

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 2015**

## **HOPE AND HOMES FOR CHILDREN**

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## HOPE AND HOMES FOR CHILDREN

### TRUSTEES' ANNUAL REPORT

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## 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

## HOPE AND HOMES FOR CHILDREN

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#### STRATEGIC REPORT

##### WHAT WE ACHIEVED IN 2015

We are pleased to report that 2015 has been one of our most successful years. More children are benefiting than ever before from our work. During the year, we directly benefited 17,860 children through our prevention work and a further 1,429 by developing the services which enabled them to be successfully placed in family-based care. We had also trained 3,576 professionals and volunteers in 2015 whom we estimated would each go on to benefit a further 50 children, giving an indirect beneficiary estimate of 178,000. The closure of an institution is a significant milestone for the organisation and we are pleased to report that in 2015 18 institutions closed.

An internal mid-term strategic evaluation was undertaken in 2015. The report found that substantial progress had been made in many of the key areas. The recommendations arising identified a need to expand our understanding of the global extent of institutional care of children as well as our impact and the cost of the solutions.

We set five organisational objectives for 2015. Progress against each one is outlined below:

**Objective 1 - *Progress the closures of 35 institutions across at least seven countries to demonstrate that alternative family-based care is not only possible and more cost-effective, but that it delivers far better outcomes for children.***

During 2015, we closed 18 institutions – three in Rwanda, two in Sudan, ten in Bulgaria, one in Moldova and two in Romania.

Progress in our countries of operation has been significant during the year and their contribution to the wider objective includes:

**Rwanda** – We continued to work through the framework of two national projects. The *Tubabrere Mu Muryango! (TMM)* project – ‘Let’s Raise Children in Families’ - which is a large joint project developed by the government, UNICEF, Global Communities and HHC Rwanda with the overall goal of implementing the national strategy on child care reform and to ensure that children have access to, and are supported by, a strengthened child protection system. *Ishema Mu Muryango (IMM)* – ‘Pride for the Family’ - is a separate project targeting Nyarungenge and Rubavu Districts.

**Sudan** – Work on prevention, training and support to Emergency Alternative Family and Permanent Alternative Family networks were the key pillars in the development of alternative family care in 9 states across Sudan. We continued to work towards the closure of the Maygoma institution in Khartoum.

**Bosnia** – We provided support to the Federal Ministry of Labour and Social Policy to create and/or adopt the laws on foster care, the protection of families with children and Social Services. Our work included preventing children from being placed in care, specialist training to direct care staff and practitioners in childcare while our institutions closure programmes focussed on Tuzla, Mostar and Bjelave institutions.

**Bulgaria** - ten institutions for babies were closed in 2015 and we commenced preparations for the next 13 closures.

**Moldova and Transnistria** – We continued programmes which focused on the closure of institutions for children under the age of 5 including providing technical assistance to the Ministry of Education on the closure of 5 institutions for children with learning difficulties. We have 3 areas of focus for our institution closure work: Chisinau Institution for Babies, Balti Institution for Babies and Costesti.



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**Romania** - In Romania, we undertook interrelated work at EU, national, regional and county levels to ensure that the necessary skills and capacity are in place for local authorities to apply for and to secure EU funding for child protection reform projects and to implement these projects. Child protection reform in Romania has reached a critical point. Significant progress has been made in significantly reducing the number of children in institutions. Best practice models of alternative care for children with disabilities, as well as foster care and prevention systems to keep families together, have been developed. We actively partnered this work in 11 counties during 2015.

**Ukraine** - Despite a difficult political situation we commenced the national audit of the child protection system and were able to contribute to ensuring child protection is a priority for Ukraine's reforms agenda. We continued to support the two Complexes of Social Support Services in Dnipropetrovsk and Makariv.

In addition we have reintroduced direct programme work in **South Africa**. We have commenced our mapping exercise in South Africa to provide us with the data we need to gain insights into the scale of the institutional care system in this country and enable us to plan how to tackle it.

