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21



ACCOUNTABILITY REPORT
COMPASSION INTERNATIONAL, INC. AND AFFILIATES

TABLE OF CONTENTS

2 MESSAGE FROM THE PRESIDENT

3 MINISTRY OVERVIEW

Who Compassion Is
What Compassion Does
Ways to Partner
Core Programs
Where Compassion Works
Key Program Metrics and Outcomes
Satisfaction Measures
COVID-19 Impact on Operations

19 CRITICAL POLICIES AND STANDARDS

Risk Management
Business Continuity
Data Protection and Privacy
Funds Management/Monitoring
Cash and Investment Policy
Conflict of Interest/Related Party Policy
Diversity and Inclusion
Compensation Policy

25 BOARD ENGAGEMENT AND LEADERSHIP

Compassion's Board of Directors
Compassion's Global Executive Team

29 FISCAL YEAR HIGHLIGHTS AND OUTLOOK

Financial and Metric Results
Condensed Financials and Liquidity

32 MESSAGE FROM THE BOARD CHAIRPERSON

33 ENDNOTES





In my role at Compassion, I often find myself thinking about transformation. That is, after all, at the very heart of our mission. For a child to be released from poverty in Jesus' name, a significant amount of life transformation must take place. And that incredible challenge is what motivates us to continually evaluate and improve the targeted interventions we offer in order to ensure effective programs and optimal outcome attainment in the lives of those we serve.

And in the same way, the magnitude of the problem of poverty that plagues our world compels Compassion toward ongoing adaptation and innovation to reach more children and youth as quickly as possible. Across our nearly 70 years of ministry to the least of these, God has faithfully blessed Compassion's work. With God's faithful blessing, we are continuing to embrace additional/new capabilities and technologies to mature our infrastructure, create more customized experiences for our children and our supporters, raise increased levels of resources and implement a quality program — all to have an even greater impact toward our global cause.

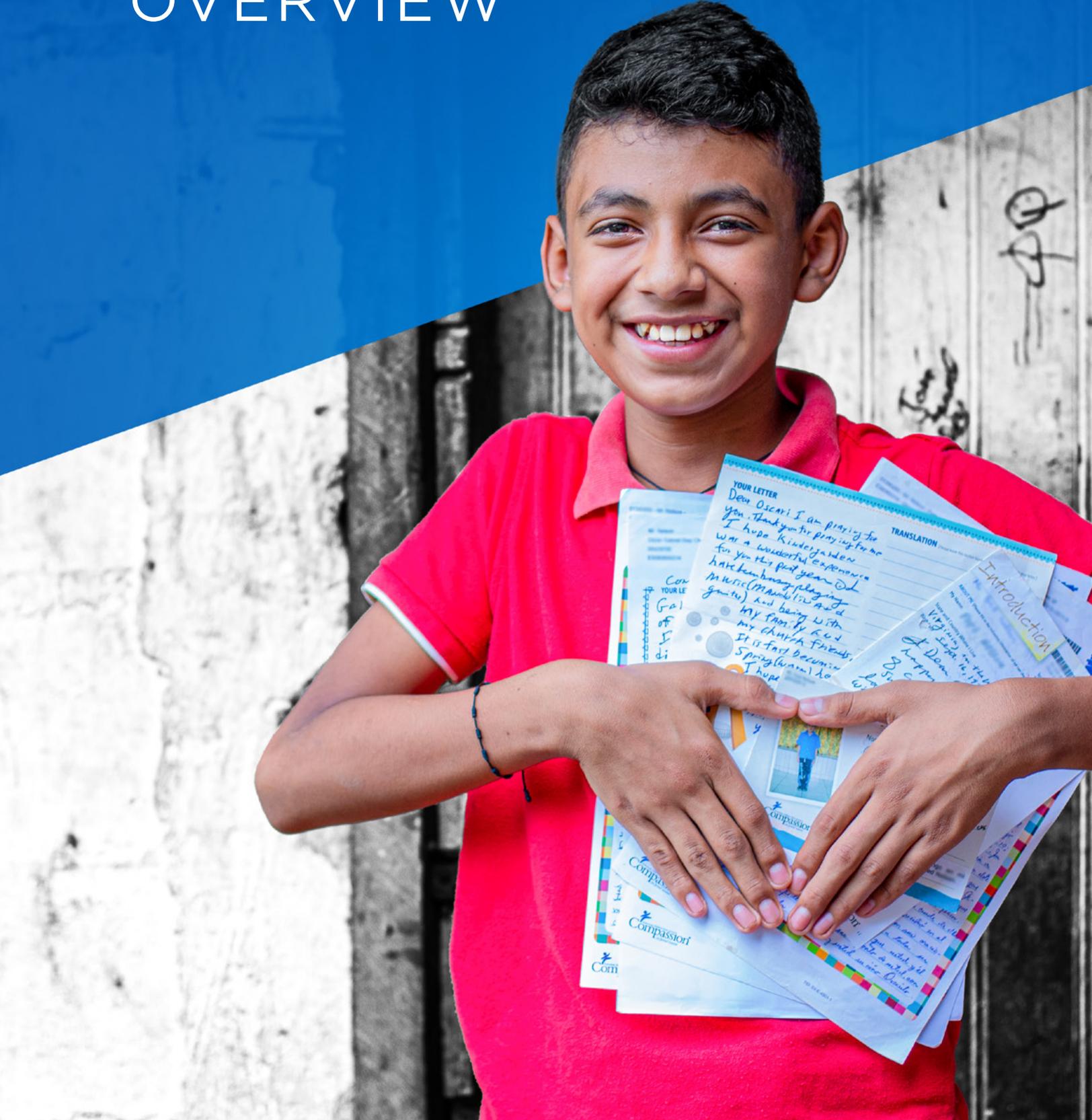
Yet, even amid this ever-advancing environment, I am amazed by the speed and effectiveness with which this ministry transformed in order to respond to the widespread disruption that began in March of 2020, and continues still today, as a result of the COVID-19 pandemic. Our partner churches across the developing world had to quickly adapt their entire ministry approach in order to take Compassion's program to the children, while also adjusting the care they provided to address the most pressing needs created by the COVID reality. Similarly, our staff who work to attract new child sponsors and maintain engagement with our existing supporters also found themselves unable to connect with their constituents and serve them as they had before, leading to an extraordinary season of personalized relational investment and the adoption of many new digital solutions. And in response to the unprecedented crisis facing the highly vulnerable populations we serve together, Compassion's supporters responded with an equally unparalleled level of love and generosity.

As you engage with the following review of Compassion's fiscal year 2021, I hope you will join us in thanking God for his unfailing goodness and provision and in praying that he will continue to grant us all the wisdom and courage to adapt as the future may demand and as he may lead.

Santiago "Jimmy" Mellado
President and CEO,
Compassion International



MINISTRY OVERVIEW



WHO COMPASSION IS

Compassion International and its wholly owned and controlled affiliates (collectively, Compassion) is a child advocacy ministry pairing compassionate people with children living in extreme poverty to release the children from spiritual, economic, social, emotional, and physical poverty.

Compassion traces our beginning to 1952, when an American evangelist, Rev. Everett Swanson, saw the plight of Korean War orphans while on a tour in South Korea. Upon his return home, Swanson established a program through which caring people could sponsor children in need for a few dollars a month. In turn, those children were provided benefits, including food and clothing as needed, education, health care and Christian training. That historic program continues to be the basic model for Compassion's child development program.

Compassion takes a long-term approach to child development by investing in and for the life of each child. Through our holistic child development model, we provide physical, socioeconomic and spiritual care together

to help children in poverty fully mature in every facet of life and transcend what is often a generational legacy of poverty. Compassion delivers whole-life care, by way of our Frontline Church Partners, that is personal, individualized, relational and tailored to the child's age, gender, health, culture, and family situation.¹

COMPASSION IS ON A MISSION
TO RELEASE CHILDREN FROM
POVERTY IN JESUS' NAME.

MISSION — Compassion is on a mission to release children from poverty in Jesus' name. While Compassion has made tremendous progress in poverty alleviation since 1952, there is still much work to be done. There are still over 570 million children living in poverty² — and experts believe that the COVID-19 pandemic may reverse decades of progress in curbing global poverty.³

CORE STRATEGY — Simply stated, Compassion's core strategy is to join God in the holistic development of children in poverty by serving our stakeholders' callings to unleash their connected potential to transform lives.



