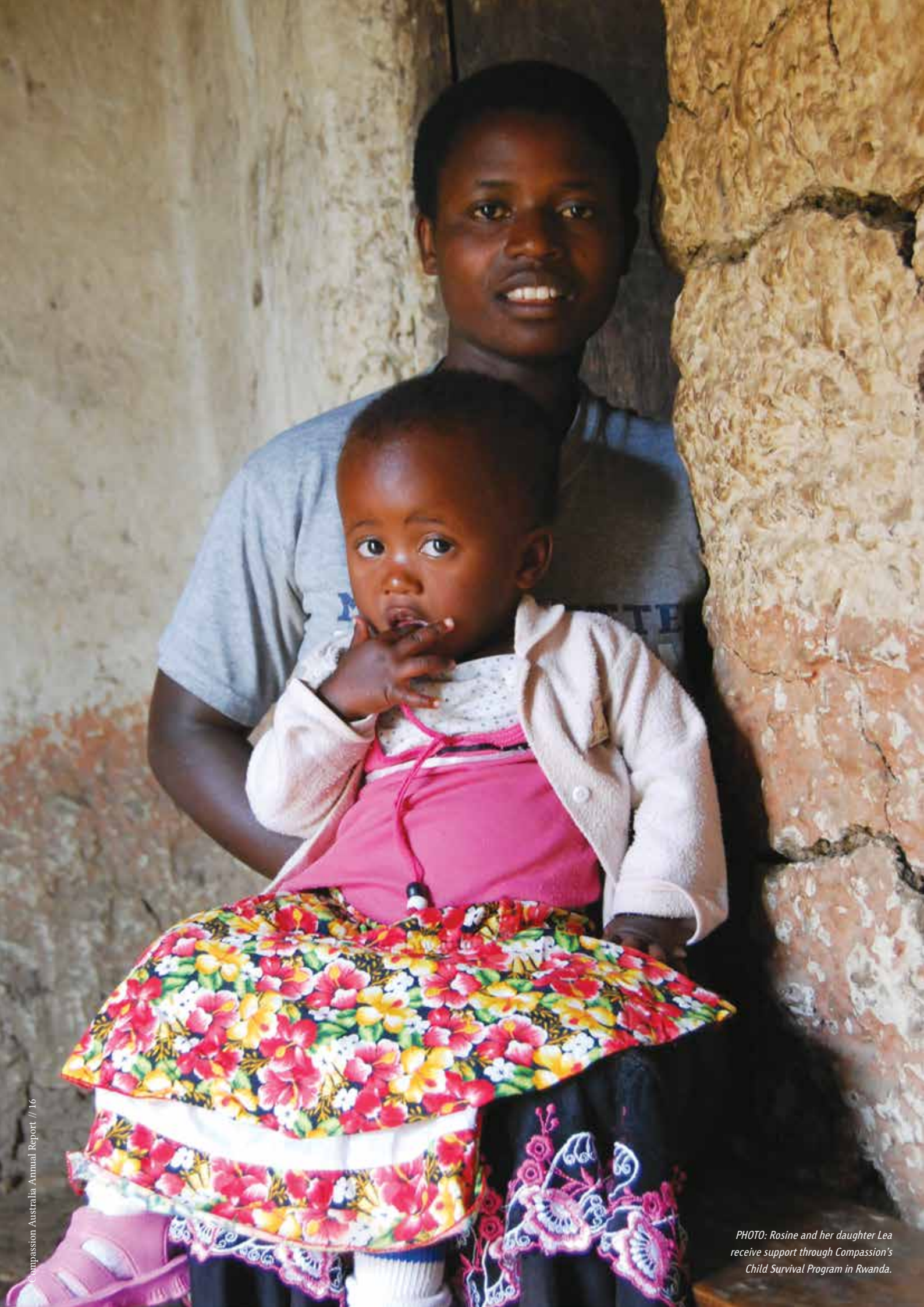
Compassion has chosen to work exclusively in partnership with the Church to deliver our holistic child development model. With deep roots in their communities, local churches are often one of the most reliable, stable and accessible institutions in countries where governance is weak and infrastructure is lacking. They are uniquely placed to understand the real needs of people and best able to make strategic decisions about the needs of their communities.



“ Our local church, The Great Commission Church, has changed a lot of things in our community. It's not just a church, it's a development tool. ”

—Togbui, Chief of Sagbado, Togo, where Compassion is working in partnership with the local church





Child Survival Program

Rescuing, nurturing and discipling babies and their mothers

The Child Survival Program works to prevent premature death, secure good health and enable positive development during a child's first few years of life. Supporters passionate about child survival are able to help provide nutritional support, income-generation training, health interventions and HIV/AIDS testing for pregnant mothers, at-risk babies, infants and their mothers or caregivers across 20 developing countries, through 648 Child Survival centres.

In partnership with Compassion, local churches deliver the Child Survival Program and aim for a child to be:

- Physically healthy
- Confident and interacting well with others
- Eager to experience their world and communicate their experiences

They also aim for a caregiver to be:

- Sufficiently healthy to provide for the child's wellbeing
- Self-confident, able to care for the child's basic needs, and in healthy relationships
- Motivated with skills to be economically self-supporting
- Given the opportunity to hear the gospel message

Supporting child survival

- One-off donations assist Child Survival centres around the world. Ongoing supporters of the Child Survival Program receive two newsletters per year, which contain information about how the program is impacting mothers, caregivers and babies.
- Support of \$58 or \$29 per month helps a specific Child Survival centre. \$58 per month assists a mother/caregiver and their baby with health checkups, education, nutrition, support groups, income-generation activities and much more; \$29 per month simply means we need more supporters to deliver the program activities. In addition to two newsletters per year, supporters of a specific centre receive two updates per year about the impact of their support.

- Support of \$3000 per month funds an entire Child Survival centre. Supporters receive two reports per year with specific, comprehensive information about the mothers, caregivers and babies they support.

Number of mothers and babies supported by Australians:

YEAR	CAREGIVERS	CHILDREN	TOTAL
2013	2757	2691	5448
2012	2610	2521	5131
2011	2423	2268	4691
2010	1589	1535	3124

Planning for the future

- In financial year 2014, Compassion will be expanding the Child Survival Program into Brazil, Colombia, Guatemala, Honduras, Nicaragua and Togo. The opening of centres in these countries will mean all Compassion field offices will soon implement the Child Survival Program.
- In South America, countries like Peru will be closing Child Survival centres in areas where poverty levels have improved, and moving resources to new centres in areas that have higher levels of poverty, to help those most in need.

Supporting mums in Rwanda

Rosine was the first mother in her Rwandan community to join the Child Survival Program. Just months before being registered, Rosine had prematurely given birth to twins, Lea and Eric, who weighed just four pounds each.

Supporting two children, as well as herself, meant Rosine had to work harder and longer than ever before, performing manual labour jobs for about 500 Rwandan francs (AU\$0.80) a day. Her small home—made from rusty iron sheets and packed mud—was impossible to keep warm or dry, and her children's health quickly deteriorated.

"I did not have a single coin on me, and could not afford to transport my babies to hospital," says Rosine, tears in her eyes.

With the help of the Child Survival Program, Rosine's children were rushed to the hospital. The doctors discovered that Eric had advanced meningitis; though Eric was given immediate medical attention, he passed away within weeks.

"The [Child Survival Program] staff never left me," says Rosine. "Even after spending a lot on my son, the Child Survival implementer and pastor never left me alone."

The Child Survival staff and mothers rallied around Rosine in her time of need. Rosine's hospital bills were covered and she received clothes, blankets, food and other necessities for Lea. In addition, Rosine's church members—who had become her friends—offered to build Rosine a safe home for her family.



Child Sponsorship Program

Developing, discipling and equipping children for life

Compassion's Child Sponsorship Program gives individuals the opportunity to connect with a specific child living in poverty. For a child, Compassion child sponsorship 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. All of this and more equates to a bright future so that they, and eventually their own children, can live free from the grip of poverty.

Child sponsorship is one child connected with one sponsor. By being an active part of a child's life through sponsorship, sponsors are equipping children to transform their life, community, and maybe even their nation.

In partnership with Compassion, local churches in developing countries deliver the Child Sponsorship Program and aim for a child to be:

- Physically healthy and make good decisions about their health
- Motivated with skills to be economically self-supporting
- Able to interact with others in a healthy and compassionate manner
- Given the opportunity to hear the gospel message in a culturally sensitive and relevant way

Sponsoring a child

A sponsor's role in the life of their sponsored child is vital. If a child knows they are loved and supported by their sponsor, it will help them grow in their faith, develop self-confidence and dream big for their future. That's why Compassion encourages sponsors to write to their sponsored child. A sponsor will receive at least two letters from their sponsored child per year, plus a letter from someone involved in the child's Compassion centre each year and an updated profile and photo of their sponsored child every two years. They will also receive notification when their sponsored child's circumstances change—such as if they complete the program or depart the program early due to changes in personal circumstances.

Sponsorship is currently \$44 per child per month, or \$56 per month for Sponsorship PLUS, with the additional \$12 per month for PLUS used for critical interventions. All registered children will benefit from at least one of these critical interventions during their time in Compassion's Child Sponsorship Program.

Number of children sponsored by Australia in the Child Sponsorship Program at the end of the financial year:

YEAR	TOTAL
2013	99,352
2012	96,405
2011	93,099
2010	90,769

Planning for the future

- In the coming years, Compassion will be focusing on transitioning from regions no longer in need of support, to regions of great need. Currently, Compassion is transitioning from southern Brazil to rural communities in northern Brazil.
- Due to increased costs in both developing countries and Australia, the cost of sponsorship will increase from \$44 to \$48 per child per month from October 2013.

Showing children they are valued

In India, every Hindu child is born into a caste system that has existed for hundreds of years. Usually based on occupation, these classes define a family's status and social rights. For a child, it can also determine their future. The lowest class is known as the scheduled caste, a group that is sometimes referred to as the "untouchables".

For years, 11-year-old Sanjay and his family have carried the title of "untouchable" and have fought against discrimination and social prejudice from their peers. Sanjay struggled to make friends because of his perceived status, and he was often shunned by peers and adults alike.

"I wanted to have friends, but everyone made fun of me because of our caste," says Sanjay.

Sanjay's dad works at a local stone quarry, along with Sanjay's older siblings who had to quit school to help support the family. But Sanjay doesn't work at the quarry. With the help of Compassion's Child Sponsorship Program, Sanjay goes to school and his Compassion centre, where he is gaining the skills he needs to follow his dream of becoming a doctor.

"Compassion has been a light in the midst of our hopelessness, because not only has it helped us to find acceptance and respect in the community, but it has given us hope for our child's future," says Sanjay's father.



Leadership Development Program

Educating, training and discipling servant leaders

All children who have graduated from the Child Sponsorship Program are empowered with life skills to give back to their families and communities. But for those with exceptional academic and Christian leadership potential, the Leadership Development Program opens 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 academic studies. Thanks to this training, Leadership graduates are already making significant, positive change in the world around them, and our hope is that there are many, many more to come.

Through Christian leadership training and mentoring and academic studies, the Leadership Development Program aims for a student to be:

- Physically healthy and making good decisions about their health
- Equipped with personal and professional skills to be economically self-supporting
- Displaying positive self-worth and healthy relationships
- An example of Christian servant leadership

Supporting leadership development

- Gifts to the Leadership Development Program can be one-off or regular giving for sponsorship. Because students must be Christian to enter the program, gifts to this program are not tax deductible.
- One-off gifts to the Leadership Development Program assist those who are awaiting sponsorship and help support areas that are not covered by sponsorship, such as medical assistance and curriculum development.
- Sponsors provide \$400 per month, covering university fees, books and resources, room and board if necessary, Christian leadership

training and mentoring. A Leadership student writes at least two letters each year to their sponsor, and it is our hope that the sponsor will do the same in return. Sponsors receive an annual update of their sponsored student's progress and a photo.

Number of students sponsored by Australia in the Leadership Development Program at the end of the financial year.

YEAR	TOTAL
2013	180
2012	152
2011	110
2010	93

Planning for the future

- In the coming years, Compassion will be trialling direct correspondence between sponsors and students, to assess the risk involved and determine the feasibility of communication without Compassion's translation services.
- During financial year 2013, Leadership graduate, Jane Alam Sheikh, travelled around Australia meeting with Compassion supporters and encouraging churches to sponsor children and support Leadership students in the future.

Equipping tomorrow's leaders

Drug and alcohol abuse is prevalent in Yorka's hometown of Cochabamba, Bolivia. Many families, ripped apart by addiction, become steeped in poverty. Growing up in this toxic environment, and seeing her own family's struggle for survival, Yorka dreamed of following a career that would allow her to serve her community.

When she was just a child, Yorka's father abandoned his family. Yorka was left with painful memories of his abuse and neglect, and Yorka's mother became the only provider for the family.

Fortunately, Yorka became part of Compassion's Child Sponsorship Program, where she received school materials that helped her to excel in her studies. Upon graduation, Compassion staff encouraged Yorka to

apply for the Leadership Development Program, through which she began studying medicine.

After years of study, Yorka has now graduated from the Leadership Development Program with a degree in medicine. Today, she is practising medicine at a local hospital and plans to specialise in gastroenterology, a branch of medicine focused on digestive system complications.

Yorka hopes to one day open a medical centre and provide medical treatment to families living on the streets, as well as drug rehabilitation. But for now, Yorka is providing her services where possible to families in need in Cochabamba.



Critical Interventions

Overcoming obstacles to healthy child development

Compassion's Child Sponsorship, Child Survival and Leadership Development programs are holistic, meaning that they work in all dimensions of a child's life. But in some circumstances, the needs of children living in poverty exceed the capacity of these programs. When children face such obstacles, Critical Interventions provides the support necessary for a child to continue being released from poverty.

Critical Interventions can include:

- Clean water and toilets
- Emergency medical care and/or surgery
- Extra nutritional support
- HIV/AIDS initiatives
- Immunisations and malaria-prevention activities
- Disaster relief and improvements to child development centres
- Support for registered children not yet sponsored
- Education and income generation for parents
- Vocational training and non-formal education

Supporting critical interventions

- Both regular and one-off donations help support a variety of critical interventions around the world.
- Donations for Gifts of Compassion support a variety of critical interventions; completion reports for these interventions are posted on Compassion Australia's website. Supporters who give a Gift of Compassion also receive a gift card explaining the impact of their gift.
- Funding needed for a specific critical intervention varies. Supporters receive a proposal with the details of the initiative for consideration and, once funded, a completion report explaining how their funds have been used is provided.
- Sponsorship PLUS funds are also used to support Critical Interventions.

Amount sent from Australia for critical interventions worldwide:

YEAR	TOTAL
2013	\$6,909,712
2012	\$6,438,584
2011	\$5,310,530
2010	\$7,645,108

Some of the critical interventions Compassion Australia funded this financial year include:

- Safe water systems for 21 child development centres in Thailand
- Dental check-ups for children in Nicaragua
- Tuberculosis testing and prevention in Indonesia
- Reconstruction after the November earthquake in Guatemala
- Alcohol de-addiction program for fathers in India
- Mosquito nets to protect children in Burkina Faso from malaria

Planning for the future

- Over the next financial year, Compassion Australia plans to implement a range of Critical Interventions activities worldwide, such as providing families with clean water, giving children emergency medical care, teaching income-generating skills to parents and installing hygienic toilet facilities.

Caring for children with special needs

It's estimated that approximately 1 billion people worldwide live with one or more physical, sensory (blindness/deafness), intellectual or mental health impairment¹. And around 80 per cent of people with special needs live in the developing world. Every child born into poverty is vulnerable. But for children born with a disability, the effects of poverty are compounded.

Erick lives in Quito, Ecuador. He was born with Bardet-Biedl Syndrome, a disease that severely hinders his ability to speak, write and walk. Erick's mother, Angelica, had little money for basics—like food and a place to live—let alone for expensive medical treatment for Erick.

"I felt ashamed to leave the house with Erick, because children would stare at him, as though he was something weird," admits Angelica.

Through Compassion's Critical Interventions, around 22,000 children with special needs receive the critical, long-term assistance they need—like hearing aids, wheelchairs or speech therapy. For Erick, Critical Interventions means he can receive extra help with his language and reading skills, as well as critical access to ongoing medical attention.

"What I'm most receiving from Compassion is physical therapy for Erick," says Angelica. "They are the ones who have helped him start walking and talking."

In 2013, Compassion Australia's annual Compassion Appeal raised money for Critical Interventions and focused on raising funds for children with special needs. The Compassion Appeal raised \$1,076,105, exceeding Compassion Australia's target of \$950,000.

¹ Disability and MDGs – United Nations, 2011

Church Engagement

Compassion partners with Australian churches of a variety of denominations to work together to achieve our mission of releasing children from poverty in Jesus' name.

Over the last 12 months, the number of churches connected with Compassion Australia has increased by nearly 60 per cent—from 404 to 646 nationwide.

A church's engagement with Compassion is often instigated by a member of the church who desires to connect their congregation with Compassion's ministry, or as a result of an initial exposure to Compassion at Christian conferences such as Hillsong Conference.

Based on research conducted with church leaders in 2012, churches choose to engage with Compassion for a number of reasons: Compassion's Christian ethos and the spiritual development aspect of our child development model (see pages 11 and 14), Compassion's commitment to working in partnership with local churches in developing countries (see page 14) and the recognised effectiveness of Compassion's child development programs in meeting the needs of children living in poverty (see page 30). Fundamentally, churches seek to partner with organisations that share their mission, vision and values.

According to the 2012 research, church leaders felt that their engagement with Compassion had given their church members the opportunity to be exposed to the needs of those affected by poverty on a global scale, and had instilled a sense of increased compassion.

St Paul's Castle Hill

Since St Paul's Castle Hill connected with Compassion in 2009, they have supported a wide range of initiatives in Kenya, including sponsoring 485 children, raising \$85,000 to build homes for 25 families living in substandard conditions, raising \$17,200 for comprehensive business training for 20 caregivers of children, and raising more than \$80,000 to provide families in a Maasai community with clean, safe drinking water.

In 2009, 2011 and 2013, teams from St Paul's Castle Hill travelled to Kenya to see Compassion's child development work firsthand.

