



**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Consolidated Financial Statements**

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8



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Denver, CO 80202-5598

## **Independent Auditors' Report**

The Board of Directors  
Compassion International, Inc. and affiliates:

### *Opinion*

We have audited the consolidated financial statements of Compassion International, Inc. and affiliates (the Company), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for each of the fiscal years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2025 and 2024, and the results of its operations and its cash flows for each of the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*KPMG LLP*

Denver, Colorado  
August 29, 2025



**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**  
**Consolidated Statements of Financial Position**  
June 30, 2025 and 2024  
(Amounts in thousands)

<b>Assets</b>	<b>2025</b>	<b>2024</b>
Current assets:		
Cash and cash equivalents	\$ 211,493	\$ 197,038
Investments	248,466	229,764
Receivables from Global Partner Alliance	4,111	2,419
Contributions receivable	4,477	—
Accounts receivable	3,946	3,218
Prepaid expenses and other	18,504	17,589
Assets held for sale	—	13,797
Foreign exchange contracts, at fair value	25,986	13,500
Total current assets	<u>516,983</u>	<u>477,325</u>
Non-current assets:		
Right of use assets - operating leases	8,989	6,519
Contributions receivable, less current portion	47,237	—
Long-term investments	10,746	10,746
Property and equipment, net	107,979	95,683
Foreign exchange contracts, at fair value, less current portion	8,984	5,734
Total non-current assets	<u>183,935</u>	<u>118,682</u>
Restricted assets:		
Cash, cash equivalents and investments restricted for other short-term agreements	248	3,130
Cash, cash equivalents and investments restricted for long-term purposes	15,970	14,706
Total restricted assets	<u>16,218</u>	<u>17,836</u>
Total assets	<u><u>\$ 717,136</u></u>	<u><u>\$ 613,843</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 41,424	\$ 37,832
Funds committed to sponsorship projects	138,391	120,343
Foreign exchange contracts, at fair value	5,879	12,497
Lease liability	3,541	3,211
Total current liabilities	<u>189,235</u>	<u>173,883</u>
Long-term liabilities:		
Accrued liabilities, less current portion	3,040	4,823
Funds committed to sponsorship projects, less current portion	12,227	15,546
Foreign exchange contracts, at fair value, less current portion	3,840	5,459
Lease liability, less current portion	7,022	4,744
Total long-term liabilities	<u>26,129</u>	<u>30,572</u>
Total liabilities	<u>215,364</u>	<u>204,455</u>
Net assets:		
Without donor restrictions	390,129	338,511
With donor restrictions	111,643	70,877
Total net assets	<u>501,772</u>	<u>409,388</u>
Total liabilities and net assets	<u><u>\$ 717,136</u></u>	<u><u>\$ 613,843</u></u>

See accompanying notes to consolidated financial statements.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Consolidated Statements of Activities**

Fiscal years ended June 30, 2025 and 2024

(Amounts in thousands)

	<b>2025</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenue, gains, and other support:			
Contributions	\$ 847,658	\$ 249,363	\$ 1,097,021
Contributions from Global Partner Alliance	167,940	47,359	215,299
Investment income and other income	25,275	813	26,088
Net realized and unrealized gain on foreign exchange contracts	37,631	—	37,631
Net assets released from restrictions	256,769	(256,769)	—
Total revenue, gains, and other support	<u>1,335,273</u>	<u>40,766</u>	<u>1,376,039</u>
Expenses:			
Program activities:			
Child development programs	1,021,646	—	1,021,646
Supporting activities:			
Fundraising	161,584	—	161,584
Management and general	100,425	—	100,425
Total supporting activities	<u>262,009</u>	<u>—</u>	<u>262,009</u>
Total expenses	<u>1,283,655</u>	<u>—</u>	<u>1,283,655</u>
Change in net assets	51,618	40,766	92,384
Net assets, beginning of year	338,511	70,877	409,388
Net assets, end of year	<u>\$ 390,129</u>	<u>\$ 111,643</u>	<u>\$ 501,772</u>

See accompanying notes to consolidated financial statements.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Consolidated Statements of Activities**

Fiscal years ended June 30, 2025 and 2024

(Amounts in thousands)

	<b>2024</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenue, gains, and other support:			
Contributions	\$ 849,178	\$ 223,787	\$ 1,072,965
Contributions from Global Partner Alliance	161,724	43,307	205,031
Inherent contributions from acquisition of Compassion Australia	22,442	3,408	25,850
Investment income and other income	27,415	1,394	28,809
Net realized and unrealized gain on foreign exchange contracts	4,096	—	4,096
Net assets released from restrictions	246,915	(246,915)	—
Total revenue, gains, and other support	<u>1,311,770</u>	<u>24,981</u>	<u>1,336,751</u>
Expenses:			
Program activities:			
Child development programs	1,066,768	—	1,066,768
Supporting activities:			
Fundraising	165,193	—	165,193
Management and general	98,934	—	98,934
Total supporting activities	<u>264,127</u>	<u>—</u>	<u>264,127</u>
Total expenses	<u>1,330,895</u>	<u>—</u>	<u>1,330,895</u>
Change in net assets	(19,125)	24,981	5,856
Net assets, beginning of year	357,636	45,896	403,532
Net assets, end of year	<u>\$ 338,511</u>	<u>\$ 70,877</u>	<u>\$ 409,388</u>

