

BEAUTY FROM ASHES

“To bestow on them a crown of beauty instead of ashes, the oil of gladness instead of mourning, and a garment of praise instead of a spirit of despair.”

— Isaiah 61:3, NIV



Dear Partners in Christ,

As I was reflecting on this scripture recently, I was overwhelmed by how this ancient prophecy is being fulfilled today through the ministry of Compassion:

“To bestow on them a crown of beauty instead of ashes,
the oil of gladness instead of mourning,
and a garment of praise instead of a spirit of despair.”

— *Isaiah 61:3, NIV*

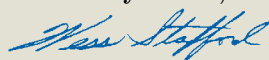
God is offering crowns of beauty to children who have known only ashes. He is restoring lives and offering new beginnings. Through His people, He is telling children with so very little that they *are so very* special. Together, we are pointing children in need to the only One who can bring true hope and joy. What a miracle that you and I can be part of this!

With your help, we have seen more lives transformed over the 2007-08 fiscal year than ever before. I want to share a few praises with you. I hope they encourage your heart as much as they do mine:

- According to our church partners, 154,122 children from our Child Sponsorship Program made **commitments to Jesus Christ** in this last year alone! And nearly 130,000 Bibles were put into the hands of children to have as their own.
- **Child sponsorships** reached 902,172 globally, a 13 percent increase.
- **Compassion's Child Survival Program** is in 12 countries now, with 224 programs. This vital ministry is now providing lifesaving assistance to 12,073 caregivers and babies. Praise God that 1,401 caregivers invited Jesus into their lives.
- This year, nearly 200 students graduated from Compassion's **Leadership Development Program**. There are now 1,628 students in the program in 16 countries.
- We are aggressively fighting **HIV/AIDS and malaria** in areas where these diseases impact children in our programs. In the last year, more than 195,000 HIV tests were given to children in our programs and their families. We are providing antiretroviral therapy for 1,201 children with AIDS. And during the last fiscal year, we distributed 125,257 insecticide-treated mosquito nets to families living in malaria-infected areas.
- Thousands of Compassion-assisted families threatened by the **global food crisis** have already received lifesaving food, thanks to generous donations from our sponsors and donors. Please keep these families in your prayers as they continue to cope with this ongoing crisis.

Your faithfulness has made all of this possible. Thank you for allowing God to use you as He continues to transform ashes into crowns of beauty, year after year.

Sincerely in Him,



Dr. Wess Stafford
President and CEO



STATEMENTS OF FINANCIAL POSITION

For the years ended June 30, 2008 and 2007

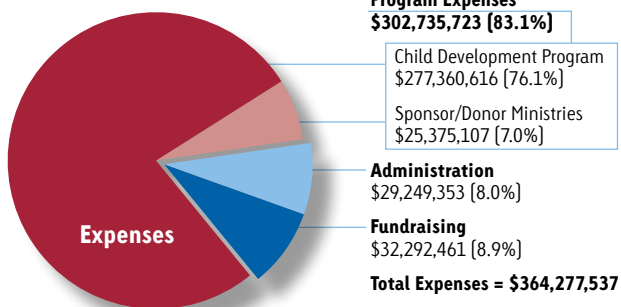
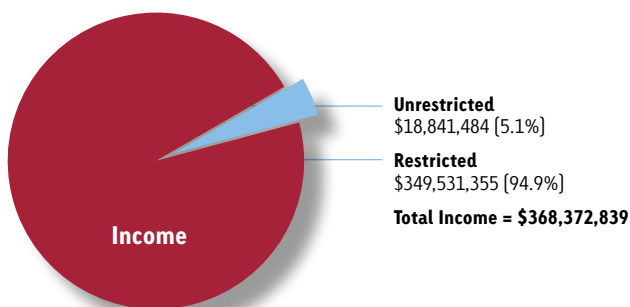
	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$46,010,895	38,716,951
Investments	8,221,314	8,531,227
Receivables from affiliated organizations	6,488,940	4,333,197
Accounts receivable	1,296,607	353,932
Prepaid expenses and supplies	3,966,713	3,205,345
Total current assets	65,984,469	55,140,652
Noncurrent assets:		
Property, plant and equipment, net	65,798,108	61,351,016
Total noncurrent assets	65,798,108	61,351,016
Restricted assets:		
Investments restricted for trust and annuity obligations	4,475,482	5,241,626
Investments restricted for long-term purposes	5,919,640	6,086,200
Total restricted assets	10,395,122	11,327,826
Total assets	\$142,177,699	127,819,494
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$11,865,275	6,073,254
Funds committed to sponsorship projects	23,281,487	19,825,237
Accrued severance/retirement benefits for national employees	555,399	392,227
Trust obligation	56,446	60,073
Gift annuities payable	13,422	19,765
Revocable trust agreements	964,779	1,030,753
Total current liabilities	36,736,808	27,401,309
Long-term liabilities:		
Accrued severance/retirement benefits for national employees, less current portion	4,847,055	3,534,040
Trust obligation, less current portion	1,298,473	1,609,908
Gift annuities payable, less current portion	446,913	496,637
Custodial funds held	294,735	319,187
Total long-term liabilities	6,887,176	5,959,772
Total liabilities	43,623,984	33,361,081
Net assets:		
Unrestricted	49,822,162	46,295,702
Temporarily restricted	42,663,043	42,339,951
Permanently restricted	6,068,510	5,822,760
Total net assets	98,553,715	94,458,413
Total liabilities and net assets	\$142,177,699	127,819,494