As part of their global mission, St Paul's Castle Hill hopes to "grow and deepen our commitment to the poor and respond to the injustice of poverty on a personal and corporate level, praying and working together, not only for the physical and emotional wellbeing of people, but also in the hope of seeing them become disciples of Christ".

Senior Pastor John Gray says: "We are under no illusion. Jesus said, 'To those whom much has been given, much is required' (Luke 12:48). At St Paul's Castle Hill, we are working at giving ourselves, and the resources placed into our hands for this season, to sow with increasing generosity [2 Corinthians 9:6 – 15]."

“ We are under no illusion. Jesus said,
To those whom much has been given,
much is required (Luke 12:48). ”

—Senior Pastor John Gray

Indigenous Initiative

Compassion Australia started working in partnership with a local church in an Indigenous community in North Queensland in June 2009. This community faces the same challenges as many other Indigenous communities throughout Australia, including a life expectancy 20 years below the Australian average and limited access to relevant early childhood development input, which has resulted in children having difficulty learning and contributing effectively at school.

The aim of Compassion's Indigenous Initiative is to engage in creative grassroots opportunities to facilitate the delivery of effective early childhood development programs, in partnership with the local community, with the people groups in our own nation who are facing extreme challenges.

Currently, up to 35 children and their parents and caregivers regularly participate in program activities. Since the initiative started, we have been encouraged to see very positive impacts in the lives of the children in attendance, their families and the broader community.

These are some of the highlights from the year.

- The number of children successfully transitioning into school has increased, with outstanding reports from teachers and principals stating children who attended the Compassion program performed better academically, were more engaged and interacted better with others.
- The numbers of non-Indigenous children and their caregivers attending the program has increased. This increased interaction is helping to bridge the social gap between Indigenous and

non-Indigenous families in a community where mixed racial interaction has typically been limited. Non-Indigenous attendees expressed a desire for their children to interact with Indigenous children, and have stated that this playgroup provides one of the only formal opportunities through which that is possible.

- Compassion's child development model has been identified by the Queensland Department of Education as a case study for similar strategies in the future. Compassion's Indigenous Initiative Program Implementer has been invited to speak at various regional education groups on the success of Compassion's child development model to this end.
- Children and families have become more familiar with the local school environment—where the program activities are held—helping to ease children's transitions from pre-school to kindergarten. Research has shown that a positive initial experience with school, the presence of Indigenous teachers and support, as well as Indigenous culture, are all important for a successful transition¹.

1. Dockett S, Mason T & Perry B, 2006

Compassion Partnerships

Compassion partners with individual supporters to release children from poverty, but also joins with businesses, corporations, community groups and private family trusts and foundations to help them make a life-changing difference in the world. Compassion Partnerships offer a strategic, sustainable and effective way to make a significant and lasting impact in poverty-affected regions of the world. They are designed for individuals, organisations and community groups of all shapes and sizes, and are tailored to their unique circumstances, resources and passions.

Bequests

Many supporters want to assist children living in poverty for generations to come. Others want to ensure the children, students or initiatives they currently support are fully funded until graduation or completion, even if it's long after they have gone. Compassion is able to provide support and assistance for people reviewing their Will or Estate Plans. The process is straightforward and, if desired, supporters can nominate how they would like the gift to be used.

Child Advocate Network

The Child Advocate Network (CAN) is a grassroots movement of people taking action to seek justice and life for children living in poverty in their own time, on a volunteer basis. Child Advocates are talking to their friends, family and church, finding sponsors for children, volunteering at events, learning more about how to fight poverty and speaking with their local politicians.

Compassion provides ongoing personal support to members through state-based Relationship Managers, face-to-face training sessions, educational resources and network events.

The following table shows the growth in registered members between 30 June 2011 and 30 June 2013.

CAN GROWTH	JUNE 2013	JUNE 2012	JUNE 2011
Total CAN members	2609	1970	1812

Wyn Finlayson was the third member of the CAN when it began in Australia in 2004. By speaking at churches, conferences and through one-to-one conversations 90-year-old Wyn has encouraged more than 250 individuals to become Compassion sponsors. Three years ago, Wyn started making and selling jam to raise money for Compassion. Since then, she has sold approximately 2500 pots of jam and raised nearly \$11,000 dollars.

Wyn says: "I believe you can always find a way to give. My mother taught me that during the depression. I can make jam and I can talk—so I make jam and talk to people about it. It's such a little thing, but it can make such a big difference. Nobody is useless, no matter how old you are."

Wyn Finlayson was a winner of the Fundraising Institute Australia's (FIA) Volunteer of the Year Award in 2013, and was recently nominated for the Resource Alliance Global Awards in The Outstanding Volunteer category.

We are excited to see Wyn's efforts acknowledged on a global scale; in the years to come, we hope to see many more Compassion supporters and volunteers publically recognised for their voluntary contributions to Compassion's cause.

Watch Wyn's video: www.compassion.com.au/wynwins

For more information about the CAN, see page 48.

Fundraisers

Compassion currently partners with two online fundraising companies, EveryDay Hero and Go Fundraise, which allow fundraisers to create their own fundraising web page. This year, more than 290 individuals chose to fundraise for Compassion in a variety of ways, including cycling across Australia, wearing a Compassion t-shirt for a year and encouraging their friends to donate in celebration of their wedding. Of the people who fundraised, 89 per cent did so online and 51 per cent fundraised for a specific Compassion program or initiative. In total, fundraisers resulted in more than \$135,800 in net revenue for Compassion; the average amount raised per person was \$796.

To raise money for Compassion, 19-year-old John Miller cycled from his hometown in Burrill Lake, south NSW, to Cairns in far north QLD and back home again—more than 6000 km in total. As a result, John raised more than \$4000 for Compassion's Child Survival Program.

John says: *"I like the simple focus of providing for peoples' basic needs—needs that I sometimes take for granted."*

For more information about fundraising, see page 60.

Network Partnerships

Compassion Australia purposefully engages with external advocacy organisations that share our values and understand our mission of advocating for children around the world. This year, Compassion Australia was actively involved in Include a Charity, a movement designed to raise awareness of the ease and effectiveness of leaving a gift in your Will, as well as Micah Challenge, a global movement of Christian agencies, churches, groups and individuals that aims to deepen people's engagement with the poor and to help reduce poverty as an integral part of our Christian faith.

Where We Are Now



Current Environment

Compassion Australia operates within a large and diverse not-for-profit sector that contributes significantly to Australian society. Australia was recently ranked at the top of the 2012 World Giving index, with Australians each donating \$291 to charities annually. Over the past three years, donations to charities have risen 11 per cent, despite the cost of living being one of the greatest causes of consumer anxiety. Within this macro environment, Compassion Australia chooses to specifically engage with Australian Christians who share our heart for releasing children from poverty in Jesus' name.

Target Audience

Compassion's target audience is the Christian population in Australia, which is extremely diverse. Currently, approximately 61 per cent of Australia's population identifies with Christianity; however, only one in seven attend church regularly (at least once per month). For the purpose of determining the size of this group, it is assumed that church-going Australians have a stronger commitment to their faith and therefore a keener desire to connect with an overtly Christian organisation such as Compassion. Based on this assumption, and the fact that approximately eight per cent of the population attend church regularly, Compassion has a target audience of almost 1.8 million people. (It is important to keep in mind that there are Christians in Australia who do not attend church, so the size of the group is undoubtedly larger than that specified here.)

Currently Compassion engages with approximately seven per cent of church-going Australians, the majority of whom attend Baptist and Pentecostal churches. Because 17 per cent of Australia's population affiliate themselves with the Anglican Church (second only to the Catholic Church), Compassion has engaged more deliberately with the Anglican Church over financial year 2013. Overall there is still great potential for growth.

Supporter Demographic

From the responses to Compassion's last supporter survey, conducted in 2010, it can be reasonably deduced that the average Compassion supporter is a middle-aged Christian woman who attends a Baptist church. She is married with children and lives in New South Wales with her family. She has been supporting Compassion for more than three years and sponsors one child.

The average Compassion Australia donor gives 39.5 per cent of their total charitable donations to Compassion Australia, with the average donation per donor being \$1005 per year. These figures reflect extraordinary loyalty amongst Compassion Australia supporters to the organisation's cause.

According to a 2012 corporate giving survey, the majority of Compassion's major donors are connected to the Christian faith and donated as an individual; one in 10 supported Compassion as a business (varying from one employee to 100+ employees); three per cent indicated that they supported Compassion through a trust or foundation; two per cent supported as a sole trader. Interestingly, while 17 per cent of Compassion's

corporate givers stated that their relationship with Compassion began within the last five years, more than one in 10 has had a relationship with Compassion spanning more than 20 years, showing that Compassion's corporate supporters are committed long-term to Compassion's work.

Political and Legal Environment

Compassion Australia seeks professional advice from the following advisors:

- **Legal:** Neumann and Turnour; Slater and Gordon; Anne Robinson of Prolegis
- **Financial Auditing:** Martin Power of Bentleys Brisbane (Audit) Pty Ltd
- **Banking:** Westpac Banking Corporation; ANZ Banking Corporation

Economic

The global economy has remained volatile during this financial year and markets have continued to prove to be unstable and irrational, accentuating the reality of poor economic fundamentals. The global volatility has caused Australian assets to be rapidly sold off or purchased when there is fear or confidence in the global economy. In the Australian economy, there has been a slight deterioration in fundamentals and the environment has cooled. Key factors have been a slowdown in mining investment and the high Australian dollar.

Australia's economic fundamentals are comparatively stable against global standards. The cash rate decreased from 3.25 per cent at the beginning of the year to 2.5 per cent in August 2013. The inflation rate has been steady, but has seen marginal increase within acceptable Reserve Bank of Australia targets. The unemployment rate has also marginally increased to 5.7 per cent. The Australian dollar, compared to the US dollar, experienced a large trading range between \$1.05 through to \$0.89. The first three quarters of the year the Australian dollar remained fairly stable, trading above parity. A steady deterioration occurred in the last quarter, which saw it slide to fresh lows of around \$0.89.

Compassion is looking for ways to minimise the threats and maximise the opportunities in the post Global Financial Crisis environment, which includes focusing on new growth opportunities and supporter retention.

Sources: NAB's Charitable Giving Index, April 2013; McCrindle Research, 2013; Bureau of Statistics, 2011; McNair Research Report, Fundraising & Philanthropy Magazine, June/July 2013

Sustainability

Compassion Australia sees environmental and social sustainability as vitally important to the organisation. It is divided into the following two areas: program related activities, and fundraising and administration activities.

Program Related Activities

Our program activities are administered through local churches in the developing countries where Compassion works. The aim of these activities is to produce sustainable outcomes with the children, mothers, students, and communities with whom we work by providing such things as:

- Nutritional support
- Health interventions
- Formal and non-formal education
- Parent education initiatives
- Vocational training

This is outlined fully in the individual pages on these programs found earlier in the annual report.

As referred to on page 30, new, independent research confirms that Compassion's Child Sponsorship Program is highly effective as a long-term solution to help release children from poverty. The results of the study show that children who participated in Compassion's holistic Child Sponsorship Program stayed in school longer, were more likely to have salaried employment and were more likely to be leaders in their communities and churches than their peers who did not participate in Compassion's program.

Fundraising and Administration Activities

Compassion Australia has continued to focus on growing partnerships with individual supporters and supporting churches. It is important that Compassion's relationships with our individual supporters and supporting churches are not only beneficial for the children we serve in our programs, but also for the individual supporter and the long-term development of the supporting church.

Having the opportunity to contribute to a meaningful cause has been found to have a positive impact on the lives of supporters and churches alike as it enriches their vision for mission, giving them an opportunity to live out God's mission for those in poverty. According to the Wall Street Journal, new scientific research shows that giving is extremely beneficial for a donor, and that when people decide to donate to what they felt was a worthy organisation, parts of their midbrain lit up—the same region that became active when the subjects added money to their personal reward accounts*.

Over the past few years, Compassion Australia has been gradually implementing new environmentally sustainable activities. These include:

Electricity

- In June 2012 Compassion installed the first stage in a new energy efficient lighting system in our head office at Newcastle. It is estimated that this has saved approximately 45,000 kilowatt hours of energy per annum. This equates to an estimated saving of 31.7 tonnes of carbon dioxide at the local power station per year.
- The second stage of this lighting system was installed in June 2013. It is estimated that this will save a further 15,000 kilowatt hours of energy per annum. This equates to an estimated saving of 10.6 tonnes of carbon dioxide at the local power station per year.
- For the last two years Compassion has implemented targeted power management in order to reduce energy usage. It is estimated that this has saved approximately 29,000 kilowatt hours of energy per annum. This equates to an estimated saving of 20.5 tonnes of carbon dioxide at the local power station per year.

Vehicles fleet

- Throughout the year Compassion conducted the process of changing over the fleet to consist of mainly smaller vehicles and, where possible, vehicles using diesel rather than petrol as these are considered to be more efficient on fuel consumption and CO2 emissions. As unleaded vehicles are retired, they will be replaced with vehicles using diesel, until a better alternative becomes available.
- The majority of vehicles in Compassion's fleet are Hyundai i30 Wagons. Changing over unleaded Hyundai i30 wagons to diesel vehicles has an estimated saving of eight grams of CO2 emissions per kilometre driven.

Throughout the year, Compassion Australia has also continued with the following environmental sustainability activities:

- Recycling of all recyclable waste
- Producing a portion of our printed material on recycled paper.

Compassion Australia will continue to look for new and innovative ways to promote sustainability within the organisation during financial year 2013/2014.

*Wall Street Journal, "Hard-Wired for Giving", August 2013

Child Sponsorship Trends

The foundation of Compassion's approach to child development is the Child Sponsorship Program. International child sponsorship is one of the leading forms of direct aid from households in wealthy countries to children in need who are living in developing countries. An estimated 9.14 million children worldwide are currently supported through formal international sponsorship organisations. The following is an overview of Compassion child sponsorship trends since 2000, as well as the highlights of recent research into Compassion child sponsorship.

Compassion Child Sponsorship

Compassion Australia enjoyed strong growth in child sponsorship acquisitions from around 2000 through to 2009, with total beneficiaries doubling in the five years between 2001 and 2006 alone. We reached our highest acquisition rate in 2008 with 15,151 new sponsorships. Sponsorship growth began to slow in 2009 and lagged further in 2010 and 2011.

During this time we also started seeing an increase in sponsorship cancellations, whether for financial or other reasons. However, according to a 2010 supporter survey, more than 63 per cent of sponsors who cancelled their sponsorship indicated they would consider sponsoring again through Compassion in the future.

A strong focus on supporter engagement and retention in response to this data saw significant results in financial year 2012; the net lost children result at the end of financial year 2012 was the lowest ever recorded result: 6.66 per cent. The year 2012 also marked the end of a 10-year goal to grow Compassion Australia to 100,000 beneficiaries across the Child Sponsorship, Leadership Development and Child Survival programs.

At the conclusion of financial year 2013, Compassion Australia had grown to 102,289 beneficiaries across the Child Sponsorship, Leadership Development and Child Survival programs. Child sponsorship accounted for 99,352 of these beneficiaries, which equates to a net growth in children sponsored of 3122 during financial year 2013, compared with 3535 during financial year 2012.

In addition, at the end of financial year 2013, the child sponsorship retention rate was 93.28 per cent, with a cancellation figure of 6.72 per cent.

New Sponsorship Research

Compassion Australia's child sponsorship growth in financial year 2013 was positively influenced by our new IT WORKS sponsorship campaign (see page 52), which drew on new, independent research conducted by Dr Bruce Wydick and a team of researchers from the University of San Francisco, University of Minnesota and University of Washington. Published in the *Journal of Political Economy*, the results confirm that Compassion's Child Sponsorship Program is highly effective as a long-term solution to help release children from poverty.

The research focused on six countries—Bolivia, Guatemala, India, Kenya, the Philippines and Uganda—and involved interviewing over 10,000 people, including 1860 formerly sponsored children who were enrolled in Compassion's Child Sponsorship Program between 1980 and 1992.

The results, detailed below, show that children who participated in Compassion's Child Sponsorship Program between 1980 and 1992 stayed in school longer, were more likely to have salaried and white-collar employment, and were more likely to be leaders in their communities and churches than their peers who did not participate in the program.

Education

The research team found that Compassion sponsored children stayed in school for an average of one to 1.46 years (2.4 in Uganda) longer than their non-sponsored peers. Those extra years can have an amazing impact.

For example, UNICEF estimates that every additional year of primary school boosts a girl's eventual wages by 10 to 20 per cent and an extra year of secondary school by 15 to 25 per cent. Most children said that educational support was the most beneficial aspect of Compassion's program.

Employment

The study showed that former sponsored children were 14 to 18 per cent more likely to have salaried employment as an adult than those who were not part of the Child Sponsorship Program and 35 per cent more likely to secure white collar employment. It also verified what many Compassion sponsored children around the world have said time and time again: that they aspire to jobs that directly benefit other children from their communities—becoming teachers, nurses, pastors, social workers and community leaders.

Leadership

The study confirmed that as Compassion assisted children developed into adults, their leadership abilities came to the fore. Adults who were Compassion sponsored children are on average 30 to 75 per cent more likely to become community leaders and 40 to 70 per cent more likely to be involved in church leadership as adults. This means that future generations of children will have better opportunities, inspiring role-models and strong voices to speak up for them.

Meet Evans, a former Compassion sponsored child

The sponsorship research involved interviewing more than 1860 formerly sponsored children, including Kuya “Evans” Ateku who is now 35 years old and working as a schoolteacher in Kenya’s Lake Victoria region.

Evans was a young boy when he became one of the first children registered in ACK Maseno Child Development Centre in Kisumu, Kenya. Evans’ parents struggled daily to earn money and make ends meet. Just putting food on the table was hard enough, let alone finding the money to send their four children to school.

But when Evans joined the Compassion Child Sponsorship Program, everything changed. Through a gift from his sponsor, Kristen Albert, his family were able to buy a goat. When the goat had calves, they were able to sell them in exchange for a cow.

Compassion helped Evans excel in his academic studies; by the end of secondary school, he was at the top of his class. After graduating from the Child Sponsorship Program, Evans went on to study mathematics and chemistry at university, graduating with a Bachelor of Education.

