

Registered Company Number : 4193179
Registered Charity Number : 1089490

HOPE AND HOMES FOR CHILDREN

TRUSTEES' ANNUAL REPORT
and
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2016

HOPE AND HOMES FOR CHILDREN

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HOPE AND HOMES FOR CHILDREN

LEGAL AND ADMINISTRATIVE INFORMATION for the year ended 31 December 2016

Status

Hope and Homes for Children is a charitable company limited by guarantee. It was incorporated on 3 April 2001 (Company number: 4193179) and registered as a charity on 26 November 2001 (Charity number: 1089490).

Founder Presidents

Mark Cook OBE

Caroline Cook OBE

Patrons

Kate Adie OBE

The Lady Jopling

The Rt Hon The Lord Ashdown of
Norton-sub-Hamdon GCMG CH KBE PC

Jay Jopling

Martin Bell OBE

Gordon McInally

Matt Bell

The Rt Hon Sir Donald McKinnon ONZ GCVO

The Rt Hon The Lord Carrington KG GCMG
CH MC PC DL

Natalie Pinkham

General The Rt Hon The Lord Dannatt GCB
CBE MC DL

Lily Safra

Dame Kristin Scott Thomas DBE

Rick Foulsham CMG

The Rt Hon The Lord Selkirk of Douglas PC QC

David Furnish

Princess Marina Sturdza

Nick Hewer

Sam Taylor-Johnson OBE

Alastair Humphreys

James Whiting

Claire Wright

Trustees and Directors

Matthew Banks

(appointed 1 June 2017)

Andy Bilson x

(appointed 5 February 2016)

Vicky Bruce

(appointed 1 June 2017)

Lucy Caldicott * x

(resigned 25 July 2017)

Bridget Cluley, BEM ^ Vice Chair

Chris Cuthbert x

(appointed 28 January 2016)

Joanne Drew *^ Board Secretary

(resigned 25 July 2017)

Richard Greenhalgh Chairman

(appointed 1 June 2017)

Mark Grinonneau * x Treasurer

Jean Grugel x

(appointed 25 April 2016)

Carol Haslam ^

Jim Rice *

(resigned 31 May 2017)

Tim Richards Chairman

(resigned 31 May 2017)

Malcolm Sweeting *(appointed 1 June 2017)*

Dean Williams ^

* = member of Finance, Audit and Risk Committee, ^ = member of Nominations and Remuneration Committee,
x = member of Programmes Advisory Group

Senior Management Team (Key Management Personnel)

Mark Waddington Chief Executive

Delia Pop Director of Programmes and Global Advocacy

Sue Rooke Director of Resources and Company Secretary

Sarah Whiting Director of Fundraising

Registered Office and Principal Address: East Clyffe, Salisbury, Wiltshire, SP3 4LZ

Independent Auditor: Crowe Clark Whitehill LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

Bankers: Royal Bank of Scotland PLC, 48 Blue Boar Row, Salisbury, Wiltshire, SP1 1DF

Website: more information about the charity can be found at www.hopeandhomes.org

HOPE AND HOMES FOR CHILDREN

TRUSTEES' ANNUAL REPORT and STRATEGIC REPORT for the year ended 31 December 2016

MISSION, VISION AND ACTIVITIES OF HOPE AND HOMES FOR CHILDREN

Vision

Our vision is of a world in which children no longer suffer institutional care.

Mission

Our mission is to be the catalyst for the global eradication of institutional care of children.

The rationale for our strategy

Orphanages and other forms of institutional care are wrong. Independent research has established that they are associated with high levels of abuse, neglect and mortality. They are also unnecessary. Most children in orphanages are not orphans. Over 80% of children confined to orphanages have parents who, with the right support, can better protect and care for them. Orphanages are not cost-effective and are often more expensive than supporting family-based alternatives, which evidence consistently demonstrates provide better outcomes for children.

There are eight million children confined to orphanages. From evidence and practical experience, we are able to present an almost unique value proposition by leveraging the scale of funding to deliver the transition of whole, national child protection systems in some of the most challenging environments.

Strategic Aim

Our ten-year aim is that by December 2022 we will have put in place the mechanisms to benefit a quarter of a million children every year by preventing them from entering institutional care, and by ensuring that they can enjoy quality family-based care. Our four point plan which will deliver this aim is:

- *National flagships* - we have established flagship programmes which demonstrate how a country can transform its entire childcare system from one based on orphanages to one based on families. In Rwanda and Romania we are only a few years from achieving this.
- *Regional impact* - our experts in flagship countries will advise and assist others across the region to create a domino effect and stimulate reform across entire regions.
- *Global movement* - we will use this domino effect to create a global groundswell of commitment to create a better future for all children. We will work in partnership with other organisations to shape international policy and practice.
- *Closing the gap* - In order to deliver change on the scale we envisage, we need to grow our capability as an organisation by securing investment in our organisational development.

Theory of change

Our theory of change articulates the conditions that we require to succeed with the delivery of our hierarchy of objectives, and what we will do to ensure that those conditions are fulfilled. It is the fulcrum between strategic and operational planning. It comprises four elements as follows:

- **Political will** - we need sustained political will and commitment to reform child protection systems.
- **Know-how** - technical understanding and skills are a pre-requisite to pilot and then scale up initiatives aimed at transitioning national systems from institutional care to community- and family-based care. So too is having the evidence that proves how and why this is so desirable, at every step of the transition.
- **Capacity to deliver services** - it is through this element of our theory of change that we harness the political will and know-how of NGOs, and local and national authorities, by helping them to clarify their roles in the deinstitutionalisation process and commit to a series of responsibilities and actions to deliver it. Crucial in this is supporting the NGO community to engage in dialogue with their governments and hold them to account.
- **Funding** - in order to deliver permanent and sustainable reform we need to ensure that there is funding for both the transition process itself as well as for the family- and community-based services that will replace institutional care.

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Five-year strategic goals

Our current strategic planning period covers 2012 to 2017. During that time frame our goals are:

Goal 1 - Proof of concept - we will demonstrate how reform of entire child protection systems that rely on institutional care is an imperative for children, desirable and affordable for governments, and how it can be delivered in different contexts.

To be achieved by:

- Developing and implementing three regional strategies being developed and implemented
- Establishing network partnerships in two new additional regions

Goal 2 - Preparing for scale - we will design, for piloting, a financing mechanism that will be capable of attracting the scale of funding required across whole regions to cover the transition costs for the reform of child protection systems that rely on institutional care.

To be achieved by:

- Further developing the evidence base underlying the links between child protection and child poverty
- Securing the commitment from relevant global organisations and some of the major funders of international development to child protection and on funding child protection reform
- Developing the conceptual frame and terms of reference for, as well as piloting elements of, a Pooled Fund that will leverage the scale of funding required to cover the costs of reform at regional level

Goal 3 - Global positioning - through further development of our brand, marketing and communications we will strengthen our global positioning with the private sector, policy makers, the major funders of international development, and key research and practice networks in order to secure the levels of commitment to drive global reform of child protection.