#### ***Objective 2 - Commence the delivery of our regional strategies in at least four Continental Regions in order to drive impact outwards across more countries to benefit more children.***

- We re-structured our Programmes Team to improve its capacity to support the new regional framework.
- Regional strategies have been developed for Central and Southern Europe, Eastern Europe and Central Asia, and East and Southern Africa.
- With the regional structure, we have increased the number of countries of influence we are able to support in their efforts toward deinstitutionalising their child protection. In particular, the number of countries involved in our Africa Regional Programme has increased from two to eight.
- A new regional partnership has been established with RELAF and UNICEF in Latin America. This partnership will promote and provide technical assistance in support of the deinstitutionalisation process across the region.
- An assessment trip to Jarkhand in India was undertaken and a planning grant subsequently secured from the Oak Foundation to support our ability to map out next steps.
- We started work on the identification of indicators and relevant baselines against which progress of our work can be measured. We have identified a number of national context indicators – relevant to measure change at national level and therefore the impact of our work. These indicators are in line with the overall indicators developed for the tracking tool measuring the implementation of the UN Guidelines on Alternative Care.

#### ***Objective 3 - Link our regional work with our global work to focus attention and action on deinstitutionalisation of child protection, and to win targeted and focused commitments that over time will deliver international support in terms of know-how, funding and the political will to ensure that no child ever suffers institutional care.***

- On the global stage we have continued to influence policy through key organisations, including Child Rights Connect and the UN system itself through our work on the Steering Group that is guiding the implementation of the measuring tool for the UN Guidelines on Alternative Care.
- We used social media to present thinking on the links between relevant child protection issues and poverty, which attracted positive feedback from peers and academics. This has led to the development of several relationships which will assist in further developing our positioning regarding the Sustainable Development Goals.
- With multi-year funding now secured and partnerships developed with organisations across eight countries in Africa, we are in a strong position to continue developing and piloting longer term mechanisms needed to sustain the provision of community and family services.

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- We continued our global impact through advocacy with key donors, working together with key influencers and participation in key global initiatives (e.g. the guidelines for reintegration, the development of resources for family strengthening, the development of practical guidance for deinstitutionalisation).
- We completed our organisational position paper on the transition from institutional care to family and community-based care and we are currently piloting indicators defining institutional care through our project in South Africa.
- We helped finalise a tracking tool which will be available next year, in an online, free access format.
- We helped develop a global position clearly defining volunteering in institutional care as bad practice.
- We also contributed to global research commissioned by some of our strategic donors and helped elevate institutional care as an entry point to child protection system reform.

**Objective 4 - *Grow core sustainable fundraised income to £5.3 million, as the next step towards achieving the scale of operation that we need to be able to deliver our mission, map opportunities, put in place plans and start scaling up our engagement of major strategic funding partnerships – existing and new.***

- We have launched Phase 1 of our Fundraising Strategy. The fundamental premise for the Strategy is that supporters will drive our fundraising through an engagement and commitment to Hope and Homes for Children beyond pure giving by using their influence to gain new support for the charity. A significant mark of success of this approach was evidenced when we were awarded the Deutsche Bank charity partnership for 2016 and 2017 which was predicated on an approach identifying and connecting with key champions in the bank who were inspired by our work.
- Our focus on the development of our fundraisers has produced a strong team packed with talent, expertise and commitment. We have also appointed two key positions, including the promotion of our community fundraising to Head of Community Fundraising and the appointment of our Head of Innovation.
- We have also developed some of the processes for strong team working including a programme management approach to the roll-out of the Fundraising Strategy.
- Significant progress has been made in developing the kind of pipeline needed to enable us to achieve our objective of delivering £10 million per annum by the end of the current strategic cycle.
- The development of strategic funding partnerships saw some significant wins, driven by the Programmes Team in 2015, notably securing a grant of \$2.1 million over three years from the Margaret A. Cargill Foundation.
- We have received a commitment for up to \$100K from the Oak Foundation, to help us plan HHC involvement in the development of the child protection system in Jharkhand State, India.
- To support the development of this work we have recruited an Institutional Partnerships Development Manager based in Brussels. He will assist us primarily in targeting EU institutional funding.

