



ANNUAL REPORT

2010/11



CONTENTS

Chief Executive Officer and Chairman of the Board	4
Introducing Compassion	5
History	6
Distinctives	7
Compassion Internationally	8
World Poverty	10
Where We Work	12
Child Survival Program	14
Child Sponsorship Program	16
Leadership Development Program	18
Critical Interventions	20
Church Partnerships/Other Opportunities	22
Where We Are Now	23
Current Environment	24
Our People	26
Leadership Team	29
Board of Directors	30
Organisational Chart	32
Financial Performance	33
From the Office of the Chief Financial Officer	34
Board of Directors Declaration	35
Source of Funds	36
Key Performance	37
Sponsorships	38
Singapore Initiative	39
Income Statement	40
Balance Sheet	42
Cash Movements	44
Independent Auditor's Report	46
Where We're Going	47
Ministry Goals, Objectives and Initiatives	48
Global 2020 Vision	49
Risk Management	50
Growing our Support	52
Glossary of Terms	54

A Message from Compassion's

CHIEF EXECUTIVE OFFICER AND CHAIRMAN OF THE BOARD

Although this is my second year writing the CEO message for Compassion Australia's Annual Report, it is the first I have written with the benefit of experiencing a full twelve months of our ministry's activities. On behalf of myself and John Bond, the Chairman of the Board of Compassion Australia, we must start with great gratitude to God for his enabling of this ministry and his inspiration and provision in seeing the ministry continue to grow in the number of children released from poverty in Jesus' name.

The 2010-2011 financial year has enabled me to see His hand over a full year—coupled with the enormous amount of work that goes in from our staff, child advocates and volunteers—in this combined endeavour that reflects the Kingdom heart of Jesus. This means bringing holistic values of hope, dignity and faith and life itself to those in deep need. It is extraordinary, humbling and inspiring.

There has been much to be thankful for in this past financial year, and I trust that the rest of this Annual Report will give you more detail of some of the activities, successes and challenges we have experienced. Let me highlight just a few for you:

- We have refocused around our Mission Statement “to challenge partner and equip the Church to release children from spiritual, economic, social, physical and emotional poverty in Jesus' name”. This has led us to clearly see that our work is not to ask the church to help us do our ministry but rather to help the church do its own ministry. This shift is much more than words for us; it puts the emphasis back with the local church, which is God's living organism in the world.
- Early 2011 saw the development of two new campaigns: “think CHILDREN”, with a general focus on the vulnerability of and hope for children in poverty, and “i believe it shouldn't end at the beginning”, with a specific focus on addressing the heartbreak of child mortality and highlighting our Child Survival Program.
- We have seen the continuing spread of attention across our four programs, whereas only a few years ago our Child Sponsorship Program was our only focus. This means that the beneficiaries of our programs—which are designed to help children from “the womb to the workplace”—now range from the unborn through to university graduates.
- This past year—concurrent with our refocus on our mission to the Church—has seen the growth of Church Partnerships, which gives churches in Australia the opportunity to relate specifically with partner churches in a specific community, region or nation that we work in and be a mutual blessing both here and in those overseas communities. This is a growing area of our ministry and one in which we will offer an increased number of church leader/pastor trips in the future, because once you have seen our work with the local church in developing countries, you actually see the impact of our ministry.

- One thing that also deserves mention is a new initiative this year called Compassion Sunday. With some “in house” planning and resourcing, this was very much a Child Advocate driven initiative, where Child Advocates organised, on a particular Sunday, to have a focus in their church on the ministry of Compassion. This exceeded our expectations and saw presentations in 152 churches that resulted in 523 children being sponsored.

There is indeed much to be thankful for, and that also includes a couple of major challenges during this past year:

- Although we still experienced growth in the number of beneficiaries supported during this past year, our growth did not reach the level we would have liked. A number of converging factors including the Global Financial Crisis, high and increasing household debt levels and unprecedented volatility and uncertainty in economic markets have all bitten this past year to result in a lower level of growth.
- Another outcome of this has been the need to decrease our staffing levels in line with lower growth. It was a blessing to be able to do this almost entirely through a series of voluntary redundancies, and this has prepared us well for the future.

All in all, it has been another year of effective ministry, and we are expectant of the years ahead, exploring our mandate to partner with God in building his Kingdom and sowing into His Church.

Tim Hanna
Chief Executive Officer

John Bond, D.Div
Chairman of the Board



INTRODUCING COMPASSION



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 the garage of 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 1.2 million children around the world through 11 international partner countries. Over 95,000 of these children are supported through Compassion Australia.

About Us

Compassion is an international Christian holistic child development and child advocacy ministry committed to working in partnership with local churches to foster the spiritual, economic, social, physical and emotional development of children living in extreme poverty in over 26 countries.

Vision: Every Australian Christian is an advocate for children

Mission: To challenge, partner and equip the Church to release children from spiritual, economic, social, physical and emotional poverty in Jesus' name

Values: Servanthood, Excellence, Prayer, Partnership, Integrity and Advocacy

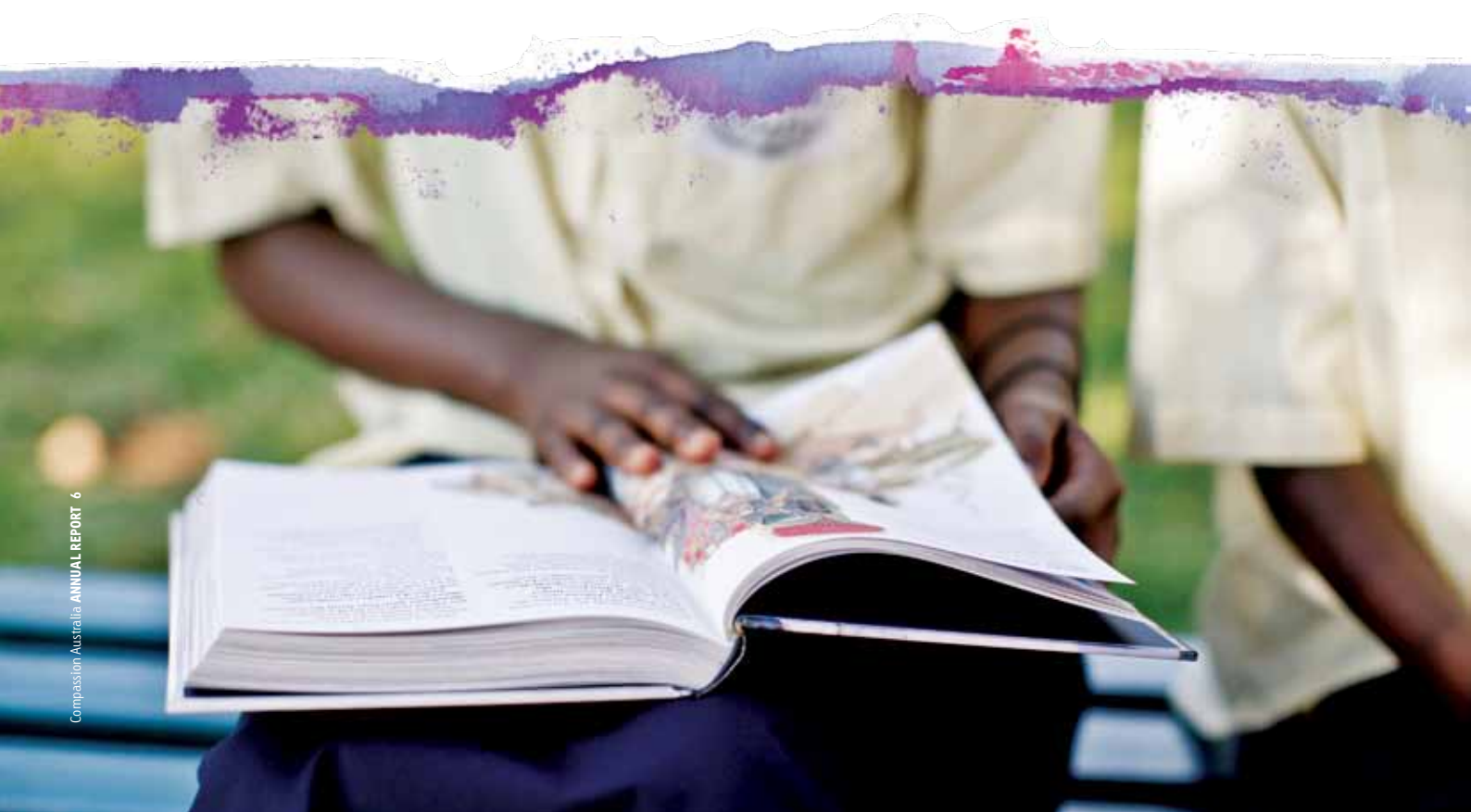
Allocation of Donations

Unless stated otherwise, around 80 per cent of donations to Compassion is used for the development, delivery and supervision of programs, and for the purchase of goods and services for the direct benefit of the children in our programs, as well as 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 project 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. We do not use child sponsorship funds for community development activities; these are funded from other sources like Sponsorship Plus and Critical Interventions.

PER CENT OF FUNDS USED FOR ADMINISTRATION AND FUNDRAISING	
2011	20.26%*
2010	20.95%
2009	20.86%
2008	19.83%
2007	20.60%

* Figure includes a \$750,000 investment in the exploration into the Asia region.



DISTINCTIVES

Because poverty is not solely an economic problem, and therefore cannot be alleviated by addressing economic issues alone, Compassion’s holistic child development model seeks to release children from poverty in all its forms: spiritual, social, physical, emotional and economic. A child is not truly released from poverty if they are physically strong but emotionally weak, nor if they are economically rich but spiritually poor.

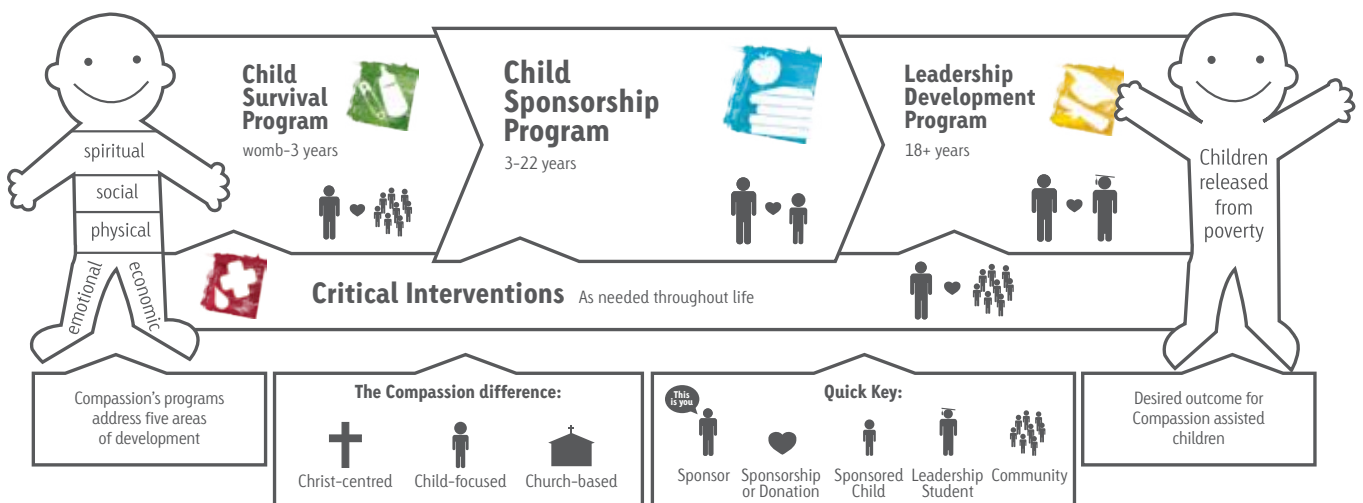
Compassion’s implementation of holistic child development hinges on three aspects that are intrinsic to the way the ministry operates. At Compassion, holistic child development is:

Christ-centred: Every child has the opportunity to hear the gospel message in a culturally-relevant way.

Child-focused: Programs engage each child as a complete individual.

Church-based: Programs are run exclusively in partnership with local churches.

Compassion works exclusively with local churches to deliver our holistic child development model. Not only does the church foster an environment of unparalleled stability, giving children the opportunity to experience God’s love and acceptance, but we also believe the local church is uniquely placed to understand the real needs of the people and make strategic decisions to meet the needs of the local community.



