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Compassion Australia: charity review

Care: At least some of the information about this charity is no longer current. Use the 'Search charity names' box to see if there is a later review. If the latest review has a message like this, you are welcome to make your case for an updated review via email to ted@businessbythebook.com.au.

This is an update of the March 2019 review of the charity Compassion Australia. The previous review (in black) **is used as a base, with comment only if the situation has changed or extra information would be helpful.**

COVID-19

This is review in the series 'Members of Missions Interlink', Missions Interlink being '*the Australian network for global mission*'^[1].

'Compassion Australia' is one such [Member](#), and an organisation that seeks donations [online](#).

Both Members and Associates have to accept a set of [standards](#), ([link updated](#)) the introduction to which includes this statement ([see the link for the updated statement](#)):

Constituents of Missions Interlink will be seen by all concerned as those who value the integrity of their organisations and are prepared to accept the scrutiny of their peers with regard to their activities. Constituents' compliance with these standards will be reviewed regularly in line with the Regulations.

This Member did not respond to a draft of this review.

Charity response

A draft of this review as sent both to the email address on the ACNC Register and to the email address for feedback. No response was received.

The charities' regulator, the ACNC, in their [article](#), *Donating to Legitimate Charities*, gives "some things to consider to help you make sure your donation is going where it is intended":

1. Check the charity's name.
2. Ask for identification from anyone seeking a donation.
3. Be careful of online requests for donations.
4. No tax deduction doesn't mean the charity is not a legitimate one.
5. Find out more about how the charity says it uses donations.

Here's the results for 'Compassion Australia'^[2], with #5 supplemented by the essentials of the [ACNC's What should I consider when deciding which charity to support?](#)^[3].

1. A search on the ACNC Register of charities gives a charity in that [name](#) (Compassion)^[4].

2. Does Compassion use street collectors? I couldn't find the answer to this on their website, nor in their Annual Report^[5] (available on the ACNC Register). The method is not included in the (non-exhaustive) list of methods of promoting child sponsorship in Note 14 [Financial Report 2018 **2019**]. ***There is nothing on the website to suggest that Compassion use either door-to-door or street collectors.***

3. The "web [address](#) begins with 'https' and there is a closed padlock symbol next to the web address in the address bar", so the website is secure [the ACNC article above].

But on the ***giving page where you give your personal information*** giving page there is no mention of the security of your information.

4. The Australian Business Register (linked from Compassion's ACNC Register record), says that the charity is entitled to receive tax deductible gifts. So is its fund 'The Compassion Overseas Aid and Development Fund' (the Fund).

For some reason only the Fund is mentioned in the FAQ 'Are my donations to Compassion tax deductible?':

Compassion Australia has Deductible Gift Recipient (DGR) status for its Overseas Aid and Development Fund, as listed on the Australian Business Register under our ABN 67 001 692 566.

Donations of \$2 and over to the following funds are tax deductible:

- [Child Sponsorship Program](#), including Sponsorship Plus
- [Critical Needs](#), including [Mums and Babies](#) and the [Disaster Relief Fund](#)
- [Christmas Gift Fund](#) (Christmas Appeal)
- [Compassion Appeal](#)
- [Gifts of Compassion](#)

Donations to the following funds are not tax deductible:

- [Bible Fund](#)

Compassion explains the lack of tax deductibility in another [FAQ](#) (and adds a program not mentioned above):

Why are the Bible Fund and the Leadership Development Program not tax deductible?

Updated Tuesday 04 October, 2016

To be able to offer tax deductibility on donations, 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 and programs must be available to all people regardless of religious background.

Children supported by [Mums and Babies](#) and [Child Sponsorship Program](#) represent a wide variety of religions. A child's religious background does not prevent him or her from being accepted into these holistic child development 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. Likewise, the Bible Fund falls outside these guidelines as it exclusively promotes a particular religious cause.

This FAQ has been updated:

Why is the Bible Fund not tax deductible?

Updated Tuesday 04 October, 2016

To be able to offer tax deductibility on donations, Compassion's overseas aid and development activities must comply with the guidelines set out by both the Australian Taxation Office and DFAT (the Australian Government's Department of Foreign Affairs and Trade).

While the guidelines recognise that faith-based organisations may combine evangelism and development, tax deductibility may not be given for the promotion of a particular religious cause and programs must be available to all people regardless of religious background.

Children supported by [Mums and Babies](#) and [Child Sponsorship Program](#) represent a wide variety of religions. A child's religious background does not prevent him or her from being accepted into these holistic child development programs.