See accompanying notes to consolidated financial statements.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**  
**Consolidated Statements of Functional Expenses**  
Fiscal years ended June 30, 2025 and 2024  
(Amounts in thousands)

	<b>2025</b>			
	<b>Program activities</b>	<b>Supporting activities</b>		
	<b>Child Development Programs</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total Expenses</b>
Program grants	\$ 810,521	\$ —	\$ —	\$ 810,521
Personnel expenses	144,821	94,313	71,658	310,792
Services expenses	12,705	25,357	2,363	40,425
Travel and related	20,700	6,562	1,547	28,809
Information technology	14,821	6,222	6,451	27,494
Operating expenses	12,759	6,445	2,722	21,926
Advertising and promotions	577	19,853	315	20,745
Other expenses	4,742	2,832	15,369	22,943
Total	<u>\$ 1,021,646</u>	<u>\$ 161,584</u>	<u>\$ 100,425</u>	<u>\$ 1,283,655</u>

	<b>2024</b>			
	<b>Program activities</b>	<b>Supporting activities</b>		
	<b>Child Development Programs</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total Expenses</b>
Program grants	\$ 866,899	\$ —	\$ —	\$ 866,899
Personnel expenses	133,132	94,520	67,218	294,870
Services expenses	13,507	29,195	4,261	46,963
Travel and related	19,077	6,632	1,521	27,230
Information technology	15,379	6,756	7,871	30,006
Operating expenses	12,525	5,883	3,345	21,753
Advertising and promotions	650	19,698	464	20,812
Other expenses	5,599	2,509	14,254	22,362
Total	<u>\$ 1,066,768</u>	<u>\$ 165,193</u>	<u>\$ 98,934</u>	<u>\$ 1,330,895</u>

See accompanying notes to consolidated financial statements.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**  
**Consolidated Statements of Cash Flows**  
Fiscal years ended June 30, 2025 and 2024  
(Amounts in thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 92,384	\$ 5,856
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,218	8,977
Loss on disposition of equipment, net	153	51
Investment returns	(12,707)	(12,085)
Non-cash contributions of securities	(4,134)	(6,719)
Proceeds from sales of contributed securities for operations	4,698	4,832
Net unrealized (gain) loss on foreign exchange contracts	(23,971)	6,342
Receipt of restricted endowment funds	(140)	(116)
Inherent contribution from acquisition	—	(25,850)
Changes in assets and liabilities:		
(Increase) decrease in receivables from Global Partner Alliance	(1,692)	4,703
Increase in accounts receivable	(689)	(845)
Increase in contributions receivable	(51,714)	—
(Increase) decrease in prepaid expenses and other	(940)	790
Increase (decrease) in accounts payable and accrued liabilities	4,448	(2,972)
(Increase) decrease in right-of-use assets - operating leases	(3,157)	306
Increase (decrease) in operating lease liability, net	3,385	(527)
Increase in finance lease liability	720	1,742
Increase in funds committed to sponsorship projects	19,042	36,701
Net cash provided by operating activities	<u>36,904</u>	<u>21,186</u>
Cash flows from investing activities:		
Purchases of investments	(135,399)	(106,845)
Proceeds from sales of investments	130,573	70,388
Purchases of property and equipment	(10,224)	(24,516)
Proceeds from sales of property and equipment	89	127
Cash acquired from acquisition	—	16,394
Net cash used in investing activities	<u>(14,961)</u>	<u>(44,452)</u>
Cash flows from financing activities:		
Funds received restricted for endowments	140	116
Payment of finance lease liability	(1,005)	(1,102)
Decrease in split-interest agreements	(1,540)	(273)
Net cash used in financing activities	<u>(2,405)</u>	<u>(1,259)</u>
Net increase (decrease) in cash and cash equivalents	19,538	(24,525)
Effect of foreign currency on cash	(4,967)	(2,957)
Cash and cash equivalents, beginning of year	197,667	225,149
Cash and cash equivalents, end of year	<u>\$ 212,238</u>	<u>\$ 197,667</u>
<u>Supplemental disclosure:</u>		
Unrestricted cash and cash equivalents	\$ 211,493	\$ 197,038
Restricted cash and cash equivalents within restricted assets on the Consolidated Statements of Financial Position	745	629
Total cash and cash equivalents	<u>\$ 212,238</u>	<u>\$ 197,667</u>

See accompanying notes to consolidated financial statements.