**Objective 5 - *Put in place the capacity to develop our brand in a way that supports the delivery of the above objectives and our work as we move into 2016.***

- We held consultations with staff and supporters, as well as conducting research into the profile and characteristics of key target audiences. We have used the results of this to work to establish our organisational identity, positioning and how we engage our target audience.
- We recruited a new member of the team, based in Brussels, to work on institutional and strategic partnerships in key hubs, including Brussels itself, Geneva and the USA.



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- We have developed a new story-gathering process that allows our brand team to work more closely with colleagues in our country programmes and create compelling stories that bring our supporters and beneficiaries closer together. This has been supported through the recruitment of a new story gatherer/writer.

Underpinning all of the above work and a core element of our strategy is our aim to build organisational capacity. Organisational capacity building income of £434,100 was received during 2015. As well as being spent on the new advocacy initiatives described above, the funding was also used to:

- Complete and launch our Fundraising Strategy.
- Increase the size of our fundraising team and in particular some key senior positions as well as in areas that are new to Hope and Homes for Children.
- Design and start to implement a project which builds and enhances organisational brand as a tool to attracting out target fundraising audiences and growing our income.
- Invest in training across the organisation and especially in leadership development of our Management Group, including coaching and through informal workshops run by high-performing leaders who share and discuss their insights.

### PLANS FOR FUTURE PERIODS

We remain committed to our five year strategic goals. Our objectives for 2016 are:

#### Objective 1:

- Progress the planning and, where appropriate, the implementation of demonstration closures in five regions (made up from the three existing regions, plus Latin America and India).

#### Objective 2:

- Take the next steps in recognising the importance of becoming and behaving like a truly global organisation, and planning for this as we continue to develop our global reach.

#### Objective 3:

- Continue piloting the tracking tool (of the UN Guidelines on Alternative Care) and influencing its potential development as a mechanism for surveying the global population of children confined to institutional care.
- Commence developing ways in which we can credibly, and with clear means of verification, estimate our indirect beneficiary reach.

#### Objective 4:

- Prioritise new investment in strengthening the Resources Team's financial management capacity.
- Commence implementing the second phase plan for securing significant investment in our organisational capacity.

#### Objective 5:

- Completion of the brand positioning work and development of communication assets which accelerate and increase the development of new pipeline and engagement of our key audiences.
- Strengthen internal communications in a way that better ensures everyone across the organisation is kept up-to-date and becomes increasingly confident in articulating what we do.

### 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 procedures which results in a framework that ensures risk is comprehensively incorporated into the day to day running of the charity. The three tiers are:

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



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The Senior Management Team reviews risk management activities 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. The Strategic and Corporate risk registers are reviewed by the Finance, Audit and Risk Committee and any matters arising are reported through to the full Board. The risk assessment process includes a review that covers all controls, including financial, operational and compliance controls and risk management.

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 its 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 achieve 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 ways so that we are not dependent on one initiative. We are also continuing to invest a significant proportion of our efforts in the development of multi-year pipeline income.

## STRUCTURE, GOVERNANCE AND MANAGEMENT

### Structure

Hope and Homes for Children is a charitable company limited by guarantee. Our Memorandum and Articles of Association dated April 2001 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.

### 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

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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 9. 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 programme in South Africa has been dormant since then while we researched and developed a strategy for our future work in South Africa. We expect to restart operational activity in 2016.

The related party transactions are disclosed in notes 9 in the financial statements.

### **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 as set out on page 3. We aim to pay within benchmarked ranges for the sector and within the context of affordability.



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#### 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.

2015 saw a continuation of the plan started in 2013 to grow the operational capacity and impact of the organisation with investment being made to grow income and to improve the financial sustainability of the charity.