Compassion is part of God's work of developing the whole child living in poverty. This is accomplished by, first, working where God has placed Compassion. This is his work, and Compassion's ministry depends on his continued direction. But Compassion has also heard his call to unconditionally serve others in this mission. Thus, Compassion works to serve others whom God has called to this work. We recognize that each person has an important function in God's work and that in working together, people will accomplish more than they might expect or imagine. Finally, in all of this, Compassion knows that each person's life will be transformed as they serve in God's work.

CORE VALUES — Compassion aspires to be a Christ-centered environment serving our stakeholders' callings. As such, our core values are:

INTEGRITY God desires his people to live undivided lives where heart, soul, mind and body are consistently working together to increasingly reflect the character of Jesus in all settings and circumstances. Thoughts, words and actions are to be congruent and reliable.

DISCERNMENT God guides his people in multiple ways (through Scripture, prayer, wise counsel, expertise) to make community-affirmed decisions as they pursue God's will in accomplishing his mission together.

DIGNITY Each person is created in God's image and bears God's likeness. Compassion seeks to reflect the example of Jesus in showing honor, respect and love to all people.

STEWARDSHIP All resources entrusted to Compassion (people, time, money, knowledge, reputation and materials) are precious to our mission. Therefore, all resources are protected and deployed with great care and wisdom to maximize both short- and long-term impact.

EXCELLENCE This is not perfection but rather doing the very best with the resources on hand to advance the mission. Excellence honors God and inspires people.



WHAT COMPASSION DOES

In service to our mission, Compassion helps develop children into all God intends them to be. Holistic child development equips children today with skills to succeed tomorrow. This development provides opportunities that encourage the healthy development of all aspects of a child — physically, economically, socially, spiritually and emotionally.

Holistic child development means we begin assisting a child in poverty, in some cases, when the child is still in the womb, and we continue all the way through his or her young adulthood.

Holistic child development requires a long-term approach and goes beyond simple involvement in the life of a child. It involves long-term dedication and perseverance, and it changes as a child's life needs change. This is why our work is tailored to a child's age, gender, health, culture and family situation.

Compassion provides resources to help 2.2 million at-risk children living in debilitating poverty inside 25 countries spread throughout Africa, Asia, Central America, the Caribbean and South America. For 69 years, Compassion has walked alongside local partners to mobilize, build capacity and engage resources to implement programs and interventions, such as vocational training and prenatal care, that positively impact the lives of children living in poverty. Compassion works primarily with local church partners (over 8,000 currently) believing that local churches are lasting pillars in their communities and are best positioned to understand and meet the needs of children in their unique contexts.

COMPASSION WORKS PRIMARILY WITH LOCAL CHURCH PARTNERS (OVER 8,000 CURRENTLY)

As a respected international development actor, Compassion's development work with local church partners is consistent with and supportive of the sustainable development goals that are championed by the governments of countries where Compassion is operational — particularly in the eradication of poverty and



addressing issues related to food security, good health and well-being, quality education, clean water and sanitation, and gender equality. Furthermore, Compassion is a leading authority in holistic child development within the international development sector. Child development means that each child, assisted by their local church partners, receives whole-life care that is personal, individualized, relational and tailored to the child's age, gender, health, culture and family situation.

COMPASSION IS A LEADING AUTHORITY
IN HOLISTIC CHILD DEVELOPMENT
WITHIN THE INTERNATIONAL
DEVELOPMENT SECTOR.

Compassion's focus on children living in poverty involves a commitment to long-term involvement in a child's life, supporting their physical, cognitive, emotional and spiritual needs. It is an investment in and for the life of the child. Further, Compassion provides these unconditional and loving interventions to a diverse group of children living in poverty regardless of their gender, race, ethnicity, culture or religion and never uses ministry services to coerce or manipulate a child to convert to a specific religion.

Compassion operates in the \$400 billion development and relief space.⁴ We rely on a broad group of almost 1.5 million individuals, groups and organizations to support our global operations. This support takes many forms, including direct financial support, advocacy and influence, volunteer time and various other monetary and nonmonetary resource gifts that support the mission.

This broad base is unique in the development space and is one of the keys to our stability in providing programs to help children. Compassion raises support in the United States and globally through an alliance with 11 unaffiliated international organizations (Global Partner Alliance) in predominantly high-income countries. This global reach also provides stability to the various forces that affect the ability to generate support.

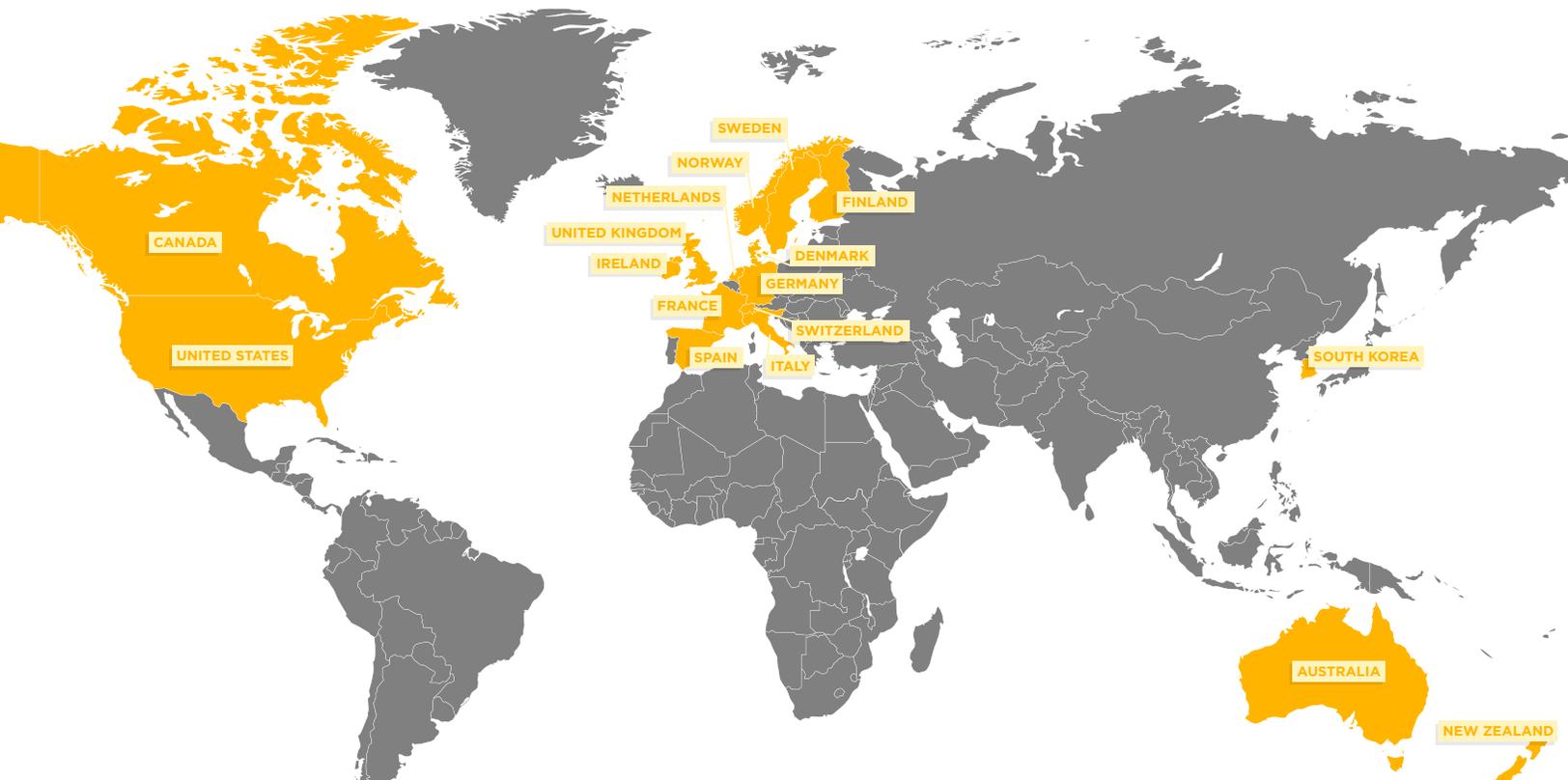




COMPASSION'S GLOBAL PARTNER ALLIANCE is a covenant charter composed of 12 members serving supporters in 17 countries — Australia, Canada, Denmark, Finland, France, Germany, Ireland, Italy, South Korea, the Netherlands, New Zealand, Norway, Sweden, Switzerland, Spain, the United Kingdom, and the United States — with the unified purpose of providing holistic child development and living out the teachings of Jesus to love and serve the poor. The Global Partner Alliance is not an entity but rather the means by which multiple entities accomplish a shared purpose.