## COMPASSION INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

Fiscal years ended June 30, 2025 and 2024

#### **(1) Organization Mission and Structure**

Compassion International, Inc., and its wholly-owned and controlled affiliates (collectively, Compassion), is a Christian organization that exists to release children from poverty in Jesus' name, providing holistic child development through sponsorship and other support. Its principal services provide opportunities that encourage the healthy development of all aspects of a child: spiritual, physical, social, emotional, and their economic circumstances. Compassion serves all children regardless of religion, race, ethnicity, or gender. The consolidated financial statements include the accounts of Compassion International, Inc., a not-for-profit corporation created under the laws of the state of Illinois, and its wholly-owned and controlled affiliates. All inter-affiliate accounts and transactions have been eliminated in the consolidated financial statements.

Compassion is headquartered in Colorado Springs, Colorado, USA, and has international branch offices and affiliates (national offices) operating in twenty-nine countries. The organization's programs are concentrated in various countries within Africa, Asia, Central America, the Caribbean, and South America.

#### ***Affiliates***

Compassion has international affiliates which are consolidated based on the level of control exercised by Compassion International, Inc., and the presence of an economic interest.

#### ***Child Development Programs***

Compassion's child development programs provided holistic assistance to 2.4 million and 2.3 million (unaudited) children and youth in 2025 and 2024, respectively. Child development is a lifetime investment. Compassion takes a long-term approach, investing in and for the life of each child. Compassion delivers whole-life care that is relational and tailored to the age, gender, health, and culture of the children served. This personal care and support is made possible by partnering with local churches, who provide holistic child development programming that enables children in poverty to fully mature in every facet of life and transcend what is often a generational legacy of poverty.

Compassion's Child Sponsorship Program (CDSP) pairs compassionate people with children suffering from poverty in low-income communities. Through monthly financial support, prayer, and letter writing, sponsors invest directly in the lives of children living in poverty. Knowing, loving, and connecting this network of caring donors facilitates the positive development of children and youth who live in poverty. Compassion's CDSP represented approximately 70% and 67% of total grants in 2025 and 2024, respectively. The CDSP is based on a holistic child/youth development Global Outcomes Framework that seeks to achieve outcomes in the areas of spiritual development, healthy relationships and positive self-worth, physical and mental well-being, protection and youth agency, and access to education and foundational skills. Compassion maintains a fund, known as CDSP Reserve, to ensure the stability of the support rate against circumstances such as unhedged foreign currency exposure.

Compassion works exclusively through partnerships with thousands of local churches around the world. Local churches are best suited to address the needs of children in their communities and to tailor our holistic child development model to the contextualized need of the individual child. The children attend church-based child development centers that partner with caregivers to ensure each child receives nurturing care and protection, as well as life-changing opportunities that would otherwise be out of their reach, including medical care, nutrition, education, HIV/AIDS care, Bibles, and spiritual development. All Compassion-registered children have the opportunity to develop their potential and be released from the generational cycle of poverty.

Compassion deploys Supplementary Grants, which Compassion refers to as Complementary Interventions (CIV), to remove significant obstacles to holistic child development and to improve the effectiveness of its programs. Several of our program countries are experiencing significant inflationary challenges due to uncertainty in the global economy. Therefore, Compassion continues to provide increased direct support to the children and the local churches as needs arise.

Compassion's Child Survival Program (CSP) is an early-childhood initiative that focuses on promoting the development and survival of the most vulnerable babies and young children, giving them the best start possible while also providing education and support for pregnant mothers, new mothers/fathers, and/or primary caregivers. CSP is implemented through home-based visits, group-based learning, and church-based child development centers.

## COMPASSION INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

Fiscal years ended June 30, 2025 and 2024

#### **(1) Organization Mission and Structure (Continued)**

##### ***Global Partner Alliance***

Compassion has a related-party relationship with an alliance of international organizations, referred to as covenant partners, to raise funds to release children from poverty in Jesus' name. This alliance is entitled the Global Partner Alliance (GPA).

Compassion serves the GPA by maintaining children's files, selecting and monitoring sponsorship projects, providing programmatic supervision and support, and distributing funds. Compassion is reimbursed for the costs incurred in providing these services.

Compassion Australia is a covenant partner and also a wholly-owned affiliate. Results of Compassion Australia are included in Compassion's consolidated results.

The remaining covenant partners within the GPA are unaffiliated with Compassion. Apart from donor-imposed restrictions, Compassion has control over the ultimate distribution of amounts received from these covenant partners, and as such, these amounts are included as revenue (see note 11). Other than Compassion Australia, Compassion does not exercise the level of control necessary to consolidate covenant partners, and therefore their operations are not reflected in the accompanying consolidated financial statements.

#### **(2) Summary of Significant Accounting Policies**

##### ***Basis of Presentation***

The accompanying consolidated financial statements include the accounts of Compassion International, Inc., and its wholly-owned and controlled affiliates (collectively, Compassion). Intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with United States generally accepted accounting principles (U.S. GAAP).