Total income in 2015 was £7.8 million which was £0.1 million down on the 2014 comparative figure of £7.9 million. In 2014, donations were significantly boosted by the Numb3rs appeal which ran as part of DFID's UK Aid Match Scheme between September and December 2014. This is a significant factor in the fall of income from donations and legacies from £7.4 million in 2014 to £6.0 million in 2015.

This trend was compensated by the increase in income from charitable activities which rose from £0.4 million in 2014 to £1.7 million in 2015. In April 2015 we commenced the DFID UK Aid Match project which takes 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 for this work cost just under £0.5 million in 2015 and the project will last three years. Our programmes in Bulgaria and Romania attracted £0.9 million in one year European Union grants to further their work plans.

The expenditure rose from £7.7 million in 2014 to £8.3 million in 2015. Spending plans were 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 £1.4 million last year to £1.6 million this year. Investment was primarily made in additional staff.

Our expenditure on charitable activities also rose, increasing from £6.3 million to £6.7 million. Many operational programmes continued at a similar funding level to 2014. The significant changes were that we completed our financial commitments in Sierra Leone and started new work in Latin America and the Caribbean. We also have recommenced operational activities in South Africa. In 2015 this funding was managed regionally with a view to reactivating our dormant subsidiary – Hope and Homes for Children South Africa in 2016.

As a result of the above, we ended the year with a surplus of £0.5 million on restricted funds and a deficit of £1.0 million on general funds. Total funds at the end of the year were £6.2 million. This is lower than the previous year (2014: £6.8 million) and, as referred to above, does reflect the fact that 2014 fund levels reflected additional income raised by the Numb3rs appeal in the last quarter of the year.

#### 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 2015, 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 £6.2 million (2014: £6.8 million) comprising £5.1 million (2014: £4.6 million) of restricted funds and £1.1 million of unrestricted funds. (2014: £2.1 million).

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Unrestricted funds comprise general funds of £1.0 million (2014: £2.0 million) and £0.01 million of designated funds (2014: £0.01 million). The designated funds balance represents tangible fixed assets and therefore is not available for general use.

With these reserves level, the reserves policy was met at the year end. However, we have identified that the seasonal variations of income streams means that meeting the reserves policy can be stretched during the year. Therefore our Business Plan for 2016 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.

**Investment Policy**

Our Memorandum and Articles of Association provide 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 financially and operationally at the end of the term 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 17 to 35.

**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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### TRUSTEES' ANNUAL REPORT for the year ended 31 December 2015

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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 18 October 2016 and signed on their behalf by:



**J TIMOTHY RICHARDS**  
Trustee and Chairman



**MARK GRINONNEAU**  
Trustee and Treasurer



## HOPE AND HOMES FOR CHILDREN

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

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We have audited the financial statements of Hope and Homes for Children for the year ended 31 December 2015 which comprise the consolidated statement of financial activities, consolidated balance sheet, charity balance sheet, consolidated statement of cash flows and the related notes numbered 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's trustees, 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 trustees 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 trustees 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 Strategic Report and the Trustees' Annual 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 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **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 Strategic Report and the Trustees Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**HOPE AND HOMES FOR CHILDREN**

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

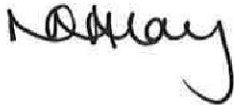
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**Matters on which we are required to report by exception**

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: 31<sup>st</sup> October 2016