Compassion International does not control or own any member of the Global Partner Alliance. Each is independent, raises its own funds and has its own governing board. Each has agreed to share funding with Compassion International in order to access Compassion's programming. In fiscal year 2021, International Partner contributions totaled 25% of the consolidated revenues of Compassion International. In this way, the Global Partner Alliance partners with and supports Compassion-assisted children and Compassion's Frontline Church Partners. Because each member of the Global Partner Alliance is independent and subject to its own individual country's oversight, they are all independently accountable to local governments and donors.

In today's environment, the development and relief space (along with all industries) face a global pandemic, the scale and scope of which has never been experienced. The global trends impacting children for decades continue unabated: violence and war, abuse and trafficking, food scarcity and crop risks, child labor and economic exploitation, education and gender inequalities, water and sanitation needs, family displacement and migration, orphaning, mental health, health care and medical needs, disasters, and a host of environmental threats, all alongside an enduring hunger for the gospel. These pressures — which adults recognize and struggle with — impact children even more severely and in ways that can last a lifetime. Compassion will continue to stand up for and serve these children, even as the COVID-19 pandemic exacerbates these "normal" challenges.



WAYS TO PARTNER

COMPASSION VOLUNTEERS — More than 100,000 individuals volunteered with us in fiscal year 2021. Approximately 70,000 of these volunteers serve within the frontline church programs as teachers, tutors, worship leaders, and cooks. The remaining volunteers worked at live events, at our headquarters in Colorado Springs, Colorado and on our translation team. They all gave of their time and talents to make a difference for children in poverty.

COMPASSION AMBASSADORS — Compassion Ambassadors are professional artists, speakers, athletes and influencers who have a God-given gift and passion to share their faith and help share God's heart for the poor and the church's responsibility to care for them. They present Compassion's ministry at live concerts, conferences, festivals, churches, on podcasts and through their social media networks to invite their audiences into supporting children through Compassion. We currently partner with over 300 ambassadors, who collectively helped over 24,000 children connect with sponsors in fiscal year 2021.

CHURCH ENGAGEMENT — Compassion's Global Partner Alliance supports mutually beneficial relationships with almost 25,000 churches around the world. Our role is to help churches connect their congregants to the developing world, present an opportunity to follow Christ's example of compassion and empower congregants to impact children — at home and around the world.

INDIVIDUAL SUPPORTERS — More than 1.1 million individuals took the opportunity in fiscal year 2021 to help release children from poverty in Jesus' name, either by one-to-one sponsorship, donations to mission-critical priorities, or a combination of the two.



CORE PROGRAMS



CHILD AND YOUTH DEVELOPMENT — Our work is to facilitate a network of caring individuals both local and far away with whom Compassion works to know, love and connect in order to protect and enable positive development in children and youths who live in contexts of poverty. Youth outcomes are the holistic attributes we believe make it possible for a young person to be released from poverty and reflect a thriving and abundant life. They enable youth to pursue their full potential and make positive differences for others so they, too, thrive. Well-being, youth agency, self-sufficiency and spiritual development are some of our key themes within the youth outcomes. In addition, we believe that child protection is an essential condition that enables progress toward these outcomes.



SURVIVAL PROGRAM — The Survival Program focuses on the health and survival of mothers and babies during the most vulnerable time of the baby's life — prenatal through age 1. The program provides prenatal care, assistance at birth, medical care for babies and mothers, and education on critical child development skills. The program is a lifeline when children are most vulnerable to disease and malnutrition.



SUPPLEMENTARY GRANTS — Compassion's supplementary grants (what we refer to as Complementary Interventions) provide a wide range of opportunities to engage in the fight against poverty. They eliminate barriers to holistic child development by meeting critical needs, equipping beneficiaries for productive lives, empowering caregivers to increase household stability and extending local church partners' abilities to release children from poverty. Funding for grants is separate and complementary to sponsorship funds and local resources, representing more than 23% of total grants during fiscal year 2021.

There are two primary kinds of supplementary grants:

INDIVIDUAL These meet the prevention and development needs of beneficiaries to help them achieve outcomes. Examples include: disaster relief, education, vocational training, water, sanitation and hygiene.

ONGOING These support development by addressing treatment needs that arise during a beneficiary's life in the program. Examples include: highly vulnerable children's care;⁵ HIV/AIDS care; and medical assistance.



WHERE COMPASSION WORKS

All of Compassion's work happens through partnerships with thousands of local churches in 25 countries around the world. We partner with churches in Africa, Asia, Central America and the Caribbean and South America to provide children with the opportunity to rise above their circumstances and become all God has created them to be.

Compassion's church partners around the world, known as Frontline Church Partners, tailor our holistic child development model to the contextualized needs of the children in their communities to best deliver the whole-life care that the children we serve most need.

NATIONAL OFFICES — Compassion works in 25 countries. National offices serve as the hub in each nation where Compassion employees work and maintain their relationships with Frontline Church Partners in that nation. National offices support our ministry in the field. Activities include building the capacity of the local church through facilitation to achieve outcomes, operational support, and marketing and fundraising activities.

AFRICA Burkina Faso, Ethiopia, Ghana, Kenya, Rwanda, Tanzania, Togo and Uganda



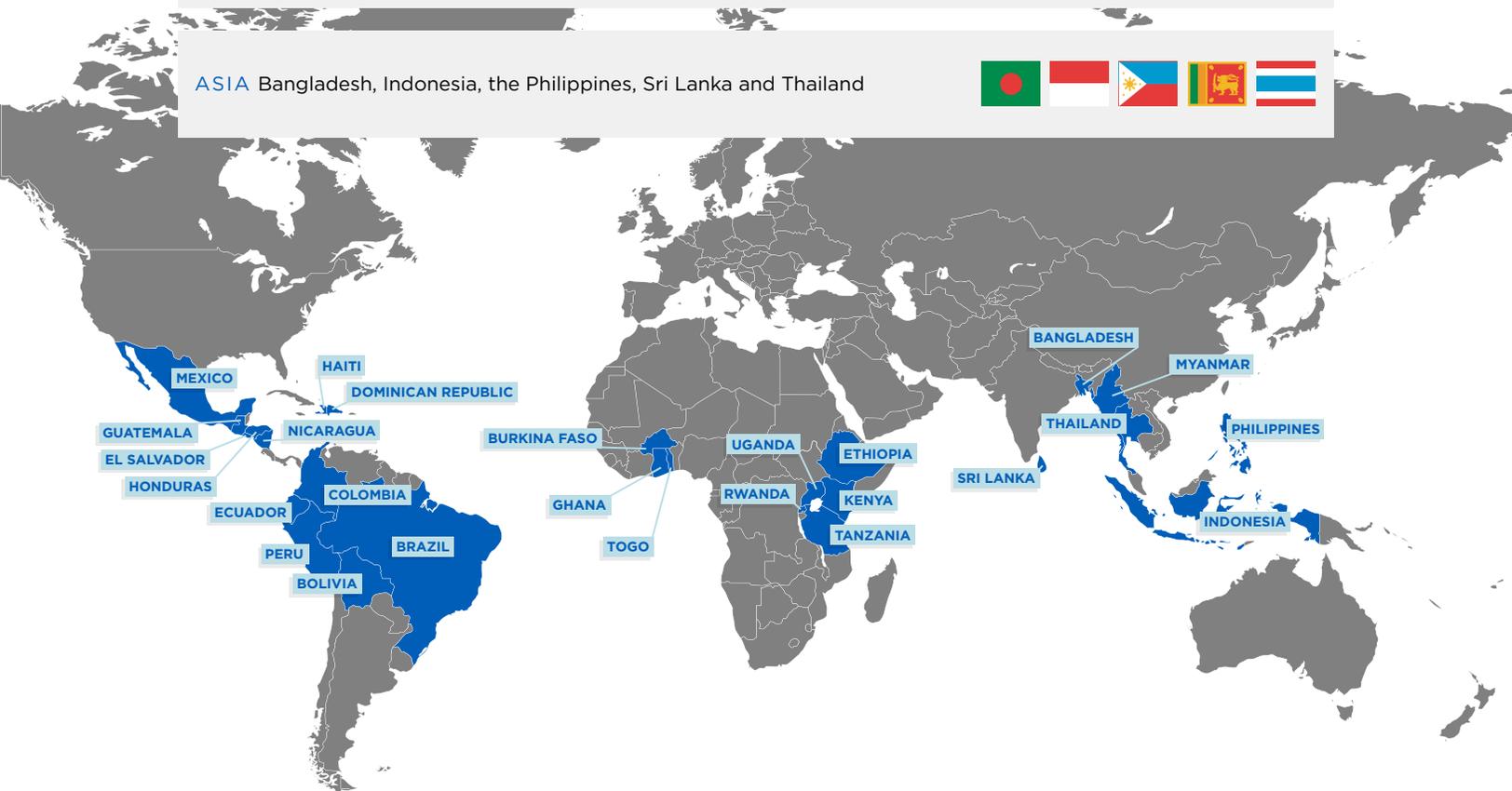
CENTRAL AMERICA AND THE CARIBBEAN
The Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Mexico