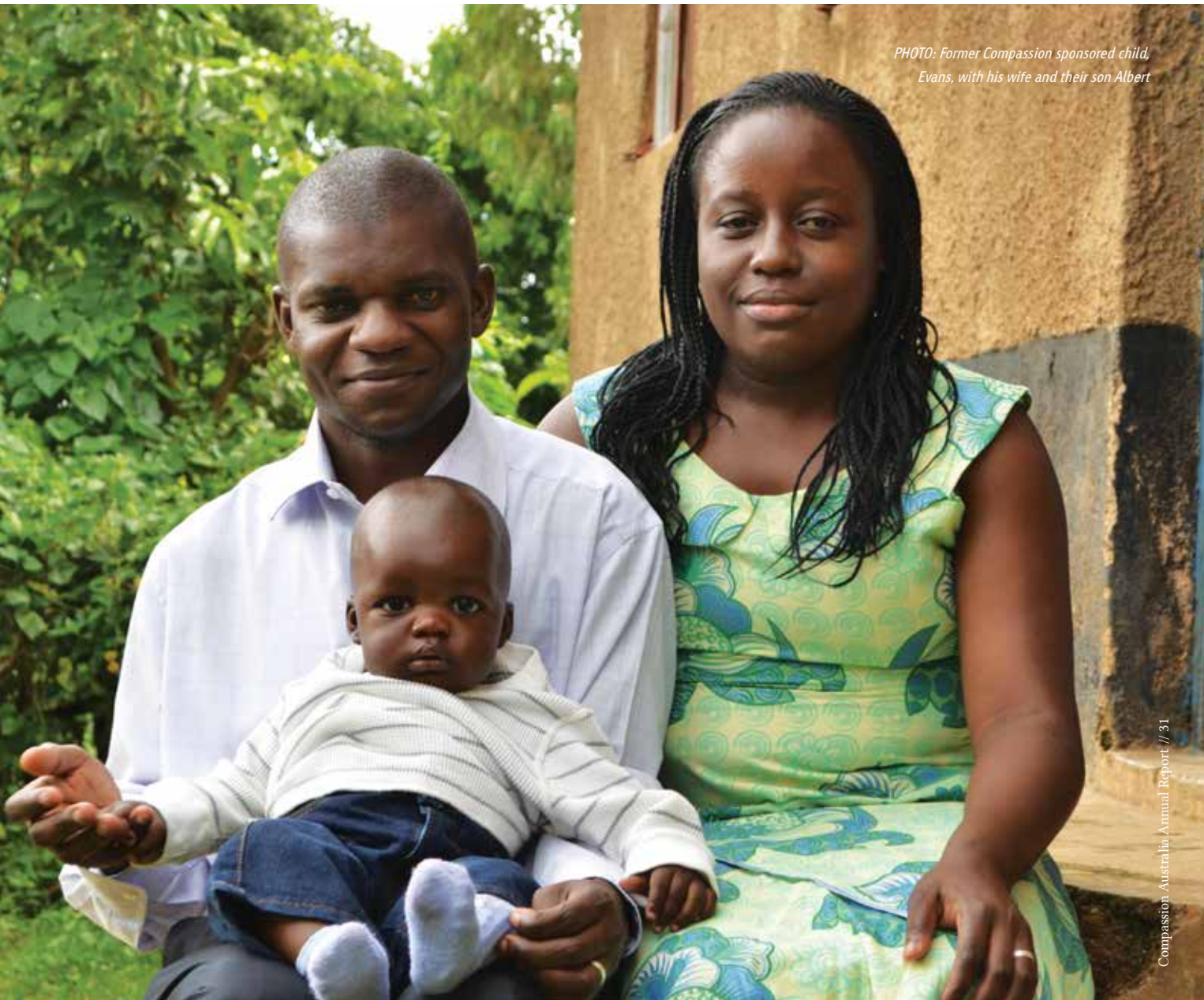
Experiencing the power of education firsthand motivated Evans to help all four of his siblings complete college. Their jobs now include government officer, forwarding agent, lab technician and accountant.

When his son was born last year, schoolteacher Evans Ateku surprised some of his relatives by naming the baby Albert rather than a family name. But the Kenyan father could think of no better way to honour Kristen Albert, the California woman who sponsored him when he was a child in Compassion’s program. Now Evans is hoping to have a daughter.

“I know what my girl’s name will be,” says Evans. “I will name her Kristen, my sponsor’s first name.”

Sources: Journal of Political Economy, January 2013

PHOTO: Former Compassion sponsored child, Evans, with his wife and their son Albert



Our People



The Board and Governance

Compassion Australia is governed by a voluntary Board of Directors. As a company limited by guarantee, we also have a Constitution, which defines the purpose, objectives and powers of the organisation and how income is to be applied. In October 2012, Robi Sonderegger stepped down as Board Member and Mabel Chua was appointed to the Board.

NAME	POSITION	BIO
Dr John Bond	Chairman of the Board of Directors Member of the Executive and Governance Committee Board member since 2002	John is a Minister of Religion and has worked with Youth for Christ International, Sports and Leisure Ministries and the National Lausanne Committee of World Evangelisation. He is currently serving as South Asia Pacific World Zone leader of Dynamic Church Planting International and is the founding Director of Sonlife Ministries Inc.
Mike Jeffs	Vice Chairman of the Board of Directors Chairman of the Finance and Audit Committee Member of the Board of Directors of Compassion International Board member since 1995	Mike is the Founder and Director of Network Communications Pty Limited and Australian Christian Channel Pty Limited.
Jeremy Horn	Secretary of the Board of Directors Chairman of the Executive and Governance Committee Member of the Constituents and Impact Committee Board member since 2005	Jeremy is a Founder and Director of Netstrategies Pty Limited and Clarety Pty Limited, and has extensive experience in web services and business systems.
Isaac Moody	Member of the Culture and Capacity Committee Board member since 2008	Isaac is a Director of Easterfest, Founder and Chairman of Family Week, Managing Director of preTHINK Pty Limited and Vice Chairman of St Andrews Hospital Toowoomba.
Amanda Jackson	Member of the Culture and Capacity Committee Board member since 2008	Amanda is the International Campaign and Advocacy Coordinator for Micah Challenge and a former coordinator of Micah Challenge Australia and Jubilee Australia.
Mabel Chua	Member of the Constituents and Impact Committee Board Member since October 2012	Mabel holds a Master of Laws, Bachelor of Laws and a Bachelor of Commerce majoring in accounting and finance. Mabel has extensive experience in the area of dispute resolution in corporate, property, commercial and estates matters. Prior to becoming the legal practice 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. She is proficient in Mandarin and Cantonese.
Kent Medwin	Member of the Finance and Audit Committee Board member since 2010	Kent is Managing Director of Rock Property, Chairman of Pathways Tasmania and community radio station Ultra 106.5, Vice-Chair of Common Ground Tasmania and a Director of St Michaels Collegiate School.

Structure

The Board meets face to face at least four times per year, including an annual general meeting in October. Members are also encouraged to attend other Compassion activities such as promotional events, conferences or insight trips. Each Board member serves on at least one Board committee, which meets with executive staff in their areas. These are not decision-making bodies but provide insight into the operational aspects of management at Compassion. Each committee provides a verbal report to the Board, which then discusses any issues.

Recruitment

Board members are recommended by existing 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 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. Occasionally, where they have the expertise, a director may act as a consultant to Compassion and be paid a fee, generally at a rate far below market rates. The Board and CEO must agree to such arrangements, and these payments are disclosed in annual statutory returns.

PHOTO: From left to right.

Back row: Isaac Moody, Mike Jeffs,

Kent Medwin. Front row: Amanda Jackson,

Jeremy Horn, John Bond and Mabel Chua.



Length of Service

Board members are appointed for three years and must retire at the end of their term. They can stand again and, subject to Board approval, be re-elected for a further term. Officers of the Board—Chairman, Vice Chairman and Secretary—are elected every 12 months. The Chairman of the Board cannot serve as Chairman for more than 15 years.

Risk Management

Managing Risk

A detailed risk assessment was conducted in financial year 2010, from which key risks to the organisation were identified and a process was established to deal with risks through regular meetings and monthly reporting. Compassion Australia installed a formal risk management process in financial year 2012, which has continued through financial year 2013. This involves regular risk reviews and includes risk management as a regular agenda item for the Leadership Team's meetings. The resulting assessment is then included in a quarterly submission to the Board of Directors, who is responsible for risk management through policies and planning objectives.

To help mitigate risk in financial year 2013, our Leadership Team championed several initiatives designed to address risk areas including:

- The initiation of a Trip Project, which aims to give staff and supporters the best possible trip experience
- The initiation of a Departures Project, which aims to improve Compassion's communication with supporters about their sponsored child's graduation from Compassion's program, or in the event that their sponsored child departs Compassion's program earlier than anticipated

Foreign Exchange Risk

Compassion sends funds all around the world, which means we need to deal with foreign currency exchanges. The Finance Committee of the Board 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. Presently, two main approaches are used to purchase foreign currency:

- When the Australian dollar appears to be less volatile, foreign currency is purchased as needed at spot rates.
- When the Australian dollar appears to be heading for a sustained bout of volatility, foreign currency is purchased via forward exchange contracts to mitigate the risk of the dollar dropping.

Given the Australian dollar was at historic highs above parity for most of the year, we purchased most currency at spot rates. Some short maturing hedges were used during the financial year around brief periods of volatility.

Investment Risk

Investment decisions and guidelines are approved by the Finance 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. For more information about Compassion's investments, see page 61.

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 set 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 complies with the Payment Card Industry Data Security Standard.

Environmental Performance

Compassion Australia sees environmental performance as vitally important to the organisation, as mentioned in the Sustainability report on page 29. Some areas in which we currently consider our environmental footprint include:

- Fuel efficiency and emissions of our fleet options
- Recycled content of our print collateral
- Availability of recycle bins throughout the offices
- Facilities management, including electricity usage

External Auditing

Compassion Australia engages Bentleys Brisbane (Audit), QLD 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 2003 are available for viewing at www.compassion.com.au/annualreports

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. Staff from Compassion Australia's Finance and Risk Management departments attend some of the audits. Sixty per cent of Compassion's project partners are audited each year, based on an annual risk assessment. Every centre is audited within 30 months of their previous audit visit, regardless of risk rating. This way we can ensure that all programs are meeting minimum standards of financial accountability and programmatic integrity. Field offices are audited every 24 to 30 months, on average, to identify wider trends in operations and administration. 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.

Ethical Standard

At Compassion we endeavour to conduct our ministry with the highest ethical standards, inspired by our dedication to the Holy 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. Regular supporter surveys in financial year 2013 showed that 100 per cent of Compassion's donors feel Compassion demonstrates overt Christian values.

Crisis Communication

Compassion currently has a well-established reputation among the public as a trusted voice in the development conversation, and we want to ensure this reputation continues. 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.

Conflicts of Interest

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



PHOTO: From left to right, Jeff Nagle, Adam Holland, Deb Adams and Tim Hanna.

Leadership

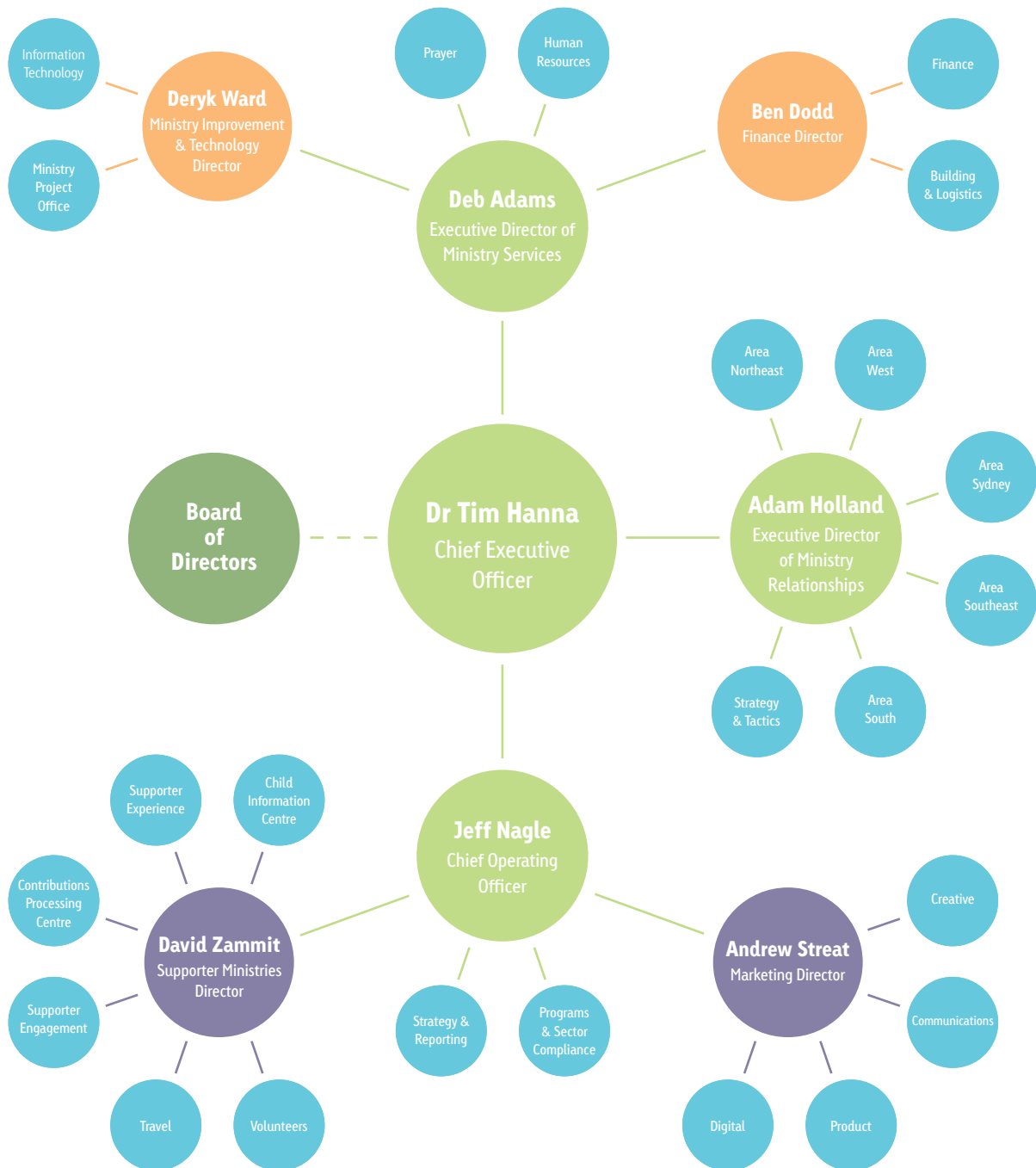
The Leadership Team at Compassion Australia operates as an internal governance body rather than as individual line management decision makers. The two decision-making teams are Impact (responsible for growth and engagement activities) and Capacity (responsible for internal services); they present proposals seeking approval and issues requiring resolution to the Leadership Team for consideration. Proposals or issues on activities specific to one section—such as personnel issues, performance management or coaching—follow normal line management channels. Additionally, the Leadership Team constitutes the Strategic Planning Council, which is responsible to the Board of Directors for approving ministry strategy.

This financial year, Adam Holland joined Compassion’s Leadership Team in the role of Executive Director of Ministry Relationships. In addition, Deb Adams resumed the role of Executive Director of Ministry Services following six months’ parental leave.

NAME	POSITION	BIO
Dr Tim Hanna	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.
Jeff Nagle	Chief Operating Officer since 2007	Jeff held a number of management and strategy roles at Sensis before joining Compassion in 2004 as Marketing and Communications Manager, a role he served in for three years before moving into the position of Chief Operating Officer. His current responsibilities include overseeing Marketing, Supporter Ministries, Risk Management, Compliance and Program and the Strategy and Reporting Office.
Deb Adams	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 human resources, information technology, ministry projects, building and logistics, finance and prayer.
Adam Holland	Executive Director of Ministry Relationships since 2012	Adam’s management experience has been in a local government context, having also worked in churches and higher education. Adam joined Compassion in 2012 as Executive Director of Ministry Relationships. In his role, he manages the Ministry Relationship section, which is comprised of six Area Teams and the Strategy and Tactics section.



Organisation Structure



Leadership Team

Chief Executive Officer, Dr Tim Hanna
 Chief Operating Officer, Jeff Nagle
 Executive Director of Ministry Relationships, Adam Holland
 Executive Director of Ministry Services, Deb Adams

Impact Team

Marketing Director, Andrew Streat
 Supporter Ministries Director, David Zammit
 Strategic and Tactics Manager, Paul Mergard
 Prayer Director, Bronwyn McQuillan
 Area Managers: Scott Hawkins, Janine Daly,
 Brett Cannings and Arthur Conomos

Capacity Team

Acting Human Resources Manager, Jeremiah Byrnes
 Finance Director, Ben Dodd
 Ministry Improvement and Technology Director, Deryk Ward

Workplace Health and Safety

In order to achieve a safe and healthy work environment for workers, Compassion will:

- Comply with all relevant WHS legislation
- Adopt risk management precautions to ensure all systems and work spaces are safe and without risks to health
- Provide information, instruction, training, supervision and equipment necessary to ensure health and safety at work
- Provide resources necessary to successfully develop and implement Compassion's WHS Management System
- Create opportunities for two-way discussion with staff and volunteers on WHS issues
- Ensure the rehabilitation of injured staff and volunteers is a priority

During the financial year there were two medical treatment injuries. These incidents were dealt with by staff members trained in First Aid.

Respectful Workplace

Compassion Australia employees enjoy a safe and respectful work environment and Compassion is committed to taking proactive steps to ensure this remains the case. This year, Compassion Australia began implementing a policy update to prevent and effectively manage workplace harassment, bullying and discrimination issues, risks and complaints. Such behaviours are regarded as unacceptable and out of keeping with Compassion's core values. Compassion Australia is taking all reasonable steps to ensure practices and procedures that protect its employees from discrimination, harassment and bullying are established, communicated and enforced. Failure to comply with this policy may result in investigation, and disciplinary action up to and including termination of employment.