“ In the same way, let your light shine before others, that they may see your good deeds and glorify your Father in heaven. ”

—Matthew 5:16

COMPASSION INTERNATIONALLY

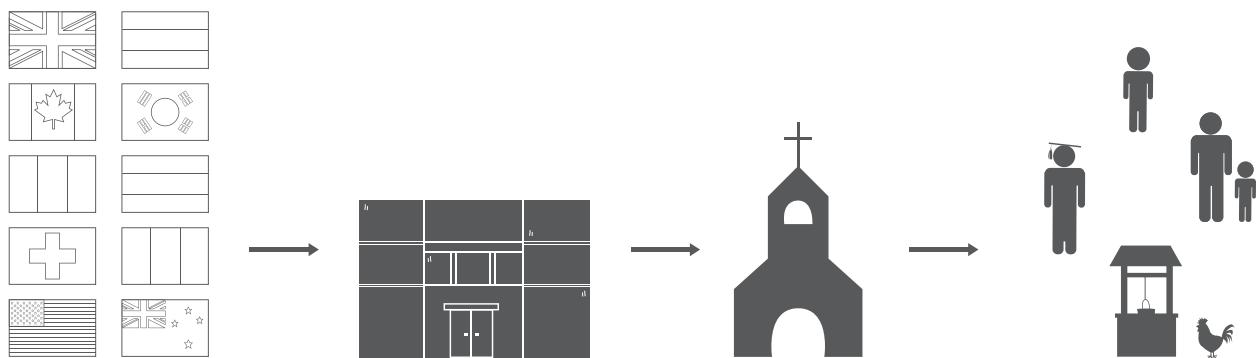
Globally, Compassion works in more than 26 developing nations to serve over 1.2 million children living in poverty. The funding for this work comes from 11 partner countries, known as the Global Partner Alliance, which is comprised of Compassion Australia, Compassion Canada, Compassion Germany, Compassion Italy, Compassion Netherlands, Compassion South Korea, Compassion Switzerland, Compassion UK, Compassion USA, SEL France and TEAR Fund New Zealand. Satellite offices are also operating in Spain and Ireland.

Each member of the Global Partner Alliance operates as a separate entity but adheres to a global covenant agreement on a statement of faith, standards of stewardship and use of the Compassion brand. Shared corporate services, including the oversight of all child development programs, are managed by 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 from 11 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.

Local Churches

Compassion's child development model is implemented in partnership with 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.





WORLD POVERTY

Of the approximately 2.2 billion children living in the world today, more than half are living in financial poverty. That means they lack opportunity and options and face challenges that can rob them of even basic rights: safety, good health, education and enough food to develop properly. Here's just a snapshot of what child poverty looks like in our world today ...

- Across the world, 884 million people do not have access to safe drinking water, with 84 per cent of them living in rural areas.
- One in four children under five years of age in Uganda are malnourished.
- Approximately 4.9 million young people (15-24 years old) are living with HIV in developing countries.
- India has the highest number of babies born at low birth weight per year: 7.4 million.
- Only 57 per cent of African children are enrolled at a primary school.
- Over 24,000 children under the age of five die every day, most from preventable causes.
- Malaria kills about one million people every year.
- Drought and food price increases in Ethiopia have resulted in increased malnutrition among children. Over 300,000 severely malnourished children will require life-saving nutrition treatment in 2011.
- More than 350,000 women die annually from complications during pregnancy or childbirth, almost all of them—99 per cent—in developing countries.

Statistics compiled from various sources: UNICEF, UN, World Bank

But with the help of international development organisations, including Compassion, progress has been made.

- Currently 4.4 million more children under the age of five are surviving each year compared to 1990 figures.
UNICEF / WHO / WB / UNFPA, Levels & Trends in Child Mortality: Report 2010
- Diarrhoea is one of the biggest causes of death for children under the age of five. However, global coverage of safe drinking water increased from 77 per cent in 1990 to 87 per cent in 2008. This will prevent sickness in children and result in a decrease in diarrhoea deaths.
UN Inter-Agency and Expert Group on MDG Indicators, Millennium Development Goals Report 2010
- The number of people who died of measles worldwide fell by 78 percent between 2000 and 2008. Much of the decline is due to progress in Africa where measles deaths fell by 89 per cent.
World Health Organisation, Progress in Global Measles Control and Mortality Reduction
- Between 1990 and 2005, the proportion of children worldwide under age five who suffered from under-nutrition declined from 27 per cent to 20 per cent.
World Health Organisation, World Health Statistics 2009
- The number of child deaths due to AIDS peaked at 320,000 in 2003 but has since declined to 280,000 in 2007.
The Global Fund

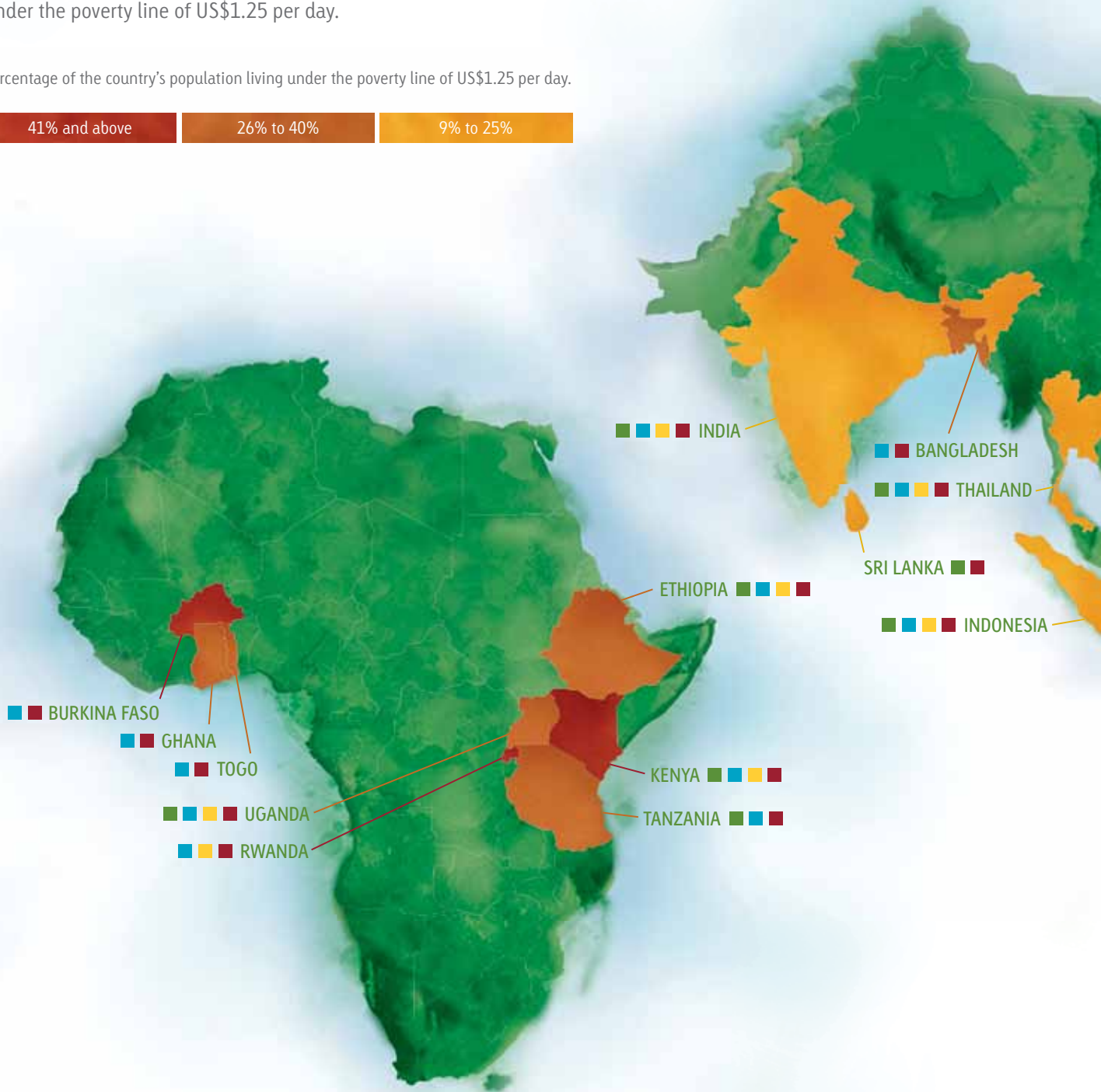
You have been a refuge for the poor, a
refuge for the needy in their distress, a shelter
from the storm and a shade from the heat.

—Isaiah 25:4, NIV

WHERE WE WORK

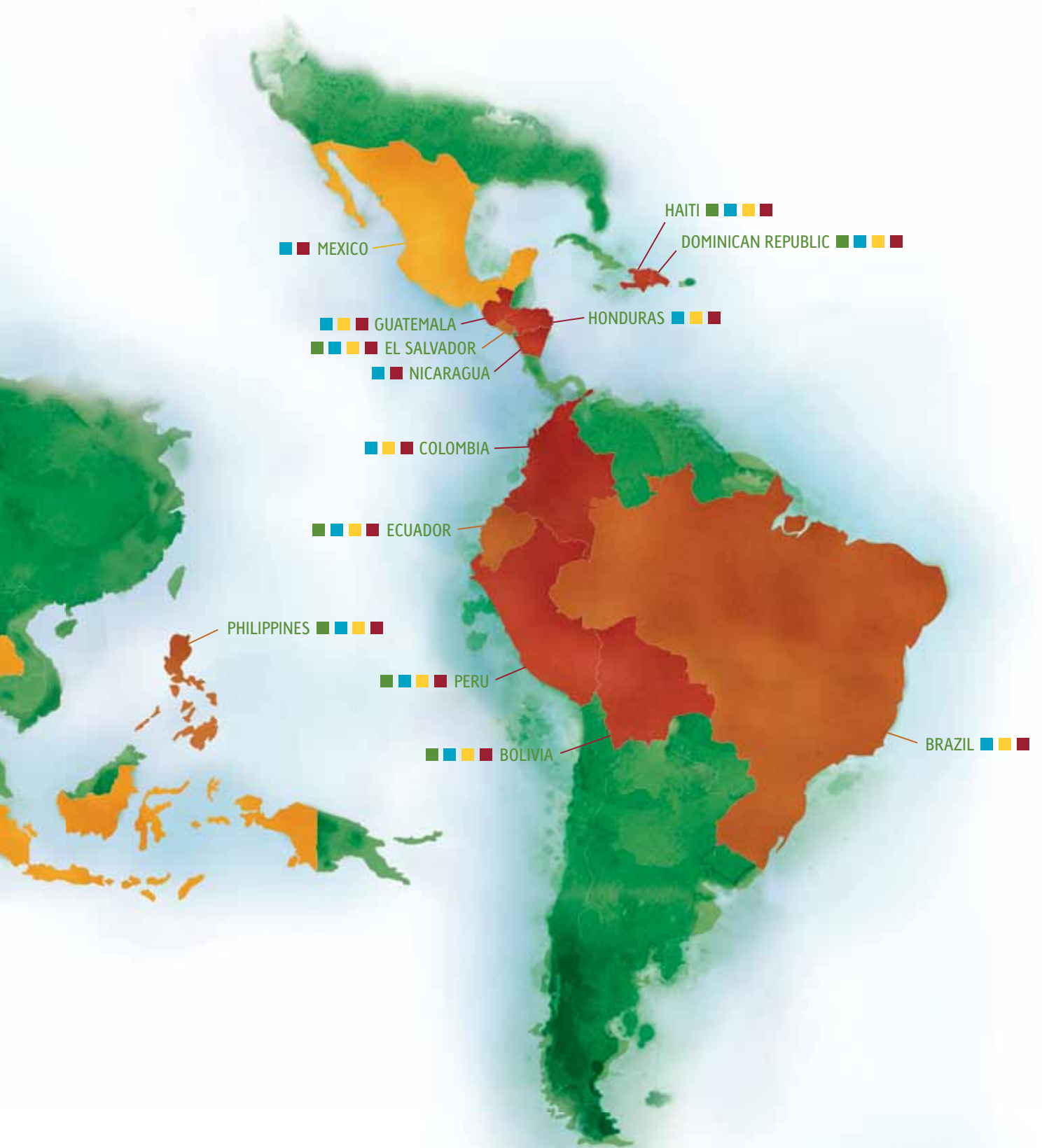
Compassion Australia's child development programs minister to the needs of individual children in 26 developing countries around the world. This map shows not only the presence of Compassion programs in each country, but also the relative need of the people in each country, based on the population percentage living under the poverty line of US\$1.25 per day.

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



Compassion's child development programs operate in developing countries around the world. More information about these programs are found in the following pages.

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



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 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.





CHILD SURVIVAL PROGRAM

Rescuing, nurturing and discipling little ones

The Child Survival Program currently operates in 17 locations across 15 developing countries and aims to prevent premature death, secure good health and enable positive development in the youngest, most vulnerable children. It assists mothers/caregivers to address critical issues that affect their children in their first years of life—such as child mortality, malnutrition, pneumonia, diarrhoea and malaria—with nutritional support, health interventions and AIDS testing and income-generation training.