Donor-imposed restrictions are defined as stipulations that specify a use for a contributed asset that is more specific than the broad limits resulting from the nature of the not-for-profit, the environment in which it operates, and the purposes specified in its incorporating documents. Accordingly, net assets of Compassion, and changes therein, are classified and reported as follows:

*Without Donor Restrictions:* Net assets without donor restrictions arise from CDSP and unrestricted giving. A portion of these assets are invested in property and equipment. Additionally, Compassion's Board of Directors has designated funds primarily for 1) CDSP donor contributions received for future participant payments, and 2) the CDSP Reserve (see note 9).

*With Donor Restrictions:* Net assets subject to donor-imposed restrictions require resources to be used for a specific purpose and/or the passage of time. Specific purpose restrictions are primarily comprised of CIVs and other giving which is complementary to CDSP. Passage of time restrictions include promises to give and other short-term agreements. Some donor-imposed restrictions are perpetual in nature and stipulate that those resources be maintained in perpetuity with investment returns being restricted for use. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restriction (see note 10).

##### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue, gains, and other support and expenses during the reporting period. Actual results could differ significantly from those estimates.

##### ***Cash and Cash Equivalents***

Cash and short-term investments with maturities of three months or less from the date of acquisition are considered cash and cash equivalents. Compassion maintains cash accounts in the U.S. and internationally. Cash accounts in the U.S. may exceed federally insured amounts at times. Cash balances maintained internationally are not insured. Management believes no

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(2) Summary of Significant Accounting Policies (Continued)**

significant risk exists due to the size and financial wherewithal of the financial institutions where accounts are held.

Restricted cash and cash equivalents are included in "Total restricted assets" in the consolidated statements of financial position.

***Investments***

Investments are recorded based on the fair value hierarchy. Gains or losses, whether realized or unrealized, are recognized when they occur.

***Fair Value Measurement***

Compassion records its financial assets and liabilities at fair value in accordance with the framework for measuring fair value outlined in U.S. GAAP. Fair value is measured using the fair value hierarchy that prioritizes the inputs to valuation techniques. The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities, which Compassion is able to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying various valuation techniques and broadly refer to the assumption that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. If a financial instrument has more than one significant observable input within the fair value hierarchy, the instrument will be assigned to the lowest level. However, the determination of what constitutes "observable" requires significant judgment by Compassion. Compassion considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Compassion's perceived risk of that instrument.

The carrying amounts of cash and cash equivalents, short-term receivables, accounts payable, accrued liabilities, and current portion of funds committed to sponsorship projects approximate fair value because of their short maturities. The long-term receivables are recorded at present value and are measured on an annual basis.

Investments and restricted investments whose values are based on quoted market prices in active markets and are, therefore, classified within Level 1, include actively listed equities, actively listed corporate and government obligations, exchange traded funds, and mutual funds.

Investments and restricted investments that trade in markets which are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs, are classified within Level 2 and include corporate bonds and certain government bonds.

Compassion held one Level 3 investment at the end of fiscal years 2025 and 2024, which was a single equity investment with a related put option. The investment is not traded in an active market and lacks observable inputs, such as share prices from recent trades, in order to record the investment at fair value. Compassion records this investment using the cost method. The put option is valued at present value.

Foreign exchange contracts are negotiated over the counter. The contracts are valued by Compassion using available market pricing models, and the value depends upon the contractual terms of the instrument. The model has observable inputs other than quoted prices that can be corroborated by market data and are therefore classified within Level 2.



**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(2) Summary of Significant Accounting Policies (Continued)**

***Receivables from Global Partner Alliance***

Receivables from the GPA consist primarily of short-term promises to give and are valued at the original commitment amount. There are no uncollectible accounts for the years ended June 30, 2025 and 2024.

***Assets Held for Sale***

Compassion classifies long-lived assets as held for sale when the sale is probable within one year, the asset is available for immediate sale in its present condition, it is being actively marketed with a plan to locate a buyer, and it is unlikely that the decision to sell will change. Assets classified as held for sale are measured at the lower of the carrying amount and the fair value less costs to sell. Assets classified as held for sale are presented separately from other assets on the consolidated statements of financial position. Once assets are classified as held for sale, they are no longer subject to depreciation. The classification of assets held for sale is evaluated on an annual basis. If conditions no longer support this classification, such assets will be reclassified as property and equipment.

***Foreign Exchange Contracts***

To assist in the management of foreign currency risk, Compassion enters into foreign currency forward contracts lasting up to thirty-six months, which provide for the future exchange of funds at agreed-upon rates. Compassion hedges against foreign currencies to be received as donations as well as against foreign currencies to be paid as grant and operational expense. These contracts are recorded at fair value in the accompanying consolidated statements of financial position, and unrealized gains and losses are recognized in the accompanying consolidated statements of activities.