Management teams participated in training around this policy update and further training will continue to be rolled out to employees across the organisation.

Attraction and Engagement

Compassion Australia is committed to filling all vacancies with integrity. Recruitment decisions are based on merit and in accordance with current employment legislation. Over the past financial year, Compassion Australia's Organisation Development process has resulted in increased recruitment within the frontline teams (for more information, see page 44).

Most positions are advertised on a range of online platforms. Small teams of relevant employees assess applications and run several rounds of interviews to select the best candidate. This financial year, the recruitment process began incorporating practical, simulation scenarios alongside standard interviewing to thoroughly assess competence. In the case of senior management and specialist roles, Compassion sometimes utilises the skills of recruitment specialists to assist with sourcing suitable talent. Changes to the recruitment process have led to a far more rigorous and reliable system, ensuring that Compassion Australia has the best people in the right roles.

To ensure the protection of Compassion supporters and sponsored children, all paid and voluntary appointments are subject to the outcome of a criminal background check (in accordance with relevant state laws). Filling a vacant position requires the approval of either the CEO or COO in consultation with the appropriate Section Director. Filling a Section Director or above position requires approval from the CEO.

Training and Development

Compassion is committed to being a proactive learning organisation and seeks to develop the gifts and abilities of both staff and volunteers. Since November 2009, paid employees have engaged in an ongoing, competency-based program aimed at equipping them with skills for learning in the workplace and conducting on-the-job training. Funds are set aside for the purpose of training and development. These funds represent two per cent of gross wages and salaries. A portion of this is allocated to sections for use on short courses and seminars, a portion to HR for organisational development and a portion for study assistance.

- New employees spend three to four days in induction, which introduces them to the story of Compassion and Compassion's core values, along with essential workplace and IT skills.
- Compassion's Management Team completed a series of training days with management training company, Consortia, on the topic of supportive and strategic leadership.
- All managers and staff involved in the recruitment process were trained in Attraction and Engagement processes.
- Change management training was rolled out to team leaders and offered to all staff.
- Managers, team leaders and staff staff were engaged in Managing Performance and Development training.
- Equal Employment Opportunity (EEO) Refresher training was conducted.
- Compassion's partnership with TAFE NSW continues with about 10 employees completing a Certificate IV in Frontline Management and another 11 undertaking a Certificate IV in Business Administration.
- Twelve employees received study assistance to subsidise study at TAFE or university.



Managing Performance and Development

Compassion's performance management system has recently been updated with a focus on collaborative goal setting, coaching conversations and employee development.

Assessment and Remuneration

Compassion utilises a quarterly review of work progress and personal development of employees. We are committed to ensuring fairness and integrity in setting salaries and compensating employees. In addition to remuneration for paid employees, Compassion will approve the reimbursement of reasonable out-of-pocket work-related expenses based on individual assessment.

Culture and Employee Satisfaction

A monthly survey tracks progress against Compassion's desired culture and general employee satisfaction.

Highlights have included:

- More than 75 per cent of staff agree that Compassion has a strong valuing of people and relationships.
- Eighty per cent of staff members agree that Compassion is a fun place to work and 90 per cent agree that Compassion shows healthy, authentic spirituality.

Several areas still need improvement including robust planning and evaluation, and vibrant and purposeful communication.

The Child Outcome Wins or COW awards are internal Compassion awards designed to recognise those stories, decisions and strategies within the ministry where positive outcomes in the lives of children have been prioritised over the other organisational objectives. These could include strategies that reduce cancellations, promote letter writing or reduce the wait time for unsponsored children.

Restructure

Over the past financial year, Compassion has been strategically analysing and planning for the ministry's future. By 2020, we hope to see the number of children supported through the ministry almost double. That's a huge increase, but one that we believe can be achieved with God's blessing, and the help of our faithful supporters.

As part of preparing for such growth, Compassion is currently undergoing an organisational development process, part of which includes creating new roles in the areas where we anticipate the most significant additional resources will be needed. These new roles are intended to ensure strength and efficiency for Compassion Australia in the years to come, and to allow us to continue to effectively and efficiently serve our supporters and children worldwide with utmost integrity and transparency.

Paid Staff

Compassion seeks to analyse and remunerate roles in a fair way that balances good stewardship with the ability to attract and retain suitably qualified people to the ministry in order to enable excellent performance. In setting wages and salaries, Compassion considers Modern Awards and other regulatory requirements, as well as relevant current market data for organisations of our type and size. Generally, Compassion pays in the lower quartile of salaries and discounts higher level wages by a set percentage.

The following chart shows Compassion Australia's staff demographics in July 2013 compared to those in July 2012.

STAFF DEMOGRAPHIC	JULY 2013	JULY 2012
Number of head office staff	128	113
Number of regional staff	19	22
Average age of staff	33.54	38
Percentage of women	55.78%	58%
Percentage of men	44.22%	42%
Average length of service	4.67 years	4.3 years
Staff turnover for prior financial year	11.2%	20.6%

Non-paid Staff

Over the financial year 2013, 32 dedicated and energetic volunteers contributed 4457 hours of their time to the work at Compassion head office, representing \$87,589 value to the organisation (based on hourly rate of comparable staff).

Volunteers assisted with the following tasks in various sections including Building and Logistics, Child Information Centre, Church Partnerships and HR:

- Fulfilling new sponsorship packs, updated student profiles, child letters, Prayer Partners letters and substitute sponsorship packs
- Fulfilling letters for child departures, project termination and project suspension
- Entering data for child letters, sponsor mail and student profiles
- Operating letter-folding machines
- Helping sort mail

The recruitment and selection process for volunteers involves completing a Volunteer Application Form, participating in an interview and undergoing a Criminal History Check or Working with Children Check. Volunteers at Compassion Australia are also required to meet certain criteria, including:

- Be between 15 and 80 years of age for insurance purposes
- Agree with our Statement of Faith
- Have skills in line with our needs
- Commit to following written and verbal instructions accurately

Volunteers go through an induction session to ensure they have a good understanding of Compassion's ministry, and on-the-job training provides them with the information and skills to perform their tasks. They also take part in a three-monthly review of their role with their supervisor; this is an opportunity to discuss any issues and agree on a resolution. Further reviews are held periodically as needed.

Compassion will reimburse reasonable out-of-pocket expenses for volunteers on an individual basis. Additionally, to thank them for their commitment, volunteers are awarded 'thank you' vouchers at the end of each calendar year, in addition to monthly 'volunteer of the month' awards and other regular informal recognition.

Compassion always welcomes volunteers with special needs and currently has a number of individuals with special needs volunteering on a regular basis. These volunteers love coming to the Compassion office and are happy to complete any task requested of them. Volunteers with special needs often state that being at Compassion helps their self-esteem and increases their confidence.

A poem from a passionate, long-serving Compassion volunteer:

*We are God's volunteers
We fold for love and joy
That's all we need at Compassion
Because we are God's servants*

—Joshua Ward



PHOTO: Compassion Australia staff and volunteers

Organisational Development

In order to build capacity, Compassion Australia is currently in the process of adjusting our internal systems and structures to enhance stakeholder relationships and work towards our 2020 Vision.

Throughout financial year 2013, Compassion Australia began a process of organisational development, which assessed Compassion's human resources, processes and structures. Compassion Australia sought ways to align these key areas of development with the needs of our stakeholders in order to achieve our overarching 2020 Vision [see page 46] and, in particular, Compassion Australia's strategy of advancing our mission with the Church.

This was achieved in the following ways:

- Fostering a healthy internal perspective regarding the role of the Church in ending extreme poverty and how Compassion supports that role
- Together developing models of engagement and servicing that supports the mission of both the Church and Compassion
- Adjusting frontline strategies, systems and structures accordingly
- Encouraging organic expansion by placing more powerful tools and information in the hands of churches, advocates and supporters

As Compassion Australia's supporter base increases towards 2020, the development of the following four focus areas will allow us to maintain and foster our existing relationships, and establish new relationships, while maintaining personal, one-to-one communication with our supporters.

In financial year 2013, some of the significant changes as a result of the organisational development process were:

Effective and efficient processes

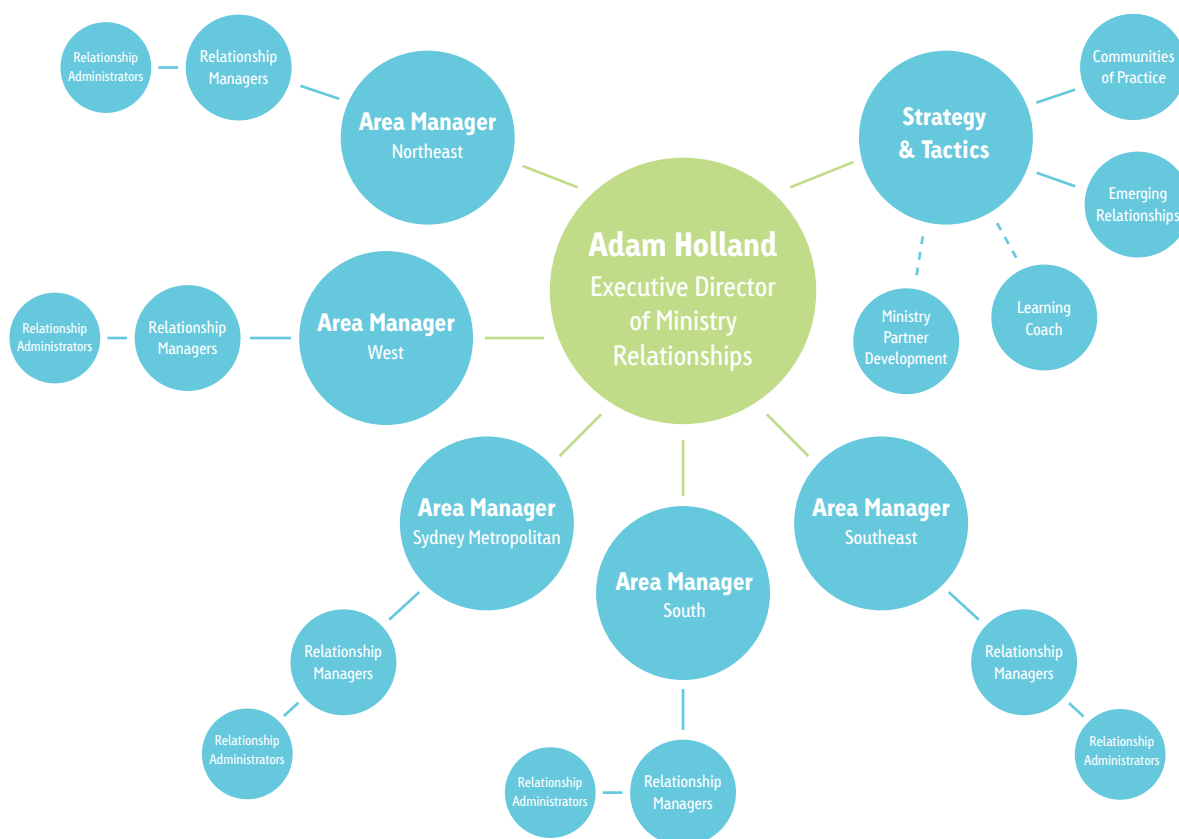
By building effective and efficient processes for interacting internally and externally with stakeholders, Compassion will ensure that organisational development becomes part of Compassion's normal execution of operations and is continually monitored and evaluated.

Staff development and training

The revised organisational structure has seen the strategic development of new positions, the revision of existing roles and ongoing training for both new and current staff. Compassion recognises that having the right people in the right roles is core to growing and adapting our capacity to realise current and future opportunities for the organisation.

Revised organisational structure

Based on intensive input from stakeholders, through surveys and careful research, Compassion Australia has redesigned the structure of our frontline teams in order to better relate to our stakeholders' various demographics and become more responsive to our supporters' needs.



Strategy, Performance and Financial Position



Ministry Goals

In 2009, Compassion International established a global 2020 Vision that was adopted by all Compassion partner countries. To help us achieve the global 2020 Vision, Compassion Australia divided our strategy into three distinct phases. Financial year 2014 marks Compassion Australia's second and final year of Phase 1: Building Capacity.

2020 Vision: Global

Compassion International's 2020 Vision is about bearing good fruit and bearing much fruit for the glory of God. It is about developing the systems and processes needed for future growth, and about developing the four programs to fully realise Compassion's mission.

The global 2020 Vision aims to:

- Produce definitive and measurable program results based on outcomes in the lives of babies, children, students, sponsors, and our church partners
- Build Compassion's brand and reputation as the global standard in holistic child development, in child sponsorship and in the alleviation of childhood poverty
- Challenge Christians to heed the biblical mandate of reaching out to the poor, as sponsors and donors become authentic advocates for children living in poverty
- Challenge the Church to mobilise in unforeseen ways to respond to the issues of children living in poverty

To help lead us toward the 2020 Vision, Compassion identified five essential global moves, or large strategic decisions or investments:

- 1. Maximise the Ministries:** By 2016, we will redesign an integrated world-class ministry model that empowers Implementing Partners to most effectively deliver age-appropriate holistic child development programming, engages supporters more deeply, and continuously builds Compassion's brand.
- 2. Transform Core Processes with Technology:** We will innovate our global core processes and apply effective technology while replacing ineffective systems to enable the 2020 Vision.
- 3. Mobilise the Church:** We will leverage our expertise, reputation and tools to mobilise the Church to effectively respond to the needs of children in poverty.
- 4. Strengthen Supporter Engagement:** We will transform our connections between: sponsors and beneficiaries; supporters and Compassion; supporters with one another; and supporters and potential supporters, in order to maximise engagement.
- 5. Seize Global Opportunities for Expansion:** We will seize opportunities for growth to increase global funding.

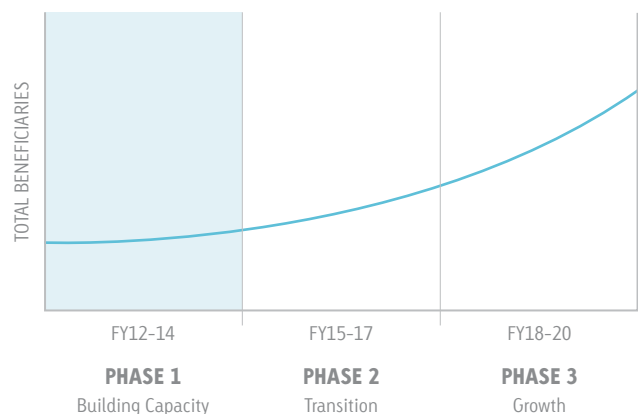
To accomplish these essential moves, Compassion will rely on the following foundations:

- **Depend on God:** We will depend on God in new ways and leave room for God to surprise us.
- **Live Compassion:** We will create a culture of shared priorities and focus. We will provide accessible and relevant ways so each person understands their connections with our mission, our core values, our vision and our essential moves for the future.
- **Day-to-day Work:** We will be fully engaged in our day-to-day work as we serve an increasing number of supporters and beneficiaries.

2020 Vision: Australia

As part of a global network, each partner country has its own strategy to help achieve the 2020 Vision.

For Compassion Australia, we have divided this strategy across three distinct phases:

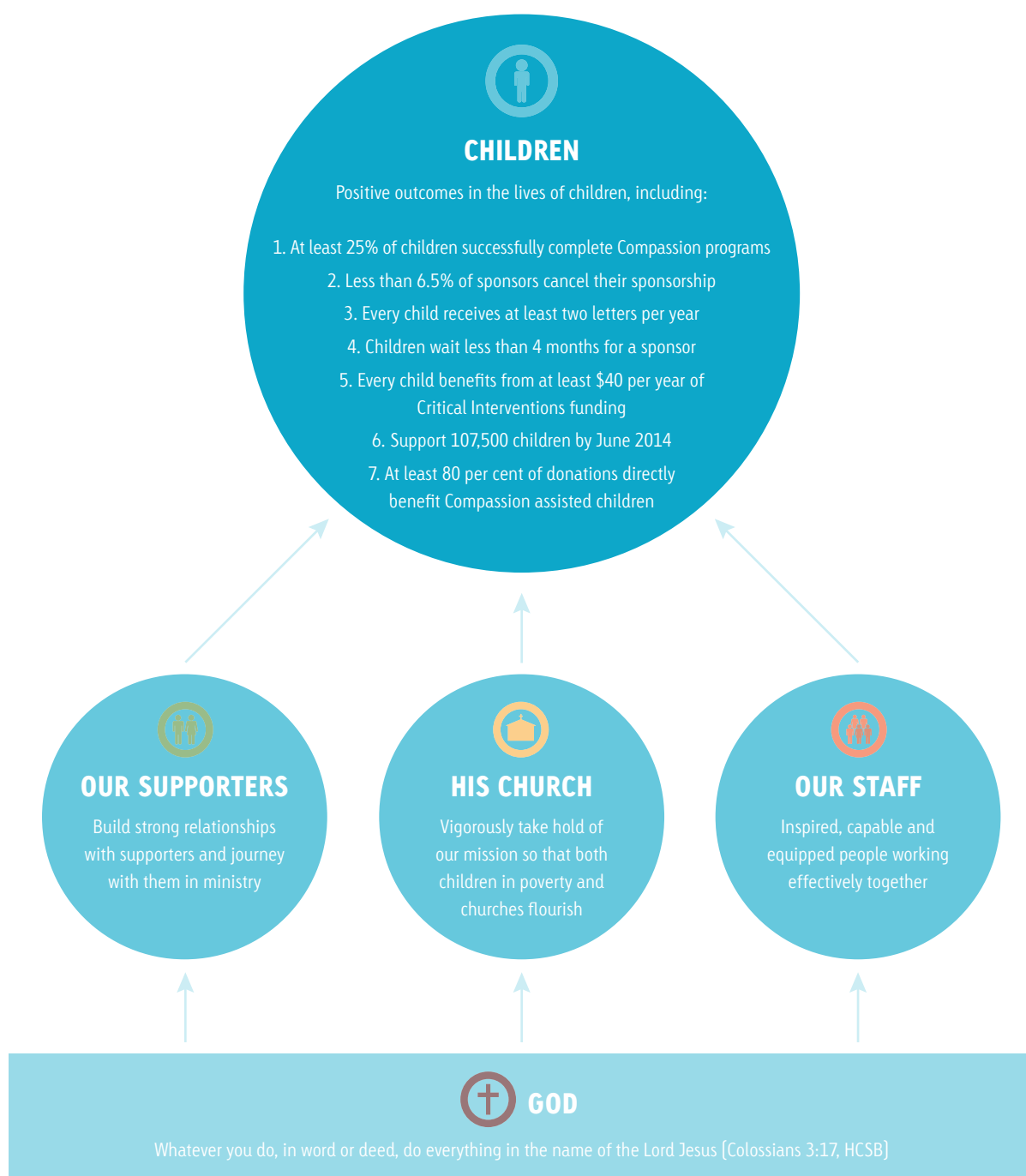


Phase 1: Building Capacity

In financial year 2014, Compassion Australia will commence the second and final year of a capacity building phase that focuses on reviewing our processes, systems and people. Based on Compassion International's global moves, Compassion Australia has identified five strategic focus areas for Phase 1: Building Capacity: God, our staff, His Church, our supporters and children.