Outcomes of the Child Survival Program are that:

- A child is:
 - Physically healthy
 - Self confident and has healthy relationships
 - Curious, interacts with their world and communicates experiences
- A mother/caregiver is:
 - Committed to live as a follower of Christ
 - Sufficiently healthy to provide for the child’s well-being
 - Self confident, resilient to care for her child’s basic needs, and has healthy relationships
 - Motivated with skills to be economically self-supporting

There are three different ways to support the Child Survival Program:

- One-off donations or gifts of \$20 or more per month assist Child Survival Programs around the world. Supporters at this level receive a bi-annual newsletter about how the program is impacting mothers and babies.

- \$58 or \$29 per month helps support a specific Child Survival Program. In addition to the bi-annual newsletter, supporters at this level receive bi-annual updates from beneficiaries, pastors and field staff explaining their impact in the lives of the mothers, caregivers and children in the specific program they are helping support.
- \$3000 or more per month funds an entire Child Survival Program. In addition to the bi-annual newsletter, supporters at this level receive yearly reports, similar to the bi-annual updates described above, with information specific to the program they support.

Number of beneficiaries supported by Australia in the Child Survival Program at the end of the financial year.

YEAR	CAREGIVERS	CHILDREN	TOTAL
2011	2423	2268	4691
2010	1589	1535	3124
2009	1283	1254	2537

In their Shoes

The smile on 15-month-old Mateo’s face doesn’t reflect the struggles his mother, Glenda, faced during her pregnancy with him.

After being abandoned by one partner and enduring verbal and physical abuse at the hands of another, Glenda fled to find a better life for herself, her two daughters and her unborn baby boy. But with few resources available to her, and being heavily pregnant, Glenda’s only option was to walk between cars at traffic lights—in soaring temperatures—to sell bottled water to provide for her family.

Glenda’s introduction to the Child Survival Program came through the Assemblies of God Church in her community, and it couldn’t have been at a better time. Compassion was there to provide medical treatment when Glenda was diagnosed with anaemia, and again to ensure she had a caesarean when Mateo was discovered to be in the wrong position for

natural birth. And again, after Mateo was diagnosed with malnutrition, the Child Survival Program assisted with special milk, vitamins and food supplements.

In addition to short-term medical assistance, Compassion also put Glenda through skills-training workshops so that she is now able to provide for her family long-term. She is also learning how to become a better mother through training on hygiene habits and early stimulation, and as a result of Compassion staff visits to her home, Glenda is being disciplined in her faith on a weekly basis.

Thanks to Compassion’s Child Survival Program, both Glenda and Mateo are now experiencing a healthy life, full of peace and hope. “Thank you so much for the support I have been given,” Glenda says. “Keep helping those who need the most.”





CHILD SPONSORSHIP PROGRAM

Developing, discipling and equipping children for life

The Child Sponsorship Program aims to holistically develop children towards being fulfilled and responsible adults by providing them with the necessities that poverty often denies them, such as access to education, healthcare, nutritious food and safe places to play. Each Compassion assisted child is connected to an individual sponsor. We encourage each sponsor to develop a relationship with their sponsored child through letters and gifts for birthdays and Christmas.

Compassion child sponsors receive biennial updates of their sponsored child's progress with an updated photo and up to three letters from their sponsored child per year. Sponsors also receive information concerning significant changes to their sponsored child's circumstances and a Compassion Christmas card to send to their sponsored child.

Outcomes of the Child Sponsorship Program are that a child is:

- Committed to live as a follower of Christ
- Physically healthy and chooses good health practices
- Motivated with skills to be economically self-supporting
- Able to interact with other people in a healthy and compassionate manner

There are two different rates for child sponsorship:

- Basic Sponsorship at \$44 per month provides a sponsored child with:
 - Christian teaching
 - Learning opportunities
 - Health treatment and training
 - Socio-emotional development
 - Materials, supplies and activities
 - Individualised care and attention.

- Sponsorship Plus for \$56 per month provides a sponsored child with all the necessities of basic sponsorship, in addition to support for critical interventions that benefit all Compassion assisted children such as clean water, disaster relief and emergency surgery. Every sponsored child is likely to directly or indirectly benefit from at least one initiative or activity supported by Sponsorship Plus donations throughout their time in Compassion's programs.

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

YEAR	TOTAL
2011	93,099
2010	90,769
2009	85,636
2008	76,453
2007	66,302

In their Shoes

Io Shanice was only 18 when she saw her mother killed by an enraged lover. Though the event was the culmination of a litany of tragedies Io had endured, her situation still managed to get worse. Io was shipped off to live with an aunt who was verbally abusive, and life for Io became an unending tunnel of fear, isolation and deep sadness.

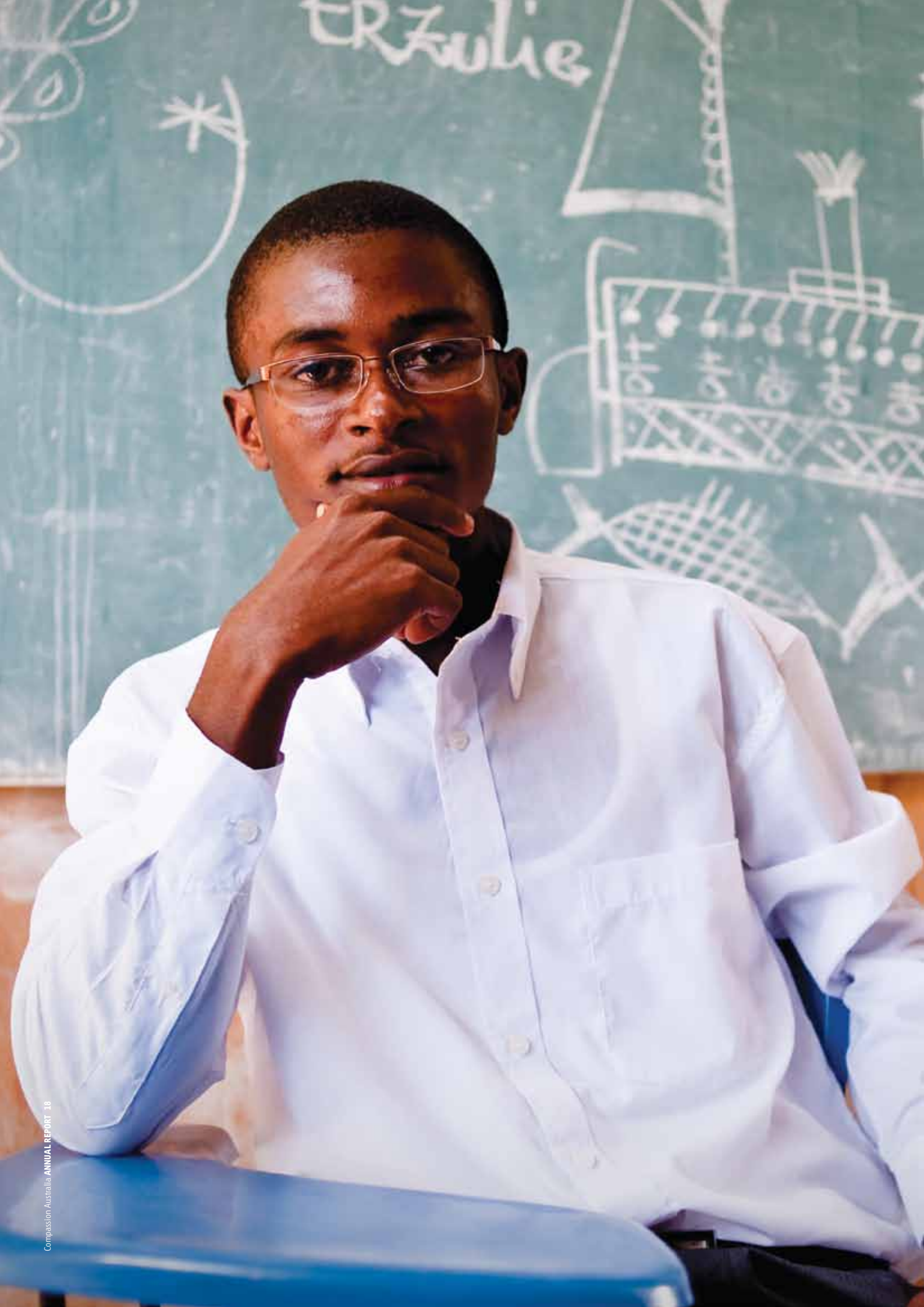
Fortunately, Io's Compassion sponsors arrived to visit her just two months after her mother's death—and made a lasting impact.

"They came just in time," Io said in tears. "They said something to me that I can never forget. They said I am special and that our God is willing to help solve my problems."

Io's Compassion sponsors have been the only constants in her fragile world, and Io thanked them by calling them her "second parents".

Today, Io's life isn't without its struggles. She lives with her elderly grandfather and uncle, both unemployed, who spend more of their little money on drink and gambling than their family. And despite now living kilometres from her siblings, who are still in the custody of their aunt, Io travels to them each day to feed and bathe them. "I'm trying my best to guide [them] and take good care of them," she said.

Despite all that she has been through, this young lady is quickly shaping into a confident, proud and independent woman, facing the world with renewed hope. For Io, her Compassion family has made all the difference—not just with clothes or even the opportunity to attend school, but with the love and support she needed the most. For Io, the difference is a sponsor: her second family.





LEADERSHIP DEVELOPMENT PROGRAM

Educating, training and discipling servant leaders

The Leadership Development Program aims to develop and educate students who have graduated from the Child Sponsorship Program into Christian leaders in their communities and nations. Each leadership student is selected according to strict criteria that includes proven academic achievement, Christian commitment, demonstrated leadership skills and a willingness to serve.

Outcomes of the Leadership Development Program are that a student is:

- Committed to live as a follower of Christ
- Physically healthy and chooses good health practices
- Equipped with personal and professional skills to be economically self-supporting
- Displaying positive self-worth and healthy relationships
- An example of servant leadership

There are two different ways to support the Leadership Development Program:

- Sponsoring a Leadership student costs \$400 per month and provides assistance with university fees, books and other resources, room and board if necessary, Christian leadership training and mentoring. Sponsors have the opportunity to become long-distance mentors, using letters to offer their students advice and encouragement. They also receive an annual update of their student's progress, a photo and at least two letters from their student each year.

- Donors of the Leadership Development Program are not linked to individual students. Their donations are pooled to assist students awaiting sponsorship and help provide financial assistance to areas that are not covered by sponsorship funding, such as medical assistance and curriculum development.

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

YEAR	TOTAL
2011	110
2010	93
2009	79
2008	76
2007	67

In their Shoes

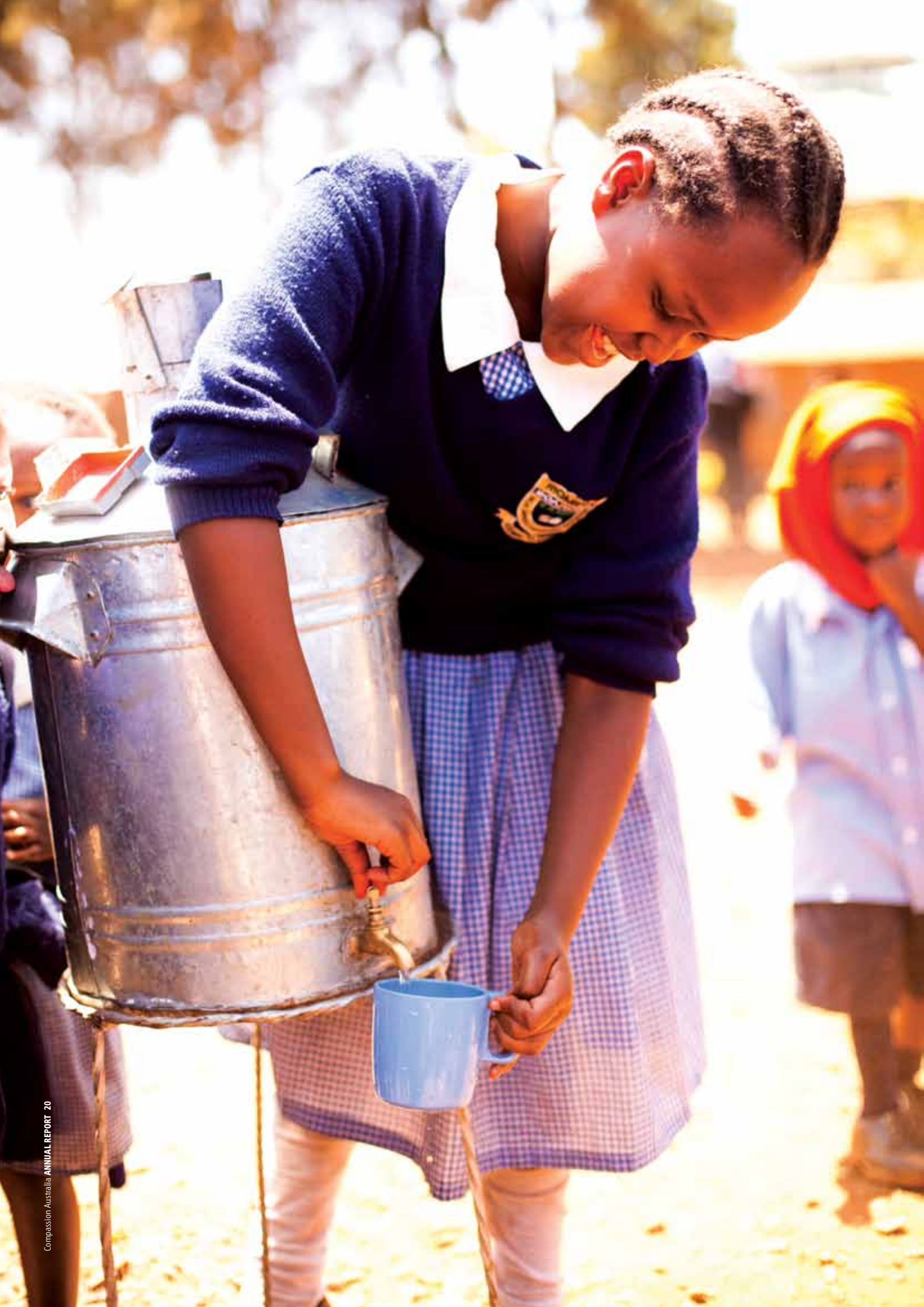
As a child, Margaret saw immense suffering in her village of Namayingo, Uganda. It was in the slow step of the broken, beaten women and in the eyes of parents who couldn't afford to feed their children. Her village had no roads, schools, hospitals or electricity, and girls were rarely encouraged to attend primary school.