SOUTH AMERICA Bolivia, Brazil, Colombia, Ecuador and Peru



ASIA Bangladesh, Indonesia, the Philippines, Sri Lanka and Thailand



OVER THE PAST SEVERAL YEARS, COMPASSION INTERNATIONAL'S JOURNEY HAS BEEN TO MOVE FROM ACTIVITY AND OUTPUT MONITORING TO A MORE COMPLETE PICTURE OF THE DEVELOPMENTAL OUTCOMES NECESSARY FOR CHILDREN AND YOUTH TO THRIVE,

as well as understanding the causal attributes of our program's part in that journey. Moving toward a Global Outcomes Framework and Theory of Change, we strive to provide the most targeted, effective programs possible to children and youth, and their families while maintaining the individualized nature of our program. Thus, we take extra care to account for context and provide robust outcome measurement and impact evaluation in order to more thoroughly understand the effects our program has on those we serve and ways to constantly increase effectiveness.

KEY PROGRAM METRICS AND OUTCOMES

Compassion's outcome framework is focused on the following four areas:



CAPACITY FOR ECONOMIC SELF-SUFFICIENCY — Defined as having motivation, skills and education to economically support themselves and others.



YOUTH AGENCY — Defined as youths having vision, skills and character to positively influence their context.



WELL-BEING — Defined as being physically and mentally healthy as well as having positive self-identity and relationships.



SPIRITUAL DEVELOPMENT — Defined as growing in their relationship with Jesus and contributing to and engaging with the community.



SATISFACTION MEASURES

In fiscal year 2021, Compassion began implementing a new management framework and satisfaction measures that reflect our commitment to provide the most targeted, effective programs possible.

Compassion developed and piloted a new Program Cycle approach that empowers Frontline Church Partners and national offices to make data-informed decisions and choose evidence-based interventions to create a program that meets the unique needs of the children and youth in their communities. Compassion's Program Cycle is a management framework that guides the design, implementation and refinement of development interventions, projects, and programs. It provides a natural way to learn and improve our results.

To provide actionable data to Frontline Church Partners and national offices, the Monitoring, Evaluation, Research and Learning team identified the highest quality survey tools to measure Compassion's primary Outcome areas and develop Compassion-specific Youth and Frontline Church Partner Satisfaction Measures. It was critical to select or develop age-graded survey tools that align with Compassion's strategy to meet this objective.

The measurement selection and development process included:

EXTENSIVE LITERATURE REVIEW — this review included high-impact journals, multilateral institutional documents and internal literature that describes each of Compassion's Outcome areas in detail. This was necessary to fully define and understand the Outcome areas and predictors of each Outcome, as well as to identify all previously developed survey tools and any associated validity and reliability evidence.

EXPERT CONSULTATIONS — numerous experts from a variety of Compassion's academic partnerships, including Tufts University, Fuller Theological Seminary, and Boston College, thoughtfully contributed to the theoretical discussions about Compassion's Outcome areas.

PROPOSAL DOCUMENTS — created for each Outcome to synthesize the literature, describe each existing survey tool and available validity evidence, identify and justify the recommended tool for use at Compassion, and specify ways the data could be analyzed to be most useful for Frontline Church Partners and national offices.

TESTING AND RATIFICATION — to ensure relevance to Frontline Church Partners and national offices, the Monitoring, Evaluation, Research and Learning team developed customized tools for both Frontline Church Partner Satisfaction and Youth Satisfaction based on research literature and sector-specific practices.



Tools were selected that have been widely used in low- and middle-income countries and align with the United Nations' Sustainable Development Goals (SDGs)⁶ and sector best practices. For example, the International Common Assessment of Numeracy (ICAN), developed by the Peoples Action for Learning (PAL) Network, was chosen as one of the tools for the Self-Sufficiency Outcome area. ICAN is aligned to the Global Proficiency Framework, which was developed by USAID, the World Bank, UNESCO Institute for Statistics, and others, to provide a common scale for reporting toward SDG Indicator 4.1.17. Additionally, in the Well-Being Outcome area, questions were included from the WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply, Sanitation and Hygiene, which is the custodian agency for monitoring progress toward alignment with SDG 6.1.18 and 6.2.19, to monitor basic water and sanitation access.

We then worked through an iterative process of pilot testing, analysis, and refinement in three countries. These outcome and satisfaction tools and proposals then were further refined through an internal peer-reviewed process and approved by a committee of Monitoring, Evaluation, Research and Learning and Global Program leaders to be used in the first full pilot test in a fourth country. Moving forward, the tools will undergo rigorous testing with each national office to ensure that the data is reliable and the interpretations are valid.

COMPASSION NOW HAS
CHILD AND YOUTH
OUTCOME MEASURES
THAT ARE
DEVELOPMENTALLY
APPROPRIATE FOR
ALL AGES.

Compassion now has Child and Youth Outcome Measures that are developmentally appropriate for all ages, as well as Youth and Frontline Church Partner Satisfaction Measures. These tools fully represent the depth and breadth of the holistic Child and Youth Development Compassion seeks to achieve in partnership with Frontline Church Partners. Data from these tools provide Frontline Church Partners and national offices with age-graded actionable data that can be used to make data-informed decisions and monitor progress over time, using our Program Cycle.





COVID-19 IMPACT ON OPERATIONS

The COVID-19 pandemic had a significant impact on Compassion's program around the world — but an even greater motivation for our partners to fight back.

During this time, it has been crucial to adapt how Compassion and our Frontline Church Partners minister to children. The mission has not changed, but many of the methods have. Compassion staff and volunteers are doing everything they can to minimize the impact to the children in their programs. Compassion temporarily closed the child development centers in most of our field countries, temporarily halting group activities. Workers are limiting personal contact to phone calls, messaging apps and home visits (when possible and safe) to deliver emergency supplies during this time of crisis.

As part of our core Child and Youth development program in fiscal year 2021, funding was used to supply the following critical needs as part of our COVID-19 response:

10.6 MILLION
MULTI-WEEK FAMILY FOOD PACKS

7.6 MILLION
HYGIENE KITS

1.5 MILLION
MEDICAL/HEALTH CARE SUPPORT

Our work also included support of our beneficiaries and their communities with:

73% OF FRONTLINE CHURCH PARTNERS DELIVERING COVID-19 AWARENESS/HYGIENE EDUCATION

72% OF FRONTLINE CHURCH PARTNERS PROVIDING SPIRITUAL SUPPORT/BIBLICAL COUNSELING

70% OF FRONTLINE CHURCH PARTNERS RESPONDING WITH ADDED HEALTH AND NUTRITION SUPPORT

65% OF FRONTLINE CHURCH PARTNERS OFFERING ADDITIONAL CHILD PROTECTION SUPPORT

64% OF FRONTLINE CHURCH PARTNERS PROVIDING EMOTIONAL/PSYCHOSOCIAL SUPPORT





In addition to our Child and Youth development funding being available to meet these needs, Compassion spent more than \$16 million in specific disaster relief supplementary programs throughout the year. This additional funding provided even higher levels of food packs and hygiene kits, as well as increasing our support in health/nutrition education, psychological support, child protection support, income generation and educational support.