Strategy Map

Compassion's foundation is Christ. By equipping staff, we will impact both the Church and supporters. Focusing on these areas successfully, and achieving our objectives for each area, will see benefits in the lives of children. The following strategy map illustrates the relationship between Compassion's five focus areas. To see Compassion's scorecard, which measures our progress against strategy, see page 56.



2012–2013 Ministry Initiatives

As part of the building capacity phase, Compassion Australia has prioritised the development of systems and processes needed for future growth and to achieve our five focus areas: God, our staff, His Church, our supporters and children.

The following annual and once-off ministry initiatives were identified as critical for achieving each of the specific strategic focus areas for Phase 1: Building Capacity (see page 47). The icons show the correlation between the ministry initiative outcomes and Compassion Australia's strategic focus areas.

 Children
  Our Supporters
  His Church
  Our Staff
  God

Child Advocate Network



PURPOSE	GOALS	OUTCOMES
<p>To equip and empower individuals to take action to speak up for children living in poverty, through fundraising, volunteering, event presentations and more.</p> <p>The Child Advocate Network is an ongoing ministry initiative.</p> <p>For more information, see page 26.</p>	<p>To increase membership to over 2500 by June 2013.</p> <p>To equip and encourage Child Advocates to fundraise for Compassion.</p>	<p>From June 2012 to June 2013, the Child Advocate Network grew from 1970 to 2609 members, a total of 32.4 per cent.</p> <p>86 Child Advocates travelled overseas with Compassion to see our work firsthand (travellers pay own way).</p> <p>More than 290 volunteer fundraising events were held by Child Advocates nationwide, totalling more than \$130,000 in net revenue for Compassion Australia.</p>

Departures Process



PURPOSE	GOALS	OUTCOMES
<p>To improve communication between Compassion and supporters, and supporters and children, when sponsored children leave the Child Sponsorship Program. For example, in the instance of graduation.</p> <p>Children depart from the Compassion program for a range of reasons, from graduation to families moving away from the area for work.</p>	<p>To automate the current manual departure process, in order to provide supporters with timely, quality information about their sponsored child's departure from the program.</p> <p>To create a better supporter experience, and therefore help reduce supporter cancellation rates.</p>	<p>The departures process was successfully started, and is due for completion in financial year 2014.</p> <p>The project has been divided into two parts:</p> <ul style="list-style-type: none"> • Departures • Project Status Changes <p>The Departures part of the project has moved into Execution phase with the commencement of the development of automation, which will be delivered during the financial year 2014.</p> <p>The Project Status Changes part of the project is in the Planning phase.</p>

Christmas Appeal



PURPOSE	GOALS	OUTCOMES
To encourage sponsors to write a Christmas card to their sponsored child, and to donate \$30 or more towards providing every child in Compassion's Child Sponsorship Program with a Christmas gift.	<p>To raise \$2,050,000 towards providing every Compassion assisted child, including those who are registered but not yet sponsored, with a personalised Christmas gift, such as books or shoes.</p> <p>To foster the letter-writing relationship between sponsors and their sponsored children.</p>	<p>From July 2012 to June 2013, the Christmas Appeal raised \$2,110,333, exceeding our target.</p> <p>In 2012, 60.90 per cent of supporters gave a Christmas gift, an increase from 58.15 per cent in 2011.</p> <p>Compassion received 47,625 Christmas cards from supporters to send to their sponsored children.</p>

Compassion Appeal



PURPOSE	GOALS	OUTCOMES
To encourage supporters to donate to Compassion's Critical Interventions and, specifically, children with special needs in Compassion's programs. Compassion currently serves more than 20,000 children with special needs through the Child Sponsorship Program.	To raise \$950,000 toward Critical Interventions worldwide, including for children with special needs in Compassion's programs.	Between 30 June 2012 and 30 June 2013, the Compassion Appeal raised \$1,076,105, exceeding our target by more than 13 per cent.

Compassion Magazine and E-newsletter



PURPOSE	GOALS	OUTCOMES
<p>To educate current supporters about Compassion's holistic child development programs and engage supporters by showing how their donations are directly benefitting the children in our programs.</p> <p>The Compassion Magazine is sent to supporters every six months; the e-newsletter is sent monthly.</p>	<p>To see 240 sponsorships achieved as a result of these channels.</p> <p>To engage supporters with Compassion's work and increase supporter retention.</p>	<p>Compassion Magazine and e-newsletter resulted in a combined total of 240 children sponsored in financial year 2013, which was right on target.</p> <p>Based on regular supporter surveys, 73.02 per cent of supporters feel valued by Compassion, and 100 per cent feel Compassion demonstrates Christian values.</p>

Child Sponsorship Third Party Letter Process



PURPOSE	GOALS	OUTCOMES
<p>To replace one of the three letters sponsors receive from their sponsored children with a letter from their sponsored child's Compassion centre, either from the Pastor or Project Director. These letters will provide sponsors with more specific information about their sponsored child's local church and neighbourhood, and therefore enhance the letter writing experience for both sponsors and sponsored children.</p> <p>In addition, sponsors will also begin receiving reciprocal or 'reply' letters from their sponsored child, if they write more often, up to a maximum of one letter every 60 days. This means that sponsors can now receive up to six reply letters each year.</p>	<p>To send all supporters a third party letter—from their sponsored child's pastor or otherwise—by June 2013.</p> <p>To enhance supporters' experiences of letter writing and further foster their relationship with their sponsored child.</p>	<p>All systems and process were successfully prepared to process third party letters; supporters received their first third party letter in July 2013.</p> <p>In financial year 2013, a total of 285,332 letters were sent from sponsors to sponsored children around the world.</p> <p>As of June 2013, 42.02 per cent of children received at least two letters from their sponsors each year, a decrease from 44.38 per cent last year.</p>

Compassion Sunday



PURPOSE	GOALS	OUTCOMES
<p>To draw the Church's attention to the needs of children living in poverty. People all over Australia are encouraged to stand up in their local church and speak out on behalf of children living in poverty by sharing a short presentation or dedicating the entire service to the issue.</p> <p>Compassion Sunday is an annual ministry initiative.</p>	<p>To see 750 children sponsored nationwide.</p> <p>To engage churches with Compassion's work and increase supporter retention.</p>	<p>In total, Compassion Sunday resulted in 645 new sponsorship commitments, seven new Child Survival Programs commitments and 11 non-financial commitments to write to children whose sponsors are unable to do so. Compassion's Organisational Development process—which impeded on staff's time and resources—impacted Compassion Sunday results slightly, as did the timing of the event. Feedback from churches suggests that August, rather than May, would be a better time for Compassion Sunday to be implemented in Australian churches.</p> <p>This year, 143 churches registered to carry out Compassion Sunday based presentations. Of these, 84 churches had not run a Compassion Sunday event in financial year 2012 and 41 reported that they did not previously have a formal relationship with Compassion.</p>

Digital Experience



PURPOSE	GOALS	OUTCOMES
<p>To establish a Compassion Australia Digital Team in order to:</p> <ul style="list-style-type: none"> • Harness digital marketing to further connect with willing supporters • Optimise the customer experience across channels • Analyse and optimise supporters' activities to deliver better outcomes. 	<p>Establish a Digital Team, including a Digital Manager, Web Specialist and Social Media Specialist.</p> <p>Develop a digital strategy that will be executed in financial year 2014.</p>	<p>A Digital Team was formed, including a Digital Manager, Web Specialist and Social Media Specialist.</p> <p>Compassion's website generated 1109 sponsorships, equating to 350 sponsorships per full-time employee.</p>

Gifts of Compassion



PURPOSE	GOALS	OUTCOMES
<p>To offer supporters the chance to donate a gift, such as a pig or mosquito net, to a child in the developing world in honour of their family or friend's special occasion. Funds raised are used for Compassion's Critical Interventions worldwide.</p> <p>Gifts of Compassion is an annual ministry initiative.</p>	<p>To raise \$625,000 through Gifts of Compassion for Critical Interventions worldwide.</p>	<p>In financial year 2013, \$739,267 was raised through Gifts of Compassion for Critical Interventions, exceeding our target by \$114,267.</p> <p>Every child receives \$67.55 of Critical Interventions funding each year—an increase from \$64.93 last financial year.</p>

Prayer Partners Network



PURPOSE	GOALS	OUTCOMES
<p>To encourage supporters to regularly pray for Compassion's ministry.</p>	<p>To provide the Prayer Partners Network with a redesigned monthly Prayer Partners Newsletter that provides them with recent prayer points from children around the world.</p>	<p>During financial year 2013, the Prayer Partners Network grew from 1128 to 1212 members.</p> <p>A new Prayer Partners Newsletter was successfully redesigned, and is now sent via email to 1212 members.</p>

IT WORKS Child Sponsorship Campaign



PURPOSE	GOALS	OUTCOMES
<p>To engage new and existing supporters with Compassion's Child Sponsorship Program by reinforcing the effectiveness of the program, drawing on child testimonies and the findings of new, independent research conducted by Dr Bruce Wydick into Compassion child sponsorship.</p> <p>For more information on the Wydick Research, see page 30.</p>	<p>To help increase total sponsorship income to \$50,459,619 by June 2013.</p>	<p>The IT WORKS campaign message was communicated at churches, businesses and events across Australia, resulting in increased supporter retention and engagement, and a gross sponsorship income of \$51,008,813.</p> <p>The IT WORKS Campaign will continue into financial year 2014.</p>

Right Now Customer Relationship Management (Phase Two)



PURPOSE	GOALS	OUTCOMES
<p>To deliver a supporter relationship management system that will enable better engagement with, and maintenance of, relationships with valuable supporters.</p>	<p>To synchronise supporter records between our legacy database COMPASS, and our customer relationship management system, Right Now.</p> <p>To better manage our administration of supporter enquiries and records, delivery of email campaigns, My Account functionality on the Compassion website, account management for donors, school, churches, Compassion Ambassadors and more.</p>	<p>Though the synchronisation project has been finalised, ongoing development of this asset will help to improve the quality, timeliness and effectiveness of our interactions with supporters while also providing a pathway for future technology investments.</p>

Social Media



PURPOSE	GOALS	OUTCOMES
<p>To build an army of online, engaged Compassion fans, that in turn helps see more children released from poverty.</p>	<p>By July 2013, Compassion will grow to 15,000 Facebook fans, 7000 Twitter fans, 500 Instagram followers, over 1000 YouTube subscribers and over 200 LinkedIn connections.</p>	<p>Between March and July 2013, Compassion grew from 13,475 Facebook fans to 15,300 fans and from 6061 Twitter followers to 6370.</p> <p>By July 2013, Compassion had grown to 690 followers on Instagram, 815 YouTube subscribers and 200 LinkedIn connections.</p>

Statements Project (Phase Two)



PURPOSE	GOALS	OUTCOMES
To respond to the significant mailing costs associated with providing supporters with both monthly statements and end-of-financial-year statements.	<p>Following from phase one, through which 9000 supporters opted out of paper statements, phase two will aim to see 50 per cent of our total supporter base transfer to online statements.</p> <p>Improve the functionality of My Account (Compassion's online customer self-service tool) and give supporters the option to manage their contribution details online.</p> <p>Currently 75 per cent of written complaints from supporters are concerned with paper statements. By providing a better supporter experience, we aim to reduce complaints and, as a result, reduce sponsorship cancellations.</p> <p>Significantly reduce costs to Compassion, and show financial integrity to our supporters. Currently, Compassion spends approximately \$236,000 annually on mailing monthly and end-of-financial-year statements.</p>	<p>As of June 2013, more than 17,000 supporters have opted out of paper receipts and are now utilising My Account to manage their contribution details. This has resulted in a significant saving to Compassion.</p> <p>Phase two of the Statements Project successfully improved the functionality of My Account and allowed supporters to access their monthly statements online, as well as manage their contributions and financial details. Supporters can now opt out of paper and choose to receive text and email messages when their statements are ready for viewing online.</p> <p>The hardcopy statement has been redesigned to an easy-to-read format.</p> <p>Complaints have decreased by 90 per cent since the Statements Project was implemented in financial year 2012.</p> <p>Based on regular supporter surveys, 100 per cent of supporters feel Compassion demonstrates good stewardship with donations.</p> <p>Over financial year 2013, the percentage of supporters making a complaint remained at a low 0.02 per cent.</p>

Update of Attraction and Engagement Processes



PURPOSE	GOALS	OUTCOMES
To revise and improve systems and processes for hiring new staff.	Update all attraction and engagement documentation.	Revised and improved systems and processes for hiring new staff.

Update of Performance Management System



PURPOSE	GOALS	OUTCOMES
To revise and improve systems and processes whereby managers and employees set and track goals related to performance, development and wellbeing.	Implement the new 90 Day Plan process incrementally over a 12 month period.	Revised systems and processes whereby managers and employees set and track goals related to performance, development and wellbeing.

Trip Experience



PURPOSE	GOALS	OUTCOMES
To implement a robust, efficient and risk mitigating process for trip planning and execution, in light of increasing numbers of supporters travelling to the field with Compassion. Currently, Compassion organises approximately 280 trips per year for individuals, churches, donors, Child Advocate Network members and staff.	<p>Create a system that can meet the requirements that are established as a result of redesigning the trip process.</p> <p>Reduce costs for Compassion by \$400,000 per year. Currently, staff members spend between 50 and 100 hours organising each trip. For group trips in particular the total estimated cost to Compassion is between \$8000 and \$12,000 per trip.</p> <p>Build healthy relationships with Australian churches, and increase their engagement with Compassion's ministry.</p>	<p>The project was commenced in January 2013 and has been divided into a number of segments because of its complexity and the opportunity to deliver discrete outcomes progressively during the financial year 2014. The segments include:</p> <ul style="list-style-type: none"> • Legal, risk and compliance policies • Travel process system • Pre-trip training and post-trip debriefing • Budget, cost and quote system • Financial reconciliation process • Supporter interface for lodgement of information system • Feedback and reporting processes and systems • Marketing material <p>All segments are in the planning phase except legal, risk and compliance, which is in execution. The project is planned to be completed in May 2014.</p>

Youth Engagement



PURPOSE	GOALS	OUTCOMES
To investigate ways to more actively connect with teenagers and young adults, increasing their awareness of, and loyalty to, the ministry of Compassion.	The development of a white paper for the Board and Leadership teams outlining specific areas for engagement with youth that could be developed into an ongoing strategy.	<p>An internal working group was established to explore avenues for possible youth engagement, through:</p> <ul style="list-style-type: none"> • Focus groups with high school-aged youth • Focus groups with key influencers, including pastors, youth workers and teachers • A university strategy proposal created by a group of university students from Sydney <p>A white paper detailing possible avenues for a youth strategy was prepared by the working group and assessed by the Board and Leadership team.</p> <p>Based on assessment, a youth product specifically for schools was identified as a potential area for growth in the future.</p>



Compassion's Scorecard

Compassion Australia's customised scorecard measures our progress against our strategic goals for four of our five focus areas: children, supporters, staff and church. The quantitative metrics are based on different service level agreements and statistical measures from our reporting systems, while the qualitative metrics are based on survey feedback to assist with ongoing supporter and staff development. Compassion has chosen not to develop metrics for our fifth focus area, God, because we believe that spirituality cannot be, and shouldn't be, measured in human terms.

The implementation of ministry initiatives throughout financial year 2013 (see pages 48-54) has seen Compassion Australia meet some targets earlier than expected. This has allowed Compassion to become well positioned to achieve all targets by the conclusion of financial year 2014, which marks the second and final year of Phase 1: Building Capacity. For more information about Compassion's strategy, including Phase 1: Building Capacity, see pages 46 and 47.

Give careful thought to the paths for
your feet and be steadfast in all your ways.

—Proverbs 4:26

Children:

Positive outcomes in the lives of children

Correlating global move/s: maximise ministries



MEASURE	CURRENT (JUNE 2013)	TARGET (JUNE 2014)
Percentage of children who successfully complete the program	25.02%	25%
Percentage of sponsor cancellations	6.72%	6.50%
Percentage of children receiving at least two sponsor letters per year	41.59%	55-60%
Average time a child waits to receive a sponsor	3.2 months	less than 4 months
Amount of Critical Interventions funding sent from Australia per Australian supported child each year	\$67.55	\$40
Number of children supported	102,289	107,500
At least 80 per cent of donations directly benefit Compassion assisted children	79.73%	80%

Our Supporters:

Build strong relationships with supporters and journey with them in ministry

Correlating global move/s: strengthen sponsor engagement; transform core processes with technology



MEASURE	CURRENT (JUNE 2013)	TARGET (JUNE 2014)
Percentage of current supporters with a tenure of three years or more	69.28%	55-60%
Percentage of supporters writing to their sponsored children in the last 12 months	66.47%	75-80%
Percentage of supporters who would recommend Compassion to their friends or family members	60.32%	45-50%
Percentage of supporters who believe Compassion demonstrates good stewardship with their donations	100%	95-100%
Percentage of supporters who believe Compassion demonstrates Christian values	100%	95-100%
Percentage of supporters who feel valued by Compassion	73.02%	75-80%

His Church:

Vigorously take hold of our mission so that both children in poverty and churches flourish

Correlating global move/s: mobilise the Church; transform core processes with technology



MEASURE	CURRENT (JUNE 2013)	TARGET (JUNE 2014)
Number of active functional church relationships	646	700

Additional church metrics are currently under development

Our Staff:

Inspired, capable and equipped people working effectively together

Correlating global move/s: live Compassion; transform core processes with technology



MEASURE	CURRENT (JUNE 2013)	TARGET (JUNE 2014)
Percentage of staff who would recommend Compassion as a workplace to family and friends	90%	35-40%
Percentage of staff who believe working for Compassion gives them the chance to live out their Christian faith	90%	80-85%
Percentage of staff who believe they experience healthy working relationships	75%	80-85%
Percentage of staff who believe Compassion is a fun place to work	80%	80-85%
Percentage of staff who believe they can achieve their workload within the hours they are compensated to work	55%	80-85%

From the Finance Director

What a great year! Despite the low-growth economic environment, Compassion continued to grow and outperform our expectations. A big thank you to our faithful supporters: with your continued support and loyalty, we have been able to achieve our objectives and release more children from poverty.