***Leases***

Compassion leases various offices and equipment. The obligations associated with these leases have been recognized as a liability in the consolidated balance sheet based on future lease payments, discounted by the risk-free rate existing in the country in which the asset is held.

Right-of-use assets represent Compassion's right to use the underlying asset for the lease term. These right-of-use assets are recognized at the commencement date of the lease based on the net present value of lease payments over the lease term, discounted using the risk-free rate in place in the country in which the lease is held.

The value of an option to extend or terminate a lease is reflected in both the obligation and the asset to the extent it is reasonably certain that management will exercise the option. Compassion determines the reasonable certainty of renewing each lease based on existing evidence such as existing lease language and management intent.

Compassion treats fixed lease variable components within a lease as a single lease component for all classes of assets. Short-term leases are not included in the right-of-use asset value due to policy elections under U.S. GAAP.

A lease is considered a finance lease if it has a term which covers the majority of the remaining economic life of the asset, or it contains a purchase option that is reasonably certain to be exercised. Otherwise, leases are considered operating leases. Finance leases are included in "Property and equipment", while operating leases are categorized as non-current assets.

***Property and Equipment***

Property and equipment are recorded at cost when purchased or at estimated fair value if received by donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, with no salvage value. Buildings and building improvements are depreciated over 15 to 30 years, furniture and equipment are depreciated over 3 to 10 years, vehicles are depreciated over 5 years, and software is amortized over 3 years.

***Funds Committed to Sponsorship Projects***

Funds committed to sponsorship projects represent grants that are payable in future periods to unaffiliated local churches which run Compassion's child development programs. Amounts are predominantly funds that will be distributed to sponsorship projects in July. Long-term balances exist for projects that will be carried out over a period in excess of one year. These amounts are included as a liability on the consolidated statements of financial position.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(2) Summary of Significant Accounting Policies (Continued)**

***Contributions***

Contributions are recorded as revenue in the appropriate net asset classification based on the presence or absence of donor-imposed restrictions. Expiration of temporary restrictions on donor contributions are reported as net assets released from restrictions.

Compassion occasionally receives contributed non-financial assets from its donors. Compassion makes the decision to accept these contributions on a case-by-case basis, with a policy to sell or donate these assets immediately upon receipt, unless there is a donor-imposed restriction. Such assets are recorded at fair value based on current values for similar products. Contributions of non-financial assets are not material to the financial statements for the years ended June 30, 2025 and 2024.

Contributions are recorded when payment is received, when a member of the GPA commits to a CIV, or when a donor makes an unconditional promise to give. Conditional promises to give are recognized when the condition is substantially met.

Unconditional promises to give are recognized as revenue in the period the signed promise document is received. Management assesses unconditional promises to give for factors such as type of donor, relationship with donor, term of promise, and other relevant considerations which may impact collectability. Unconditional promises expected to be received in future years are recorded at fair value by discounting the gross promise by the time value of money using a discount rate appropriate to the effective date of the promise. The discount is recorded as additional contribution revenue over the term of the promise.

***Defined Contribution Plans***

Compassion sponsors several defined contribution pension plans covering substantially all employees not receiving severance benefits. The expense for these defined contribution plans was \$17.8 million and \$16.7 million for the years ended June 30, 2025 and 2024, respectively, and are included in "Personnel expenses" on the consolidated statements of functional expenses.

***Severance Benefits***

Compassion provides certain severance benefits to eligible former or inactive employees during the period subsequent to employment but prior to retirement through plans individualized for each geography in accordance with local laws and regulations or common market practices. Severance expenses are accrued when it is known that employees will be entitled to benefits and the amount can be reasonably estimated. When severance expenses cannot be reasonably estimated until the specific circumstances of an employee's departure are known, Compassion's policy recognizes the expense when paid. Accrued severance for years ended June 30, 2025 and 2024 was \$4.8 million and \$4.9 million, respectively, and is included in "Accounts payable and accrued liabilities" on the accompanying consolidated statements of financial position. Compassion's severance expense was \$6.1 million and \$7.8 million for the years ended June 30, 2025 and 2024, respectively, and is included in "Personnel expenses" on the consolidated statements of functional expenses.

***Self-Funded Medical Insurance***

Compassion has established plans for self-funding medical and dental claims of employees in the U.S. International employees are covered by either self-funded or fully insured plans. Compassion has also purchased stop-loss coverage, which provides for an annual specific deductible per individual of \$0.4 million for the years ended June 30, 2025 and 2024. Potential incurred but unreported claims totaled approximately \$1.9 million and \$1.7 million for the years ended June 30, 2025 and 2024, respectively, and are included in "Accounts payable and accrued liabilities" in the consolidated statements of financial position.

***Volunteer Time***

A substantial number of volunteer workers have donated significant amounts of time to Compassion's programs, administration, and fundraising activities that are not reflected in the accompanying consolidated financial statements, as the services provided do not meet the required accounting criteria to be recognized by U.S. GAAP.