The COVID-19 pandemic forced schools and other educational institutions in 188 countries to impose country-wide school closures.¹⁰ This created the need for effective remote learning solutions for over 1.6 billion children, representing 91% of the global student population.¹¹

Compassion conducted a qualitative analysis on remote learning initiatives of holistic child development, utilizing information reported from a COVID-19 National Office Status Survey and data from the first four months of the pandemic: March–June 2020.

Information on program curriculum adaptation and delivery amidst COVID-19 restrictions was specifically targeted. (Information on Compassion registered children/youth support, COVID-19 awareness/psychological help reported by national offices is not presented here). This review provides internal examples from within Compassion Program countries and external examples of EdTech (education technology) for school-age children.

COMPASSION SPENT
MORE THAN **\$16 MILLION**
IN SPECIFIC DISASTER
RELIEF SUPPLEMENTARY
PROGRAMS THROUGHOUT
THE YEAR.

COMPASSION'S SOLUTIONS

The following methods were essential to continue education and engagement with our registered children and youth during the COVID-19 pandemic.

SOCIAL MEDIA WhatsApp was the most used method of curriculum delivery across countries, followed by take-home kits and printed curriculum sheets that were distributed to Compassion registered children/youth with relief aid packages. National offices also utilized Facebook Live and Facebook groups to deliver content safely. YouTube was used extensively to develop and broadcast curricula, especially in Central and South America and the Caribbean.

AUDIO AND RADIO Compassion provided interactive instructional content to youth through audiobooks, podcasts and radio shows using live radio broadcasting and mobile phones/tablets.

VIDEO AND TELEVISION Youth received continued educational support through instructional videos and educational TV shows.

MOBILE PHONES (VOICE/TEXT/WEB) Cell phones and other devices allow students to learn through educational apps and games, virtual tutoring, coaching and learning groups, and virtual learning materials.

ONLINE TEACHING AND LEARNING Children and youth were able to continue education through platforms like Massive Open Online Courses, open educational resources and screen casting through mobile phones/tablets.

These consequences of the COVID-19 pandemic simultaneously challenge the foundational economics of funding and the economics of at-risk children and families. Because of this, we may see a decrease in the steady advances made to reduce poverty — with long-term impact as uncertain as the pandemic itself.

UNICEF reported that an additional 6,000 children under age 5 could die per day due to the direct impact of COVID-19,¹² and UNICEF has estimated that 142 million more children worldwide will be pushed into extreme poverty.¹³ Because of this, the number of children living in poverty (570 million) will undoubtedly increase in direct correlation to the pandemic. This crisis will not end anytime soon. However, the determination to assist the poor is stronger than ever.

Amid this new reality, new processes and approaches are being developed and implemented to help us fulfill our mission in this unprecedented time.



CRITICAL POLICIES & STANDARDS



COMPASSION INTERNATIONAL IS INTENTIONAL IN ADDRESSING CRITICAL RISK FACTORS FACING OUR MINISTRY AND ESTABLISHING POLICIES TO GOVERN THE BEHAVIORS AND OPERATING ACTIVITIES OF OUR STAFF.

Certain policy statements and risk factors are highlighted below. Policies establish Compassion International's intention, creed or philosophy concerning matters of importance. Global policies are approved by the board of directors and acknowledged by the president and chief executive officer (CEO). Policies establish the governance and compliance expectations of the board of directors and leadership of the organization.

RISK MANAGEMENT

Compassion International operates in a global context with evolving threats and opportunities. Compassion's commitment to stewardship requires the organization to proactively manage risks to the achievement of the mission and minimize the negative impact of disruptive events. Risk is determined by the board of directors in terms of financial impact to the organization or damage to the reputation or mission of the organization. To that end, Compassion International has established an independent enterprise risk management function to assist in assessing and managing risks. We take prudent measures to ensure that risks are managed within the limits and guidelines expressed by the board.

BUSINESS CONTINUITY

Disruptive events can occur at any time and may be caused by natural, environmental or human-caused events. Compassion International is committed to establishing and maintaining a comprehensive business continuity program that ensures the organization is prepared to continue operations following any event that threatens to disrupt the ongoing normal operations of the organization. Plans include the identification of critical business processes and capabilities and relevant recovery timeframes for the same, with a goal to ensure the creation of plans to achieve resiliency.



DATA PROTECTION AND PRIVACY

Compassion International is entrusted with the personal and private information of supporters, sponsors, donors, beneficiaries, employees, board members, volunteers and partners. We are committed to protecting that information and complying with all applicable data protection laws across the globe. It is the policy of Compassion International to protect the personal data of these people groups and ensure that their rights are respected. Therefore, Compassion implements appropriate processes and security measures to preserve that privacy in compliance with all legal and regulatory requirements. Compassion International will report any data protection and privacy breaches to all appropriate parties.

FUNDS MANAGEMENT/MONITORING

It is the policy of Compassion International to conduct our fundraising with the highest standards of integrity. All funds will be used for the purposes for which they were raised or donated. Compassion is committed to ensuring a stewardship-focused set of processes that will optimize the use of donated funds for our mission of releasing children from poverty in Jesus' name. Processes are intended to maintain a set of funds that balance the need of flexibility in programmatic use with the specificity needed to satisfy donors of its use. Funds received that are without donor restriction are maintained in an undesignated fund unless directed separately through designation by the board of directors. The delivery of funds for programmatic use will be conducted in a manner that gives precedence to using the most restricted funds available, ensuring that funds are used most efficiently. Internal controls and mechanisms are in place to ensure ultimate use is in accordance with relevant fund definitions.

CASH AND INVESTMENT POLICY

The objective of Compassion's cash and investment management is to ensure adequate liquidity and safety of funds while achieving an appropriate return on the organization's cash assets. Compassion seeks to invest our portfolio and funds with the intent of outpacing or maintaining the rate of inflation. It pursues this primarily by employing appropriate asset allocation strategies for our investments, based on time horizon, cash flow expectations and risk tolerance.

Compassion ensures all financial activities are transacted through regulated markets and maintains adequate accountability regarding Anti-Money Laundering and Countering the Financing of Terrorism and Anti-Bribery and Anti-Corruption. Investments are allowed in various asset categories, including cash and cash equivalents, investment-grade fixed asset securities and equity securities. Compassion International's investment portfolio is maintained under the direction and regular monitoring of the finance and audit committee of the board of directors.



CONFLICT OF INTEREST/RELATED PARTY POLICY

It is the desire of Compassion International to transact business on an ethical basis with all persons and firms with which it maintains business relationships. The policy of Compassion is that all board members and staff serve the interest of the organization in an unconflicted way. No board member, officer or employee of the organization worldwide shall benefit, either directly or indirectly, from any individual or group that conducts business with the organization. Transactions between related parties must not result in material conflicts of interest or give the appearance of resulting in such. Therefore, a board member or staff member who are related and involved in any way with transactions or potential transactions must abstain from the deliberation, drafting or execution of same. Processes are in place for the annual disclosure and ongoing monitoring of any known or potential conflicts of interest. Further, Compassion maintains a secure, confidential way to report ethical concerns or suspected violations of law and policy. Our goal is to ensure all stakeholders can communicate issues and concerns safely and honestly while maintaining anonymity and confidentiality.

DIVERSITY AND INCLUSION

Compassion International believes that people are the ministry's most important and impactful resource. We are committed to creating a safe and productive work environment where everyone contributes their unique gifts, talents and experiences to serve our stakeholders and fulfill our mission together. Compassion formalized its Diversity and Inclusion efforts in 2019 through the hiring of a dedicated staff member to lead focused and ongoing initiatives across our global operations. We also partnered with an outside consultant to conduct a baseline audit of our U.S. Human Resource policies and procedures and compensation structure. While more than 75% of staff reported a favorable response on inclusion during a 2020 survey, we continue to work on advancing this metric. These efforts include the implementation of two proactive training modules on how to foster inclusivity and recognize unconscious biases. Additional initiatives to support ongoing development of a diverse and inclusive culture include employee-led affinity groups, quarterly diversity forums in the United States, global manager peer-to-peer discussions and an executive diversity and inclusion dashboard.



COMPENSATION POLICY

Compassion International believes that each employee's presence and commitment to the mission flow out of a deep sense of God-given calling. Therefore, we do not position compensation as a driving motivator to attract staff or generate performance. Yet we know that talent and applicable experience, in addition to calling, truly matter when it comes to organizational effectiveness and stewardship.

We also believe that it is good and proper to compensate people for their work, including ministry work.