Margaret was registered in Compassion's Child Sponsorship Program through the local church when she was 12 years old. The program paid for her school fees, provided medical attention when she was sick and taught her about the love of Jesus Christ. Margaret made many friends at the child development centre, as well as the life-changing decision to accept Jesus as her personal Saviour.

When Margaret completed the Child Sponsorship Program, she was selected to study at university through Compassion's Leadership

Development Program. The Program provided Margaret with everything she needed to complete a Bachelor of Education through Makerere University in Kampala, including educational resources, Christian leadership training and renewed faith in her abilities.

Through the Leadership Development Program and the love and support of her family Margaret has been elected into the role of Woman Member of Parliament for Namayingo district of Uganda—her childhood home. Her position is an incredible personal achievement as well as a historical moment for her community. Margaret's new authoritative voice is one of hope and faith, speaking up for the destitute and broken; with her example of hard work, and her ongoing commitment to her district, she continues to establish better opportunities for the next generation.





CRITICAL INTERVENTIONS

Overcoming obstacles to healthy child development

For babies, children and students living in poverty, there is no safety net; they live in environments that are unstable and when a crisis hits their lives, they often have no hope for recovery. Therefore, for a child to be able to reach the goals and outcomes of Compassion’s three core programs, we provide interventions to remove some of the challenges of their environments and unforeseen crises. These include:

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

Outcomes of Critical Interventions are to:

- Support and achieve the outcomes for each of our other three programs
- Remove barriers such as:
 - Lack of clean water
 - Lack of access to medical care
 - Unaffordable education
 - Unsafe home environment

There are three different ways to support Critical Interventions:

- Regular donations and one-off donations assist a variety of Critical Interventions.
- Supporters who fund a specific Critical Intervention receive a proposal explaining the details of the initiative and a completion report to exhibit how their funds have been used.
- Supporters who give a gift from the Gifts of Compassion catalogue receive a gift card with a message explaining how their gift can benefit a Compassion assisted child or their family. Completion reports for interventions supported by Gifts of Compassion are also posted on Compassion Australia’s website.

Amount sent to all regions by Australia, from a variety of Compassion’s funds, to fund Critical Interventions per financial year.

YEAR	TOTAL
2011	\$5,310,530
2010	\$7,645,108
2009	\$6,174,865
2008	\$3,742,523
2007	\$3,103,742

In their Shoes

West Sumba Island in Indonesia is blessed with many natural resources: tall trees, fertile soil, mountains and beaches fill the land. But although it looks like a lush paradise, clean water is one resource the villagers struggle to find.

“The Marada Kalada village community is characterised by low access to clean water, low sanitation, low rate of education, high malaria cases, high rate of baby mortality, and crime,” says Pastor Kondi, a pastor of a local church on West Sumba.

In response to the needs of their community, a Compassion child development centre began operating in partnership with Pastor Kondi’s church in 2006. A few years later, Critical Interventions saw the church receive a water installation, and the community gained access to clean water.

As is often the case, children are the most affected by the poverty on West Sumba. Before the water installation, they couldn’t bathe and wash their hands as often as they needed to, so health issues like skin diseases were common. But now Critical Interventions is teaching the 240 children registered in Compassion’s program to practise good hygiene—and this knowledge is filtering down to their families as well.

As a side effect of providing clean water, the Critical Intervention is also assisting Mandomia Christian Church to further their ministry as they reach out to the local community.

“I hope through this intervention, the church will have access to more family members to share the gospel,” Pastor Kondi says.

CHURCH PARTNERSHIPS

Compassion Church Partnerships link an Australian church with Compassion and its partner churches in a specific developing community, region or nation. These mutually beneficial partnerships allow all involved to be Christ's hands and feet and together seek justice for children in poverty.

Church Partnerships aim to mutually transform churches around the world. In the developing world, churches are equipped to reach out to their communities with increased capacity and resources. In Australia, churches grow and deepen their commitment to those in poverty as members respond to injustice on a personal and corporate level, praying and working together with a common goal.

Compassion chooses to work exclusively in partnership with local churches to deliver a holistic child development program. Only the local church can provide the long-term presence that offers unparalleled stability and is, therefore, uniquely qualified to understand the real needs of its community.

Meet Bayside Church, Warners Bay, NSW

"Bayside Church wanted to do something in missions but we really didn't know where to start. I attended the Compassion lunch presentation at the Newcastle Willow Creek Global Leadership Summit and I began to ask some questions," explains Pastor Trevor Williams.

"After some extensive research into the organisation, three of us, plus a Compassion staff member, set off on a trip. I thought it would simply be the launch of a Church Partnership with Compassion, in and out, no fuss. However, what I thought would just be a child sponsorship launch was a heart change for me and my life would never be the same. It has completely changed all of my preconceived ideas and attitudes towards missions and mission organisations.

"The group of churches we partner with are currently helping 300 families through their work with Compassion, which has meant that these churches are ministering to those families every week. That is an influence we could not achieve in our own church but because of our partnership with them we are part of that now. We are literally a part of a church growth opportunity that we could never achieve here in such a short space of time. How exciting is that?! Church Partnerships through the Compassion program are unbelievable opportunities. They change the whole outlook of your church. Bayside is buzzing with excitement because of this Partnership."

OTHER OPPORTUNITIES

Compassion Partnerships

Business, corporate, individual and community

In the 2010-2011 financial year, Compassion expanded its engagement with the Australian community and business sector, recognising its desire to participate in greater levels of social responsibility and to be part of the solution to end world poverty. This included refining options and creating new opportunities on the understanding that higher-level contributors want to do more than just give money to an organisation. The desired outcome is to create long-standing, fruitful partnerships that have a dramatic and ongoing impact for everyone involved.

Indigenous Initiative

Compassion Australia started working in partnership with a local church in an Indigenous community in North Queensland in June 2009. To protect the privacy and integrity of this initiative, the specific location will not be released. 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.

Bequests

Compassion will be expanding its bequest program in the 2011-2012 financial year, including extra support for those wanting to include Compassion in their Will as well as more communication to supporters about the strategic benefits of bequests.

WHERE WE ARE NOW



CURRENT ENVIRONMENT

Political and Legal Environment

In September 2000, Australia and 189 other nations signed the Millennium Declaration, a commitment to the world's poorest and most vulnerable people. From this came eight Millennium Development Goals (MDGs) to be achieved by 2015. Over the past decade, the MDGs framework has generated an unprecedented level of commitment and global partnership to reducing poverty. In Australia, there is a commitment from both political sides to achieving the 2015 MDG targets and our foreign aid program increasingly reflects these goals. Currently, the Australian Government is giving 0.33 per cent of Gross National Income (GNI) to our foreign aid program, with a commitment from both political sides to increase this to 0.5 per cent by 2015-16. This is still well below the internationally agreed aid quantity target of 0.7 per cent of GNI by 2015-16.

In May 2011, the Federal Government announced the formation of a new regulatory body for not-for-profits known as the Australian Charities and Not-For-Profits Commission. The Commission will be established by July 2012 as part of a move towards tighter regulation of charities. The Commission will take over the Australian Taxation Office's role of determining charitable status; however, the Commissioner for Taxation will continue to be responsible for administering tax concessions for the not-for-profit sector. The impact of this change on Compassion's operations is unknown at this stage and will be monitored into FY12.

Compassion Australia currently reports to the following legislative and regulatory bodies:

Government legislative

- Australian Taxation Office – As a Public Benevolent Institution, Compassion Australia holds the following tax concessions:
 - Income tax exemption
 - GST concession
 - FBT exemption
- ASIC – Compassion Australia is incorporated as a Company Limited by Guarantee under the Corporations Act 2001.
- AusAID – Compassion is governed in its overseas aid work by the Overseas Aid Gift Deduction Scheme.
- Regulation of Charitable Fundraising – Compassion Australia holds the following fundraising licences and permits in Australia:
 - NSW number 10658
 - VIC number 10734
 - QLD incorporation number CH1569
 - SA number CCP1161
 - TAS number F1A-208
 - WA number 20740
 - ACT number 19000083
 - Note: no fundraising legislation exists in NT

- Privacy Legislation – Compassion Australia is governed by the Privacy Act. Compassion's Privacy Officer is David Zammit.
- OH&S – Compassion Australia has an OH&S Committee made up of seven staff. This Committee meets on a quarterly basis and is responsible for ensuring Compassion provides a healthy and safe work environment for employees. Compassion is regulated by the NSW OH&S Act 2000 and the OH&S Regulation 2001.
- Child Protection – As a Child Development organisation, Compassion seeks to maintain the highest levels of child protection. As part of this all staff, volunteers and advocates are subjected to a police check.

Non-government regulatory bodies

- PCI Security Standards Council – Compassion Australia strives to ensure the security of supporters' credit card information through increasing compliance with the PCI Data Security Standard (PCI DSS).
- ACFID (Australian Council for International Development) – Although not a member of ACFID, Compassion Australia upholds the Code of Conduct; this report is in compliance with their guidelines for Financial Accountability.
- FIA (Fundraising Institute of Australia)
- Missions Interlink

Professional advisors

Compassion Australia also seeks professional advice from the following advisors:

- Legal: Slater and Gordon; Anne Robinson of Prolegis
- Financial Auditing: Darren Turner of PricewaterhouseCoopers
- Banking: Westpac Banking Corporation; ANZ Banking Corporation

Economic Environment

The Australian economy grew for 17 consecutive years before the Global Financial Crisis (GFC) in 2008. The economy rebounded after just one quarter of negative growth due to the introduction of Government policies to stimulate the economy and the continued international demand for Australian commodities. Despite this, Australia's economy still faces significant challenges ahead. While the root problem was high consumer debt and falling property prices, the GFC has resulted in higher levels of unemployment, an increased reliance on government benefits, increased interest rates and slower salary growth across a number of industries. It is inevitable that these unstable economic conditions will have a significant impact on charitable giving in Australia. Even with all of these factors, Compassion has managed to maintain its financial position, due to the commitment of our loyal supporters. Compassion is looking for ways to minimise the threats and maximise the opportunities that the GFC presents, which include focusing on supporter retention and exploring new potential growth markets.

Child Sponsorship Trends

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. We also started seeing an increase in sponsorship cancellations, whether for financial or other reasons. However, according to a recent supporter survey, more than 63 per cent of sponsors who cancelled their sponsorship indicated they would consider sponsoring again through Compassion in the future. Our strong focus on supporter engagement and retention is in response to this data.

As a result of both slower acquisition rates and increasing cancellations, Compassion Australia saw a net growth in children sponsored of only 2330 during the 2011 financial year. As a ministry, we are broadening our child sponsorship focus to holistic child development, with support spreading across four core programs, and are currently working towards the goal of assisting 100,000 sponsored beneficiaries across the Child Sponsorship, Leadership Development and Child Survival Programs by June 2012.

Target Audience

Compassion Australia is situated in a large and robust industry of organisations working internationally to alleviate poverty and help the poor through advocacy and fundraising. Among organisations in the same industry, Compassion Australia currently sits third in market position, calculated according to revenue through donations in FY10.

Compassion's target audience is the Christian population in Australia, which is diverse in its various forms. 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 15.5 per cent of the population attend church regularly*, Compassion has a target audience of almost 3.4 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 2.1 per cent of church-going Australians, indicating the potential for growth within the target audience.