## HOPE AND HOMES FOR CHILDREN

### CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account) for the year ended 31 December 2015

	Notes	Unrestricted £	Restricted £	2015 Total £	Unrestricted £ (Restated)	Restricted £ (Restated)	2014 Total £ (Restated)
<b>Income from:</b>							
Donations and legacies	2	2,929,142	3,117,760	6,046,902	4,287,191	3,084,339	7,371,530
Charitable activities	4	-	1,703,298	1,703,298	8,839	431,396	440,235
Trading activities		9,090	-	9,090	14,839	-	14,839
Investment income		2,007	-	2,007	3,115	-	3,115
Other income		-	26,533	26,533	-	75,782	75,782
<b>Total income</b>		<b>2,940,239</b>	<b>4,847,591</b>	<b>7,787,830</b>	<b>4,313,984</b>	<b>3,591,517</b>	<b>7,905,501</b>
<b>Expenditure on:</b>							
Raising funds	5,6	1,001,891	574,748	1,576,639	867,936	531,582	1,399,518
Charitable activities Work to globally eradicate the institutional care of children	5,6,7	3,448,522	3,256,908	6,705,430	2,597,376	3,731,525	6,328,901
<b>Total expenditure</b>		<b>4,450,413</b>	<b>3,831,656</b>	<b>8,282,069</b>	<b>3,465,312</b>	<b>4,263,107</b>	<b>7,728,419</b>
<b>Net income/(expenditure)</b>	8	<b>(1,510,174)</b>	<b>1,015,935</b>	<b>(494,239)</b>	848,672	(671,590)	177,082
Transfers		508,916	(508,916)	-	2,388	(2,388)	-
Other recognised gains/(losses)		(47,408)	-	(47,408)	(79,174)	-	(79,174)
<b>Net movement in funds</b>		<b>(1,048,666)</b>	<b>507,019</b>	<b>(541,647)</b>	771,886	(673,978)	97,908
<b>Reconciliation of funds:</b>							
Total funds brought forward	16	2,115,340	4,637,294	6,752,634	1,343,454	5,311,272	6,654,726
<b>Total funds carried forward</b>	16	<b>1,066,674</b>	<b>5,144,313</b>	<b>6,210,987</b>	<b>2,115,340</b>	<b>4,637,294</b>	<b>6,752,634</b>

\* The notes on pages 20 to 35 form part of these financial statements.



HOPE AND HOMES FOR CHILDREN

**BALANCE SHEETS**  
as at 31 December 2015

Registered Company Number: 4193179


	Notes	Group		Charity	
		2015 £	2014 £ (Restated)	2015 £	2014 £ (Restated)
<b>Fixed assets:</b>					
Tangible fixed assets	12	<b>3,755,281</b>	4,307,251	<b>29,636</b>	41,793
<b>Current assets:</b>					
Donated properties under development		<b>320,196</b>	439,006	-	-
Debtors and prepayments	13	<b>835,729</b>	432,291	<b>431,180</b>	405,342
Short-term bank deposits and cash resources	14	<b>1,762,303</b>	1,858,023	<b>1,628,587</b>	1,808,898
		<b>2,918,228</b>	2,729,320	<b>2,059,767</b>	2,214,240
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	15	<b>462,522</b>	283,937	<b>215,013</b>	230,172
<b>Net current assets</b>		<b>2,455,706</b>	2,445,383	<b>1,844,754</b>	1,984,068
<b>Net assets</b>		<b>6,210,987</b>	6,752,634	<b>1,874,390</b>	2,025,861
<b>Funds:</b>					
Restricted funds	16/17	<b>5,144,313</b>	4,637,294	<b>1,238,570</b>	413,818
Unrestricted funds					
Designated funds	16/17	<b>53,383</b>	79,838	<b>23,655</b>	29,830
General funds	16/17	<b>1,013,291</b>	2,035,502	<b>612,165</b>	1,582,213
Total unrestricted funds		<b>1,066,674</b>	2,115,340	<b>635,820</b>	1,612,043
<b>Total funds</b>		<b>6,210,987</b>	6,752,634	<b>1,874,390</b>	2,025,861

\* The notes on pages 20 to 35 form part of these financial statements.

The financial statements on pages 20 to 35 were approved and authorised for issue by the Board of Trustees on 18 October 2016.