Biblical foundations for that belief can be found in 1 Corinthians 9:7-10, Luke 10:5-7 and 1 Timothy 5:17-18. Even the parable of the talents (Matthew 25:14-30) points us toward entrusting resources according to ability and investing wisely and aggressively, with faith, in pursuit of Kingdom objectives.

Our experience has shown that Compassion's complex, multinational ministry is best served by a highly skilled and experienced workforce capable of navigating high levels of managerial complexity and challenge. As such, Compassion places great value on all our employees and desires to honor the biblical value of fairness in determining appropriate compensation that recognizes the contributions of our staff, creates sustainability and maximizes mission as we carry out the work of the ministry. Similarly, our compensation strategy seeks to prevent the demotivating hindrance of inequity by differentiating for aspects like knowledge, skills, abilities, experience, level of responsibility and length of service. In Compassion's context, that currently requires appropriately differentiating between nine different layers within the organization.

However, in accepting employment with Compassion, staff members understand that they will earn less in our ministry environment than they likely could elsewhere. That reality becomes even more notable in positions of increased breadth and depth of responsibility. And while we consider for-profit compensation levels inapplicable to our compensation strategy, we do take into consideration what other not-for-profit organizations provide their staff. This helps prevent a shortage of expertise that's needed to implement a quality program, raise sufficient funds and build the scale of infrastructure necessary to accomplish our work. When that type of shortage occurs, the children we serve are the ones who ultimately suffer, with the organization not being as well led or effective as it could be.

Using analysis and recommendations from third-party compensation experts, the compensation committee of Compassion's board of directors is responsible for the annual recommendation of the salary and merit of the president and chief executive officer using, among other factors,



OUR EXPERIENCE HAS SHOWN THAT COMPASSION'S COMPLEX, MULTINATIONAL MINISTRY IS BEST SERVED BY A HIGHLY SKILLED AND EXPERIENCED WORKFORCE.

comparable market analysis with other non-profit organizations. Compassion's board of directors established a target of the 50th percentile of the relevant comparable non-profit organization market for total compensation for all employees. The compensation committee also performs an annual review of the compensation for all executives subject to standards of reasonableness under the U.S. tax code. Further, Compassion's board of directors receives a formal compensation reasonableness opinion each year from an independent third-party compensation consulting firm after a thorough review of all executive compensation.

Compassion's management reviews staff compensation annually, with consideration given to market analysis as well as local market forces and regulatory requirements. Additionally, all salary administration and benefits practices consider the current financial resources of Compassion and its responsibility for financial stewardship.

For more detailed information regarding executive compensation, please contact compensation.inquiries@us.ci.org.



BOARD ENGAGEMENT & LEADERSHIP

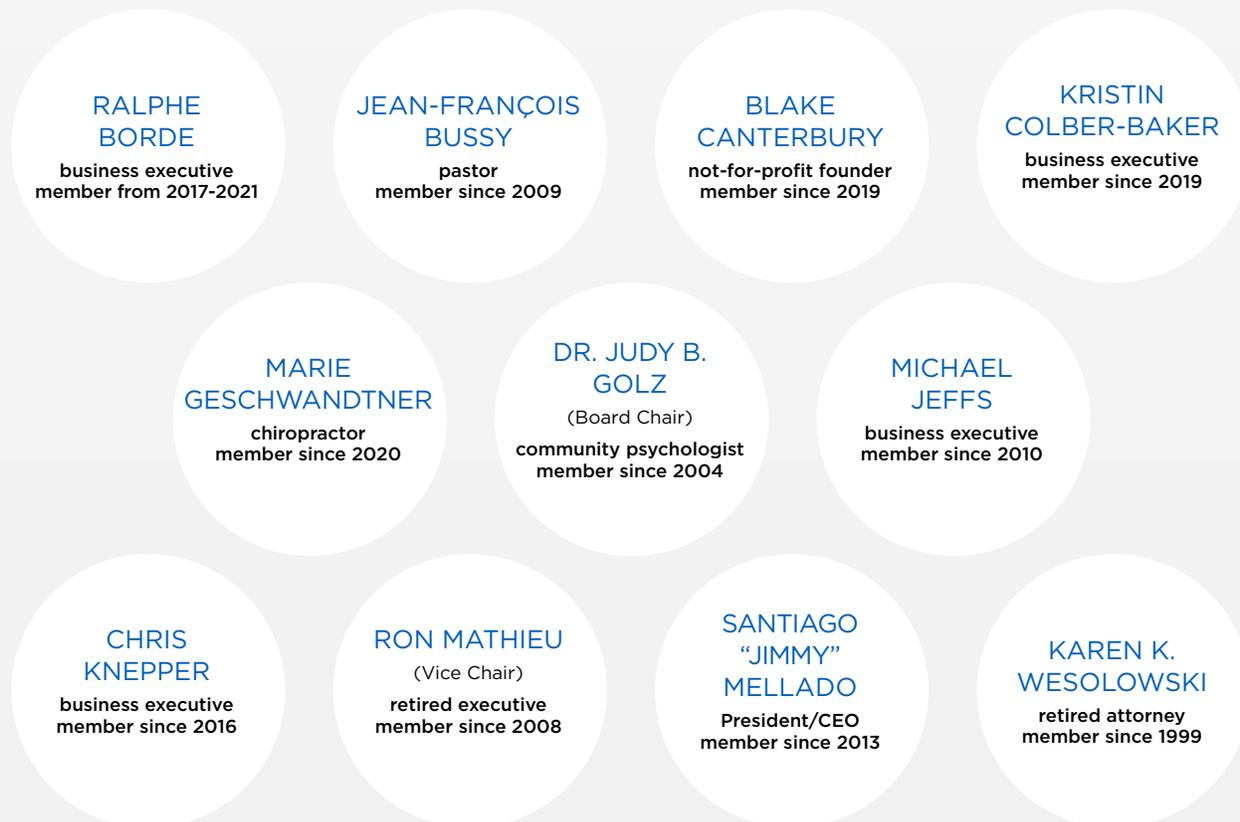


COMPASSION'S BOARD OF DIRECTORS

The board of directors serves to define and protect Compassion's mission. The board of directors has been given the legal, corporate authority and responsibility for overall direction and oversight of the operations of Compassion International. The primary duties of the board of directors include:

- Establishing the vision/mission, direction and values of the organization.
- Guiding the adoption of new policy and ensuring that all corporate activities are aligned with Compassion's strategic ministry objectives.
- Appointing the president as the CEO, delegating to him or her the responsibility for the administration of the organization and ultimately evaluating performance.
- Approving the budget and providing fiscal and fiduciary accountability for the assets and operations of the organization.
- Representing the diversity of the Compassion family worldwide and maintaining the unity of spirit and purpose across the whole organization.

Membership on the board of directors is a voluntary role. Members must be able to devote sufficient time and resources to accomplish the tasks and needs of the board of directors. We expect 100% attendance at all regularly scheduled meetings. Further, in order for the board of directors to make sound decisions regarding the international scope of the organization, it is important for them to see the depth and breadth of the programmatic work of Compassion International. Therefore, it is the policy to request that directors travel to observe programmatic implementation work on a regular basis. **The following individuals served as members of Compassion's global board during fiscal year 2021:**



COMPASSION'S GLOBAL EXECUTIVE TEAM



SANTIAGO "JIMMY" MELLADO

President and Chief Executive Officer

In addition to serving as the senior servant leader of Compassion International who models and safeguards its cultural values and behaviors, Santiago "Jimmy" Mellado is responsible to inspire and engage a wide array of stakeholders around Compassion's vision to see all children in poverty thriving in their God-given potential. He is also responsible to select a leadership team, implement a plan and strategy, monitor effectiveness, and adapt to a changing reality to maximize vision. Prior to joining Compassion International in June 2013 to serve as president and CEO, Jimmy enjoyed a 20-year tenure as president of the Willow Creek Association — a global ministry dedicated to helping local churches thrive. He is also a 1992 graduate of the Harvard Business School.



MARK HANLON

*Senior Vice President
of Global Philanthropic Engagement*

Mark Hanlon's team is focused on generating mid/major gifts beyond the scope of Compassion's current mass offerings and establishing high-impact relationships to partner with Compassion for greater philanthropic engagement in a global context. Mark has served Compassion since 1978 in numerous roles, notably as previous senior vice president of Compassion USA and senior vice president of global marketing and engagement. He has been in his current role since 2019.