However, the Bible Fund falls outside these guidelines as it exclusively promotes a particular religious cause.

I would have thought it difficult though to avoid '*the promotion of a particular religious cause*' while [the teaching](#) of the children was 'Christian teaching' done by a local Christian church:

Does my sponsored child receive Christian teaching through the Compassion program?

Updated Tuesday 04 October, 2016

Yes. Our programs are administered and delivered exclusively in partnership with Christian churches in the local community. Every child development centre is an outreach of one of these churches, and church staff and volunteers provide all Compassion assisted children with non-coercive, age and culture appropriate Christian teaching and church-run activities.

Compassion's partnership with local churches to implement our programs is a key part of our core strategy, and international experts support this approach. A [January 2012 UNICEF report](#) says: "Religious communities are uniquely positioned to promote equitable outcomes for the most vulnerable children and families. Their moral influence and extensive networks give them access to the most disenfranchised and deprived groups ... They are also grounded in philosophical frameworks that shape their call to community service into long-term commitments to achieving peace, justice and social equality."

REMINDER: Green is this review, black the previous review.

It [appears](#) though that Christian teaching can be done without sharing the Gospel:

This FAQ no longer exists.

Is it more important for Compassion to evangelise and put Jesus upfront than it is for them to save children from

poverty?

Updated Wednesday 15 March, 2017

Spiritual care is one aspect of the services provided through the child development centres of local churches. Each aspect of the program works together to create a holistic picture of hope for children. Poverty is not just a lack of physical, tangible benefits, it is also a mindset that communicates to a child that she or he has little self-worth. In that sense, it is impossible to separate Jesus from the care that our local church partners give.

Our faith is the reason why we do what we do; it is our motivation. Jesus calls us to care for "the least of these"—that is why we're dedicated to releasing children from poverty in Jesus' name. But we seek to support local churches in caring for the most vulnerable children in their communities; the support we help to provide is not linked to children's personal faith or religious beliefs or practices.

Perhaps the answer lies in [the fact](#) that they do not require the children to become Christians:

This FAQ no longer exists, but the same message is given here: [https://](https://www.compassion.com.au/india-update)

www.compassion.com.au/india-update

Compassion accepts and serves children and communities of all faith backgrounds (or no faith background), and categorically does not require or force conversion to Christianity at any time. Compassion's primary mission is to release children from poverty, not convert them.

We are a Christian organisation and serve children in partnership with local churches. The Indian Government's concerns seem to be that organisations from other countries are trying to change their rich culture, but it's important to note we work with local staff within the local context, and our goal is to release children from poverty, not to force conversions. The benefits of our program are not linked to the children's religious status or faith.

5. *The use of your donations*

[Here's](#) why Compassion thinks that you are safe in trusting them with your donation:

How do I know I can trust you with my money?

Updated Friday 14 March, 2014

We are committed to earning, and keeping, the trust and confidence of our donors and sponsors through complete transparency. Integrity is not only a commitment; it is a value that drives our whole organisation.

As an organisational partner of the [Fundraising Institute of Australia](#), we comply with the standards of [Missions Interlink](#) and we are independently audited annually by [Bentleys Brisbane \(Audit\) Pty Ltd](#).

In addition, we have a global internal audit function that routinely monitors financial and operational integrity at child development centres and field offices across the globe. Through these internal audits of project partners, we endeavour to ensure that all programs are meeting minimum standards of financial accountability and programmatic integrity. Any concerns are documented and brought to the attention of staff and management for consideration, action and follow up.

If you have any questions about how funds are used at Compassion, please [contact us](#).

- *Fundraising Institute Australia (FIA):*
 - Compassion membership [confirmed](#).

It appears that there is no longer a list of members on the FIA site.

- The accountability is principally over dealing with you as a donor. You can access the Code with which Compassion must comply from the link in the middle of [this](#) page.
- A Code Authority 'Is responsible for the effective operation and administration of the Code including monitoring, complaints handling and appeals' [Administration of the Code, Guidelines]. However, there is no further mention of monitoring in the Guidelines.
- *Missions Interlink:*
 - No, the FIA does not require membership of Missions Interlink.
 - Here are the [standards](#).
 - My experience from doing hundreds of reviews says that the members have little to fear from any monitoring of compliance with these standards.
 - And see [this](#) review.
- *Bentleys Brisbane (Audit) Pty Ltd:* It is not correct to say that this firm, or any other firm, audits Compassion. They audit Compassion's annual financial statements, something far less than Compassion's entire operations, and even this (**external auditing**) is subject to clear limitations (see, [here](#) and [here \(links updated\)](#)).
- *Internal audit:* This is Compassion checking on itself. Does Compassion have the strongest version of this internal control, including the internal auditor reporting to the board?
- Compassion [says](#) that it cannot be a member of the organisation representing aid and development organisations, an organisation that has an accountability regime:

Updated Thursday 04 June, 2015

Compassion Australia is not a member of the Australian Council for International Development (ACFID) because of the church-based nature of our child development programs.