**National Church Life Survey*

Supporter Demographic

According to a 2010 supporter survey, Compassion Australia's average supporter is a middle-age Christian woman who attends a church affiliated with the Baptist denomination. She is married with children and lives in New South Wales with her family. She has been supporting Compassion for seven years and sponsors one child.

It is less likely now for a Compassion supporter to have just one child sponsorship and more likely that they have two or more commitments than it was three years ago. The ratio of the average number of sponsored children to sponsors has been steadily increasing over the past two years and is now at 1.33. Currently just over 81 per cent of supporters have one sponsored child, while 2.32 per cent of supporters have four or more sponsored children. When asked about their future support of Compassion, 22 per cent of sponsors indicated they are very likely to sponsor additional children through the organisation. Additionally, though we have seen increased child sponsorship cancellation rates, more than 63 per cent of past sponsors indicated they would consider sponsoring again through Compassion in the future.

Stakeholders

Compassion Australia assesses its engagement with key stakeholders through a relational scorecard. The Strategic Factor System reviews key stakeholder relationships and where they sit to deliver on our mission based only on measures that relate to strategic success. It is a fundamental measurement system to assess if our strategic objectives are being met. There are two different parts to the scorecard:

1. What do we desire from our key stakeholders?
 - Behavioural Outcomes
 - Objectives
 - Measures
2. What do our key stakeholders desire from us?
 - Strategic Factors
 - Definition
 - Measures

The following stakeholders were assessed through this process in FY11: Staff, Church, Supporters and Beneficiaries.



OUR PEOPLE



Occupational Health and Safety

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

- Comply with all relevant OH&S 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 OH&S Management System
- Create opportunities for two-way discussion with staff and volunteers on OH&S issues
- Ensure the rehabilitation of injured staff and volunteers is a priority

OH&S report for the 2009-2010 financial year:

- Eight medical treatment injuries; one required hospitalisation
- One travelling claim

Affirmative Action

Starting in FY12, Compassion Australia will be implementing an updated policy 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 will take 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.

Recruitment

Compassion Australia is committed to filling all vacancies with integrity. Recruitment decisions are based on merit and in accordance with current employment legislation. 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. In the case of senior management roles, Compassion utilises the skills of recruitment specialists to manage the process. Wherever appropriate, we seek to promote from within.

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 COO or CEO in consultation with the appropriate Section Director. Filling a Section Director or above position requires the approval of the CEO.

Training

New employees spend three to four days in Induction, which introduces them to the story of Compassion and our core values, along with essential workplace and IT skills. 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. Learning and development opportunities for volunteers may be available to help develop skills and knowledge relevant to their work.

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.

The following chart shows the number of staff (as of 18 July 2011) under each remuneration level for Compassion Australia.

LEVEL	SALARY RANGE	NO. OF STAFF
Support 2 - 5	\$36,000-\$48,000	58
Professional/Management 1-3	\$49,000-\$79,000	64
Professional/Management 4-7	\$80,000-\$152,000	9

Staff Redundancies

Following a couple years of slower growth, we have to be realistic in terms of budgeting for forecasted income in FY 12. In order to maintain a balanced budget and solid financial position, significant cuts were made to our expenditure budget, especially to discretionary costs including travel, event sponsorship and utilities.

However, this only took us so far, and we were required to make significant cuts to fixed costs as well. Because the biggest fixed cost is staff wages, Compassion Australia started a voluntary and required redundancy process for permanent full-time and part-time paid employees in June 2011. Care was taken to ensure revenue channels will not be jeopardised. Support services were offered to employees through this process, including entitlement advice, time off to seek financial advice, counselling and access to career transition workshops.

In total, 17 staff (15.45 full-time equivalents) opted to take voluntary redundancy. The required redundancy process impacted an additional 3.64 full-time equivalent staff, with 3.0 redeployed to other roles within Compassion Australia.

Culture

In late 2010, CEO Tim Hanna held focus groups with all staff to determine Compassion Australia's preferred culture. The following eight statements were the result of that process and are now being championed internally at Compassion Australia:

- Strong valuing of people and relationships
- Robust planning and evaluation
- Vibrant and purposeful communication
- 360° ministry culture
- Fun and creativity
- Clear and unified identity
- Healthy authentic spirituality
- Leadership development and accountability

Paid Staff

The following chart shows Compassion Australia's staff demographics in July 2011 compared to those in August 2010:

STAFF DEMOGRAPHIC	AUGUST 2010	JULY 2011*
Number of head office staff	142	112
Number of regional staff	18	19
Average age of staff	38	37
Percentage of women	63%	60%
Percentage of men	37%	40%
Average length of service	3.45 years	3.8 years
Staff turnover for prior financial year	11.25%	29.6%

*Figures reported after staff redundancies. Staff turnover before redundancies was 15.8%.

Non-paid Staff

Over the 2010-2011 financial year, 48 energetic and talented volunteers contributed over 3983 hours of their time to the work of Compassion Australia, representing \$74,522 to the organisation (based on hourly rates of comparable staff). In addition, our seven Board members collectively volunteered approximately 984 hours of their time, representing a further \$147,600 in equivalent expertise. Here are just a few of the tasks we can attribute to our volunteers' efforts:

- Fulfilling new sponsorship packs, updated student profiles, child letters, Prayer Partner letters and substitute children 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
- Removing exceptions from child letter packages and student profiles
- 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 induction sessions to ensure they have a good understanding of Compassion's ministry, and on-the-job training provides them with the information and skills necessary 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 regular informal recognition.

Child Advocate Network

"I was over at a good friend's house for coffee and somehow we began talking about children and how God values them. So I asked my friend if she has a sponsored child and she said no. Turns out she wanted to sponsor through Compassion but didn't know how. Luckily I had child sponsorship forms with me, and we were about to pray and talk about it. I love how God always gives me opportunities to share Compassion."

—Maddie Symonds, Child Advocate

"I ran an art exhibition in Adelaide called 'Beyond our Borders' to raise awareness and funds for Compassion. In the end over \$3000 was raised in painting/photography sales and donations. The money is going to the Child Survival Program, which I'm really passionate about."

—Rachel McCaskill, Child Advocate

The Child Advocate Network (CAN) is a grassroots movement of people taking action to seek justice and life for children in poverty in their own time and without payment. Child Advocates are talking to their friends, family and church, finding sponsors for children, volunteering at Compassion events, learning more about how to fight poverty, creating art or music, speaking with their local politicians and organising fundraising events for the ministry of Compassion. The CAN provides ongoing personal support to members through state-based CAN Relations Managers, face-to-face training sessions, educational resources and network events. There are two specific ways CAN members can get involved: Program Promoters are trained to help find child sponsors, and Event Volunteers support Compassion's cause at churches and events.

The CAN relaunched in March 2010, so the following table shows the growth in registered members between 30 June 2010 and 30 June 2011.

CAN GROWTH	JUNE 2010	JUNE 2011
Total CAN members	1245	1812
Program Promoters	343	446

To continue growing the CAN, we will focus on equipping and empowering supporters to share the stories, news and hope of Compassion's ministry with their friends, family and church in FY12. Each registered Program Promoter will also be asked to find a sponsor for two unsponsored children every three months; this strategy aims to keep child sponsorship at the forefront of their minds.

LEADERSHIP TEAM

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 forms the steering committee for Beyond Compass and PCI, two priority projects for FY12 (see pages 24 and 49 for more information). It also constitutes the Strategic Planning Council, which is responsible to the Board of Directors for approving ministry strategy.

The Leadership Team is made up of the following three staff members:

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 CEO of Willow Creek Australia, where he served for two years before coming back to Compassion as CEO.

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 HR Director in early 2007 and was recently promoted to Executive Director. In her new role, Deb oversees human resources, information technology, corporate planning, finance and prayer.

Jeff Nagle

Chief Operating Officer since 2007

Jeff held a number of management and strategy roles at Sensis before coming to 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, Church and Partner Relations, Child Advocate Network, Supporter Ministries and the Strategy and Reporting Office.



BOARD OF DIRECTORS

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.

The following seven directors of Compassion Australia see that the organisation is conducted in accordance with its principles and commitments as stated in the Constitution:

Dr John Bond

Chairman

Member of the CEO Support Committee

Board member since 2002

John is the Senior Minister of Lifestreams Christian Church and founded Motor Racing Outreach Australia and Sports and Leisure Ministries WA. He is also the World Zone Leader for the Asia South Pacific Region of Dynamic Church Planting International and the Founding Director of Sonlife Ministries Inc.

Mike Jeffs

Vice Chairman

Chairman of the Finance Committee

Board member since 1995

Mike is Managing Director of Network Communications Pty Limited, Australian Christian Channel Pty Limited, Octillion Pty Limited and is a Director of Southern Cross Institute Pty Limited.

Jeremy Horn

Secretary

Member of the Operations Committee

Board member since 2005

Jeremy is owner and Company Director of Netstrategies Pty Ltd and has broad experience in Australian media and extensive experience in web services and business systems. He is also a shareholder and Company Director of Clarety Pty Ltd.

Isaac Moody

Member of the Communications and Education Committee

Board member since 2008

Isaac is a Director and former CEO of Easterfest, Founder and Director of Emily's Voice, Founder and Chairman of Family Week, owner and Director of preTHINK Pty Ltd, Chairman of the Gospel Music Association of Australia and New Zealand and Vice Chairman of St Andrews Hospital Toowoomba.

Amanda Jackson

Member of the Communications and Education 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.

Terry McBride

Chair of the CEO Support Committee

Board member since 1994

Terry is owner and Managing Director of Trainup Pty Ltd, a consultancy specialising in organisational development and individual learning. He is also a previous Board chair of Compassion Australia and past interim member of the Compassion International Board.

Kent Medwin

Member of the Finance Committee

Board member since 2010

Kent is Managing Director of Rock Property, Director of Medkes Unit Trust, Chairman of Live Free Tassie and Ultra 106.5 community radio station and Vice-Chair of Common Ground Tasmania.

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.

Reimbursement

The Board meets face-to-face at least four times per year. Members are also encouraged to attend other Compassion activities such as promotional events, conferences or field trips. 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 must agree to such arrangements, and these payments are disclosed in annual statutory returns.

Structure and Performance

Each Board member serves on at least one Board committee, which meets with executive staff in their area. 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.

In times of rapid change, the Board may take greater interest in the operational details and short-term plans of the organisation. In stable times, a Board focuses on broad, policy-level decisions and long-range vision and organisational direction.

At an annual retreat, Board members review both their own and the entire Board's performance and make recommendations for improvement. The Board appoints and reviews the performance of Compassion Australia's Chief Executive Officer.

We believe our Board functions effectively, though there are areas we would like to improve upon. These include: developing a healthier gender balance on the Board, improving induction practices, developing performance review procedures for Board members and the CEO, ongoing Board education and the compilation of a Board manual.

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.



ORGANISATIONAL CHART



Leadership Team

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

Impact Team

Marketing Director, Andrew Streat
 Church and Partner Relations Director, Chris Zaarour
 Child Advocate Network Director, Paul Mergard
 Supporter Ministries Director, David Zammit

Capacity Team

Executive Director of Ministry Services, Deb Adams
 Finance Director, Ben Dodd
 Ministry Improvement & Technology Director, Deryk Ward

FINANCIAL PERFORMANCE



FROM THE OFFICE OF THE CHIEF FINANCIAL OFFICER

Compassion Australia experienced minimal growth this year and made a courageous decision to abandon expansion plans into the Asian market.

This year Compassion Australia's Operating Fund maintained a surplus of \$271,602, which is 48 per cent higher than last year, based on total income of \$62.67 million. This represented a .18 per cent decrease on last year's income, mainly due to the fact that less revenue was raised for relief efforts (the Haiti earthquake accounted for \$1.68 million in the 2009-2010 financial year). The total number of beneficiaries grew by 3181 to 95,632 during the 2010-2011 financial year, but this was 3328 short of the original target for the year.

This was a disappointing result compared to the growth experienced in prior years and to our original targets for the 2010-2011 financial year. We are grateful for the continued commitment of supporters but need to take into account the delayed impact of the Global Financial Crisis on the Australian economy as we plan for the future.

Administration and fundraising costs represented 19.86 per cent of expenditure, within our target commitment of 20 per cent, but these figures exclude a \$750,000 investment in a discontinued expansion into Asia this year.

It became clear as the year unfolded that resources needed to be directed toward the Australian operation and that continuing to fund the expansion into Singapore that began last year would damage Compassion Australia's ability to sustain itself in a difficult domestic economy. The impact of this decision meant the expansion costs were expensed outside of normal operations, which took our operating surplus into a deficit of \$477,598 for this year. The expansion project was originally an opportunity to allow Asian residents to support Compassion in releasing children from poverty when growth was strong, but the scope of the project was underestimated and became a drain

on resources. The decision to write off the project is one factor that has allowed Compassion Australia to preserve its financial stability.