To see the complete version of Compassion's 2008 audited financial statements including Form 990, please go to compassion.com/about/financial/default.htm.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support:								
Contributions	\$ 2,122,082	265,809,262	—	267,931,344	2,237,486	237,982,913	—	240,220,399
Gifts in kind	—	328,238	—	328,238	—	57,963	—	57,963
Contributions from affiliated organizations	14,809,170	83,314,406	—	98,123,576	10,789,267	59,163,093	—	69,952,360
Interest and dividends	1,137,846	139,047	—	1,276,893	937,962	131,931	—	1,069,893
Net realized and unrealized gains (losses) on investments and disposition of assets	[790,928]	[96,755]	—	[887,683]	907,048	349,062	200,000	1,456,110
Bequests and other income	1,590,945	3,700	245,750	1,840,395	875,797	3,872	233,762	1,113,431
Changes in value of split-interest agreements	[27,631]	[212,293]	—	[239,924]	48,109	116,612	—	164,721
Net assets released from restrictions in satisfaction of program restrictions	348,962,513	[348,962,513]	—	—	291,049,022	[291,049,022]	—	—
Total revenue, gains and other support	367,803,997	323,092	245,750	368,372,839	306,844,691	6,756,424	433,762	314,034,877
Expenses:								
Program services:								
Child development program	277,360,616	—	—	277,360,616	228,940,136	—	—	228,940,136
Sponsor/donor ministries	25,375,107	—	—	25,375,107	21,826,713	—	—	21,826,713
Total program services	302,735,723	—	—	302,735,723	250,766,849	—	—	250,766,849
Support services:								
Fundraising	32,292,461	—	—	32,292,461	27,000,461	—	—	27,000,461
Administration	29,249,353	—	—	29,249,353	22,702,737	—	—	22,702,737
Total support services	61,541,814	—	—	61,541,814	49,703,198	—	—	49,703,198
Total expenses	364,277,537	—	—	364,277,537	300,470,047	—	—	300,470,047
Change in net assets	3,526,460	323,092	245,750	4,095,302	6,374,644	6,756,424	433,762	13,564,830
Net assets, beginning of year	46,295,702	42,339,951	5,822,760	94,458,413	39,921,058	35,583,527	5,388,998	80,893,583
Net assets, end of year	\$ 49,822,162	42,663,043	6,068,510	98,553,715	46,295,702	42,339,951	5,822,760	94,458,413



STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended June 30, 2008

	Program Services			Support Services			Total expenses
	Child development program	Sponsor/donor ministries	Total program expenses	Fundraising	Administration	Total support services	
Direct payments to field	\$ 235,859,467	816,221	236,675,688	—	—	—	236,675,688
Salaries and related taxes	18,490,273	6,955,896	25,446,169	8,416,471	8,035,567	16,452,038	41,898,207
Employee benefits	5,228,088	1,778,678	7,006,766	2,091,605	2,224,073	4,315,678	11,322,444
Travel and training	6,687,203	1,045,164	7,732,367	3,201,829	618,343	3,820,172	11,552,539
Data processing services	1,860,559	7,506,578	9,367,137	3,150,914	8,331,019	11,481,933	20,849,070
Professional fees	1,624,626	2,356,549	3,981,175	4,487,200	3,545,525	8,032,725	12,013,900
Occupancy	3,006,528	691,484	3,698,012	1,049,826	1,580,355	2,630,181	6,328,193
Postage and shipping	159,304	1,954,980	2,114,284	1,624,009	1,783,905	3,407,914	5,522,198
Office equipment and supplies	3,701,701	1,229,827	4,931,528	1,207,662	2,578,703	3,786,365	8,717,893
Photos and printing	296,813	915,156	1,211,969	1,685,138	448,756	2,133,894	3,345,863
Media	9,865	88,065	97,930	4,297,502	93,559	4,391,061	4,488,991
International expansion grants	—	—	—	1,031,167	—	1,031,167	1,031,167
Miscellaneous	436,189	36,509	472,698	49,138	9,548	58,686	531,384
Total	\$277,360,616	25,375,107	302,735,723	32,292,461	29,249,353	61,541,814	364,277,537

For the year ended June 30, 2007

	Program Services			Support Services			Total expenses
	Child development program	Sponsor/donor ministries	Total program expenses	Fundraising	Administration	Total support services	
Direct payments to field	\$197,362,916	606,197	197,969,113	—	—	—	197,969,113
Salaries and related taxes	13,091,701	6,507,717	19,599,418	5,764,149	7,059,036	12,823,185	32,422,603
Employee benefits	3,925,741	1,565,235	5,490,976	1,453,856	2,077,753	3,531,609	9,022,585
Travel and training	4,771,369	980,695	5,752,064	2,534,359	495,335	3,029,694	8,781,758
Data processing services	2,237,008	5,220,998	7,458,006	2,862,653	4,868,903	7,731,556	15,189,562
Professional fees	1,535,112	2,122,581	3,657,693	4,641,429	2,886,703	7,528,132	11,185,825
Occupancy	2,329,341	889,438	3,218,779	748,003	1,521,947	2,269,950	5,488,729
Postage and shipping	168,217	1,727,722	1,895,939	1,443,820	1,571,655	3,015,475	4,911,414
Office equipment and supplies	2,919,526	1,014,200	3,933,726	915,393	1,883,503	2,798,896	6,732,622
Photos and printing	233,934	1,058,298	1,292,232	1,764,629	298,017	2,062,646	3,354,878
Media	17,739	119,697	137,436	3,545,146	21,826	3,566,972	3,704,408
International expansion grants	—	—	—	1,295,743	—	1,295,743	1,295,743
Miscellaneous	347,532	13,935	361,467	31,281	18,059	49,340	410,807
Total	\$228,940,136	21,826,713	250,766,849	27,000,461	22,702,737	49,703,198	300,470,407

A word on integrity from Robert Hawkins, Chairman of the Board



At Compassion, integrity is one of our core values. We believe that what we say and what we do should be consistent, congruent, reliable and transparent.

I'm pleased to let you know that Compassion was recently honored in an article published by Charity Navigator, an independent charity evaluator. Compassion is the only ministry of its kind in the nation to receive Charity Navigator's highest rating for financial integrity seven years in a row!

You can count on us — what we say and what we do are the same thing. We see every contribution as a stewardship responsibility. **That's why every dollar you contribute is spent wisely so that as many children as possible can be released from poverty in Jesus' name.**

Year after year we commit to spending more than 80 percent of every dollar on life-changing programs. Less than 20 percent goes to administrative costs, such as recruiting new sponsors. This year, 83 percent of our expenses were on programs that focus on releasing children from poverty. **Your generosity allows us to continue changing the world — one child at a time. Thank you for all you do!**

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