We had a strong start to financial year 2013. We achieved our goal of supporting 100,000 children, babies and students in August 2012 and from there we continued to experience steady growth in excess of our expectations. Our income finished the year at \$68 million, which represents 4.9 per cent growth on last year. This is a great result as we had budgeted growth for 3.5 per cent. The increase in revenue is largely due to marketing initiatives such as the IT WORKS Child Sponsorship Program campaign, as referred to on page 52.

We started the year with the aim of restructuring some of our fund reserves. Because of this, our operating fund ended the year with a planned surplus of \$399,000. This was deliberate so as to build our operating reserves. Our overall net surplus for the year was \$1,064,000, which also reflects building reserves for the future growth of the organisation.

Breaking down our expenditure percentages for the year, administration and fundraising came in at 20.27 per cent and community and program expenditure came in at 1.58 per cent and 78.15 per cent respectively.

We are very thankful for this year's financial results, which have strengthened our financial position.

In terms of our core programs, the Child Sponsorship Program finished with 99,352 sponsors. The Child Survival Program and Leadership Development Program ended with 2757 and 180 respectively. Our Critical Interventions fund ended at \$1,954,871. The results show effective strategy in continuing to partner with the church to release children from poverty.

Throughout the year we reviewed some accounting treatments. We transitioned some donation revenue from recording it when the service was rendered to recording it when the revenue was received. This is in accordance with AASB1004 which is a not-for-profit standard. We have also taken up more program liability as a result. With these two changes, the net effect has been a decrease in net assets by less than \$100,000. The prior period has been adjusted to reflect the changes comparatively. [See note 1r in the full financial statements for more information.]

The global and domestic economies have continued to be volatile, which is affecting results and creating a low growth environment for the charitable sector. With regards to the Australian economy, we saw the inflation rate stay stable, interest rates drop to historic lows and unemployment increase to around 5.7 per cent. With regards to private donations, all of these factors have hampered the ability for existing supporters to give more, and it also makes it harder to obtain new supporters. We only fundraise via private donations and have noticed our trends are following the economic trends of 'the consumer'. Despite the harder economic circumstances that most Australians are facing, we are very thankful that this has been a year of increase.

Our 2020 strategy is broken down into three phases: building capacity, transition, and then growth. Currently we are at the halfway mark in our capacity building phase. One of the larger objectives during this phase was organisational development, which you can read more about on page 44. The aim of this was to establish a scalable staffing structure to facilitate future growth. The process of organisational development will take place over a three-year period, with the first year implementation including restructured roles and recruitment into a number of new frontline positions. We will continue to increase our frontline staffing in financial year 2014 to complete the transition to the new scalable staffing model. Our planned expenditure associated with this objective will mean our administration and fundraising ratio will go from 20 per cent to 21 per cent for the next two years. This is a necessary investment in our capacity to facilitate future growth and release more children from poverty in Jesus' name. We are expecting to see great results and excited to see how God will continue to bless this ministry.



Ben Dodd
Finance Director

Board Declaration

The Board of Directors of Compassion Australia declares that:

(a) The financial statements and notes as set out on pages 60 to 75 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 2013 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

This is what the Lord Almighty says:
“Administer true justice; show mercy and compassion to one another. Do not oppress the widow or the fatherless, the alien or the poor.”

—Zechariah 7:8-10

Source of Funds

Compassion does not receive any government funding; instead, we rely on the generosity of our supporters—Australian churches, businesses and individuals—as well as strategic investments and asset management, to see Compassion continue to grow and to see more children released from poverty in Jesus’ name.

Fundraising

All of Compassion Australia’s Fundraising is done in accordance with the relevant government regulations in the state in which it is performed. Compassion Australia conducts fundraising through two main channels: internal initiatives, such as direct mail appeals, and through the efforts of external supporters. For supporters who would like to fundraise on our behalf, we have teamed up with the online fundraisers Everyday Hero and Go Fundraise to make the process as efficient as possible for everyone involved. We accept funds raised outside Everyday Hero and Go Fundraise as well. This year, more than 290 individuals chose to fundraise for Compassion in a variety of ways. Of the people who fundraised, 89 per cent did so online and 51 per cent fundraised for a specific Compassion program or initiative. In total, fundraisers resulted in more than \$135,800 in net revenue for Compassion; the average gross amount raised per person was \$796.

Internally, Compassion Australia ensures all content soliciting funds is carefully worded and prepared so that both the donor and the finance department clearly understand the designation of funds. All funds will be utilised for the purposes for which they were raised or donated, and we do not make an appeal for contributions from our supporter base until a program has been designed and approved. For more information about fundraising, see page 26.

Tax Deductibility

All income receipted into the Compassion Overseas Aid and Development Fund is tax deductible to the donor, including donations to the Child Sponsorship Program, Child Survival Program, Christmas Fund, gifts, relief, Critical Interventions and Sponsorship Plus. All donations receipted into the Compassion Eternity Fund (Bible Fund and Leadership Development Program) are not tax deductible.

To be able to offer tax deductibility on donations to the Leadership Development Program, Compassion’s overseas aid and development activities must comply with the guidelines set out by both the Australian Taxation Office and AusAID (the Australian Government’s Overseas Aid and Development department). According to the guidelines, the acceptance of specific religious beliefs or membership in a particular religious group must not be a condition for communities or individuals participating in relief and development programs. Children registered in our Child Survival Program and Child Sponsorship Program represent a wide variety of religions or no religion. A child’s religious background does not prevent him or her from being accepted into these programs.

However, the Leadership Development Program is specifically designed to develop Christian leaders through intensive Christian leadership training, as well as one-on-one Christian mentoring. This means students must be Christians to be eligible, and therefore the program falls outside of the tax-deductibility guidelines.

On 18 September 2013, the Prime Minister announced the government’s intention to integrate AusAID and the Department of Foreign Affairs and Trade. While Compassion doesn’t currently receive funding from the Government through AusAID, Compassion is keeping a close eye on these developments to ascertain how these changes will affect our dealings with AusAID.

Cash Management

Compassion Australia invests cash reserves in low-risk, interest-bearing accounts, such as at-call accounts and short maturing term deposits. During the financial year 2013, Compassion Australia earned \$317,400 in interest on cash reserves, which was reinvested back into the ministry. All funds are dispersed directly to the Compassion International offices in each of the appropriate field countries. This process is overseen through Compassion’s global headquarters located in the USA.

Compassion Australia partially managed the volatility in global currency markets with financial instruments that provide certainty against adverse movements in exchange rates. The continued high value of the Australian dollar at the start of the year has meant Compassion Australia’s income is worth more to the field countries.

Capital Assets

Compassion uses the straight-line method of depreciation for capital purchases. All capital purchases are pre-approved by the CEO; as a general rule, the following table sets out the standard depreciation periods used:

CATEGORY	PERIOD
Computer equipment	3 years
Fundraising equipment	3.3 years
Motor vehicles	4.44 years
Office equipment	10 years
Buildings	50 years

Government Funding

Compassion does not currently receive government funding.

Investments

Compassion Australia employs a conservative investment approach aimed at protecting and building on our reserves, while allowing for the flexibility to send money to the field when needed. Within our current Board of Directors and management team we have personnel who are experienced in the fields of property and banking who help to shape investment decisions. All investment decisions and guidelines are approved by the Finance Committee of the Board of Directors.

Our current investments include:

- Cash reserves invested in a range of interest-bearing deposit accounts
- Commercial property holdings for future expansion, which are leased and provide an income stream until future plans for the holdings are realised.

Performance of investments

Commercial property holdings

- One property has been leased while a second property has been partly tenanted as we have prepared the site for its demolition. During this time, \$209,371 of rental income has been earned on both properties.

Interest bearing cash accounts

- Investment accounts are subject to floating interest rates. The weighted average interest rate was 4.1 per cent (2012: 4.5 per cent).
- Interest earned from interest bearing cash accounts totalled \$317,400.

Valuation of investments

- Commercial property holdings are valued at cost.
- Interest bearing cash accounts are taken at face value of the investment, plus any interest earned but not received, as at 30 June.

Honour the Lord with your wealth, with the first
fruits of all your crops; then your barns will be filled to
overflowing, and your vats will brim over with new wine.

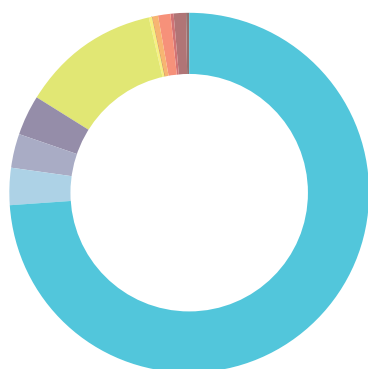
—Proverbs 3:9

Key Performance

The following tables show a snapshot of Compassion's financial performance over the past four years across our various funds.

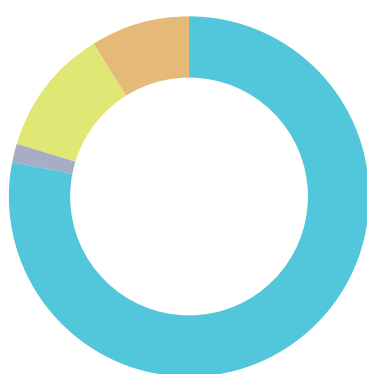
KEY PERFORMANCE INDICATORS	2013	2012	2011	2010	2009
Income per staff member per month [\$]	43,735	44,381	38,126	37,961	37,436.14
Child cancellation rate [%]	6.72	6.66	7.90	7.20	7.40
Sponsorship retention rates [%]	93.28	93.34	92.10	92.80	92.60
Children per sponsor	1.34	1.33	1.33	1.32	1.31
Revenue growth [%]	4.86	3.33	0.03	15.00	21.70
Return on fundraising investment per dollar spent [\$]	8.73	9.00	8.87	7.11	6.51

INCOME BY SOURCE	2013 \$	2013 %	2012 \$	2012 %	2011 \$	2011 %	2010 \$	2010 %	2009 \$	2009 %
Child Development	50,428,629	74.02	48,752,349	75.03	47,373,263	75.34	45,475,911	72.34	41,789,280	76.50
Child Survival Program	2,203,740	3.23	1,924,662	2.96	1,640,086	2.61	1,612,103	2.56	752,139	1.38
Christmas Fund	2,112,439	3.10	1,970,545	3.03	1,862,212	2.96	1,790,057	2.85	1,667,157	3.05
Gifts	2,425,535	3.56	2,227,591	3.43	1,924,560	3.06	1,805,454	2.87	1,541,251	2.82
Life Assurance	0	0	200	0	0	0	600	0	2,300	0
Living Sponsorship	72,211	0.11	115,822	0.18	[10,365]	-0.02	84,470	0.13	107,732	0.20
Critical Intervention Fund	8,598,104	12.62	7,640,553	11.76	8,068,739	12.83	8,022,414	12.76	5,665,843	10.37
Relief	119,407	0.17	451,130	0.69	120,011	0.19	2,001,926	3.18	1,838,371	3.37
Special Overseas Project	13,080	0.02	[834]	0.00	167,865	0.27	168,362	0.27	67,036	0.12
Un-sponsored Children	447,388	0.66	444,862	0.68	402,065	0.64	599,319	0.95	201,527	0.37
Operating Fund	693,754	1.02	540,470	0.83	548,071	0.87	616,917	0.98	446,424	0.82
Endowment Operations	101,158	0.15	104,147	0.16	115,502	0.18	68,362	0.11	123,022	0.23
Leadership Development	836,194	1.22	700,656	1.08	576,742	0.92	466,727	0.74	356,493	0.65
Bibles	65,550	0.10	59,992	0.09	74,610	0.12	116,167	0.18	68,236	0.12
Indigenous	12,928	0.02	41,841	0.06	16,878	0.03	33,912	0.05	-	0.00
TOTAL	68,130,117	100	64,973,986	100	62,880,239	100	62,862,701	100	54,626,811	100



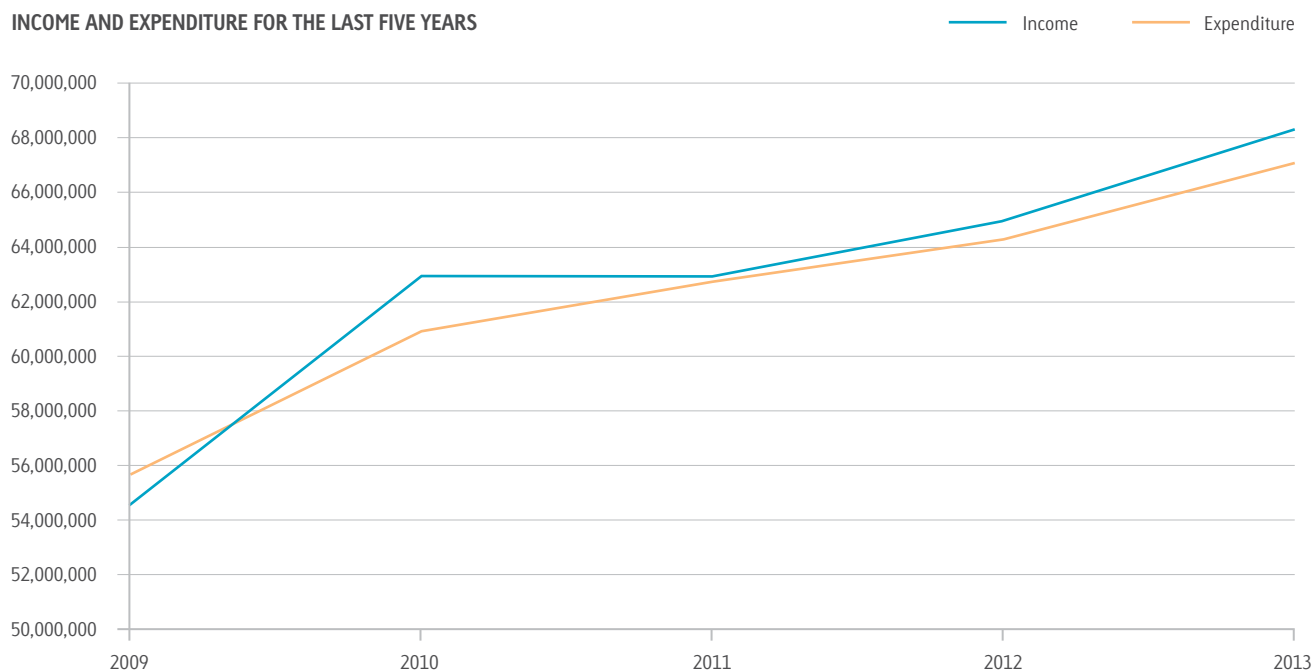
INCOME BY SOURCE	2013 \$	2013 %		2013 \$	2013 %
Child Development	50,428,629	74.02	Un-sponsored Children	447,388	0.66
Child Survival Program	2,203,740	3.23	Operating Fund	693,754	1.02
Christmas Fund	2,112,439	3.10	Endowment Operations	101,158	0.15
Gifts	2,425,535	3.56	Leadership Development	836,194	1.22
Living Sponsorship	72,211	0.11	Bibles	65,550	0.10
Critical Intervention Fund	8,598,104	12.62	Indigenous	12,928	0.02
Relief	119,407	0.17			
Special Overseas Project	13,080	0.02			
			TOTAL	68,130,117	100

EXPENDITURE	2013 \$	2013 %	2012 \$	2012 %	2011 \$	2011 %	2010 \$	2010 %	2009 \$	2009 %
Program	52,414,811	78.15	49,997,006	77.80	48,138,495	76.94	47,397,726	77.86	43,080,943	77.46
Community education	1,056,493	1.58	1,177,033	1.83	1,710,400	2.73	1,607,592	2.64	1,311,916	2.36
Fundraising	7,727,031	11.52	7,157,513	11.14	7,024,958	11.23	8,753,111	14.38	8,318,498	14.96
Administration	5,867,671	8.75	5,933,084	9.23	5,691,240	9.10	3,120,629	5.13	2,909,194	5.23
TOTAL	67,066,006	100	64,264,636	100	62,565,093	100	60,879,058	100	55,620,551	100



EXPENDITURE	2013 \$	2013 %
Program	52,414,811	78.15
Community Education	1,056,493	1.58
Fundraising	7,727,031	11.52
Administration	5,867,671	8.75
TOTAL	67,066,006	100

INCOME AND EXPENDITURE FOR THE LAST FIVE YEARS



Sponsorships and Beneficiaries

This year, coupled with the previous two years, has continued to be a challenging environment for new sponsorship acquisitions. Our number of new beneficiaries has been almost identical in the past three years (2011: 10,420, 2012: 9866, 2013: 9622). We have, however, made great improvements in sponsor retention represented by our significantly improved sponsorship cancellation rate down from 8.05 per cent in April 2011 to 6.54 per cent in November 2012. This rose slightly towards the end of financial year 2013 to end on 6.72 per cent. Without this improvement our overall sponsorship growth during the past two financial years would have been much lower than was actually realised.