Compassion Australia's balance sheet remains strong and the overall organisational deficit for the year was only \$111,525, resulting in less than a one per cent decrease in net assets, thanks to courageous leadership, sound financial management and economical use of resources.

Compassion Australia's leadership responded to difficult market conditions by reducing staff headcount, curtailing expenditure on initiatives (Singapore) and developing new growth strategies for the future. Some of these actions have been painful and drastic, but prudent and necessary for the future of the organisation and to protect our ability to continue to deliver benefits to the children we support.

The Australian Dollar (AUD) was remarkably strong during the fiscal year, and this helped us to consistently deliver program benefits based in other currencies. However, our conservative hedging posture caused us to lock in AUD rates while the currency continued to climb. The unprecedented high rates we had secured turned into actual exchange losses that required us to create a Foreign Exchange Risk Provision in this year's balance sheet. The AUD has since lost some of its value, and we expect that the provision will decline as our exposure to exchange losses reduces.



Ken Wilson CPA
Chief Financial Officer

“ Start children off on the way they should go, and even when they are old they will not turn from it. ”

—Proverbs 22:6, NIV

BOARD OF DIRECTORS DECLARATION

The Board of Directors of Compassion Australia declares that:

(a) The financial statements and notes as set out on pages 36 to 45, 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 of June 30, 2011 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 association 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.



Jeremy Horn
Director



John Bond, D.Div
Chairman of the Board

Fully-audited financial statements are available on request by calling 1300 22 44 53 or at www.compassion.com.au/annualreport



SOURCE OF FUNDS

Fundraising

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 fundraiser Everyday Hero to make the process as efficient as possible for everyone involved. We accept funds raised outside Everyday Hero as well.

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.

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	5 years
Fundraising equipment	3 years
Motor vehicles	4 years
Office equipment	10 years
Land and buildings	40 years

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 2010-2011 financial year, Compassion Australia was able to earn \$324,119 in interest on cash reserves, which was reinvested back into the ministry.

All funds are dispersed to field countries via Compassion's global headquarters located in the USA. Compassion Australia managed the volatility in global currency markets with financial instruments that provide certainty against adverse movements in exchange rates. The high value of the Australian dollar has meant Compassion Australia's income is worth more to the field countries.

Investments

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

Government Funding

Compassion is currently not a member of ACFID (Australian Council for International Development) and therefore does not receive government funding. However, this report is in compliance with ACFID's guidelines for financial accountability.

Tax Deductibility

All income received into the Compassion Aid and Development Fund is tax deductible, including donations to Child Sponsorship, Child Survival, Christmas Fund, gifts, relief, and Sponsorship Plus. All donations received into the Compassion Eternity Fund (Bible Fund and Leadership Development Fund) 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). While the guidelines do recognise that faith-based organisations may combine evangelism and development, tax-deductibility may not be given for the promotion of a particular religious cause. Programs must be available to all people regardless of religious background. 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. It is essential that development project benefits flow fairly, without discrimination."

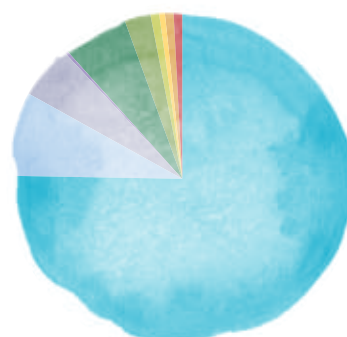
Children registered in our Child Survival Program and Child Sponsorship Program represent a wide variety of religions or no religion. A child's religious background does not prevent him or her from being accepted into these programs. However, the Leadership Development Program is specifically designed 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.

KEY PERFORMANCE

KEY PERFORMANCE INDICATORS	2011	2010	2009	2008	2007
Income per staff [\$]	37996	38003	35092	34950	39415
Child cancellation rate [%]	7.9%	7.2%	7.4%	7.5%	7.5%
Children per sponsor	1.33	1.32	1.31	1.28	1.24
Sponsors writing to children [%]	68.52%	70.62%	72.80%	75.90%	76.10%
Revenue Growth [%]	[0.18%]	15%	21.70%	12.1%	28.70%
Return on Fundraising Investment	8.84	7.10	6.49	11.70	12.52

Income by Source

INCOME BY SOURCE	2011	2010
Child Development	47,309,247	45,399,282
Sponsorship Plus	4,787,449	4,445,316
Critical Interventions	3,252,559	3,529,764
Relief*	120,011	2,001,926
Gifts	3,786,772	3,595,511
Child Survival Program	1,543,215	1,616,651
Operating Fund	548,011	608,217
Un-sponsored Children	402,065	599,319
Leadership Development Program	522,892	500,683
Other	393,475	480,573
TOTAL	62,665,696	62,777,242



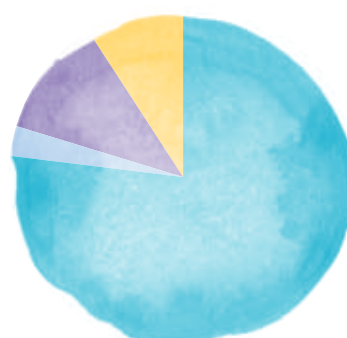
INCOME BY SOURCE

Child Development	75.50%	Operating Fund	0.87%
Sponsorship Plus	7.64%	Un-sponsored Children	0.64%
Critical Interventions	5.19%	Leadership Development	0.84%
Relief	0.19%	Other	0.63%
Gifts	6.04%		
Child Survival Program	2.46%		
TOTAL	100%		

*The significant difference in this income line is largely the result of the Haiti Earthquake Disaster Appeal in 2010.

Expenditure

2011 EXPENDITURE	TOTAL
Program	48,350,620
Community Education	1,710,400
Fundraising	7,024,958
Administration	5,691,240
TOTAL	62,777,221



EXPENDITURE

Program	77.02%
Community Education	2.72%
Fundraising	11.19%
Administration	9.07%
TOTAL	100%

* Figures include a \$750,000 investment in the exploration into the Asia market.

SPONSORSHIPS

The past 12 months have been hard for most organisations, particularly ones reliant on sponsorship as their core source of income. Record high household debt levels and growing economic uncertainty have played a part in limiting a supporter's ability and/or willingness to contribute or maintain an ongoing commitment. This year saw the lowest number of new sponsorships for many years (9455) and also the highest number of sponsorship cancellations (7125). This has resulted in a modest increase in total sponsorships of 2330. Since April we have been able to see a gradual slowing in our rate of cancellation each month (which has continued into July and August 2011), which is a result of our continuing focus on this area. Analysing the economic variables of unemployment and interest rates shows a strong link with the sponsorship results achieved this year.

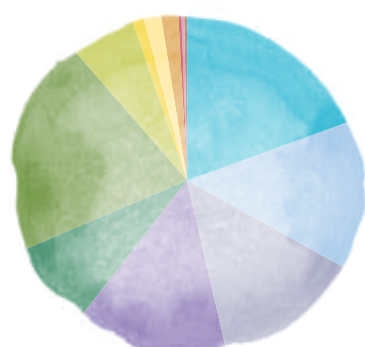
	2011	2010	2009	2008	2007
SPONSORSHIPS					
Australian-supported Child Sponsorships	93,099	90,769	85,636	76,453	66,302
Worldwide Child Sponsorships	1,150,500	1,080,919	1,010,208	902,172	793,907
BENEFICIARIES					
New Beneficiaries	10,420	11,751	15,349	15,585	14,876
Cancelled Beneficiaries	7,239	6,298	5,709	5,063	4,190
Net Growth	3,181	5,453	9,640	10,522	10,686
Net Growth %	3.44%	6.27%	12.46%	15.74%	19.03%
Total Beneficiaries	95,632	92,451	86,998	77,358	66,836
BENEFICIARY BREAKDOWN					
Child Sponsorship Program	93,099	90,769	85,636	76,453	66,302
Child Survival Program*	2,423	1,589	1,283	829	467
Leadership Development Program**	110	93	79	76	67
Total Beneficiaries	95,632	92,451	86,998	77,358	66,836
OTHER COMMITMENTS					
Sponsorship Plus	27,151	27,105	26,356	24,845	22,622
Critical Interventions***	310	320	333	350	358

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. Compassion Australia aims to be assisting 100,000 beneficiaries by June 2012. Currently, Compassion worldwide is supporting over 1.2 million beneficiaries.

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

** number of Leadership Development Program students sponsored

*** number of supporters with monthly commitments to this fund



NEW CHILD SPONSORSHIPS BY SOURCE

Events & Partner Artists	1,849	19.55%
Promotions	1,283	13.57%
Additional Child	1,258	13.31%
Sponsor Recommend	1,355	14.33%
Church Relationships	767	8.11%
Church Partnerships	1,795	18.98%
Child Advocacy	571	6.04%

Magazine	99	1.05%
Transfers from overseas	260	2.75%
Donor Relations	166	1.76%
Supporter Engagement Centre	16	0.17%
Miscellaneous	16	0.17%
Former Sponsors	20	0.21%
TOTAL	9,445	100%

SINGAPORE INITIATIVE

The Compassion Singapore Initiative was birthed in mid-2009 as a response to interest expressed by multiple parties for Compassion Australia to increase its presence in Singapore.

Over the years, Compassion Australia has developed deep and long-standing relationships with existing sponsors, pastors and church leaders across Singapore. Discussions indicated that these churches and the larger Singaporean Christian community had a heart to become more involved with the ministry of Compassion.

At the time, a promising economic trend in Singapore and the changes in the way the Singaporean government approached international charitable work set a positive platform on which to further explore the feasibility of expanding Compassion Australia's operations in the country. Thus a taskforce was created in July 2009 that over saw the commencement of the Singapore Initiative.

Over the ensuing twelve months, the scope and landscape of this endeavour changed significantly. Initially the venture saw Singapore as an adjunct of the existing work of Compassion Australia. For legal reasons it became apparent that Compassion's presence in Singapore had to be a distinct, stand alone Compassion office. This resulted in a significant increase in structure, technology and system building processes and relied on a large dedication of internal resources and manpower.

In the process we also discovered that Compassion Singapore would be unable to qualify for tax deductibility status in Singapore, which posed additional obstacles for fundraising in the country and resulted in a higher level of required funds to see the project through to completion. These changes in scope and landscape would have required funds far in excess of the original allocation, and an increased allocation would have put undue strain on the day-to-day operations of Compassion Australia.

In August 2010 it became apparent that the initiative had ventured beyond Compassion Australia's ministry capacity and core focus. It was recognised that due to the changing scope and landscape, coupled with the requirement of a greater allocation of funds, the launch into Singapore at this time would put excessive strain on Compassion Australia's finances and operations.

Consequently in September 2010, Compassion Australia's leadership made the decision to indefinitely suspend the launch of Compassion Singapore scheduled for 1 November 2010. The decision was made with much practical and prayerful consideration and one that had the overall good of the ministry at heart.

The decision to cease the initiative before the launch sees Compassion Australia in a healthy overall financial position. Operationally, it has allowed Compassion Australia to refocus on its core mission and strive to achieve the ministry goals and outcomes that have been laid down. There have also been some new technologies developed in the process that will benefit the ministry as a whole.

The Singapore Initiative has been a learning experience and one from which we have gained great insight and discovered systematic improvements and advancements for our overall operations, specifically in the area of information technology. We continue to develop relationships with churches and sponsors in Singapore and will continue to foster these into the future.



INCOME STATEMENT

Compassion Australia ended the 2010-2011 financial year with an overall deficit of \$111,525. Our revenue for the year was \$62,665,696, which was down on last year by \$111,546 or .18 per cent. The main reason for on the decrease from the previous year is the large spike in giving to the Haiti earthquake in the 2009-2010 financial year. Excluding giving to the Haiti earthquake, operational income growth has been positive by 2.57 per cent. We have seen modest growth [4-8 per cent] in Child Sponsorship, Christmas Fund, gifts, Sponsorship Plus and Leadership Development but have experienced a decrease [4.5-9.9 per cent] in Child Survival, Partners of Compassion and administration.

With regards to expenditure, the resulting deficit arose through discontinuing and expensing our expansion into Singapore, unrealised foreign exchange losses and a deliberate decision to send additional funds to the field. This deficit is immaterial and represents less than 1 per cent of revenue. Expenditure-to-funds allocation ratios for the 2010-2011 financial year were upheld [excluding Singapore] at 77.38 per cent to programs, 11.33 per cent to fundraising, 8.53 per cent to administration and 2.76 per cent to advocacy/community education.