Signed on behalf of the Board of Trustees by:

  
TIMOTHY RICHARDS  
Trustee and Chairman

  
MARK GRINONNEAU  
Trustee and Treasurer

**HOPE AND HOMES FOR CHILDREN**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
for the year ended 31 December 2015**

	Notes	2015 £	2014 £ (Restated)
<b>Cash flows from operating activities:</b>			
Net cash (used in)/provided by operating activities	20	<b>(94,928)</b>	705,823
<b>Cash flows from investing activities:</b>			
Interest received		<b>2,007</b>	3,115
Purchase of property		<b>(27,519)</b>	(21,715)
Purchase of other fixed assets		<b>(18,852)</b>	(30,565)
Net cash (used in) investing activity		<b>(44,364)</b>	(49,165)
<b>Cash flows from financing activities:</b>			
Cash inflows from new loan (Romania)		<b>91,605</b>	-
Interest paid		<b>(625)</b>	-
Net cash provided by financing activity		<b>90,980</b>	-
<b>Change in cash and cash equivalents in the year</b>		<b>(48,312)</b>	656,658
Cash and cash equivalents at the start of the year		<b>1,858,023</b>	1,280,539
Change in cash and cash equivalents due to exchange rate movements		<b>(47,408)</b>	(79,174)
<b>Cash and cash equivalents at the end of the year</b>		<b>1,762,303</b>	1,858,023

\* The notes on pages 20 to 35 form part of these financial statements.



## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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#### 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 made a deficit in the year of £151,472 (2014: restated surplus of £796,675).

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

##### **Transition to FRS 102**

This is the first year in which the financial statements have been prepared under the Charities SORP 2015 and FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to the Charities SORP 2015 and FRS 102 was 1 January 2014. An explanation of the adjustments made on transition is given in note 23.

##### **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 2015

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

#### Income

Income is recognised in the SOFA when the charity becomes legally 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 2015

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#### **Tangible fixed assets and depreciation**

Tangible fixed assets with a value greater than £250 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 2015

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#### **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 22.

#### **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.

#### **Volunteers**

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 2015

#### 2. DONATIONS AND LEGACIES

	Unrestricted	Restricted	2015 Total	Unrestricted	Restricted	2014 Total
	£	£	£	£	£	£
Individuals	1,011,454	255,751	1,267,205	1,170,478	332,257	1,502,735
Corporate donors	460,838	695,036	1,155,874	470,103	639,894	1,109,997
Charitable trusts and foundations	715,753	2,099,747	2,815,500	1,572,702	1,998,912	3,571,614
Community groups	83,510	42,612	126,122	111,945	49,583	161,528
Fundraising activities and events	477,841	24,614	502,455	750,053	63,693	813,746
Legacies	179,746	-	179,746	211,910	-	211,910
<b>Total</b>	<b>2,929,142</b>	<b>3,117,760</b>	<b>6,046,902</b>	<b>4,287,191</b>	<b>3,084,339</b>	<b>7,371,530</b>

#### 3. LEGACY PIPELINE

There was £376,000 (2014: £52,606) 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	2015 Total	Unrestricted	Restricted	2014 Total
	£	£	£	£	£	£
DFID Global Poverty Action Fund	-	180,471	180,471	-	172,178	172,178
DFID UK Aid Match	-	463,333	463,333	-	-	-
Global Communities (1)	-	64,296	64,296	-	149,620	149,620
UNICEF Rwanda	-	66,351	66,351	-	38,413	38,413
Federal Ministry of Labour and Social Policy, Bosnia and Herzegovina	-	31,644	31,644	-	29,582	29,582
UNICEF Bosnia	-	9,006	9,006	-	34,609	34,609
EEA Grants	-	74,723	74,723	-	-	-
European Union – POSDRU	-	800,134	800,134	8,839	6,994	15,833
European Union - SEE	-	13,340	13,340	-	-	-
<b>Total</b>	<b>-</b>	<b>1,703,298</b>	<b>1,703,298</b>	<b>8,839</b>	<b>431,396</b>	<b>440,235</b>