- Compassion doesn't explain why operating through a church stops them from being a member. I can see nothing in the [AICD material](#) that automatically makes Compassion ineligible for membership.
- It says it must comply with AusAid's guidelines for overseas aid organisation. However, it is not an Australian [accredited](#) NGO, so is not subject to the Department of Foreign Affairs and Trade's accountability.
- For a public company like Compassion, the members, if sufficient in number, and independent of management, can be a source of accountability on the board (and therefore management). But Compassion has only seven members, and since the Constitution (see the ACNC Register) requires directors to be members, it is likely that, with seven [directors](#), there are no members outside of board members. So, no accountability there.

Activities

From the Directors' Report (in the Financial Report 2018):

Principal activities

The principal activity of the company during the course of the financial year was releasing children from poverty in developing countries.

2019: No change.

They do this, almost completely (see below), through [child sponsorship](#):

Compassion is a Christian international holistic child development organisation. Through our Child Sponsorship Program, more than 2 million children are currently being released from poverty in Jesus' name. With over six decades of experience, Compassion's unique approach to solving poverty works: research proves it.

This is the 'unique approach':



And here is what is done with the child:

REMINDER: Green is this review, black the previous review.

It appears that this is no longer on the website.

How We Work

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

Despite the evidence for cash transfers to the poor, for instance, [here](#), [Compassion](#) rarely uses them, and doesn't explain why:

Do you give money directly to sponsored children and their families?

Updated Friday 14 March, 2014

Compassion assisted children and their families rarely receive cash. Benefits are almost always in the form of goods and services, carefully designed, delivered and purchased according to the children's individual needs.

Sponsorship money is pooled to provide the goods and services that each child in our child development centres receives. This support system means that no child is disadvantaged if a sponsor can't make a monthly financial contribution.

However, child and family gifts are allocated exclusively to your sponsored child and their family. Program staff will involve the family in purchasing gifts that are appropriate and meet their specific needs.

There's more than one way of achieving the change that Compassion is trying to achieve. If you want to understand the choice, you could start with this [article](#).

Compassion is only tangentially involved in community [development](#):

What sort of development work does Compassion do?

Updated Friday 09 September, 2016

Compassion primarily works with individual children through our [Child Sponsorship Program](#). We have been involved in individual child development for about 60 years. During this time we have discovered that working with children is a highly effective way of changing communities because changed people inevitably change their circumstances. Compassion's holistic child development model is designed to help reduce the vulnerability of children and their families and build their resilience through year-round nutrition, health, education and income generation support. Sponsoring a child provides them with a safety net against crisis situations, like famine and drought.

Community development is also important, and addressing the external circumstances of poverty in a geographical area supplements our child development focus. When a tragedy strikes an area where we have child development centres, we involve ourselves in short-term relief projects as a means of stabilising the environment so that child development can continue. These community development initiatives take place through [Critical Needs](#) and include activities such as providing clean water, infrastructure and disaster relief.

Giving options

- 13 of them. For only two of them is tax deductibility mentioned: 'yes' for the 'Christmas Gift Fund' and 'no' for the 'Bible Fund'.
- The giving page does not mention whether your money goes to Compassion generally or to the Fund. But [elsewhere](#) we are told that all donations go to the Fund:

Compassion's Automatic Contribution Agreement

Making financial contributions by credit card or direct debit is a safe, easy, convenient and cost-effective way of getting more money to where it's needed: the children.

Automatic financial contributions are preferred as it saves Compassion a significant amount of money in handling, printing and postage costs. By participating in the automatic contribution system, you allow us to pass on more funds to the children.

You can arrange for us to direct debit your bank, building society or credit card account (Bankcard, MasterCard, Visa, American Express, Diners Club) at a frequency that suits you, for example, monthly, quarterly, biannually or yearly. If you prefer to make your contributions by cheque or by money order, consider making contributions three, six, or even 12 months at a time, and make them out to the Compassion [Overseas](#) Aid and Development Fund.