Jesus said, “ Let the little children come to me, and do not hinder them, for the kingdom of God belongs to such as these. ”

—Mark 10:14

INCOME & EXPENDITURE FOR THE YEAR ENDED JUNE 30, 2011	2011	2010
REVENUE		
Donations and gifts		
- Monetary	62,232,080	62,176,290
- Non-monetary	-	100,000
Bequests and Legacies	93,210	68,360
Grants		
- AusAID	-	-
- Other Australian	-	-
- Other overseas	-	-
Investment income	296,922	358,435
Other income	43,484	74,157
Revenue for International Political or Religious Proselytisation Programs	-	-
TOTAL REVENUE	62,665,696	62,777,242
EXPENDITURE		
International Aid and Development Programs Expenditure		
International programs		
- Funds to international programs	40,528,171	41,336,023
- Program support costs	7,390,745	5,925,676
Community education	1,710,400	787,195
Fundraising costs		
- Public	7,024,958	9,573,508
- Government, multilateral and private	-	-
Accountability and Administration	5,287,852	3,195,998
Non-Monetary Expenditure	-	-
Total International Aid and Development Programs Expenditure	61,942,126	60,818,400
Expenditure for International Political or Religious Proselytisation Programs	-	-
Domestic Programs Expenditure	80,050	132,948
Singapore discontinued operations	755,045	-
TOTAL EXPENDITURE	62,777,221	60,951,348
EXCESS / (SHORTFALL) OF REVENUE OVER EXPENDITURE	[111,525]	1,825,894

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2011	2011	2010
Balance at July 1, 2010 (commencing balance)	11,765,569	9,939,675
Adjustments or changes in equity	-	-
Excess / (shortfall) of revenue over expenses	[111,525]	1,825,894
Other amounts transferred (to) or from reserves	-	-
Balance at June 30, 2011 (year end balance)	11,654,044	11,765,569

BALANCE SHEET

Even though the 2010-2011 financial year was a harder year, our balance sheet result shows an immaterial decline in total equity of \$111,525. Total assets increased by \$1.049 million; a majority of this increase is made up of increased cash holdings and a positive net cash flow. Total liabilities increased by \$1.16 million as a result of taking up a foreign exchange risk provision, due to the appreciating Australian dollar (AUD). This liability represents the difference between the hedged (contracted) rate for forward exchange contracts held for the 2011-2012 financial year and the spot rate at 30 June 2011. Compassion Australia hedges the AUD from a conservative stance to stabilise cross-currency cash flows and maintain certainty over what the children receive in the field. Overall our balance sheet and financial position remain healthy and strong.

“Overcoming poverty is not a gesture of charity. It is an act of JUSTICE.”

—Nelson Mandela, former President of South Africa

BALANCE SHEET AS AT JUNE 30, 2011	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6,853,173	5,510,667
Trade and other receivables	384,478	265,477
Inventories	-	-
Assets held for sale	-	-
Other financial assets	194,045	189,592
TOTAL CURRENT ASSETS	7,431,696	5,965,736
NON CURRENT ASSETS		
Trade and other receivables	-	-
Other financial assets	-	-
Property, plant and equipment	12,300,196	12,651,805
Investment property	1,789,605	1,854,211
Intangibles	-	-
Other non current assets	-	-
TOTAL NON CURRENT ASSETS	14,089,801	14,506,016
TOTAL ASSETS	21,521,497	20,471,752
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	7,142,850	7,436,652
Borrowings	650,000	910,000
Current tax liabilities	-	-
Other financial liabilities	-	-
Provisions	372,785	129,462
Other	1,257,373	-
TOTAL CURRENT LIABILITIES	9,423,008	8,476,114
NON CURRENT LIABILITIES		
Borrowings	-	-
Other financial liabilities	-	-
Provisions	176,746	51,880
Other	267,699	178,189
TOTAL NON CURRENT LIABILITIES	444,445	230,069
TOTAL LIABILITIES	9,867,453	8,706,183
NET ASSETS	11,654,044	11,765,569
EQUITY		
Reserves	-	-
Retained Earnings	11,654,044	11,765,569
TOTAL EQUITY	11,654,044	11,765,569

CASH MOVEMENTS

Our statement of cash movements represents our income funds. Every dollar that is donated to Compassion will pass through these funds. Child Development [Child Sponsorship] shows a \$1 million deficit; this is the result of the foreign exchange risk provision. We had a significant surplus in Sponsorship Plus, and the funds held in this account are used to complement relief, Critical Interventions and unsponsored children. During the 2010-2011 financial year, Compassion sent a record \$2.8 million to support Critical Interventions. We received funds into our relief account during the 2010-2011 financial year; however, without a direct need, these have been held over for future relief efforts. The decision to discontinue with our expansion into Asia is reflected in the Singapore account, with related expenses being taken up in the 2010-2011 financial year.

If anyone has material possessions and sees a brother or sister in need but has no pity on them, how can the love of God be in that person?
Dear children, let us not love with words or speech but with actions and in truth.

—1 John 3:17-18, NIV

FOR THE YEAR ENDED JUNE 30, 2011	OPENING BALANCE	INCOME	TRANSFERS	EXPENSES	SURPLUS / (DEFICIT)	CLOSING BALANCE
Child Development	2,559,969	47,309,250	(12,253,096)	36,125,881	(1,069,727)	1,490,242
Child Survival Program	811,143	1,543,215	(399,692)	1,137,161	6,362	817,505
Christmas Fund	89,400	1,862,212	(186,221)	1,607,351	68,640	158,040
Special Grants	356	-	-	-	-	356
Gifts	561,421	1,924,560	-	1,776,280	148,280	709,701
Life Assurance	5,615	-	-	-	-	5,615
Living Sponsorship	625,383	(10,364)	-	-	(10,364)	615,019
Partners of Compassion	2,250,437	3,252,559	(832,621)	2,810,337	(390,399)	1,860,038
Relief	687,591	120,010	(24,215)	-	95,795	783,386
Special O'seas Proj	84,470	167,865	-	217,168	(49,303)	35,167
Sponsorship Plus	845,815	4,787,447	(2,039,949)	1,717,554	1,029,944	1,875,759
Un-sponsored Children	2,884	402,066	695,865	965,483	132,448	135,332
Operating Fund	874,356	548,010	15,104,051	15,380,464	271,597	1,145,953
Singapore	8,640	60	5,785	755,045	(749,200)	(740,560)
Endowment Operations	1,662,755	115,501	-	(332,117)	447,618	2,110,373
LDP	568,569	522,892	(52,289)	506,421	(35,818)	532,751
Bibles	126,466	74,610	(7,461)	7,003	60,146	186,612
Indigenous	299	16,878	(4,372)	80,050	(67,544)	(67,245)
POC Singapore	-	28,925	(5,785)	23,140	-	-
TOTAL	11,765,569	62,665,696	-	62,777,221	(111,525)	11,654,044

FOR THE YEAR ENDED JUNE 30, 2010	OPENING BALANCE	INCOME	TRANSFERS	EXPENSES	SURPLUS / (DEFICIT)	CLOSING BALANCE
Child Development	2,298,562	45,399,282	(9,762,876)	35,374,999	261,407	2,559,969
Child Survival Program	279,177	1,616,651	(347,580)	737,105	531,966	811,143
Christmas Fund	156,243	1,790,057	(179,006)	1,677,894	(66,843)	89,400
Special Grants	356	-	-	-	-	356
Gifts	423,518	1,805,454	-	1,667,551	137,903	561,421
Life Assurance	5,252	600	-	237	363	5,615
Living Sponsorship	540,913	84,470	-	-	84,470	625,383
Partners of Compassion	1,144,870	3,529,764	(763,852)	1,660,345	1,105,567	2,250,437
Relief	404,659	2,001,926	(68,370)	1,650,624	282,932	687,591
Special O'seas Proj	58,739	168,362	-	142,631	25,731	84,470
Sponsorship Plus	1,282,191	4,445,316	(1,160,742)	3,720,950	(436,376)	845,815
Un-sponsored Children	113,783	599,319	76,147	786,365	(110,899)	2,884
Operating Fund	691,647	608,217	12,539,248	12,964,756	182,709	874,356
Singapore	-	8,700	75,309	75,369	8,640	8,640
Endowment Operations	2,040,420	68,362	(445,928)	99	(377,665)	1,662,755
LDP	422,379	500,683	(50,068)	304,425	146,190	568,569
Bibles	76,966	116,167	(11,617)	55,050	49,500	126,466
Indigenous	-	33,912	99,335	132,948	299	299
TOTAL	9,939,675	62,777,242	-	60,951,348	1,825,894	11,765,569

INDEPENDENT AUDITOR'S REPORT



pwc

Independent auditor's report to the members of Compassion Australia

Report on the financial report

We have audited the accompanying financial report of Compassion Australia (the company), which comprises the balance sheet as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion the financial report of Compassion Australia is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

PRICEWATERHOUSE COOPERS
PricewaterhouseCoopers

Darren Turner
Partner

Newcastle
27 October 2011

PricewaterhouseCoopers, ABN 52 780 433 757
PricewaterhouseCoopers Centre, 26 Honeysuckle Drive, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

WHERE WE'RE GOING



MINISTRY GOALS, OBJECTIVES AND INITIATIVES

Financial year 2012 marks the end of a ten-year plan established by Compassion Australia's Board of Directors and Executive Leadership Team in 2002. The plan started with 10 long-range goals but grew to 13 in 2007. Five of these 13 goals have since been prioritised for 2012. The following chart outlines these five goals and their associated objectives, which are incorporated in section plans across the ministry to collectively prioritise efforts and direct resources.

MINISTRY GOALS	MINISTRY OBJECTIVES
<p>Equip, empower and involve all staff</p>	<p>Organisational Culture</p> <ol style="list-style-type: none"> 1. We will improve efficiency in decision making and clarify roles at senior levels. 2. We will communicate and demonstrate desired behaviours. 3. We will ensure management displays integrity and 'walks the talk'.
<p>Grow to 100,000 sponsored beneficiaries by 2012 by:</p> <ul style="list-style-type: none"> • Building functional relationships with 1000 churches • Reducing child cancellations to less than 5 per cent 	<p>New Supporters</p> <ol style="list-style-type: none"> 1. We will build relationships with the Anglican church. 2. We will engage key opinion leaders in under-represented denominations. 3. We will explore new church markets and opportunities. <p>Existing Supporters</p> <ol style="list-style-type: none"> 1. We will mobilise current supporters as catalysts of growth. 2. We will focus retention efforts on the child-departure and sub-assignment processes. 3. We will reactivate cancelled sponsors.
<p>Deliver a supporter relationship management system</p>	<p>Processes</p> <ol style="list-style-type: none"> 1. We will redeploy RightNow to manage supporter relationships. 2. We will improve consignment and de-consignment processes. 3. We will prioritise and address issues of connectivity with COMPASS.

Compassion Australia has also identified the following projects to improve our supporter experience, the efficiency of internal processes and to ensure industry compliance:

- We will invest in automating the process for handling incoming mail.
- We will overhaul our statement and receipting processes.
- We will deliver enhancements to our customer relationship management system.
- We will comply with the Payment Card Industry Data Security Standards Project [PCI DSS].

GLOBAL 2020 VISION

Concurrent to Compassion Australia's FY 2012 plan is Compassion's Global 2020 Vision. It coordinates international ministry growth and maturity over the next 10 years through five strategic moves that together form our 2020 Strategy.

Bearing Good Fruit

“By fruit you will recognise them ...
Good tree ... good fruit ...”

Matthew 7:16-17

Quality of Program, Excellence, Outcomes in individual lives and Long-term impact

Bearing Much Fruit

“This is to my Father's glory, that you bear much fruit, showing yourselves to be my disciples.”

John 15:8

Quality of Program, Stewardship, Outcomes in societal transformation and Long-term impact

In pursuit of the 2020 Vision, two medium-term priorities—outlined below—have been established for the global ministry. Compassion Australia ensures its strategy aligns with these:

2020 Strategy – This is the roadmap to help us coordinate activities and identify choices to achieve the 2020 Vision. It will align efforts across the global organisation. Five strategic moves to achieve this priority have been agreed upon by the Global Partner Alliance (GPA):

1. **Maximise ministries**—We will maximise the potential of our four ministries—Child Survival Program, Child Sponsorship Program, Leadership Development Program and Critical Interventions—to better accomplish our core strategy worldwide of Christian holistic development of children in poverty through sponsorship.
2. **Accomplish Beyond Compass**—We will simplify our core process and develop robust tools to make information easier to collect, transfer and use globally.
3. **Mobilise the Church**—We will mobilise and equip the Church to prioritise children and end extreme poverty.
4. **Strengthen sponsor engagement**—We will connect our sponsors to their children and their children's environment in powerful ways to engage them more deeply. We will also connect our supporters more deeply to the ministry of Compassion.
5. **Seize global opportunities**—We will seize new opportunities for global growth to reach more supporters and increase funding. We will also seek innovative approaches in the countries where we work and beyond to minister to millions more beneficiaries.

Strategic Planning Process

Strategic decisions at Compassion Australia are directed through a planning framework that starts with our mission, vision, values and ten-year goals and then flows into prioritised goals and associated ministry objectives for the financial year ahead. These ministry objectives are then translated into a maximum of three priorities for each section; section priorities then break down into specific, measurable, attainable, relevant and time-bound objectives. The resulting plans are executed through 90 day contracts; each section will deliver on four to six activities during the 90 days. Reviews are undertaken fortnightly to ensure progress stays on track. All Compassion staff work against personal 90 day plans. These plans are ultimately in alignment with ministry goals and objectives.