Financial year 2013 saw the beginning of Phase 1: Building Capacity, which forms part of our 2020 Vision [see pages 46 and 47]. With that we saw the roll-out of a process of organisational development [see page 44]. As part of this process, Compassion took an end-to-end look at all of our partnership and sponsorship activities from the Child Advocate Network to churches to major donors. Towards the end of financial year 2013, this process saw a significant change in staff allocation to improve effectiveness and efficiency and this has prepared and allowed us to shift gear and set some challenging but measured new sponsorship forecasts for financial year 2014 [see Compassion's Scorecard on page 56].

Additionally, we have also added to our investment, focusing on sponsor retention and education programs following the healthy returns we have witnessed in recent times. These returns are not only in retaining existing sponsors to fund our programs, but the even greater benefits of more engaged sponsors and consistency of relationship for the children and families we serve in the developing world.

Compassion's holistic child development model is a long-term approach implemented through four programs that starts even before a child is born and continues through school age and beyond. [Find out more about how we work on page 14.] The term beneficiaries refers to children registered in the Child Sponsorship Program, as well as mothers and babies in the Child Survival Program and students in the Leadership Development Program.

During the year, the number of mother/child units (mother and child together count as one) in the Child Survival Program increased by 147 to 2757. The number of students in our Leadership Development Program increased by 28 to 180. Our core program Child Sponsorship also increased by 2947 to a total of 99,352.

Our total beneficiaries for financial year 2013 grew from 99,167 to 102,289. This year saw us surpass 100,000 beneficiaries in August 2012. [This was a goal set in 2002 when we had less than 30,000 beneficiaries.]

Speak up for those who cannot speak for themselves,
for the rights of all who are destitute. Speak up and judge
fairly; defend the rights of the poor and needy.

—Proverbs 31:8-9

SPONSORSHIPS AND BENEFICIARIES	2013	2012	2011	2010	2009
SPONSORSHIPS					
Australian-supported Child Sponsorships	99,352	96,405	93,099	90,769	85,636
Worldwide Child Sponsorships	1,350,590	1,244,910	1,150,500	1,080,919	1,010,208
BENEFICIARIES					
New Beneficiaries	9,622	9,866	10,420	11,751	15,3499
Cancelled Beneficiaries	6,500	6,331	7,239	6,298	5,709
Net Growth	3,122	3,535	3,181	5,453	9,640
Net Growth %	3.15%	3.70%	3.44%	6.27%	12.46%
Total Beneficiaries	102,289	99,167	95,632	92,451	86,998
BENEFICIARY BREAKDOWN					
Child Sponsorship Program	99,352	96,405	93,099	90,769	85,636
Child Survival Program*	2757	2,610	2,423	1,589	1,283
Leadership Development Program**	180	152	110	93	79
Total Beneficiaries	102,289	99,167	95,632	92,451	86,998
OTHER COMMITMENTS					
Critical Interventions***	27,893	27,833	27,461	27,425	26,689

The term "beneficiaries" refers to children registered in the Child Sponsorship Program as well as mothers and babies in the Child Survival Program and students in the Leadership Development Program.

* Approximate number of mothers and babies supported (mother and child together count as one)

**Number of Leadership Development students sponsored

*** Number of supporters with monthly commitments to this fund, including sponsorship plus commitments

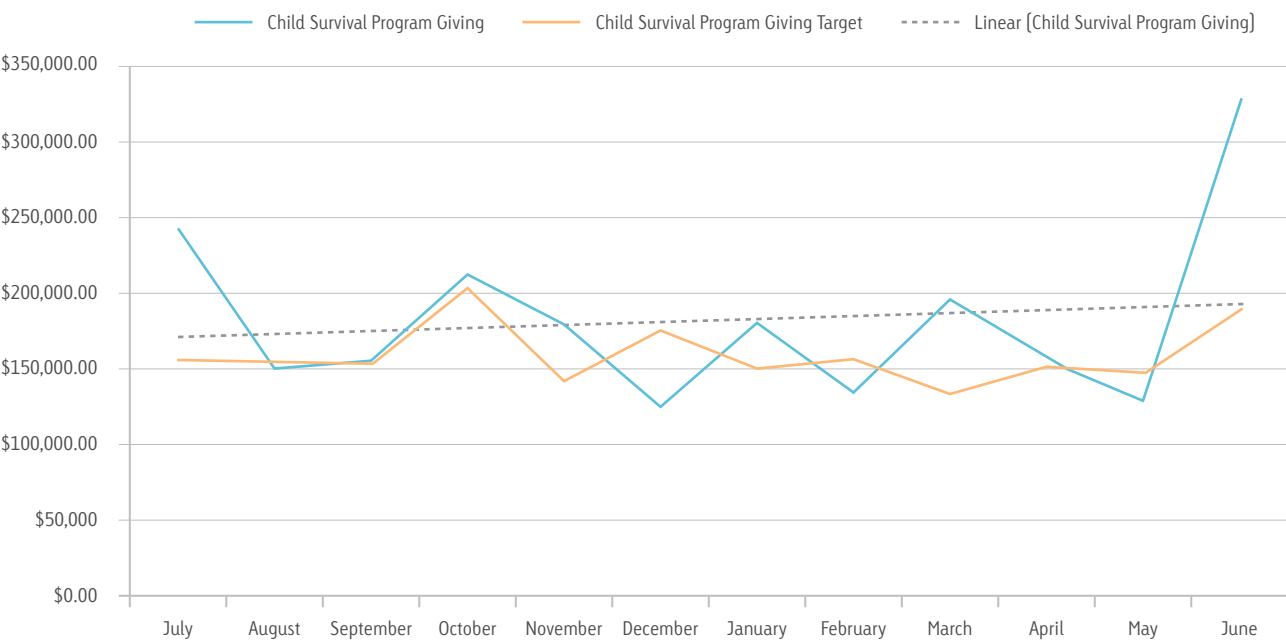
Program Performance

While the Child Sponsorship Program continues to remain Compassion’s “flagship” program, support for the Child Survival Program, Leadership Development Program and Critical Interventions continued to increase this financial year as shown in the monthly giving trends.

Child Survival Program Performance

- Compared to gross income of \$1,940,000 for the Child Survival Program in financial year 2012, financial year 2013 brought in \$2,200,000. This was a 14.5 per cent increase on last financial year.
- The reported increase from financial year 2012 can be mainly attributed to a 30 per cent increase in Child Survival Program general ad hoc giving.
- Mother-child units in the Child Survival Program increased by 147 to 2757 during the financial year. This was a total growth of 5.6 per cent.
- This growth was all despite the fact that there was minimal promotion of the Child Survival Program this financial year.

Total giving for the Child Survival Program:



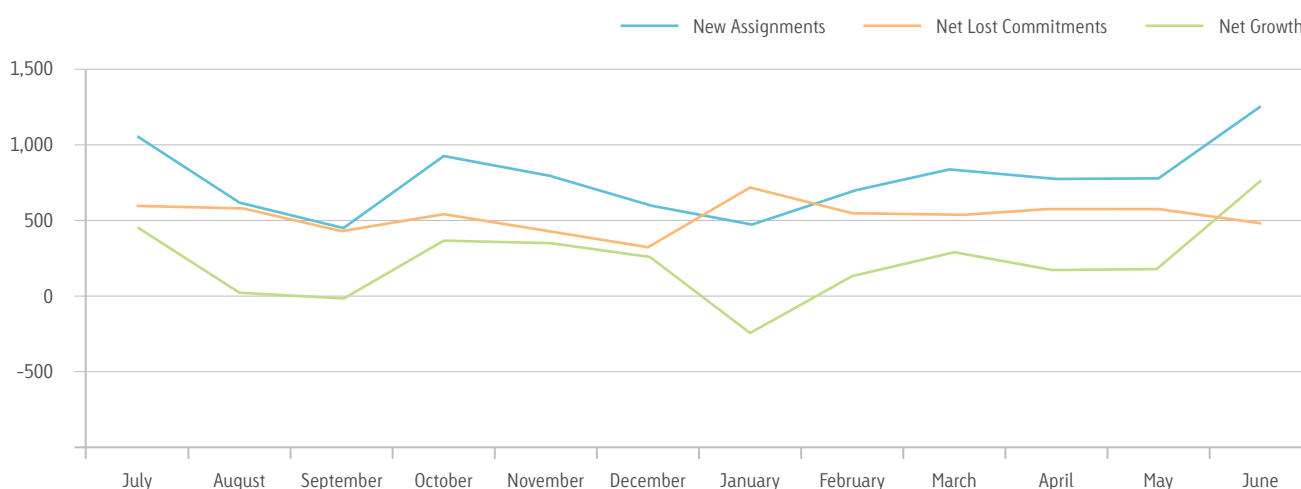
Total Giving includes regular commitments, non recurring payments and giving by church partnerships

Child Sponsorship Program Performance

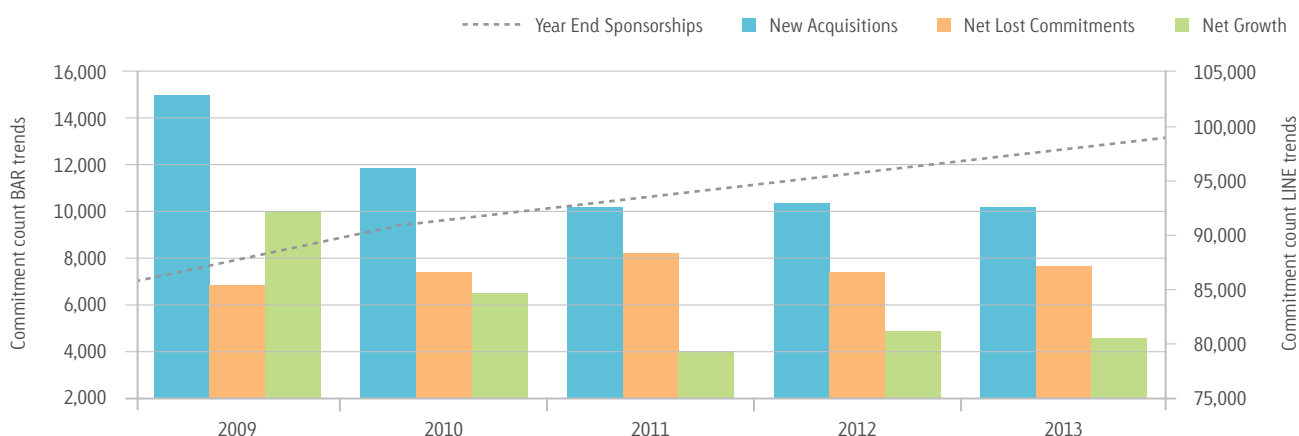
- Financial year 2013 total acquisitions were estimated at 10,174 and finalised at 9422. This was 742 acquisitions below target.
- Despite not meeting our acquisition goal, child sponsorship income was only \$31,000 below target and grew by \$1,676,280 (3.44 per cent) on last year.
- This growth was a result of sponsorship growth in financial year 2013 coupled with a continued low cancellation rate of 6.72 per cent. This was a small increase on the 6.66 per cent cancellation figure of financial year 2012.
- While both Compassion sponsorships and child commitments are increasing, the number of commitments is increasing at a faster rate. This indicates an exciting trend of greater sponsor engagement.
- Compassion experienced a drop in acquisitions during January, when churches assess their finances for the year ahead.
- To counter the drop in acquisition during August and September, Compassion Australia has decided to move one of our key ministry initiatives, Compassion Sunday, from May to August.

CHILD SPONSORSHIPS	2013 No.	2013 %	2012 No.	2012 %	2011 No.	2011 %	2010 No.	2010 %	2009 No.	2009 %
New sponsorship acquisitions	9,422	-0.84	9,502	0.50	9,455	-16.62	11,340	-23.60	14,842	-2.05
Net lost sponsorship commitments	6,471	4.44	6,196	-13.04	7,125	14.79	6,207	9.74	5,656	13.23
Net growth	2,951	-10.74	3,306	41.89	2,330	-54.61	5,133	-44.12	9,186	-9.56
Year-end sponsorships	99,356	3.06	96,405	3.55	93,099	2.57	90,769	5.99	85,636	12.01
Net lost children to acquisition ratio	-	68.68	-	65.21	-	75.36	-	54.74	-	38.11

Total new sponsorships for financial year 2013, total net lost children and net growth per month:



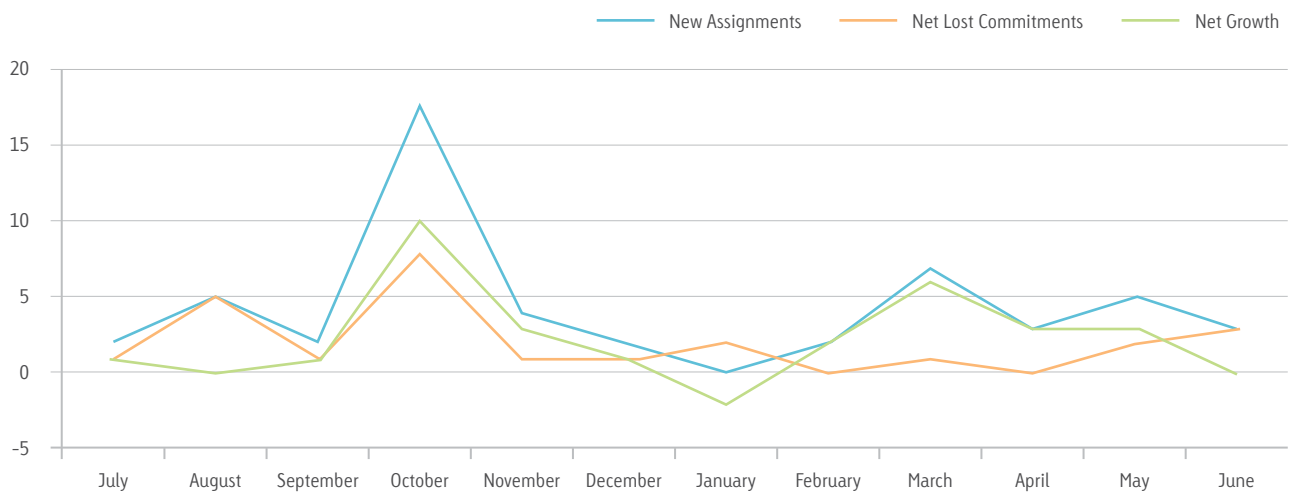
Total new sponsorships, total net lost children and net growth per financial year:



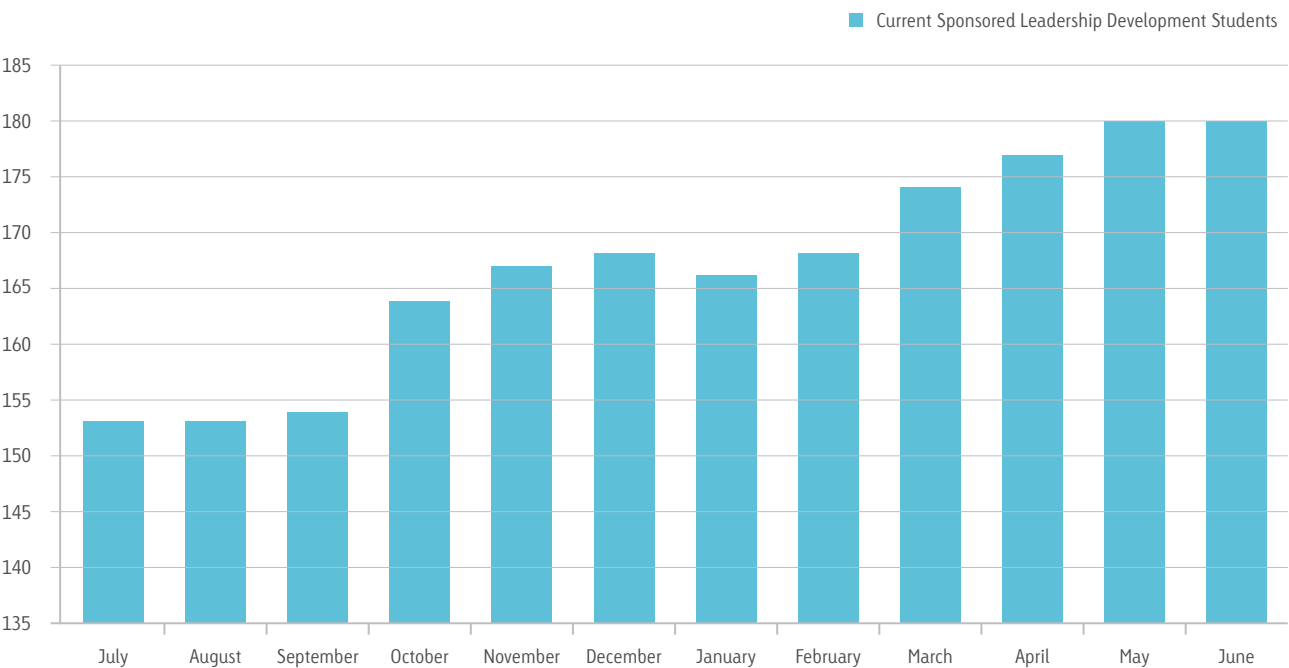
Leadership Development Program Performance

- The number of students in our Leadership Development Program grew by 28 to 180, an increase of 18 per cent.
- Leadership Development Program income grew by \$135,000, or 19 per cent, on the last financial year.
- This growth can be contributed to a number of factors, including a feature article in Compassion's six-monthly magazine, an article in Compassion's e-newsletter and a visit from a current Leadership student to Australia, during which the Leadership student spoke at events and was interviewed on Christian radio.