To be achieved by:

- Developing key messages and brand and developing critical communication channels
- Engaging international actors based in Geneva, Brussels and the USA
- Developing and commencing the delivery of a communications strategy that will draw together policy and funding interests around a common global commitment to child protection reform

Goal 4 - Organisational capacity - we will map what organisational capacity we will need to deliver these five-year strategic goals, secure the commitment for the investment to build this capacity, and develop our organisational culture and systems to provide us with the flexibility and innovation to deal with challenges and take opportunities as they arise.

To be achieved by:

- Enrolling key donors in our strategy and negotiate their commitment to invest in our capacity development
- Developing a funding/finance model to investigate and update investment scheduling options, opportunities and requirements and guide how we allocate our resources to most effectively deliver the objectives above
- Increasing organisational income to circa £10m
- Developing and delivering an HR strategy that attracts, retains and develops the top talent we will need to deliver our strategy
- Developing and delivering an approach to risk management that will enable rather than inhibit our ability to successfully take new opportunities and find new ways to be ever more effective
- Putting in place the organisational reporting and analysis processes that provide the financial information for us to continue strengthening our value proposition and case for support
- Developing and delivering facilities management and an IT strategy that provides staff with the environment, equipment and tools that they need to work productively

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STRATEGIC REPORT - WHAT WE ACHIEVED IN 2016

We are pleased to report that 2016 was our most successful year on record not only because of the impact we were able to deliver, but also because of the groundwork we were able to undertake in preparation for 2017.

We set five priorities for 2016. Some of the key achievements against each one are outlined below:

Priority 1 – *Demonstrate deinstitutionalisation by closing institutions and ensuring alternative family-based care for children.*

Through our work in 2016, 884 children left institutions and moved into families or community-based care. We helped to close ten institutions – 7 in Rwanda, 1 in Bulgaria, 1 in Moldova and 1 in Romania - and continued to work on a further 36 deinstitutionalisation projects.

At the same time, we helped to establish family support and alternative care services to prevent children from being subjected to institutional care. 27,296 children benefitted from our prevention work. We also trained 5,809 professionals and volunteers. Assuming that each person trained goes on to work with approximately 50 children, these individuals will benefit 290,450 children.

Highlights include:

- In April 2016 we finally won permission to close Bjelave, the largest orphanage in Sarajevo, Bosnia and Herzegovina. This was a historic moment for the organisation as it was Mark and Caroline Cook's experiences in Bjeleve during the Bosnian War that led them to found Hope and Homes for Children. Despite enormous resistance we have been fighting for its closure ever since. The work to find families or community based care for the more than 90 children who live there is now underway.
- Also in April, together with our regional partner, RELAF, we delivered the first module of the foster care course developed for Tabasco State, Mexico. The course is tailored for trainers and will give them the skills to develop a network of 50 foster carers to meet the needs of the children in the area.
- In Bulgaria, we won a clear commitment for the Government to close all baby institutions by 2020. Hope and Homes for Children was instrumental in ensuring that an updated Action Plan for deinstitutionalisation, adopted by ministers in October 2016, specifically referred to the closure of the 17 remaining facilities that house children under the age of three. If implemented, as a whole the new Action Plan will lead to the eradication of Bulgaria's last 46 orphanages in the next four years.
- In Ukraine, in December 2016, we completed and published the first comprehensive audit of the country's children's institutions. Our research revealed the extent to which Ukraine's vast system of orphanages is failing vulnerable children and resisting reform, providing the evidence and data we need to drive change.

Priority 2 – *Increase our global influence.*

- In 2016, we expanded our role in providing technical assistance to other organisations, supporting ten new organisations across seven countries that are committed to deinstitutionalisation and the development of alternative care.
- In South Africa, we completed an extensive research project to provide the first reliable picture of institutional care in the country which led directly to the signing of an agreement with the Department of Social Development of Gauteng Province to deliver a pilot project to close three orphanages.

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- In October, we contributed to a major conference on deinstitutionalisation in Panama City, Panama, organised by our partner, RELAF. During the course of the event, which involved 90 representatives of government and civil society from over 20 countries, we launched the Latin America and Caribbean Centre of Excellence, a training and information hub for professionals and volunteers in the region.
- Our Director of Programmes and Global Advocacy, Dr Delia Pop shared her expertise at a major conference in Florida organised by the Christian Alliance for Orphans (CAFO). The annual event attracts 2,500 delegates and is aimed at encouraging Christians and Christian organisations to help vulnerable children to grow up in safe, permanent families and not in orphanages.
- In July 2016, we established a pilot project in Jharkhand State, India. The project will explore the potential for Hope and Homes for Children to build political will, increase the capacity of child protection professionals and unlock funding for family support and alternative care services in this part of India. It will also demonstrate how it is possible to provide crisis care for children who have been separated from their families.
- As members of the steering committee, Hope and Homes for Children helped to organise and deliver a major international event, the Alternative Care Conference in Geneva in October, consolidating our position as a global leader in child protection reform. At the event we launched our new paper, *End the Silence: the case for the elimination of institutional care*, to the 400 representatives of governments, NGOs and major private and institutional donors.
- Hope and Homes for Children in Ukraine hosted the Superhero Summit, bringing together 150 child protection "superheroes" from across Eastern Europe and Central Asia to pool their expertise. 40 children attended the event and contributed their ideas for ending orphanage care, along with legislators, business leaders, scientists, IT and media experts.
- We launched the second phase of Opening Doors for Europe's Children, our pan-european campaign, in partnership with Eurochild, to strengthen families, end institutionalisation and promote family and community based care for children across the Continent. The launch of Phase 2 saw SOS Children's Villages International, the International Foster Care Organisation and the European branch of the International Federation of Educative Communities join the campaign, expanding its reach from 12 to 15 countries.

Priority 3 – Pilot the UN's Guidelines for the Alternative Care of Children tracking tool.

- As a member of the inter-agency Tracking Progress Initiative, Hope and Homes for Children continued to support the roll out of a web-based tracking tool to help drive the global eradication of institutional care. The tool is designed to measure the extent to which individual countries have adopted the UN's *Guidelines for the Alternative Care of Children*. The tracking tool which was launched in November 2015 was piloted in five countries in 2016 with plans to introduce it in new countries in 2017.

Priority 4 – Develop ways to credibly evaluate our impact.

- In 2016, we set up a system of reviews to measure the impact of our work, in order to ensure the quality of our programmes and to give us credibility when influencing the practices and policies of governments and partners. The reviews included an examination of case management, data collection and storage systems, child protection and participation policy and practice, team morale, innovation and best practice. We consulted with individual Hope and Homes for Children teams, governments and other stakeholders in Bosnia and Herzegovina, Rwanda, Romania and Ukraine in 2016 and will continue the reviews in 2017.

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Priority 5 – *Secure the partnerships, funding and investment needed to deliver our mission.*

Overall we were pleased with the income level for the year. Reaching £9.5 million, our income exceeded that target we had set for the year of £8.3 million. As well as securing this income, we also recognised the progress that we made in securing pipeline for 2017 and beyond.