The following six factors guide and inform the development of strategies for achieving our goals:

1. Seek first the Kingdom of God and His righteousness
2. Value enduring relationships ahead of short-term results
3. Strengthen our own values-based community
4. Invest in technologies that multiply and enrich relationships
5. Grow in influence as a voice to the Church for the sake of children in poverty
6. Catalyse a movement within the Church of advocacy of children in poverty

RISK MANAGEMENT

Working in underdeveloped, disaster prone, occasionally violent, and often corrupt regions of the world brings a heightened exposure to risk. There is a constant tension between prudence and risk—doing the right thing is sometimes at odds with conventional wisdom and methodology. Compassion enjoys a reputation for excellence, integrity and professionalism, and protecting that reputation is another risk element we need to manage. We are traditionally conservative when it comes to risk taking, but we feel that the understanding of the elements of risk, whether they be financial, operational, physical, organisational or reputational, is the first step towards effective risk management. Globally, Compassion is formalising and documenting its approach to risk management in order to become less risk averse but better informed and prepared for the risks that arise in our environment.

Managing Risk

A detailed risk assessment was conducted in FY10 from which key risks to the organisation were identified, and a process was established to deal with risks through regular meetings and monthly reporting. Shortly after this assessment, our risk management officer was redirected to the Singapore Initiative. Our Chief Financial Officer at the time took over the responsibility, as he had previously served as Compassion International's head of global risk management; he has recently transferred from Australia to again serve Compassion International in the USA.

Compassion Australia will be reinstating a formal risk management process in FY12. This involves including risk management as a standing agenda item for the Leadership Team's quarterly meetings. The resulting assessment is then included in a quarterly submission to the Board of Directors, which is responsible for risk management through policies and planning objectives.

To help mitigate risk in FY11, our Leadership Team approved the following initiatives:

- The current Purchasing Card Industry Data Security Standards Project (page 24) is the result of a key risk identified in the FY10 assessment.
- Cancelling the Singapore Initiative (page 39) eased the strain on finances and operations.
- Cutting fixed costs through staff redundancies (page 27) will help maintain a balanced budget.

Foreign Exchange Risk

To minimise our exposure to the extremely volatile Australian dollar, we hedge with forward exchange contracts. Compassion Australia hedges the AUD from a conservative stance to stabilise cross currency cashflows and maintain certainty over what the children receive on the field.

Investment Risk

All funds held for future use are invested into low-risk, interest-bearing accounts or short maturing term deposits. Investment decisions and guidelines are approved by the Finance Committee of the Board of Directors.

IT 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.

Environmental Performance

Resources to assess our environmental performance were temporarily redirected to the Singapore Initiative. Though an official strategy has yet to be reinstated, environmental sustainability is on our radar. 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 in every kitchen
- Facilities management, including timers for lights

Auditing

Our annual external audit report is available at www.compassion.com.au. In addition, 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. Sixty per cent of Compassion's project partners who operate child development centres 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.

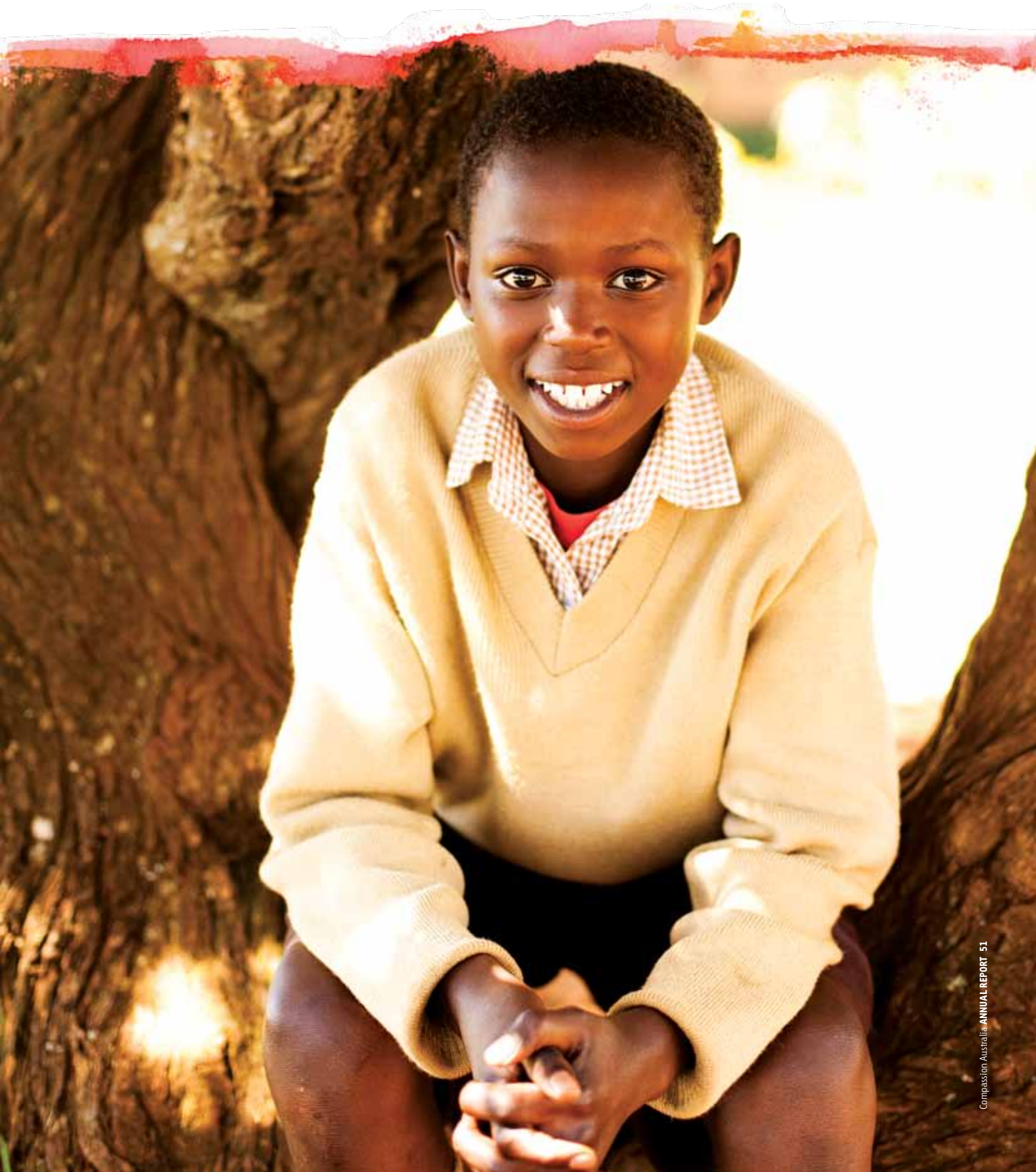
Field offices are audited every 24 to 30 months on average to identify wider trends in operations and administration. Observations and action items from both project and field offices are documented and brought to the attention of staff and management for consideration, decision making, action planning and subsequent follow up.

Ethical Standard

At Compassion we endeavour to conduct our ministry with the highest ethical standards, inspired by our dedication and commitment 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, supporters, businesses, and the general public.

Conflicts of Interest

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



GROWING OUR SUPPORT

How We Communicate

The 2010–2011 financial year brought a fresh direction for Compassion Australia's marketing activities. On 21 February two new campaigns were launched: think CHILDREN and i believe. The aim of the think CHILDREN campaign is to bring people back to the heart of Compassion's ministry: releasing children from poverty in Jesus' name. The i believe campaign challenges supporters on the issues, causes and prevention of child mortality. These new campaigns also brought an updated look and feel to Compassion's collateral, including a new website that went live in March 2011.

Compassion Australia communicates our campaigns to supporters through monthly email newsletters and a bi-annual magazine, in addition to email, direct mail and online appeals. The Church and Partner Relations team engages in more personal contact with churches across many denominations, as well as with major donors and corporate and community partners, in furthering the work of Compassion. Compassion's Supporter Engagement Centre addresses calls, enquiries and emails from supporters; it also welcomes new child sponsors with a phone call, reminds supporters if they are in financial arrears, and even provides supporters with options when they are facing tough financial times.

Compassion also enjoys a number of strong media relationships with Christian radio stations and magazines, through which we engage in both paid and un-paid promotions. Here are a few other fundraising activities that saw significant changes over FY11:

Compassion Sunday

Compassion Sunday is a new annual initiative for Compassion Australia that was launched in FY11. Compassion supporters across Australia joined together on 22 May to share presentations about their experience with Compassion's Child Sponsorship Program in their local church and set up child sponsorship sign-up tables. Some churches hosted their events on subsequent Sundays, but a total of 150 churches registered to be part of the national event. As of 19 July 2011, Compassion Sunday had brought in 493 new child sponsorships from 118 events, with more still to come.

Compassion Day

On 12 May 2011, 40 radio stations around Australia spoke out on the issue of child mortality for Compassion Day. The 16-hour radio-a-thon saw over 332 mothers and their babies supported through the Child Survival Program, 28 children sponsored and over \$30,000 received in cash donations. The annual event has been around for over a decade and saw 7154 children sponsored between 1999 and 2010. The 2011 event was the first to focus on the Child Survival Program.

Feedback from recent Compassion Day events has led to the decision to not continue Compassion Day in 2012. We are pursuing new opportunities to continue engaging with our radio partners and are excited about what will emerge in coming months.

Blue Easel

In 2009 and 2010, Compassion's Blue Easel art exhibition showcased the artistic talents of many of our supporters. During this time it raised \$12,500 to address the Global Food Crisis and provide support through the Child Survival Program. However, we have decided to redirect resources to other initiatives and not hold a Blue Easel event in the 2011–2012 financial year.

Church Partnerships

Over the 2010–2011 financial year, Compassion Australia gained 44 new Church Partnerships. That brings us to a total of 113 Partnerships linking Australian churches with churches in the developing world. Through these partnerships, churches in the developing world are better equipped to reach out to their communities with increased capacity and resources. In Australia, churches grow and deepen their commitment to the poor as members respond to the injustice of poverty, praying and working together towards a common focus. Compassion Australia sees the growth of Church Partnerships as a strategic move in outworking Compassion's mission to challenge, partner and equip the church to release children from poverty in Jesus' name.

Advocacy

Though Compassion's child development programs are having incredible impact around the world, around one billion children are still living in poverty. Compassion Australia's advocacy team speaks up and takes action on behalf of the children outside of our programmatic reach. One way we do this is by petitioning the Australian Government. During the 2010–2011 financial year, Compassion staff and volunteers held 20 meetings with local and federal Members of Parliament to present the 'it shouldn't end at the beginning' policy report on child and maternal health spending in Australia's foreign aid program; copies of the report were sent to another 10.

Compassion's advocacy work saw some great results in FY11. For example, in response to the Government's Federal Budget, Shadow Treasurer The Hon Joe Hockey suggested possible cuts to the foreign aid program, which would retract from the existing bi-partisan commitment to 0.5 per cent of Gross National Income (GNI). Compassion's advocacy efforts saw the Coalition recommit to increasing foreign aid to 0.5 per cent.

"Compassion Australia welcomes the continued bi-partisan support for increasing foreign aid to 0.5 per cent of Gross National Income by 2015/16. Increasing, Australia's Official Development Assistance is making a positive difference for millions of people living in poverty around the world in line with this commitment. Compassion argues specifically for an increased emphasis on funding for child and maternal health initiatives to address significant lags in achieving MDG4 on child mortality and MDG5 on maternal health. Such an emphasis is in line with strong evidence that health spending is highly effective in saving and improving lives, has a good return on investment and is developmentally expedient."

—Compassion Australia, 'it shouldn't end at the beginning' policy report

PHOTO: Compassion staff and Child Advocates meet with The Hon Kevin Rudd, Minister for Foreign Affairs

“ There is no trust more sacred than the one the world holds with children. There is no duty more important than ensuring that their rights are respected, that their welfare is protected, that their lives are free from fear and want and that they can grow up in peace. ”

—Kofi Annan, former Secretary-General of the United Nations



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

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 Marketing, Church and Partner Relations and Supporter Ministries

Child Development

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

Child Development 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

Field Countries

The 26 developing countries where Compassion implements its child development programs

Supporter

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

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

Beneficiary

The child, person or group that benefits from any Compassion assistance or 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)

The Church

The global Body of Christ

GPA: Global Partner Alliance

The group of 11 fundraising countries, which includes Compassion Australia, Compassion Canada, Compassion Germany, Compassion Italy, Compassion Netherlands, Compassion South Korea, Compassion Switzerland, Compassion UK, Compassion USA, SEL France and TEAR Fund New Zealand

Compassion International

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





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/annualreport