(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 2015

5. ANALYSIS OF EXPENDITURE

	Staff Costs £	Other direct costs £	Grants payable £	Allocated support costs £	2015 £	2014 £
<b>Costs of raising funds</b>	<b>1,018,436</b>	<b>437,382</b>	-	<b>120,821</b>	<b>1,576,639</b>	<b>1,399,518</b>
<b>Charitable expenditure</b>						
Global initiatives	20,111	74,671	41,411	11,303	147,496	346,208
East and Southern Africa						
<i>Rwanda and regional activities</i>	505,558	655,666	32,320	99,055	1,292,599	863,629
<i>Sierra Leone</i>	-	-	-	-	-	51,087
<i>South Africa</i>	21,390	25,807	-	3,917	51,114	-
<i>Sudan</i>	227,387	123,040	-	29,082	379,509	388,622
Central and Southern Europe						
<i>Bosnia and Herzegovina</i>	120,847	113,727	-	19,468	254,042	243,104
<i>Bulgaria</i>	227,654	141,096	-	30,603	399,353	409,287
<i>Moldova and Transnistria</i>	45,988	21,494	335,296	33,427	436,205	465,768
<i>Romania and regional activities</i>	678,546	2,387,594	-	254,464	3,320,604	3,195,022
Eastern Europe and Central Asia						
<i>Ukraine and regional activities</i>	149,565	76,059	-	18,725	244,349	294,257
<i>Belarus</i>	26,581	10,129	-	3,047	39,757	71,917
Latin America and the Caribbean	26,507	3,565	99,571	10,759	140,402	-
<b>Total charitable expenditure</b>	<b>2,050,134</b>	<b>3,632,848</b>	<b>508,598</b>	<b>513,850</b>	<b>6,705,430</b>	<b>6,328,901</b>
<b>Total</b>	<b>3,068,570</b>	<b>4,070,230</b>	<b>508,598</b>	<b>634,671</b>	<b>8,282,069</b>	<b>7,728,419</b>

Staff costs totalling £332,912 (2014: £289,294) are included in allocated support costs.

6. ANALYSIS OF SUPPORT COSTS

	2015 £	2014 £
Directorate	145,604	128,837
Governance	81,666	53,605
Facilities management	105,932	127,482
Financial management	101,741	75,600
Information technology	84,068	69,399
Human resources	115,660	86,790
<b>Total</b>	<b>634,671</b>	<b>541,713</b>

## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 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:

	2015	2014
	£	£
Eurochild, Brussels	41,411	59,716
International Child Campaign, Uganda	29,820	-
Children in Family Focus, Kenya	2,500	-
Tulane University, Kigali, Rwanda	-	24,284
Street Child of Sierra Leone	-	38,579
Copil Comunitate, Familie, Moldova	335,296	343,269
Red Latinoamericana de Acogimiento Familiar, Uruguay	99,571	-
<b>Total</b>	<b>508,598</b>	<b>465,848</b>

#### 8. NET INCOME

Net income is stated after charging:

	2015	2014
	£	£
Depreciation of fixed assets	313,334	334,164
Loss on exchange rate movements	(47,408)	(79,174)
Property rental	18,750	18,750
Auditor's remuneration – statutory audit	18,500	15,000

#### 9. TRUSTEES REMUNERATION AND RELATED PARTY TRANSACTIONS

The trustees were not remunerated during the current or preceding financial years. Reimbursement of £22 was made to one trustee for directly incurred travel expenses (2014: £41 to one trustee). Aggregate donations received from trustees during the year were £53,417 (2014: £70,340). The charity purchased indemnity insurance for the trustees and other officers at a cost of £3,442 (2014: £3,099). No other benefits were awarded to Trustees during the financial year.

During the year, 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 (2014: £ nil).