Highlights include:

- We established a major new partnership in the year. In late 2015 employees at Deutsche Bank voted to make Hope and Homes for Children one of their two Charities of the Year for 2016 and 2017. The partnership has given us the opportunity to engage the Bank and its staff in our cause, not just in terms of fundraising but also by staff offering their time and skills to help us achieve our vision.
- Our fundraisers successfully maintained all our existing major corporate and grant funding partnerships through face to face meetings, events and reporting.
- During the year, we developed and embedded some key new fundraising events and challenges which, as well as raising funds, have enabled us to establish relationships with new supporters.
- We established a high-level Private Sector Working Group to help support the UK Government's Department for International Development (DFID) to understanding the negative influence of institutional care of children on their strategic priorities, with a view to influencing the establishment of an internal policy position on deinstitutionalisation and the allocation of funding for reform. Despite a complete change in the DFID ministerial team, we secured ministerial meetings and engagement with senior civil servants in the course of 2016 and enrolled significant support from a number of members of the House of Lords to help build on this momentum.
- During the second half of 2016 we received £850,000 from UBS Optimus Foundation for investment in our capacity to deliver our strategy.

PLANS FOR FUTURE PERIODS

To achieve our mission of the global eradication of institutional care of children, we must build on the successes and momentum achieved in 2016. Our priorities for 2017 are:

Priority 1:

- Assess the readiness to transform child protection in the countries we have influence in and to drive that readiness forward so that reform gains momentum.

Priority 2:

- Document and share our learning on how to deliver reform, and expand the training support we offer so that others can work with us to eradicate institutional care of children.

Priority 3:

- Deliver out 100th orphanage closure and celebrate how those closures build the momentum to trigger global reform.

Priority 4:

- Progress the commitment of globally influential organisations, including across the private sector, to stop funding orphanages and re-direct their generous support toward prevention and the delivery of family-based care for all children.

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RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the effective management of risk, including ensuring that internal controls are in place and operating as intended. Risk identification is applied through a series of overlapping tiers of assessment which results in a framework that ensures risk is comprehensively identified. The three tiers are:

- Strategic Risk Register
- Corporate Risk Register
- Operational and Project Risk Assessments

The Senior Management Team reviews risks within the Charity at its meetings as well as monitoring external developments that may impact on the organisation. It has systems and procedures to mitigate the risks identified from operational activity as well as procedures to minimise impact should any of the risks materialise. Risk management is a standing item at each of the meetings of the Finance Audit and Risk Committee, where any new risks or material increase in risk is discussed and raised to the Board of Trustees, if necessary.

The key risks faced by the Charity, along with the steps taken to mitigate these risks, have been identified as follows:

- Overstretch across the organisation could lead to increased vulnerability. In programmatic terms our work is increasingly delivered through national and regional partners across larger numbers of children. Consequently, the risk of a child protection incident is likely to increase, while our ability to directly control it is reduced. We mitigate this risk through continuing to develop strong due diligence processes, and increasing our investments in the capacity building of national and regional partners, and the implementation of child protection risk protection tools across all areas of programming. We also mitigate this risk by identifying where capacity is a challenge in maintaining the quality of our programming and target support pro-actively, and by continuing to strengthen our cross-organisational child protection policy and the management of it.
- Not achieving our income budget will undermine implementation rates - we will mitigate this risk by setting a budget which seeks to maximise our ability to generate working capital while seeking to accelerate income receipts where feasible. In particular, we will monitor the expected and actual availability of unrestricted funding. We will also ensure tight controls around our expenditure.
- Inability to secure additional investment which will prevent long-term growth to the scale, reach and positioning we need to fulfil our mission. We have developed a new plan to maximise the opportunity to secure and/or generate the funds we require to invest in our growth across a number of different sources so that we are not dependent on one initiative.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure

Hope and Homes for Children is a charitable company limited by guarantee. During the year we updated our governing document (our memorandum and articles dated April 2001) to reflect current best practice. The revised Articles of Association dated May 2017 sets out the objects and powers of the organisation. The Charity is governed by a Board of Trustees which has legal, financial and managerial responsibility for the charity. The trustees constitute directors of the charitable company for the purposes of the Companies Act 2006 and trustees of the charity for the purposes of the Charities Act 2011.

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Governance

New trustees are appointed at duly convened meetings for a period of three years after which they are eligible for re-election for a further three years. The Board has adopted formal procedures for the recruitment, selection and induction of new trustees which are managed by the Nominations and Remuneration Committee (NRC). The terms of reference for the NRC include reviewing the size, skills, structure and effectiveness of the Board and making recommendations for any changes. The NRC reviews nominations and applications for trustees and puts forward recommendations of suitable nominees to the full Board.

Following the appointment of new members, an induction programme is arranged which aims to give the individuals the information and tools they need to fulfil their legal obligations as well as to play an effective role on the Board. The induction involves reading material, visits to the offices in the UK and abroad as well as access to staff. During the term of office of trustees, opportunities for on-going training are offered either through specifically arranged sessions or less formally through recommended reading lists.

The Board of Trustees comprises a minimum of three trustees with no maximum limit. The trustees meet five times a year when they consider the strategic direction and governance of Hope and Homes for Children. Formal delegation for certain areas of work has been given to three sub-committees:

- Finance, Audit and Risk Committee (FARC) - which monitors and reviews financial and audit activity, the risk and control framework, organisational governance and the statutory accounts.
- Nominations and Remuneration Committee (NRC) - in addition to the succession planning for Board members, the Committee agrees remuneration and benefits of the Chief Executive and the Senior Management Team.
- Programmes Advisory Committee (PAC) - established to oversee and monitor implementation of the Child Protection Policy and to facilitate the sharing of knowledge and understanding of our programmes among the Board of Trustees in order to strengthen their ability to assess and take strategic decisions that affect successful delivery of our programmes.

These groups report back on their proceedings to the full Board.

Management

The Board has delegated the day to day management of the organisation to the Senior Management Team which comprises the Chief Executive and Directors of Programmes and Global Advocacy, Fundraising and Resources. Matters such as strategic and operational plans and key policies are prepared by the Senior Management Team for consideration and approval by the Board.

Public benefit

The aims and benefits of Hope and Homes for Children are contained within the main body of this Report under Vision, Mission and Strategic Aim on page 4 and under Strategic Report on pages 6 to 8. We have considered the key principles of the Charity Commission's general guidance about public benefit and have concluded that Hope and Homes for Children meets all the requirements.

Related Parties

Hope and Homes for Children has subsidiary organisations in Romania and South Africa.

Hope and Homes for Children Romania was established in 1999 as a non-governmental organisation with the Ministry of Justice. Its Board of Directors comprises senior managers of the UK charity and therefore its financial results are consolidated.

Hope and Homes for Children (South Africa) was set up as a non-profit company and public benefit organisation with tax exempt status in 2008. Its registration number is 2008/005926/08. In 2012, we handed over the projects we managed to local NGOs and our work in South Africa has been dormant since then. Now ready to restart operational activity, we are reviewing our legal options for the company.

Related party transactions are disclosed in note 9 to the financial statements.