## COMPASSION INTERNATIONAL, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

Fiscal years ended June 30, 2025 and 2024

## (2) Summary of Significant Accounting Policies (Continued)

### **Endowments**

Compassion has adopted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA or the Act) passed by the state of Colorado. In accordance with UPMIFA, Compassion appropriates for expenditure or accumulates as much of an endowment fund as Compassion determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

Compassion has two donor-restricted endowments. The Enduring Sponsorships Endowment fund is established for the purpose of providing ongoing support for children participating in Compassion's child sponsorship program. The Youth Endowment fund is established for the purpose of providing ongoing support for students participating in post-secondary and vocational training.

These endowment funds have donor-imposed restrictions which classify the original value of gifts donated as net assets with donor restrictions in perpetuity. The net assets for these endowments are invested to provide a long-term total return to support child participants in low-income communities. A portion of the earnings may be used to keep the endowment at adequate levels to ensure perpetuity of funding. The remaining endowment earnings can be appropriated for expenditure in accordance with the donors' stipulations.

### **Functional Expense Allocation**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statements of activities. Expenses directly attributable to a specific functional area are reported as such, but costs which benefit more than one functional area have been allocated. Allocated costs primarily relate to information technology, building operations, and personnel expenses. Building operations and personnel costs are allocated based on headcount, whereas information technology costs also consider estimated time and effort.

### **Liquidity**

Compassion's Board of Directors approves an annual operating and capital budget. Compassion structures its financial assets to be available as its general expenditures and obligations come due. In addition, Compassion invests cash in excess of daily requirements in interest-bearing accounts and short-term investments. Compassion's board-designated net assets require board approval for general expenditure and are therefore unavailable to management for general liquidity needs. Additionally, net assets with donor restrictions are withheld from financial assets available for expenditure.

### **Income Taxes**

Compassion is recognized as exempt from federal income taxes on income related to its exempt purposes under Section 501(a) of the Internal Revenue Code of 1986 (IRC) as an organization described in Section 501(c)(3) of the IRC. Compassion did not generate significant net unrelated business income during the years ended June 30, 2025 and 2024. As an Association of Churches, Compassion is classified as a public charity and not a private foundation under Section 509(a)(1) and 170(b)(1)(A)(i) of the IRC.

### **Foreign Currency**

All assets and liabilities of consolidated national offices have been translated at foreign exchange rates in effect as of June 30, 2025 and 2024. All national office expense amounts are converted utilizing the average monthly spot rate in effect on the date of the transaction. Foreign currency transaction gains and losses are included in "Investment income and other income" in the consolidated statements of activities. In certain highly inflationary economies, when the average spot rate does not reflect the rate available in the market, management monitors and adjusts to actual rates when necessary.

### **Commitments and Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

### **Reclassifications**

Certain amounts in prior periods have been reclassified to conform to current year presentation.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(3) Liquidity**

Financial assets available for general expenditure within one year at June 30, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
	(in thousands)	
Cash and cash equivalents	\$ 211,493	\$ 197,038
Investments	259,212	240,510
Receivables from Global Partner Alliance	4,111	2,419
Contributions receivable	51,714	—
Accounts receivable	3,946	3,218
Foreign exchange contracts, at fair value	34,970	19,234
Total restricted assets	<u>16,218</u>	<u>17,836</u>
Total financial assets, at year-end	581,664	480,255
Less those unavailable for general expenditure within one year:		
Contributions receivable, less current portion	(47,237)	—
Long term investments	(10,746)	(10,746)
Foreign exchange contracts at fair value, less current portion	(8,984)	(5,734)
Restricted for specific purpose	(43,849)	(55,390)
Restricted for passage of time	(51,824)	(781)
Restricted for endowment	<u>(15,970)</u>	<u>(14,706)</u>
Financial assets not available to be used within one year	(178,610)	(87,357)
Total board-designated net assets	(76,475)	(77,521)
Financial assets to meet cash needs for general expenditures within one year	<u><u>\$ 326,579</u></u>	<u><u>\$ 315,377</u></u>

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
Fiscal years ended June 30, 2025 and 2024

**(4) Investments and Fair Value Measurements**

The following table represents investments that are measured at fair value at June 30, 2025:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value June 30, 2025</b>
	(in thousands)			
Unrestricted investments:				
Corporate bonds	\$ —	\$ 66,242	\$ —	\$ 66,242
Government obligations	72,144	18,816	—	90,960
Corporate stocks	85,502	—	—	85,502
Private-equity investment	—	—	10,000	10,000
Mutual funds	5,626	—	—	5,626
Other	—	136	746	882
Total unrestricted investments	<u>\$ 163,272</u>	<u>\$ 85,194</u>	<u>\$ 10,746</u>	<u>\$ 259,212</u>
Restricted investments:				
Mutual funds	15,069	—	—	15,069
Exchange traded funds	404	—	—	404
Total restricted investments	<u>\$ 15,473</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15,473</u>
Total assets:				
Foreign exchange contracts	\$ —	\$ 34,970	\$ —	\$ 34,970
Total liabilities:				
Foreign exchange contracts	\$ —	\$ 9,719	\$ —	\$ 9,719