What about the non-tax-deductible programs?

The Fund is not mentioned in the Financial Report.

Donations received^[6]

This is disclosed as a single line in a Note: 'Sponsorships and donations 84,237,330'. **90,724,321**

So, no distinction between tax-deductible and on tax-deductible money, nor reporting to match your giving options (see above).

Cash spent

The audited account of how donations are used is the Financial Report 2018 on the ACNC Register.

This is the only information about where the cash went on operating activities:

Payments in the course of operations (inclusive of goods and services tax)	(80,872,073)
Interest Expense	_____ - [7]

2019 (with last year in the second column)

Payments in the course of operations (inclusive of goods and services tax)	(86,733,190)	(80,872,073)
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Resources consumed (i.e. accrual)

The accrual section of the Report is more helpful (although not very helpful):

Program expenses	(56,308,100)
Program support expenses	(8,364,165)
Local program expenses	(2,439,941)
Administration expenses	(5,128,587)
Fundraising expenses	(11,309,888)
Advocacy expenses	(776,642)

2019:

Program expenses	(60,237,098)	(56,308,100)
Program support expenses	(9,950,604)	(8,364,165)
Local program expenses	(2,503,219)	(2,439,941)
Administration expenses	(5,425,425)	(5,128,587)
Fundraising expenses	(11,587,866)	(11,309,888)
Advocacy expenses	(878,910)	(776,642)

None of these terms are defined in the Report^[8].

Notes 3 and 4 give us 'Employee benefits expense; (13.6% **12.8%** of expenses), interest expense (negligible), 'Depreciation and amortization expense' (1.5%), and 'Audit services' (\$30K).

But there is no further information on the expenses in the extract above.

Compassion [claims \(link updated\)](#) that 'approximately 80 per cent [of funds raised] is used for the direct benefit of children in our programs':

How much money does Compassion spend on advertising?

Updated Thursday 04 June, 2015

Compassion Australia advertises with selected media to help raise awareness for children living in poverty and to engage with both current and potential sponsors. Approximately 20 per cent of funds raised is allocated to administration and fundraising, and approximately 80 per cent is used for the direct benefit of children in our programs. Advertising costs come under the 20 per cent for administration and fundraising.

[9]

But notice that their definition of 'direct' is wider than we might normally think it to be: it includes 'Advocacy expenses' (most likely the 'For community education in Australia' on page 9 **13** of the Annual Report), and 'Program support expenses'. These two add to 11% **12%** of the expenses.

REMINDER: Green is this review, black the previous review.

'Funds movement'

Compassion includes further information about inflows and outflows in the Notes to the accounts:

Note 15 Funds movements schedule

For the year ended June 30, 2018	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	2,410,745	63,358,051	(15,704,161)	47,498,451	155,439	2,566,184
Child Survival Program	1,206,881	1,566,335	(390,498)	941,449	234,388	1,441,269
Christmas Fund	62,310	2,620,821	(262,082)	2,330,000	28,739	91,049
Gifts	144,183	3,159,346	-	3,186,239	(26,893)	117,290
Living Sponsorship	1,353,898	26,311	-	-	26,311	1,380,209
CIV Fund	1,964,615	12,706,325	(3,138,959)	10,077,596	(510,230)	1,454,385
Relief	129,134	53,822	(5,382)	150,000	(101,560)	27,574
Un-sponsored Children	68,688	242,531	(61,482)	244,179	(63,130)	5,558
Future Fund	2,929,070	-	850,088	642,269	207,819	3,136,889
Operating Fund	3,102,019	452,304	18,794,429	19,012,788	233,945	3,335,964
Endowment Operations	2,805,610	472,035	-	-	472,035	3,277,645
LDP	171,711	88,144	(8,814)	75,000	4,330	176,041
Bibles	43,753	186,719	(47,333)	113,829	25,557	69,310
Indigenous (PBI)	40,870	101,799	(25,806)	55,523	20,470	61,340
Total	16,433,487	85,034,543	-	84,327,323	707,220	17,140,707

2019:

Note 15 Funds movements schedule

For the year ended June 30, 2019	Opening Balance	Income	Transfers	Expenses	Surplus / (Deficit)	Closing Balance
Child Development	2,566,184	68,371,256	(16,711,544)	51,424,849	234,863	2,801,047
Child Survival Program	1,441,269	1,906,152	(480,288)	2,228,574	(802,710)	638,559
Christmas Fund	91,049	2,853,875	(285,436)	2,605,000	(36,561)	54,488
Gifts	117,290	3,716,948	-	3,719,854	(2,906)	114,384
Living Sponsorship	1,380,209	25,540	-	-	25,540	1,405,749
CIV Fund	1,454,385	13,195,503	(2,783,840)	9,688,423	723,240	2,177,625
Relief	27,574	83,326	(8,333)	100,000	(25,007)	2,567
Un-sponsored Children	5,558	221,641	(58,715)	117,075	45,851	51,409
Future Fund	3,136,889	-	913,669	654,393	259,276	3,396,165
Operating Fund	3,335,964	462,566	19,454,636	19,741,024	176,178	3,512,142
Endowment Operations	3,277,645	46,360	-	-	46,360	3,324,005
LDP	176,041	19,646	(1,962)	27,689	(10,005)	166,036
Bibles	69,310	208,396	-	213,214	(4,818)	64,492
Indigenous (PBI)	61,340	144,160	(38,187)	63,027	42,946	104,286
Total	17,140,707	91,255,369	-	90,583,122	672,247	17,812,954

There is no explanation anywhere of

- The relationship between these fourteen funds or programs and the 13 giving options.
 - There are some new terms that are unexplained.

- The meaning of 'funds'. How does it relate to 'expenses' and cash payments?
- Why a 'Funds movement schedule' is included.
- How the individual expenses relate to the expenses from the accrual statement (above).

Destination of the 'funds', operating cash outflow or 'Program expenses'

There is no disclosure of the geographical destination of your funds.

How they ensured that the money was used for the purpose for which you gave it

Other than indirectly via the description of internal audit function (see above), there is no information.

Impact

Compassion use a research result^[10] published six **seven** years **ago** to support **the efficacy (link added)** of their method of child development:

How do you know sponsorship works?

Updated Friday 21 February, 2014

Compassion has been involved in individual child development for over 60 years. Independent research published in the Journal of Political Economy in 2013 studied 1860 children who participated in Compassion's Child Sponsorship Program between 1980 and 1992 and found that graduates stayed in school longer, were more likely to have salaries and white-collar employment, and were more likely to be leaders in their communities and churches than their peers who did not participate in the program. Once Compassion sponsored children, these adults are now making a difference in their communities as mums, dads, pastors, teachers, doctors, even members of parliament.

Nothing more recent or done by Compassion itself found.

Please contact me if you need a more in-depth review.

1. <https://missionsinterlink.org.au/about/> ↑
2. See [here](#) for my last review. ↑
3. *Focus on the nature of the charity's work, its beneficiaries and the impact the charity is having in the community. Is it clear what the charity is trying to achieve and how its activities work towards its objectives? Would you like to spend your money, or time if volunteering, to support these objectives? Is the charity being transparent about its activities?* [A section in the [article, Donating and Volunteering](#)]. ↑
4. It has two business names: *Compassion Child Sponsorship* and *Partners of Compassion* [www.asic.gov.au]. Although it is permitted to omit 'Limited/Ltd' at the end of its name, it has no licence to trade under other than *Compassion Australia*. The website seems to contravene this. ↑
5. Care: both the Annual Report and the Financial Report 2018 are labelled 'Annual report'. ↑
6. On the face of it, the concession below seems to be a contradiction of the policy of recognition of revenue in the period in which it is received.

Sponsorships and donations

Sponsorship income is recognised in the period in which it is received in cash contributions. Donation income is recognised in the period in which it is received. To allow for supporter's best intentions, Compassion processes Cheques received by mail up to 7 business days after the 30th June into the previous year to allow for legitimate posted items post marked pre 30 June.

↑

7. Although this level of disclosure may be compliant with the letter of the applicable Accounting Standard (AASB 107), it is not consistent with either the intent of the Standard and paragraphs 14 and 19, or what is reasonable to expect from a major Christ-led charity that is reporting a true and fair view. ↑

8. The Annual Report has definitions for two of them:

KEY TERMS:

Administration costs:

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

Fundraising costs:

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

Beneficiaries:

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

↑

9. Notice that this is not an answer to the question. ↑

10. The FAQ mentions only the journal and the year, so here's the citation: Bruce Wydick, Paul Glewwe, and Laine Rutledge, "Does International Child Sponsorship Work? A Six-Country Study of Impacts on Adult Life Outcomes," Journal of Political Economy 121, no. 2 (April 2013): 393-436.)

<https://doi.org/10.1086/670138> ↑