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Remuneration Policy

Our approach to remuneration is designed to ensure that we can attract and retain the talented and motivated people we need to achieve our mission and deliver our strategic goals. It is applied consistently across the organisation, including the Senior Management Team membership of which is set out on page 3. We aim to pay within benchmarked ranges for the sector and within the context of affordability.

Financial Review

The financial review and consolidated financial statements incorporate the results of Hope and Homes for Children's UK operations and its overseas controlled subsidiaries, and branches.

Total income in 2016 was £9.5 million which sets a new record high level for the organisation. It was £1.7 million higher than the 2015 comparative figure of £7.8 million. The most significant element of the increase arose from corporate and trusts and foundations income streams.

Corporate income rose by just over £1.1 million to £2.2 million. As noted under Priority 5 on page 8, this is the first year of us benefitting from being one of two nominated Charities of the Year of Deutsche Bank. The fundraising initiatives of the employees raised just over £1 million for our work which exceeded our expectations.

Income from trusts and foundations was also £1 million higher than last year, reaching a record level of £3.8 million. The principal component of the increase was a grant of £0.85 million from UBS Optimus Foundation for investments in our capacity to deliver our strategy and for developing the global reach of our programmes.

In addition, our new flagship End the Silence event helped to boost the fundraising activities and events income line which rose from £0.5 million to £1.3 million.

By contrast, we received significantly less funding in the form of grants directly related to our charitable activities, income in this area falling from £1.7 million to £0.7 million. Short term agreements with Global Communities and various European Union bodies for work in Rwanda, Bulgaria and Romania were successfully completed in 2015 or early 2016.

Expenditure rose from £8.3 million in 2015 to £9.2 million in 2016. Spending plans continued to be subject to rigorous scrutiny as we balance our goals of strategic growth against our core commitments. In line with the plans to grow income the costs of raising funds rose from £1.6 million last year to £2.2 million this year. Investment was primarily made in resourcing and delivering the new flagship events.

Our expenditure on charitable activities also rose, increasing from £6.7 million to £6.9 million. Many operational programmes continued at a similar funding level to 2015. The significant changes were a continued increase in activity levels across the East and Southern Africa region on the back of the project funded by DFID to reduce reliance on institutional care of children and fight child poverty through a capacity building approach and also the transition from a research project to an operational programme in South Africa.

As a result of the above, we ended the year with a surplus of £0.3 million (before other gains and losses) which was attributed primarily to restricted funds and with a small deficit on general funds. Total funds at the end of the year were £7.1 million.

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Reserves Policy

Hope and Homes for Children needs reserves to ensure the Charity can meet its objectives; both its current commitments and its longer term sustainability. We have determined that the reserve needs to be in a range, calculated with reference to the risk assessment of:

- The viability of income streams
- Opportunities to invest in new projects prior to securing funding
- Cash flow requirements

We have further determined that we need to hold the equivalent of approximately two months total expenditure as reserves of which at least one month's essential core expenditure should be held as an unrestricted cash reserve.

As at 31 December 2016, these measures indicate a required cash reserve of between £1 million and £1.1 million, including an unrestricted cash reserve of £400k.

At the balance sheet date, the total reserves were £7.1 million (2015: £6.2 million) comprising £5.6 million (2015: £5.1 million) of restricted funds and £1.5 million of unrestricted funds. (2015: £1.1 million).

Unrestricted funds comprise general funds of £1.4 million (2015: £1.0 million) and £0.01 million of designated funds (2015: £0.01 million). The designated funds balance represents tangible fixed assets and therefore is not available for general use.

With these reserve levels, the reserves policy was met at the year end. As the organisation continues to grow and increase its capacity, our Business Plan for 2017 and our Strategic Plan outline a path to build general reserves through a combination of controlling expenditure while investing in and broadening our fundraising activities. We also have plans to review the reserves policy as part of developing the next phase of the strategic cycle.

Investment Policy

Our governing document provides us with the powers to invest monies not immediately required as we see fit. The policy we have set aims to invest funds to generate income. Cash balances are held to ensure funds are available to meet day to day commitments with any funds that are not instantly required being placed on term deposits until needed.

Grant Making Policy

Hope and Homes for Children works in partnership with a number of organisations. Grants payable are made in line with strategic and business plans. We monitor grants operationally and financially throughout the term and particularly at the end of the grant. The annual planning process includes earmarking funding to be made available for grants in the following year.

Going Concern

Hope and Homes for Children is funded by voluntary donations and, as such, can only operate to the extent that these donations allow. There is, however, a degree of probability regarding some future donations. The Charity has in place certain contingency plans should donations fall materially. We consider that Hope and Homes for Children has adequate resources to continue in operational existence for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the accounts on pages 16 to 32.

Auditor

We will put a resolution to the Annual General Meeting proposing that Crowe Clark Whitehill LLP will be re-appointed as auditor.

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of Hope and Homes for Children for the purposes of company law) are responsible for preparing the Trustees' Annual Report, Strategic Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditor

Insofar as each of the trustees of the charitable company at the date of approval of this report is aware there is no relevant audit information (information needed by the charitable company's auditor in connection with preparing the audit report) of which the charitable company's auditor is unaware. Each trustee has taken all of the steps that he/she should have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The Trustees' Annual Report (including the Strategic Report) was approved by the Board of Trustees on 25 July 2017 and signed on their behalf by:



MARK GRINONNEAU
Trustee and Treasurer



RICHARD GREENHALGH
Trustee and Chairman

HOPE AND HOMES FOR CHILDREN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOPE AND HOMES FOR CHILDREN

We have audited the financial statements of Hope and Homes for Children for the year ended 31 December 2016 which comprise the Consolidated Statement of Financial Activities, the Group and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes numbered 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**HOPE AND HOMES FOR CHILDREN
REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HOPE AND HOMES
FOR CHILDREN**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the Trustees' Annual Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Annual Report and Strategic Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatement in the Trustees' Annual Report and Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Nicola May

Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Date: 

HOPE AND HOMES FOR CHILDREN

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an income and expenditure account)
for the year ended 31 December 2016

	Notes	Unrestricted £	Restricted £	2016 Total £	Unrestricted £	Restricted £	2015 Total £
Income from:							
Donations and legacies	2	4,429,983	4,312,712	8,742,695	2,929,142	3,117,760	6,046,902
Charitable activities	4	-	719,884	719,884	-	1,703,298	1,703,298
Trading activities		9,307	-	9,307	9,090	-	9,090
Investment income		1,530	48	1,578	2,007	-	2,007
Other income		-	38,435	38,435	-	26,533	26,533
Total income		4,440,820	5,071,079	9,511,899	2,940,239	4,847,591	7,787,830
Expenditure on:							
Raising funds	5	1,557,537	705,771	2,263,308	1,001,891	574,748	1,576,639
Charitable activities Work to globally eradicate the institutional care of children	5	2,938,294	3,999,368	6,937,662	3,448,522	3,256,908	6,705,430
Total expenditure		4,495,831	4,705,139	9,200,970	4,450,413	3,831,656	8,282,069
Net income/(expenditure)		(55,011)	365,940	310,929	(1,510,174)	1,015,935	(494,239)
Transfers		500,029	(500,029)	-	508,916	(508,916)	-
Other recognised gains/(losses)		2,669	561,930	564,599	(47,408)	-	(47,408)
Net movement in funds		447,687	427,841	875,528	(1,048,666)	507,019	(541,647)
Reconciliation of funds:							
Total funds brought forward	16	1,066,674	5,144,313	6,210,987	2,115,340	4,637,294	6,752,634
Total funds carried forward	16	1,514,361	5,572,154	7,086,515	1,066,674	5,144,313	6,210,987

The notes on pages 19 to 32 form part of these financial statements.