TOM BECK

*Senior Vice President
of Global Human Resources*

Tom Beck leads the people, culture and workplace strategies for Compassion's global workforce. He is responsible for areas including talent acquisition, talent management, diversity and inclusion, organization development, Human Resources (HR) business partnerships, HR operations, communications, events and global facilities. Formerly a consultant, Tom joined Compassion full time in 2013 and has more than two decades of leadership and operational experience. As a founding partner of Blockbuster Midwest and Boston Chicken, Inc., he was instrumental in launching the Blockbuster Video, Boston Market and Einstein Bagel franchises.



SIDNEY MUISYO

*Senior Vice President
of Global Program*

Sidney Muisyo provides overall program leadership for all three global regions within Compassion's reach: Africa, Latin America/Caribbean and Asia. His four primary areas of leadership are program development, program strategy and operations, Monitoring, Evaluation, Research and Learning, and field line management. He began this role in July 2019. Sidney joined Compassion Kenya in 2002, serving in various roles, including communications specialist and manager of sponsor and donor ministries, before becoming the Africa regional vice president for Compassion International. Prior to working at Compassion, Sidney was the client services director for a large Kenyan consulting agency. He directed the agency's client-serving strategy, which combined advertising, event management, public relations and marketing.





KEN CALWELL

Chief Marketing Officer and Senior Vice President of Innovation

In his role at Compassion since 2017, Ken Calwell is focused on attracting and engaging Compassion supporters. He is responsible for brand management, marketing strategy and planning, research and insights, segmentation, product management and development, new product development experience design, and end-to-end customer service operations. Ken's experience in global executive leadership includes serving as chief marketing officer and executive vice president of research and development for Domino's Pizza, chief marketing officer and executive vice president/product development for Wendy's International, senior director of new product marketing for Pizza Hut, and CEO and president of Papa Murphy's International.



ROBERT HAWKINS

General Counsel and Senior Vice President, and Interim Chief Financial Officer

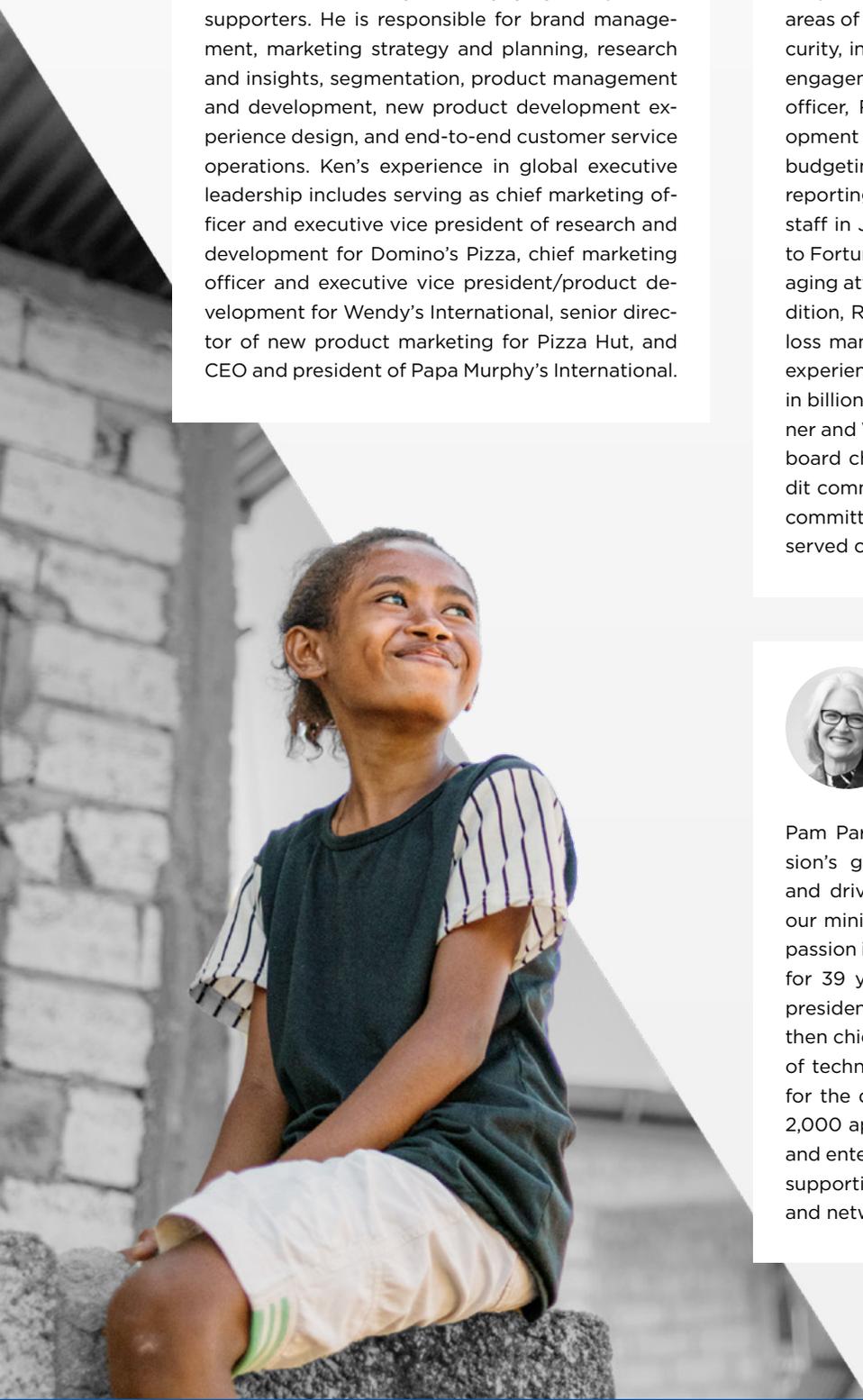
As general counsel, Robert Hawkins is responsible for providing counsel and global leadership in the areas of legal services, risk management, audit, security, incidence response, governance and board engagement. In his interim role of chief financial officer, Robert is also responsible for the development of financial strategies and for leading the budgeting, controllership, treasury and financial reporting functions. Prior to joining Compassion's staff in June 2019, Robert provided legal services to Fortune 500 companies and served as the managing attorney at a firm he founded in 2009. In addition, Robert has over two decades of profit and loss management, financial planning and analysis experience, having served as an executive leader in billion-dollar organizations, including Time Warner and World Vision. Robert has also held roles as board chairman, chairman of the finance and audit committee and chairman of the compensation committee for Compassion International, having served on the Compassion board for 18 years.



PAM PARISIAN

Chief Information Officer

Pam Parisian is responsible for leading Compassion's global information technology (IT) team and driving the overall IT strategy that will take our ministry into the future. Prior to joining Compassion in September 2020, Pam served with AT&T for 39 years in a variety of roles, including vice president of IT integration, strategy and planning, then chief information officer and finally president of technology development. She was responsible for the development and global operation of the 2,000 applications that support AT&T's consumer and enterprise businesses, as well as the platforms supporting human resources, finance, supply chain and network operations.



FISCAL YEAR HIGHLIGHTS & OUTLOOK



THE FOLLOWING IS SELECT UNAUDITED FINANCIAL DATA RELATED TO COMPASSION INTERNATIONAL'S CONSOLIDATED OPERATING RESULTS.

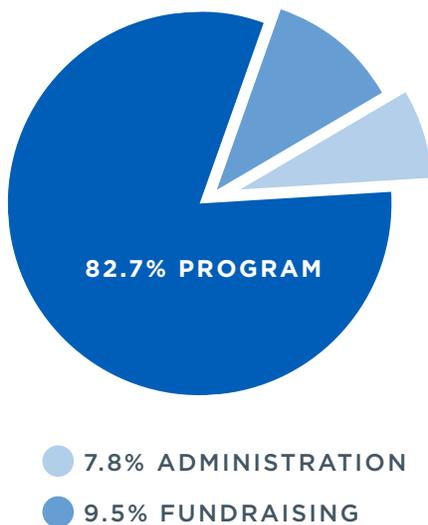
For further financial information, please reference the audited financial statements, along with accompanying notes to the financials, at [compassion.com/finance](https://www.compassion.com/finance).

FINANCIAL AND METRIC RESULTS

Compassion's supporters continue to give generously, understanding that those in poverty have been particularly impacted by the pandemic. Compassion experienced revenue growth of 1% in fiscal year 2021 (FY21), reaching nearly \$1.1 billion in total revenues. Despite the impact of the pandemic, Compassion supporters enabled the ministry to continue serving 2.2 million children registered in our program across 7,981 Frontline Church Partners as of June 2021. Of those children, more than 1.9 million were linked with personal sponsors.