Restricted investments are included in “Total restricted assets” in the consolidated statements of financial position.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
Fiscal years ended June 30, 2025 and 2024

**(4) Investments and Fair Value Measurements (Continued)**

The following table represents investments that are measured at fair value at June 30, 2024:

	Level 1	Level 2	Level 3	Fair value June 30, 2024
	(in thousands)			
Unrestricted Investments:				
Corporate bonds	\$ —	\$ 58,728	\$ —	\$ 58,728
Government obligations	58,561	22,084	—	80,645
Corporate stocks	87,520	—	—	87,520
Private-equity investment	—	—	10,000	10,000
Mutual funds	2,698	—	—	2,698
Other	39	134	746	919
Total unrestricted investments	<u>\$ 148,818</u>	<u>\$ 80,946</u>	<u>\$ 10,746</u>	<u>\$ 240,510</u>
Restricted investments:				
Corporate bonds	88	—	—	88
Mutual funds	15,663	—	—	15,663
Exchange traded funds	1,456	—	—	1,456
Total restricted investments	<u>\$ 17,207</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,207</u>
Total assets:				
Foreign exchange contracts	\$ —	\$ 19,234	\$ —	\$ 19,234
Total liabilities:				
Foreign exchange contracts	\$ —	\$ 17,956	\$ —	\$ 17,956

Restricted investments are included in “Total restricted assets” in the consolidated statements of financial position.

**(5) Foreign Exchange Contracts**

At June 30, 2025 and 2024, Compassion had in place foreign exchange contracts for sales of U.S. dollars with notional amounts totaling \$463.0 million and \$475.1 million, respectively, and purchases of U.S. dollars with notional amounts totaling \$254.6 million and \$245.8 million, respectively.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES****Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(6) Contributions Receivable**

As Compassion receives pledges for future gifts, the circumstances surrounding the pledge are considered in determining whether the pledge is an intent to give or an unconditional promise to give. An unconditional promise to give is recorded as a contribution receivable at the present value of the estimated future cash flows, which also considers management's assessment of collectability. There were no contributions receivable at June 30, 2024. Contributions receivable consisted of the following unconditional promises to give with donor restrictions at June 30, 2025:

	<b>2025</b>
	(in thousands)
Unconditional promises expected to be collected in:	
Less than one year	\$ 5,640
One to three years	42,560
More than three and fewer than five years	21,260
	\$ <u>69,460</u>
Less:	
Allowance for uncollectible contributions receivable	\$ (13,843)
Discounts to net present value	(3,903)
Total contributions receivable, net	\$ <u><u>51,714</u></u>

Unconditional promises to give are in support of Compassion's priority needs and are restricted according to the purpose of the contribution and the due date of the promise. Rates used for calculating the discount to net present value are based on U.S. Treasury yields at the time of the promise and range from 3.6% to 4.4%. Eighty-five percent of contributions receivable is concentrated in four donors.

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES****Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(7) Property and Equipment, Net**

Property and equipment consist of the following as of June 30:

	<b>2025</b>	<b>2024</b>
	<u>(in thousands)</u>	
Building and building improvements	\$ 129,632	\$ 106,049
Software and hardware	25,141	24,705
Furniture and equipment	15,090	15,717
Land	13,836	11,400
Vehicles	9,551	8,018
Finance leases	5,031	4,977
Assets in progress	3,123	2,323
	<u>\$ 201,404</u>	<u>\$ 173,189</u>
Less accumulated depreciation and amortization	(93,425)	(77,506)
Property and equipment, net	<u>\$ 107,979</u>	<u>\$ 95,683</u>

Depreciation expense totaled approximately \$10.1 million and \$7.9 million for the years ended June 30, 2025 and 2024, respectively. Amortization expense for finance leases totaled approximately \$1.1 million for the years ended June 30, 2025 and 2024.

As of June 30, 2025, building and land collectively known as Compassion West, which was classified as an asset held for sale as of June 30, 2024, has been converted to property and equipment at a net book value of \$14.1 million, consisting of \$23.2 million in assets and \$9.1 million in accumulated depreciation.