HOPE AND HOMES FOR CHILDREN

BALANCE SHEETS
as at 31 December 2016

Registered Company Number: 4193179

	Notes	Group		Charity	
		2016 £	2015 £	2016 £	2015 £
Fixed assets:					
Tangible fixed assets	12	3,846,904	3,755,281	23,962	29,636
Current assets:					
Donated properties under development		504,942	320,196	-	-
Debtors and prepayments	13	749,190	835,729	713,119	431,180
Short-term bank deposits and cash resources	14	2,314,280	1,762,303	2,241,296	1,628,587
		3,568,412	2,918,228	2,954,415	2,059,767
Liabilities:					
Creditors: amounts falling due within one year	15	328,801	462,522	279,526	215,013
Net current assets		3,239,611	2,455,706	2,674,889	1,844,754
Net assets		7,086,515	6,210,987	2,698,851	1,874,390
Funds:					
Restricted funds	16/17	5,572,154	5,144,313	813,010	1,238,570
Unrestricted funds					
Designated funds	16/17	83,105	53,383	23,962	23,655
General funds	16/17	1,431,256	1,013,291	1,861,879	612,165
Total unrestricted funds		1,514,361	1,066,674	1,885,841	635,820
Total funds		7,086,515	6,210,987	2,698,851	1,874,390

The notes on pages 19 to 32 form part of these financial statements.
The parent charity made a surplus in the year of £824,461 (2015: deficit of £151,472).

The financial statements on pages 16 to 32 were approved and authorised for issue by the Board of Trustees on 25 July 2017.

Signed on behalf of the Board of Trustees by:



MARK GRINONNEAU
Trustee and Treasurer



RICHARD GREENHALGH
Trustee and Chairman

HOPE AND HOMES FOR CHILDREN

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash provided/(used in) by operating activities	20	719,979	(379,935)
Cash flows from investing activities:			
Interest received		1,578	2,007
Purchase of property		(68,759)	(27,519)
Purchase of other fixed assets		(78,942)	(18,852)
Net cash (used in) investing activity		(146,123)	(44,364)
Cash flows from financing activities:			
Cash (outflows)/inflows from loan (Romania)		(91,605)	91,605
Interest paid		-	(625)
Net cash provided by financing activity		(91,605)	(90,980)
Change in cash and cash equivalents in the year		482,251	(333,319)
Cash and cash equivalents at the start of the year		1,762,303	1,858,023
Change in cash and cash equivalents due to exchange rate movements		69,726	(237,599)
Cash and cash equivalents at the end of the year		2,314,280	1,762,303

The notes on pages 19 to 32 form part of these financial statements.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

1. ACCOUNTING POLICIES

Legal Status of the Charity

Hope and Homes for Children is a company limited by guarantee and is registered in England and Wales with the Charity Commission (Reg No:1089490) and with Companies House (Reg No: 4193179). The charitable company was incorporated in April 2001 and has no share capital. The members of the company are the Trustees named on page 3. In the event of the company being wound up, the liability in respect of the guarantee for each member is limited to £10. At the balance sheet date there were 11 members.

Registered and principal office

The registered and principal office of Hope and Homes for Children is East Clyffe, Salisbury, Wiltshire, SP3 4LZ.

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP 2015) and the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102).

The financial statements have been prepared under the historical cost convention.

Hope and Homes for Children meets the definition of a Public Benefit Entity under FRS 102.

Basis of consolidation

The financial statements consolidate the results of the charity and its subsidiary undertaking (Hope and Homes for Children – Romania) on a line by line basis. Hope and Homes for Children – Romania is registered with the Judiciary of Baia Mare in Romania (Certified: 23 September 2001). The Board of the subsidiary are senior managers of the charity and the two organisations are managed on a unified basis.

Much of the operational activity of the charity is carried out through branches located in the countries of operation. In line with the requirements of SORP 2015, their results are included within those of the charity on a line by line basis.

A second subsidiary undertaking (Hope and Homes for Children (South Africa)) was dormant during the year and therefore is not consolidated on the grounds of materiality. Senior managers of the charity form a majority on its Board.

The parent charity has taken advantage of the exemptions in FRS102 from the requirement to present a charity only Cash Flow Statement.

Going concern

The trustees have determined that there are no material uncertainties over the charitable company's ability to continue as a going concern. Accordingly, the trustees believe it is appropriate to prepare the financial statements on the going concern basis.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

The principal accounting policies which have been adopted are set out below:

Income

Income is recognised in the SOFA when the charity becomes entitled to the income, it is probable that the income will be received and the amount can be measured reliably.

Grants receivable that do not relate to the performance of a service or the production of charitable goods are classified as voluntary income and those that are performance related are classified as income from charitable activities. Grants are credited to income in the SOFA, with unspent balances being carried forward to subsequent years within the relevant fund.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period.

Legacy income is included when there is sufficient evidence of entitlement, probable receipt and where the amount is measureable. Pecuniary and residuary legacies notified before the year end, are accrued where it can be demonstrated that the charity had entitlement at the year end, the amounts can be quantified with reasonable certainty and where receipt is probable.

Expenditure

All expenditure is accounted for on an accruals basis.

Expenditure on raising funds represents expenditure incurred in attracting funding and the costs of disseminating information about charitable activity.

Expenditure on charitable activities includes the direct costs of operating overseas programmes and grants made to third parties. It also includes support costs incurred at the UK office directly in support of the overseas activities.

Allocation of support costs

The majority of costs are directly attributable to specific activities. Certain shared costs, including Governance Costs, are apportioned to activities based on the proportion of staff time allocated to the activity.

Pension scheme

The costs of providing defined contribution pensions are charged to the SOFA as they fall due. The difference between contributions payable in the period and those actually paid are shown as accruals in the balance sheet. The costs of the pension scheme are allocated between restricted and unrestricted funds in proportion to the time allocated for work done by members of staff.

Operating leases

Instalments paid under operating lease contracts are charged to the SOFA as incurred.

Exchange rate gains and losses

The results and financial position of subsidiaries (none of which has the currency of a hyper-inflationary economy) that conduct business in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. The affairs of the subsidiaries are so closely interlinked with those of the parent charity that it is considered that the incoming resources and application of resources may be regarded as being more dependent on sterling than on its own reporting currency. Fixed assets are translated at the rate of exchange ruling at the date of transaction and then carried at that sterling value. At the balance sheet date, cash and bank balances, and amounts receivable and payable are translated by using the rate of exchange ruling at that date.

Exchange movements are recorded in the SOFA.