Non-grant spending declined by 6.5% in fiscal year 2021, as Compassion adapted and shifted working models in response to the pandemic, resulting in an increase in net assets of \$92.4 million. Unrestricted reserves climbed to nearly \$152 million, giving Compassion a strong financial position as we continue forward in our mission to releasing children from poverty in Jesus' name.

This increased level of reserves demonstrates Compassion International intentional practices within our budgeting and spend activities to develop financial margin in our system. The building of financial reserves is critical to Compassion's ability to ensure the sustainability of programmatic activities through seasons of uncertainties outside of management's control including market and other external risks such as foreign currency exposures, economic downturn and global health crises, among others. These reserves allow Compassion International to weather the impact of unforeseen circumstances and will serve us well as we press forward from the effects of the COVID-19 pandemic. Compassion is developing operating plans for the next five years that are supported by our current financial position.



CONDENSED FINANCIALS AND LIQUIDITY (UNAUDITED)

| REVENUES ¹⁴ | FY21 | FY20 |
|---|------------------------|------------------------|
| Child Sponsorship Contributions | \$800,762,000 | \$755,471,000 |
| Other Contributions (Survival, Complementary Interventions) | \$291,504,000 | \$237,420,000 |
| Other Net Revenue (Investment Income, Foreign Currency Gain/Loss) | \$3,724,000 | \$8,309,000 |
| Total Revenue | \$1,095,990,000 | \$1,001,200,000 |

| EXPENSES ¹⁵ | FY21 | FY20 |
|---------------------------------------|------------------------|----------------------|
| PROGRAM | | |
| Grant Expenses | \$708,691,000 | \$681,757,000 |
| Program Delivery | \$121,644,000 | \$132,172,000 |
| Total Program | \$830,335,000 | \$813,929,000 |
| SUPPORTING ACTIVITIES | | |
| Fundraising | \$95,289,000 | \$111,766,000 |
| Management and General Administration | \$78,002,000 | \$73,485,000 |
| Total Supporting | \$173,291,000 | \$185,251,000 |
| Total Expenses | \$1,003,626,000 | \$999,180,000 |

| | | |
|---|--------------|-------------|
| Change in Net Assets (Total Revenue Minus Total Expenses) | \$92,364,000 | \$2,020,000 |
|---|--------------|-------------|

| SELECT DATA | FY21 | FY20 |
|--|---------------|---------------|
| Cash, Cash Equivalents and Restricted Cash | \$168,554,000 | \$196,057,000 |
| Unrestricted Reserves | \$151,981,000 | \$119,799,000 |
| Total Net Assets | \$363,090,000 | \$270,726,000 |

| KEY METRICS | FY21 | FY20 |
|--|-----------|-----------|
| Total Ending Registered Beneficiaries | 2,166,363 | 2,204,786 |
| Fundraising Efficiency Ratio ¹⁶ | 11.5 | 8.9 |
| Contribution Growth Rate | 10% | 4.7% |
| Grant Growth Rate | 4% | 7.4% |
| Program Ratio ¹⁷ | 82.7% | 81.5% |

THANK YOU

On behalf of Compassion International's board of directors, I want to express my sincere gratitude for the deep commitment of our supporters and dedication of our global workforce, all of whom have prayerfully chosen this ministry as an avenue to live out their callings to respond to the needs of children living in poverty. Whether your contributions are made in the form of time, talent or treasure, please know that we take very seriously our responsibility to steward the precious resources that you entrust to our care.

We are acutely aware that it is your faithful partnership, together with God's hand of blessing, that has enabled the strong ministry results for 2021 that are represented across the pages of this report. Especially amid this ongoing season of COVID-induced global uncertainty, it has been quite extraordinary to witness the outpouring of care and concern by this global body for the children and youth we serve together. Only God could have imagined that this would be the season in which he would see fit to bless the ministry with the highest levels of revenue in our history. And only he could have anticipated the lifesaving importance of those gifts to the children and families who have been so critically impacted by this crisis.

Now more than ever, the board and I are deeply grateful that Compassion's ministry is operating from a position of strength and is strategically focused to achieve even greater effectiveness and efficiency in transforming the lives of more children and youth in the future. We are so glad you are on this journey with us.

Every blessing to you,



Dr. Judy B. Golz
Board Chair, Compassion International



ENDNOTES

¹ Frontline church partners are the local churches in developing nations with which Compassion works to deliver child development and ministry in the field, including churches that have a Child Survival Program.

² The World Bank, Health, Nutrition and Population Statistics, accessed September 8, 2020, <https://databank.worldbank.org/source/health-nutrition-and-population-statistics>

³ “Reversals of Fortune,” World Bank, accessed October 12, 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/34496/9781464816024.pdf>

⁴ OECD (2021), “Detailed aid statistics: Official and private flows,” OECD International Development Statistics database, accessed September 9, 2021, <https://doi.org/10.1787/data-00072-en>

⁵ Highly Vulnerable Children’s Care was created to assist Compassion’s most vulnerable beneficiaries. The primary objective of this program is to provide emergency and supplemental interventions that are not present in core programs. These interventions are also required to stabilize beneficiaries to ensure that they remain involved in core program activities and show progress toward achieving outcomes.

⁶ The Sustainable Development Goals Report (2021), <https://unstats.un.org/sdgs/report/2021/>

⁷ “Proportion of children and young people (a) in grades 2/3; (b) at the end of primary; and (c) at the end of lower secondary achieving at least a minimum proficiency level in (i) reading and (ii) mathematics, by sex”, SDG Indicator 4.1.1, <https://sdg.data.gov/4-1-1/>

⁸ “Proportion of population using safely managed drinking water services,” SDG 6.1.1, <https://sdg.data.gov/clean-water-and-sanitation/>

⁹ “Proportion of population using (a) safely managed sanitation services and (b) a hand-washing facility with soap and water,” SDG 6.2.1, <https://sdg.data.gov/clean-water-and-sanitation/>

¹⁰ UNICEF, “COVID-19 and children,” <https://data.unicef.org/covid-19-and-children/>

¹¹ UNICEF, published May 13, 2020, <https://www.unicef.org/press-releases/covid-19-devastates-already-fragile-health-systems-over-6000-additional-children>

¹² “As COVID-19 devastates already fragile health systems, over 6,000 additional children under five could die a day, without urgent action.” UNICEF, published May 13, 2020, <https://www.unicef.org/press-releases/covid-19-devastates-already-fragile-health-systems-over-6000-additional-children>

¹³ UNICEF, “COVID-19 impacts on child poverty,” <https://www.unicef.org/social-policy/child-poverty/covid-19-socioeconomic-impacts>

¹⁴ Contributions are recorded as revenue when received without donor-imposed conditions or when donor-imposed conditions are substantially met. Child sponsorships and other monthly commitments are considered conditional until payment is received. Other contributions include amounts received for the Survival Program or Complementary Interventions or contributed without donor intent. Lastly, Compassion receives other net revenues primarily in the form of investment income, sublease income and gains/losses in foreign currency transactions.

¹⁵ The cost of providing the various programs and supporting services has been summarized on a functional basis. Program costs are recognized both as grants to third parties as well as program delivery costs related to program development, insights and implementation. Supporting services

are divided among those costs specific to fundraising versus all other management and supporting activities. Expenses directly attributable to a specific functional area of Compassion are reported as costs of those functional areas. Accordingly, certain costs have been allocated among program and supporting services benefited. Costs allocated primarily include facilities, information technology, and donor servicing and communications.

¹⁶ The fundraising efficiency ratio is used to measure how effectively an organization is at raising contributions. It is calculated by dividing total contributions less other net revenue by total fundraising expenses. After the decline in Compassion's ratio, we experienced in fiscal year 2020 due to the impact of cancelled fundraising events for which the ministry had already expended funds, fiscal year 2021 demonstrates a strong increase in our fundraising efficiency. This is largely the result of response to the cancellation of large events such as concerts, festivals, and church events. Instead, Compassion strategically shifted to online sponsorships and fundraising.

¹⁷ The program ratio measures the relationship between amounts an organization devotes directly to the deployment of its primary mission to those required to operate the organization overall. It is calculated by dividing program expenses by total expenses.