**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(8) Leases**

Compassion leases facilities and various pieces of equipment. The right-of-use asset and corresponding liability with future lease payments at June 30 are shown below:

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Right-of-use assets:		
Finance leases, net	\$ 1,425	\$ 1,752
Operating leases	8,989	6,519
Total	<u>\$ 10,414</u>	<u>\$ 8,271</u>
Finance lease liability	\$ 1,525	\$ 1,810
Operating lease liability	9,038	6,145
Total	<u>\$ 10,563</u>	<u>\$ 7,955</u>

The components of lease expense for the year ended June 30 are as follows:

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Finance lease expense:		
Amortization of right-of-use assets	\$ 1,053	\$ 1,099
Interest on lease liabilities	101	147
Operating lease expense	4,085	3,426
Total	<u>\$ 5,239</u>	<u>\$ 4,672</u>

Other information related to leases as of June 30 is as follows:

	<u>2025</u>	<u>2024</u>
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash flows from finance leases	\$ 1,005	\$ 1,102
Operating cash flows from finance leases	\$ 101	\$ 121
Operating cash flows from operating leases	\$ 2,803	\$ 3,282
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 738	\$ 1,770
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 6,399	\$ 2,409
Weighted-average remaining lease term for finance leases	3.77 years	4.10 years
Weighted-average remaining lease term for operating leases	3.32 years	3.57 years
Weighted-average discount rate for finance leases	5.84 %	5.92 %
Weighted-average discount rate for operating leases	8.75 %	6.77 %

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**

**Notes to Consolidated Financial Statements**

Fiscal years ended June 30, 2025 and 2024

**(8) Leases (Continued)**

The finance and operating lease future minimum lease payments as of June 30 are as follows (in thousands):

<b>Fiscal year</b>	<b>Finance</b>	<b>Operating</b>	<b>Total</b>
2026	\$ 701	\$ 3,522	\$ 4,223
2027	265	3,164	3,429
2028	258	2,214	2,472
2029	254	1,297	1,551
2030	217	357	574
Thereafter	18	—	18
Total gross payments	\$ 1,713	10,554	12,267
Less: amounts representing interest	188	1,516	1,704
Present value of net minimum lease payments	<u>\$ 1,525</u>	<u>\$ 9,038</u>	<u>\$ 10,563</u>

**(9) Net Assets Without Donor Restrictions**

Net assets without donor restrictions are available for the following purposes at June 30:

	<b>2025</b>	<b>2024</b>
	(in thousands)	
Board-designated:		
Future payments to participants	\$ 46,475	\$ 47,521
CDSP reserve	30,000	30,000
Total Board-designated	76,475	77,521
Property and equipment	107,979	95,683
Unrestricted	205,675	165,307
Net assets without donor restrictions	<u>\$ 390,129</u>	<u>\$ 338,511</u>

**(10) Net Assets With Donor Restrictions**

The following table provides details of available restricted net assets at June 30 as well as restricted net assets released during the period:

	<b>Restricted net asset balances</b>		<b>Released from restriction</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
	(in thousands)		(in thousands)	
Specific purpose	\$ 43,849	\$ 55,390	\$ 252,726	\$ 246,734
Passage of time	51,824	781	3,579	6
Investment in perpetuity:				
Enduring sponsorships endowment	12,192	11,128	279	—
Youth endowment	3,778	3,578	185	175
	<u>\$ 111,643</u>	<u>\$ 70,877</u>	<u>\$ 256,769</u>	<u>\$ 246,915</u>

**COMPASSION INTERNATIONAL, INC. AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
Fiscal years ended June 30, 2025 and 2024

**(11) Related-Party Contributions**

Contributions from related international organizations were reported as follows for the years ended June 30:

	<b>2025</b>	<b>2024</b>
	(in thousands)	
Compassion Korea (South Korea)	\$ 51,191	\$ 50,140
Compassion United Kingdom	50,897	48,439
Compassion Canada	42,186	43,363
Compassion Netherlands	30,692	26,038
Compassion Deutschland (Germany)	15,584	13,394
Compassion Schweiz (Switzerland)	9,972	9,595
Compassion Italia Onlus (Italy)	4,970	4,634
Service d'Entraide et de Liaison (S.E.L.) (France)	4,089	3,990
Tearfund New Zealand	3,303	3,169
Compassion Norden (Nordic countries)	2,415	2,269
	<u>\$ 215,299</u>	<u>\$ 205,031</u>

**(12) Australia**

On July 1, 2023, Compassion acquired control of Compassion Australia for no consideration. This acquisition provides greater alignment between the two entities in support of Compassion's multi-year strategy of advancing evidence-based outcomes with more children and youth more quickly. The net assets acquired by Compassion in this transaction are as follows and include donor-restricted contributions of \$3.4 million:

	<b>July 1, 2023</b>
	(in thousands)
Assets:	
Cash and cash equivalents	\$ 16,394
Other receivables	294
Prepaid and other assets	459
Property and equipment	12,136
Right of use assets	231
Total assets	<u>\$ 29,514</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 3,432
Lease liabilities	232
Total liabilities	<u>\$ 3,664</u>
Fair value of total consideration transferred	—
Inherent contribution of net identifiable assets assumed	<u>\$ 25,850</u>

**(13) Subsequent Events**

Management has evaluated subsequent events through August 29, 2025, which is the date the consolidated financial statements were available to be issued, and there were none to be reported.