Presentation currency

The functional currency of Hope and Homes for Children and its subsidiary is considered to be in pounds sterling because that is the currency of the primary economic environment in which the charity operates.

The consolidated financial statements are also presented in pounds sterling.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

Tangible fixed assets and depreciation

Tangible fixed assets with a value greater than £1,000 are included at cost and written off by equal annual instalments over their expected useful lives as follows:

Land	n/a
Property for functional use	40 years
Homes and services for beneficiaries	10 to 20 years
Improvements to property	10 years
Motor vehicles	4 to 5 years
Office and computer equipment	2 to 5 years

Ownership of homes and services for beneficiaries rests with the charity while the running and management of the activity in the building is the responsibility of the local authority. At an appropriate point the charity and local authority will sign an agreement by which the property will be donated to the local authority for the continued provision of the services.

Vehicles and equipment used in overseas branches and other operating entities are not capitalised but charged in full to the SOFA when purchased.

Assets under development

Assets under development are valued at cost less impairment. When complete, those assets where ownership rests with the charity are transferred to fixed assets and those where ownership is retained by a project stakeholder are expensed to the SOFA.

Debtors

Other debtors are recognised in the financial statements at the settlement amount. Prepayments are valued at the amount prepaid at the balance sheet date.

Short-term bank deposits and cash

Short-term bank deposits and cash includes cash in hand, deposits held with banks and other highly liquid short-term deposits.

Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or reliably estimated.

Fund accounting

Restricted funds are funds that can only be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for particular purposes. The costs of administering the restricted funds are charged against the specific fund. The detail of each restricted fund is set out in note 16.

Designated funds are funds that have been set aside by the Trustees out of unrestricted general funds for specific purposes. The aim and use of each designated fund is set out in note 16.

General funds are unrestricted funds that can be used at the discretion of the Trustees to further the charitable objectives.

Financial instruments

Hope and Homes for Children only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their amortised cost.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

Significant estimates and judgements

In the application of the charity's accounting policies, which are described in note 1, Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The annual depreciation charge for the tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. More details of the useful lives for each class of assets is given on page 21.

Taxation

Hope and Homes for Children is a registered charity and as such is entitled to tax exemption on all its income and gains, properly applied for its charitable purposes.

VAT

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Gifts in kind

In line with the requirements of SORP 2015, the value of services provided by volunteers is not incorporated in these financial statements.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

2. DONATIONS AND LEGACIES

	Unrestricted	Restricted	2016 Total	Unrestricted	Restricted	2015 Total
	£	£	£	£	£	£
Individuals	833,967	315,809	1,149,776	1,011,454	255,751	1,267,205
Corporate donors	1,404,012	831,320	2,235,332	460,838	695,036	1,155,874
Charitable trusts and foundations	706,593	3,089,455	3,796,048	715,753	2,099,747	2,815,500
Community groups	64,974	65,418	130,392	83,510	42,612	126,122
Fundraising activities and events	1,349,036	10,710	1,359,746	477,841	24,614	502,455
Legacies	71,401	-	71,401	179,746	-	179,746
Total	4,429,983	4,312,712	8,742,695	2,929,142	3,117,760	6,046,902

3. LEGACY PIPELINE

There was £350,000 (2015: £376,000) worth of legacies notified to the charity that did not meet the recognition criteria and hence have not been accounted for within these financial statements.

4. CHARITABLE ACTIVITIES

	Unrestricted	Restricted	2016 Total	Unrestricted	Restricted	2015 Total
	£	£	£	£	£	£
DFID Global Poverty Action Fund	-	-	-	-	180,471	180,471
DFID UK Aid Match	-	657,298	657,298	-	463,333	463,333
Global Communities (1)	-	-	-	-	64,296	64,296
UNICEF Rwanda	-	36,388	36,388	-	66,351	66,351
Federal Ministry of Labour and Social Policy, Bosnia and Herzegovina	-	5,844	5,844	-	31,644	31,644
UNICEF Bosnia	-	10,423	10,423	-	9,006	9,006
EEA Grants	-	895	895	-	74,723	74,723
European Union – POSDRU	-	-	-	-	800,134	800,134
European Union – SEE	-	9,036	9,036	-	13,340	13,340
Total	-	719,884	719,884	-	1,703,298	1,703,298

(1) A sub-grant of USAID's Displaced Children and Orphans Fund

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

5. ANALYSIS OF EXPENDITURE

	Staff Costs £	Other direct costs £	Grants payable £	Allocated support Costs £	2016 £	2015 £
Costs of raising funds	1,110,693	1,006,939	-	145,676	2,263,308	1,576,639
Charitable expenditure						
Global initiatives	8,608	44,873	32,180	5,893	91,554	147,496
East and Southern Africa						
<i>Rwanda and regional activities</i>	584,925	622,648	80,750	88,626	1,376,949	1,292,599
<i>South Africa</i>	71,851	117,173	4,539	13,315	206,878	51,114
<i>Sudan</i>	207,709	129,515	-	23,198	360,422	379,509
Central and Southern Europe						
<i>Bosnia and Herzegovina</i>	121,468	76,377	-	13,610	211,455	254,042
<i>Bulgaria</i>	250,754	160,802	-	28,312	439,868	399,353
<i>Moldova and Transnistria</i>	67,976	39,272	272,982	26,157	406,387	436,205
<i>Romania and regional activities</i>	729,738	2,343,969	-	211,446	3,285,153	3,320,604
Eastern Europe and Central Asia						
<i>Ukraine and regional activities</i>	152,694	79,332	-	15,962	247,988	244,349
<i>Belarus</i>	-	-	-	-	-	39,757
Latin America and the Caribbean	42,379	34,104	197,334	18,837	292,654	140,402
Indian sub-continent	10,726	6,447	-	1,181	18,354	-
Total charitable expenditure	2,248,828	3,654,512	587,785	446,537	6,937,662	6,705,430
Total	3,359,521	4,661,451	587,785	592,213	9,200,970	8,282,069

Staff costs totalling £358,182 (2015: £332,912) are included in allocated support costs.

6. ANALYSIS OF SUPPORT COSTS

	2016 £	2015 £
Directorate	175,836	145,604
Governance	90,964	81,666
Facilities management	111,947	105,932
Financial management	49,901	101,741
Information technology	88,515	84,068
Human resources	75,050	115,660
Total	592,213	634,671

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

7. GRANTS PAYABLE

Grants payable all relate to grants made to fund projects to implement organisational charitable objectives. They are made to Hope and Homes for Children's partner agencies as follows:

	2016	2015
	£	£
Eurochild, Brussels	32,180	41,411
International Child Campaign, Uganda	14,940	29,820
Child's i Foundation, Uganda	55,864	-
Children in Family Focus, Kenya	9,946	2,500
Give a Child a Family, South Africa	4,539	-
Copil Comunitate, Familie, Moldova	272,982	335,296
Red Latinoamericana de Acogimiento Familiar, Uruguay	197,334	99,571
Total	587,785	508,598

8. NET INCOME

Net income is stated after charging:

	2016	2015
	£	£
Depreciation of fixed assets	376,134	313,334
Movement on exchange rate	648,987	(47,408)
Property rental	28,170	18,750
Auditor's remuneration – statutory audit	21,900	18,500

9. TRUSTEES REMUNERATION AND RELATED PARTY TRANSACTIONS

The trustees were not remunerated during the current or preceding financial years. Reimbursement of £521 was made to two trustees for directly incurred travel expenses (2015: £22 to one trustee). Aggregate donations received from trustees during the year were £31,734 (2015: £53,417). The charity purchased indemnity insurance for the trustees and other officers at a cost of £3,504 (2015: £3,422). No other benefits were awarded to Trustees during the financial year.