Total Leadership Development Program recurring commitments for financial year 2013 per month, detailing new assignments, net lost commitments and net growth:



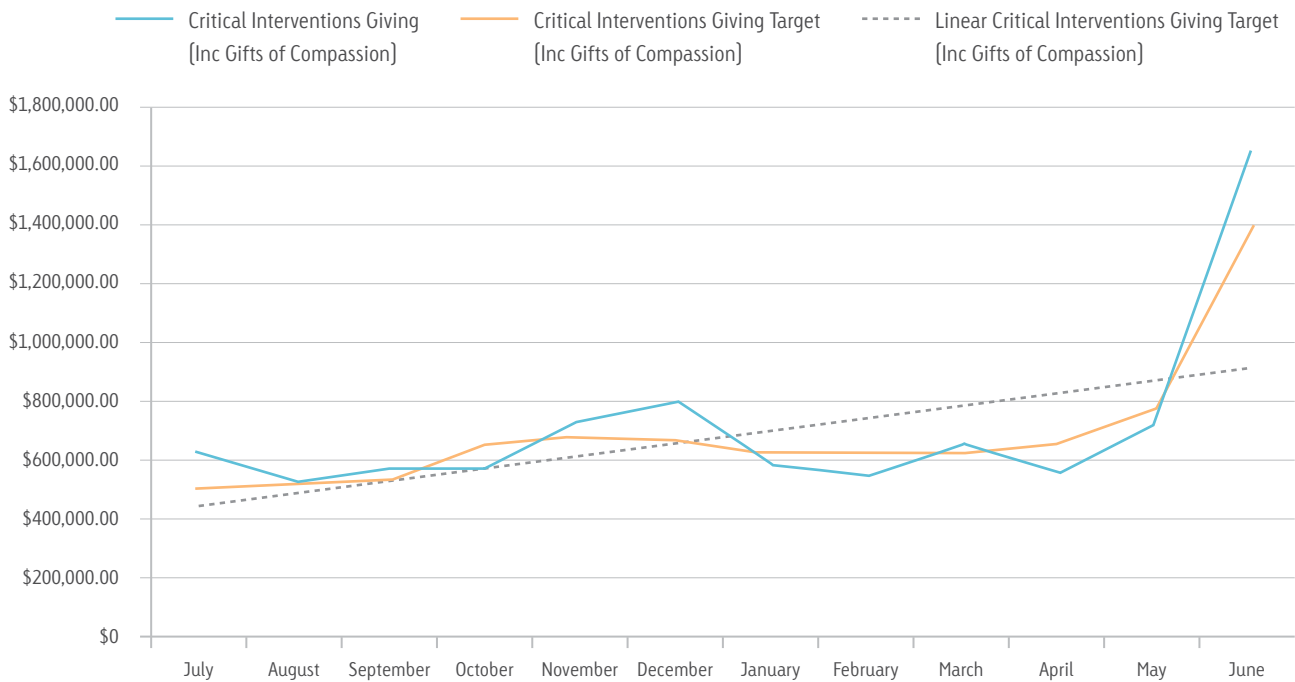
Number of Leadership students worldwide supported by Compassion Australia over the past financial year:



Critical Interventions

- Giving to Critical Interventions and disaster relief in financial year 2013 totalled \$8,700,000.
- The Critical Interventions fund grew 12.53 per cent, or \$957,551, largely as a result of a very successful Compassion Appeal.
- The Compassion Appeal went out in mid-May and focused on children with special needs. The result as at 30 June 2013 was \$1,076,105, against a target set for \$950,000.
- The Relief Fund decreased in income by \$332,000 to \$119,000. This was because, thankfully, there were no large disasters requiring additional funds in the countries in which we work during the financial year.

Critical Intervention giving over the past financial year:



Income Statement

Compassion Australia ended financial year 2013 with an overall surplus of \$1,064,111. Ending the year in surplus was a deliberate objective to build reserves for future operations (refer to cash movements on page 74).

Our income for the year was \$68,130,117, which was an increase on last year by \$3,156,131 or 4.9 per cent. Our growth in donations and gifts came through a number of areas. A large portion of the increased income came from child sponsorship and Critical Interventions. Child sponsorship grew by \$1,676,280 [3.44 per cent] on last year and this was a result of sponsorship growth in financial year 2013 coupled with a continued low cancellation rate of 6.72 per cent. The Critical Interventions fund income also grew 12.53 per cent or \$957,000 and this was largely a result of a very successful end-of-financial-year Compassion Appeal for children with special needs (read more on page 49). Other notable areas of income growth were Child Survival Program (14.50 per cent), gifts (8.89 per cent), operating income (23.361 per cent) and the Leadership Development Program (19.34 per cent). The Relief and Living Sponsorship funds experienced negative growth on last year at negative 73.53 per cent and negative 37.65 per cent respectively. The Relief fund decreased from last year due to the large spike in giving in financial year 2013 due to the East African drought. The Living Sponsorship fund was down primarily because we stopped promoting it. It is also a holding fund to be disbursed to other funds when they fall due.

At the beginning of financial year 2013 Compassion Australia reviewed the treatment of some income accounts. Previously, we recorded sponsorship revenue when we had provided the service. We are now recording sponsorship revenue at the time of receipt (under AASB 1004 not-for-profit Contributions). Paid ahead sponsorships were taken up as income when received. For reporting purposes, the prior period was adjusted to reflect this change (refer to note 1r in financial statements, which can be found at www.compassion.com.au/annualreports).

Overall, our income growth for the year reflects our strategic and tactical direction. Financial year 2013 represented the first full year of

Phase 1: Building Capacity. Our expected growth was forecast to be low to moderate as we focus on building for the future and as economic conditions improve.

With regards to expenditure for the financial year, Compassion Australia used 20.27 per cent on administration and fundraising, which was a great result. This was a better result compared to last year which ended at 20.51 per cent as a result of strategic expenditure on capacity building for systems. As we have built reserves, and continue to build reserves for future operations, in the coming three years we expect expenditure on administration and fundraising to increase to 21 per cent.

In financial year 2013, 79.73 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

The forecasted global and domestic economic climate remains much the same as the prior year. For financial year 2014 we have set a modest income growth target of 7.5 per cent. This target reflects that we are still in the capacity building phase for our 2020 strategy, but are transitioning to the next phase. This will provide us with approximately \$73 million in revenue for the year which will allow us to spend approximately \$58 million on program related services.

Jesus said, “What is impossible with men is possible with God.”

—Luke 18:27

INCOME & EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2013	2013 \$	2012 \$
REVENUE		
Donations and gifts		
- Monetary	67,250,474	64,116,050
- Non-monetary	-	-
Bequests and legacies	89,655	192,369
Grants		
- AusAID	-	-
- Other Australian	-	-
- Other overseas	-	-
Investment income	360,853	339,097
Other income	429,135	326,470
Revenue for international political or religious proselytisation programs	-	-
TOTAL REVENUE	68,130,117	64,973,986
EXPENDITURE		
International aid and development programs expenditure		
International programs		
- Funds to international programs	44,038,319	42,312,231
- Program support costs	8,330,859	7,600,520
Community education	1,056,493	1,177,033
Fundraising costs		
- Public	7,727,031	7,157,513
- Government, multilateral and private	-	-
Accountability and administration	5,867,671	5,933,084
Non-monetary expenditure	-	-
Total international aid and development programs expenditure	67,020,373	64,180,381
Expenditure for international political or religious proselytisation programs	-	-
Domestic programs expenditure	45,633	84,255
TOTAL EXPENDITURE	67,066,006	64,264,636
EXCESS / (SHORTFALL) OF REVENUE OVER EXPENDITURE (TOTAL COMPREHENSIVE INCOME)	1,064,111	709,350

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013	2013 \$	2012 \$
Balance at 1 July (commencing balance)	11,897,242	11,187,892
Adjustments or changes in equity	-	-
Excess / (shortfall) of revenue over expenses	1,064,111	709,350
Other amounts transferred (to) or from reserves	-	-
Balance at 30 June (year end balance)	12,961,353	11,897,242

Balance Sheet

Overall, our balance sheet and financial position remain strong and healthy. In financial year 2013 our balance sheet shows an increase in equity by \$1,064,111. Total assets were flat with a slight decrease (\$278,584). This is primarily a result of movements in property, plant and equipment: accumulated depreciation on buildings and selling our fleet of vehicles. This was also offset by an increase in cash and cash equivalents from positive net cash flows.

Our total liabilities decreased by \$1,342,695. This was a result of a decrease in program cost liability and a maturing commercial bill being offset against an increase in employee provisions and a provision for demolition of one of our investment properties. At the beginning of the year, we reviewed the treatment of some income and program liability accounts. This has affected our liabilities and the prior period has been adjusted to reflect the changes comparatively (refer to note 1r in financial statements). Our current ratio is 1.05; 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 a low risk as our income is reliable and regular and we are addressing this ratio with appropriate measures to strengthen the position further.

Children are a heritage from the
Lord, offspring a reward from Him.

—Psalm 127:3

BALANCE SHEET AS AT 30 JUNE 2013	2013 \$	2012 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	9,198,327	8,559,767
Trade and other receivables	314,160	636,416
Inventories	-	-
Assets held for sale	-	-
TOTAL CURRENT ASSETS	9,512,487	9,196,183
NON CURRENT ASSETS		
Trade and other receivables	-	-
Other financial assets	-	-
Property, plant and equipment	11,031,820	11,578,837
Investment property	1,660,687	1,724,999
Intangibles	-	-
Other financial assets	218,734	202,293
Other non current assets	-	-
TOTAL NON CURRENT ASSETS	12,911,241	13,506,129
TOTAL ASSETS	22,423,728	22,702,312
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	8,453,597	10,078,550
Borrowings	-	390,000
Current tax liabilities	-	-
Other financial liabilities	-	-
Provisions	639,818	66,464
Other	-	-
TOTAL CURRENT LIABILITIES	9,093,415	10,535,014
NON CURRENT LIABILITIES		
Borrowings	-	-
Other financial liabilities	-	-
Provisions	368,960	270,056
Other	-	-
TOTAL NON CURRENT LIABILITIES	368,960	270,056
TOTAL LIABILITIES	9,462,375	10,805,070
NET ASSETS	12,961,353	11,897,242
EQUITY		
Reserves	-	-
Retained earnings	12,961,353	11,897,242
TOTAL EQUITY	12,961,353	11,897,242

Fund Movements

Our statement of cash movements represents all of our income and expense in every fund. Every dollar that is donated to Compassion will pass through one of these funds. The balances in these funds represent all of our restricted, temporarily restricted and unrestricted reserves, held for future use. The resultant overall position reflects two key strategies: building reserves for the future and replenishing operating reserves. At the beginning of financial year 2013, we created The Future Fund. This was to build a reserve for future operations and expansion by reserving one per cent of our income to be set aside over three years. During financial year 2013 the Future Fund balance increased by \$636k to a fund balance of \$1,236,317 after two years. The Operating Fund ended with a surplus of \$399,253, bringing the balance to \$991,426. This was an intentional move to replenish following previous years' deficits. The Child Development Fund ended the year with a \$1,002,886 surplus. The Child Survival Fund also finished with a surplus of \$297,213. There were a few other funds that were run into deficit this year and this was primarily related to timing. We decided to bring forward some program expenditure to meet international needs that were not fundraised for. Most noticeably, the Critical Interventions Fund was in deficit by \$643,531 for the year, along with the Relief, Gifts and Bibles funds.

But remember the Lord your God, for it is he
who gives you the ability to produce wealth.

—Deuteronomy 8:18

FOR THE YEAR ENDED 30 JUNE 2013	OPENING BALANCE	INCOME	TRANSFERS	EXPENSES	SURPLUS / (DEFICIT)	CLOSING BALANCE
Child Development	1,903,682	50,428,629	[13,813,720]	35,612,023	1,002,886	2,906,568
Child Survival Program	810,260	2,203,740	[555,127]	1,351,400	297,213	1,107,473
Christmas Fund	185,820	2,112,439	[211,241]	2,000,000	[98,802]	87,018
Special Grants	356	0	0	0	0	356
Gifts	580,012	2,425,535	0	2,576,862	[151,327]	428,685
Life Assurance	5,816	0	0	930	[930]	4,886
Living Sponsorship	730,841	72,211	0	0	72,211	803,052
Critical Interventions Fund	2,598,402	8,598,104	[2,331,923]	6,909,712	[643,531]	1,954,871
Relief	688,912	119,407	[10,357]	376,323	[267,273]	421,639
Special Overseas Project	33,433	13,080	0	0	13,080	46,513
Un-sponsored Children	100,081	447,388	[122,562]	419,447	[94,621]	5,460
Future Fund	600,000	0	672,797	36,480	636,317	1,236,317
Operating Fund	592,173	693,754	16,474,029	16,768,530	399,253	991,426
Endowment Operations	2,214,520	101,158	0	0	101,158	2,315,678
Leadership Development Fund	776,543	836,194	[80,852]	759,162	[3,820]	772,723
Bibles	186,050	65,550	[17,503]	209,504	[161,457]	24,593
Indigenous	[109,659]	12,928	[3,541]	45,633	[36,246]	[145,905]
TOTAL	11,897,242	68,130,117	0	67,066,006	1,064,111	12,961,353

FOR THE YEAR ENDED 30 JUNE 2013	OPENING BALANCE	INCOME	TRANSFERS	EXPENSES	SURPLUS / (DEFICIT)	CLOSING BALANCE
Child Development	1,323,962	48,752,349	[13,184,807]	34,987,822	579,720	1,903,682
Child Survival Program	745,094	1,924,662	[439,571]	1,419,925	65,166	810,260
Christmas Fund	158,040	1,970,545	[197,055]	1,745,710	27,780	185,820
Special Grants	356	0	0	0	0	356
Gifts	505,226	2,227,591	0	2,152,805	74,786	580,012
Life Assurance	5,616	200	0	0	200	5,816
Living Sponsorship	615,019	115,822	0	0	115,822	730,841
Critical Interventions Fund*	3,670,858	7,640,553	[2,274,425]	6,438,584	[1,072,456]	2,598,402
Relief	783,386	451,130	[112,365]	433,239	[94,474]	688,912
Special Overseas Project	35,167	[834]	0	900	[1,734]	33,433
Un-sponsored Children	73,768	444,862	174,781	593,330	26,313	100,081
Future Fund	0	0	600,000	0	600,000	600,000
Operating Fund	405,394	540,470	15,494,875	15,848,566	186,779	592,173
Endowment Operations	2,110,373	104,147	0	0	104,147	2,214,520
Leadership Development Fund	636,267	700,656	[61,433]	498,947	140,276	776,543
Bibles	186,611	59,992	0	60,553	[561]	186,050
Indigenous	[67,245]	41,841	0	84,255	[42,414]	[109,659]
TOTAL	11,187,892	64,973,986	0	64,264,636	709,350	11,897,242

* This year Partners of Compassion and Sponsorship Plus funds were combined to form the Critical Interventions Fund.



INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF COMPASSION AUSTRALIA

Report on the Summary Financial Statements

We have audited the attached summary financial statements comprising the Income and Expenditure Statement and Statement of Changes in Equity for the year ended 30 June 2013 and comparative period (set out on page 71), the Balance Sheet as at 30 June 2013 and 30 June 2012 (set out on page 73) and the Statement of Fund Movements (set out on page 75) for the year ended 30 June 2013 for Compassion Australia (the company).

The financial information contained in the summary financial statements has been extracted from the full financial report of the company for the year ended 30 June 2013 upon which we expressed an unmodified audit opinion on 18 October 2013. The summary financial statements do not contain all the disclosures required by the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial report of the company.

The Responsibility of the Directors 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

We have conducted our audit of the summary financial statements in accordance with Auditing Standard ASA 810 *"Engagements to Report on Summary Financial Statements"* to form an opinion whether the summary financial statements have been properly derived from the audited full financial report of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

For a better understanding of the scope of our audit of the full financial report of the company, this opinion should be read in conjunction with our audit opinion on the company's full financial report for the year ended 30 June 2013.

Independence


In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. A copy of our auditor independence declaration was provided to the directors of Compassion Australia on 18 October 2013.

Opinion

In our opinion, the summary financial statements set out on pages 71, 73 and 75 are properly derived from the audited full financial report of Compassion Australia for the year ended 30 June 2013 and are consistent, in all material respects, with that audited financial report.

Basis of Accounting

The summary financial statements have been extracted from the audited full financial report of Compassion Australia for the financial year ended 30 June 2013 for inclusion in the company's annual report. The audited full financial report of the company is prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and this opinion should be read in conjunction with our unmodified audit opinion issued on the full financial report on 18 October 2013.



Bentleys Brisbane (Audit) Pty Ltd
Chartered Accountants



P M Power
Director
Brisbane
18 October 2013

Glossary of Terms

Administration Costs

Expenses that are not directly related to our income, including the cost of the CEO and Board, Finance, HR and IT

Beneficiary

This may refer to children who are registered in the Child Sponsorship Program but who are not yet sponsored

Child Advocate

A member of Compassion's Child Advocate Network

Child Development

A human development model designed to release individual children from spiritual, economic, socio-emotional and physical poverty

Child Development Centre/Compassion centre

The project of our local Church Partners where children engage in child development activities

Church Partners

The local churches in field countries with whom Compassion works to deliver child development and ministry outcomes

Compassion International

The overarching organisation that oversees the GPA and all child development programs from the Global Ministry Centre in Colorado Springs, Colorado, USA

Field Countries

The 26 developing countries where Compassion implements its child development programs

Fundraising Costs

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

GPA: Global Partner Alliance

The group of more than 12 fundraising countries, which includes Compassion Australia, Compassion Canada, Compassion Germany, Compassion Italy, Compassion Netherlands, Compassion South Korea, Compassion Switzerland, Compassion UK, Compassion USA, Compassion Scandinavia, SEL France and TEAR Fund New Zealand, as well as satellite offices in Ireland and Spain

Insight Trips

A Compassion facilitated supporter or church trip to one of the 26 developing countries in which we work, to give supporters greater insight to Compassion's work.

My Account

An online tool that supporters can use to engage with Compassion, including managing their contribution details and writing to their sponsored child

Partnership Facilitator

A staff member employed at the Compassion country office who serves local church partners, managing Compassion's requirements as well as obligations to individual churches within the partnership relationship

Sponsor

An individual or group that is linked in a one-to-one relationship with a child through our Child Sponsorship Program or with a student through our Leadership Development Program

Sponsored Beneficiaries

The total number of children in the Child Sponsorship Program, students in the Leadership Development Program and mothers and babies in the Child Survival Program (mother and child together count as one beneficiary)

Supporter

An individual or group that gives their finances, prayer or time to the ministry of Compassion

The Church

The global Body of Christ





COMPASSION AUSTRALIA

PO Box 1, Hunter Region MC NSW 2310
Phone 1300 22 44 53 Fax 02 4935 5099
Email compassion@compassion.com.au
ABN 67 001 692 566

This annual report is also available online at
www.compassion.com.au/annualreports