During the year, there were no related party transactions (2015: an amount of £16,782 was paid to a training company owned by one of the trustees, Dean Williams, to deliver an accredited coaching course to 20 middle and senior managers in the charity).

Aggregate transactions with the subsidiary undertaking, Hope and Homes Romania, were:

	2016	2015
	£	£
Funds remitted	1,686,582	1,373,007

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

10. STAFF COSTS AND NUMBERS

	2016	2015
	£	£
The costs of employing the UK contracted staff were :		
Salaries	1,602,762	1,583,290
National insurance	160,292	146,187
Pension scheme	55,550	43,169
	1,818,604	1,772,646
The costs of employing overseas staff on local contracts were:		
Salaries and local taxes	1,899,099	1,628,836
	3,717,703	3,401,482
The average number of contracted staff during the year was:		
	2016	2015
	No.	No.
In the UK	50	47
Overseas	136	120
	186	167

The total employee remuneration of the Senior Management Team (Key Management Personnel) was £355,408 (2015: £301,606).

For staff paid £60,000 or greater per annum, the number of employees with emoluments in the following ranges were:

	2016	2015
	No	No
£60,000 to £69,999	1	1
£70,000 to £79,999	2	2
£80,000 to £89,999	1	-
£90,000 to £99,999	1	1

Hope and Homes for Children paid pension contributions for higher paid employees to the scheme amounting to £9,869 (2015: £4,860).

As a result of a reorganisation within the organisation redundancy and termination payments were made as compensation for loss of employment totalling £18,000 (2015: £41,704) in accordance with organisational policy and the legal requirements of the countries in which the individuals work. There were no outstanding amounts at the year end (2015: £nil).

11. PENSION SCHEME

The charity contributes 6% of members' salaries towards a defined contribution pension scheme, which is administered on its behalf by Friends Provident. At the year-end there were outstanding contributions of £7,594 (2015: £6,485) which are included in creditors.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

12. TANGIBLE FIXED ASSETS

GROUP	Land and Buildings	Improvements to leasehold property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£
Cost at 1 January 2016	4,291,001	214,725	176,173	190,954	4,872,853
Additions	68,759	-	54,692	24,250	147,701
Disposals	(246,538)	-	(43,263)	(12,789)	(302,590)
Foreign exchange movement	608,215	-	20,120	5,416	633,751
Cost at 31 December 2016	4,721,437	214,725	207,722	207,831	5,351,715
Depreciation at 1 January 2016	589,104	211,282	159,130	158,056	1,117,572
Charge for the year	336,447	3,120	13,732	22,835	376,134
Disposals	(14,199)	-	(32,267)	(11,581)	(58,047)
Foreign exchange movement	46,285	-	19,286	3,581	69,152
Depreciation at 31 December 2016	957,637	214,402	159,881	172,891	1,504,811
Net book value					
At 31 December 2016	3,763,800	323	47,841	34,940	3,846,904
At 31 December 2015	3,701,897	3,443	17,043	32,898	3,755,281

CHARITY	Land and Buildings	Improvements to leasehold property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£
Cost at 1 January 2016	59,813	214,725	-	145,168	419,706
Additions	-	-	-	16,738	16,738
Disposals	-	-	-	(1,244)	(1,244)
Cost at 31 December 2016	59,813	214,725	-	160,662	435,200
Depreciation at 1 January 2016	53,832	211,282	-	124,956	390,070
Charge for the year	5,981	3,120	-	13,311	22,412
Disposals	-	-	-	(1,244)	(1,244)
Depreciation at 31 December 2016	59,813	214,402	-	137,023	411,238
Net book value					
At 31 December 2016	-	323	-	23,639	23,962
At 31 December 2015	5,981	3,443	-	20,212	29,636

The freehold property represents a portfolio of buildings acquired or built as part of deinstitutionalisation projects in Romania and Bosnia and Herzegovina. The portfolio comprises 56 properties (2015: 59 properties) which are used as small group homes, day centres, emergency reception centres and as a training centre.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

13. DEBTORS AND PREPAYMENTS

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£	£	£	£
Other debtors and accrued income	598,361	713,749	568,027	312,388
Tax recoverable	45,385	45,512	45,385	45,512
Prepayments	105,444	76,468	99,707	73,280
	749,190	835,729	713,119	431,180

14. CASH AND CASH EQUIVALENTS

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£	£	£	£
Cash in hand				
Held in the UK	2,103,206	1,486,614	2,103,206	1,486,614
Held overseas	211,074	275,689	138,090	141,973
	2,314,280	1,762,303	2,241,296	1,628,587

15. CREDITORS: Amounts falling due within one year

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£	£	£	£
Bank loans and overdrafts	-	91,605	-	-
Trade creditors	132,802	79,861	123,878	74,018
Other creditors	82,109	191,530	63,585	61,922
Taxation and social security costs	67,610	61,326	45,783	40,873
Accruals	46,280	38,200	46,280	38,200
	328,801	462,522	279,526	215,013

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16. GROUP FUNDS
a) Current year

	Balance at 1 January 2016	Income	Expenditure	Transfers	Other recognised gains/losses	Balance at 31 December 2016
	£	£	£	£	£	£
Restricted funds						
Overseas property fund	3,701,898	-	-	(500,029)	561,930	3,763,799
Rwanda	13,515	426,507	(230,692)	-	-	209,330
Rwanda-funded by DFID *	-	657,298	(657,298)	-	-	-
South Africa	180,270	34,199	(214,469)	-	-	-
Sudan	-	31,767	(31,767)	-	-	-
Bosnia and Herzegovina	3,415	79,668	(83,083)	-	-	-
Bulgaria	132,750	534,001	(443,711)	-	-	223,040
Moldova and Transnistria	2,570	468,864	(391,734)	-	-	79,700
Romania	1,109,895	2,383,609	(2,498,159)	-	-	995,345
Ukraine	-	135,714	(135,714)	-	-	-
India	-	69,452	(18,512)	-	-	50,940
UK Fundraising	-	250,000	-	-	-	250,000
<i>Sub-total</i>	<i>5,144,313</i>	<i>5,071,078</i>	<i>(4,705,138)</i>	<i>(500,029)</i>	<i>561,930</i>	<i>5,572,154</i>
Unrestricted fund						
Designated funds						
<i>Fixed assets fund</i>	53,383	-	-	27,053	2,669	83,105
<i>Capacity building fund</i>	-	237,100	(237,100)	-	-	-
General fund	1,013,291	4,203,720	(4,258,731)	472,976	-	1,431,256
<i>Sub-total</i>	<i>1,066,674</i>	<i>4,440,820</i>	<i>(4,495,831)</i>	<i>500,029</i>	<i>2,669</i>	<i>1,514,361</i>
Total funds	6,210,987	9,511,899	(9,200,970)	-	564,599	7,086,515

b) Previous year

	Balance at 1 January 2015	Income	Expenditure	Transfers	Other recognised gains/losses	Balance at 31 December 2015
	£	£	£	£	£	£
Restricted funds						
Overseas property fund	4,210,814	-	-	(508,916)	-	3,701,898
Rwanda	-	180,810	(167,295)	-	-	13,515
Rwanda-funded by DFID *	-	463,333	(463,333)	-	-	-
South Africa	33,845	226,479	(80,054)	-	-	180,270
Sudan	-	61,300	(61,300)	-	-	-
Sudan-funded by DFID **	-	180,471	(180,471)	-	-	-
Bosnia and Herzegovina	-	185,803	(182,388)	-	-	3,415
Bulgaria	111,765	322,851	(301,866)	-	-	132,750
Moldova and Transnistria	73,290	53,011	(123,731)	-	-	2,570
Romania	145,080	3,089,194	(2,124,379)	-	-	1,109,895
Ukraine	62,500	84,339	(146,839)	-	-	-
<i>Sub-total</i>	<i>4,637,294</i>	<i>4,847,591</i>	<i>(3,831,656)</i>	<i>(508,916)</i>	<i>-</i>	<i>5,144,313</i>
Unrestricted fund						
Designated funds						
<i>Fixed assets fund</i>	96,437	-	-	(43,054)	-	53,383
<i>Capacity building fund</i>	(16,599)	434,100	(453,104)	35,603	-	-
General fund	2,035,502	2,506,139	(3,997,309)	516,367	(47,408)	1,013,291
<i>Sub-total</i>	<i>2,115,340</i>	<i>2,940,239</i>	<i>(4,450,413)</i>	<i>508,916</i>	<i>(47,408)</i>	<i>1,066,674</i>
Total funds	6,752,634	7,787,830	(8,282,069)	-	(47,048)	6,210,987

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* This project is funded by the Department for International Development under the UK Aid Match programme. The award was made for regional action to reduce reliance on institutional care of children and fight child poverty in East and Southern Africa through a capacity building approach. The expenditure recorded in the table above for this project has been incurred in accordance with the terms of the grant.

** This project is funded by the Department for International Development from the Global Poverty Action Fund. The award was made for work developing and supporting family care for 2,743 of the most vulnerable babies in nine states of Sudan and reforming the childcare system for Orphans and Vulnerable Children. The expenditure recorded in the table above for this project has been incurred in accordance with the terms of the grant.

Restricted funds

All restricted funds are for work on specific projects or for work in particular countries. Where funds are received for these purposes, they are shown as restricted income on the Statement of Financial Activities. Expenditure for the purposes specified is applied against the income and any amounts unexpended at the balance sheet date are shown within restricted funds along with the net book value of fixed assets acquired with restricted funds and any cash or debtors relating to restricted funds.

The Overseas property fund represents the net book value of fixed assets acquired with restricted funds where the donor agreements require that the assets remain restricted. The transfer of £500,029 to the general fund represents the release of restriction through depreciation charges and exchange rate movements.

Designated funds

The fixed asset fund represents the net book value of unrestricted fixed assets. The transfer of £27,053 from the general fund represents the acquisition of assets netted with the release of designations through depreciation charges and exchange rate movements.

The capacity building fund represents funding which has been raised and earmarked specifically to build the capacity of the charity to deliver its strategic ambition. All expenditure on the fund took place in the financial year in which the income was received.

Unrestricted funds

The general fund represents free funds of the charity which are not designated and can be used at the discretion of the trustees to further the charitable objects.

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP	Unrestricted funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2016	2016	2016	2015	2015	2015
	£	£	£	£	£	£
Tangible fixed assets	83,105	3,763,799	3,846,904	53,383	3,701,898	3,755,281
Current assets	1,760,057	1,808,355	3,568,412	1,475,813	1,442,415	2,918,228
Current liabilities	(328,801)	-	(328,801)	(462,522)	-	(462,522)
	1,514,361	5,572,154	7,086,515	1,066,674	5,144,313	6,210,987

CHARITY	Unrestricted funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2016	2016	2016	2015	2015	2015
	£	£	£	£	£	£
Tangible fixed assets	23,962	-	23,962	23,655	5,981	29,636
Current assets	2,141,405	813,010	2,954,415	827,178	1,232,589	2,059,767
Current liabilities	(279,526)	-	(279,526)	(215,013)	-	(215,013)
	1,885,841	813,010	2,698,851	635,820	1,238,570	1,874,390

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18. LEASE COMMITMENTS

The total commitments under non-cancellable leases are as follows:

	2016		2015	
	Buildings £	Other £	Buildings £	Other £
Expiry date				
Within one year	28,170	-	80,720	-
One to five years	76,598	-	4,036	-
After five years	-	-	-	-

19. FINANCIAL INSTRUMENTS

Financial assets that are debt instruments measured at amortised cost:

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Other debtors	598,361	713,749	560,270	312,388
Short term bank deposits and cash resources	2,314,280	1,762,303	2,249,053	1,628,587

Financial liabilities measured at amortised cost:

	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Bank loan	-	91,605	-	-
Trade creditors	132,802	79,861	123,878	74,018
Other creditors	82,109	191,530	63,585	61,922
Accruals	46,280	38,200	46,280	38,200

20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2016 £	2015 £
Reconciliation of net income/(expenditure) to net cash flow from operating activities		
Net income/(expenditure)	310,929	(494,239)
Depreciation charge	376,134	313,334
Interest receivable	(1,578)	(2,007)
Interest paid	-	625
Donation of Small Group Homes to Local Authorities	244,543	-
Exchange rate gains	(69,726)	-
(Increase)/decrease in assets in the course of development	(184,746)	118,810
Decrease/(increase) in debtors	86,539	(403,438)
(Decrease)/increase in creditors	(42,116)	86,980
Net cash provided by/(used in) operating activities	719,979	(379,935)

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

21. SUBSIDIARY UNDERTAKINGS

Hope and Homes for Children - Romania and Hope and Homes for Children – South Africa are wholly owned subsidiary undertakings of Hope and Homes for Children. They are registered in Romania (No: 1/23.01.2001 13661594) and South Africa (No: 2008/005926/08) and do not have share capital. Their governing board members are senior officers of Hope and Homes for Children and each share the same activities as Hope and Homes for Children.

Summary of the results of Hope and Homes for Children – Romania:

	2016	2015
	£	£
Assets	4,411,724	5,473,883
Liabilities	(49,273)	(899,995)
Funds	4,362,451	4,573,888
Income	2,372,072	2,695,776
Expenditure	(2,891,725)	(2,795,512)
(Deficit)	(519,653)	(99,736)

22. CAPITAL COMMITMENTS

	Group 2016	Group 2015	Charity 2016	Charity 2015
	£	£	£	£
Homes and services for beneficiaries	332,930	385,500	-	-