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

	2015	2014
	£	£
Funds remitted	1,373,007	1,696,965



## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 10. STAFF COSTS AND NUMBERS

	2015	2014
	£	£
The costs of employing the UK contracted staff were :		
Salaries	<b>1,583,290</b>	1,323,594
National insurance	<b>146,187</b>	122,165
Pension scheme	<b>43,169</b>	43,179
	<b>1,772,646</b>	1,488,938
The costs of employing overseas staff on local contracts were:		
Salaries and local taxes	<b>1,628,836</b>	1,667,986
	<b>3,401,482</b>	3,156,924
The average number of contracted staff during the year was:		
	2015	2014
	No.	No.
In the UK	<b>47</b>	43
Overseas	<b>120</b>	111
	<b>167</b>	154

The total employee remuneration of the Senior Management Team (Key Management Personnel) was £301,606 (2014: £280,082).

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

	2015	2014
	No	No
£60,000 to £69,999	<b>1</b>	1
£70,000 to £79,999	<b>2</b>	1
£90,000 to £99,999	<b>1</b>	1

Hope and Homes for Children paid pension contributions for higher paid employees to the scheme amounting to £4,860 (2014: £4,200)

As a result of a reorganisation within the organisation redundancy and termination payments were made a compensation for loss of employment totalling £41,704 (2014: £24,650) 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 (2014: £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 £6,485 (2014: £7,686) which are included in creditors.

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12. TANGIBLE FIXED ASSETS

GROUP	Land and Buildings	Improvements to leasehold property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£
Cost at 1 January 2015 (Restated)	4,565,190	214,725	188,856	187,550	5,156,321
Additions	27,519	-	-	18,852	46,371
Disposals	-	-	-	(12,828)	(12,828)
Foreign exchange movement	(301,708)	-	(12,683)	(2,620)	(317,011)
<b>Cost at 31 December 2015</b>	<b>4,291,001</b>	<b>214,725</b>	<b>176,173</b>	<b>190,954</b>	<b>4,872,853</b>
Depreciation at 1 January 2015 (Restated)	329,752	207,267	157,623	154,428	849,070
Charge for the year	278,836	4,015	12,051	18,432	313,334
Disposals	-	-	-	(12,828)	(12,828)
Foreign exchange movement	(19,484)	-	(10,544)	(1,976)	(32,004)
<b>Depreciation at 31 December 2015</b>	<b>589,104</b>	<b>211,282</b>	<b>159,130</b>	<b>158,056</b>	<b>1,117,572</b>
<b>Net book value At 31 December 2015</b>	<b>3,701,897</b>	<b>3,443</b>	<b>17,043</b>	<b>32,898</b>	<b>3,755,281</b>
At 31 December 2014	4,235,438	7,458	31,233	33,122	4,307,251
CHARITY	Land and Buildings	Improvements to leasehold property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£
Cost at 1 January 2015	59,813	214,725	-	148,560	423,098
Additions	-	-	-	9,436	9,436
Disposals	-	-	-	(12,828)	(12,828)
<b>Cost at 31 December 2015</b>	<b>59,813</b>	<b>214,725</b>	<b>-</b>	<b>145,168</b>	<b>419,706</b>
Depreciation at 1 January 2015	47,850	207,267	-	126,188	381,305
Charge for the year	5,982	4,015	-	11,596	21,593
Disposals	-	-	-	(12,828)	(12,828)
<b>Depreciation at 31 December 2015</b>	<b>53,832</b>	<b>211,282</b>	<b>-</b>	<b>124,956</b>	<b>390,070</b>
<b>Net book value At 31 December 2015</b>	<b>5,981</b>	<b>3,443</b>	<b>-</b>	<b>20,212</b>	<b>29,636</b>
At 31 December 2014	11,963	7,458	-	22,372	41,793

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 59 properties which are used as small group homes, day centres, emergency reception centres and as a training centre.



HOPE AND HOMES FOR CHILDREN

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**13. DEBTORS AND PREPAYMENTS**

	Group 2015	Group 2014	Charity 2015	Charity 2014
	£	£	£	£
		(Restated)		
Other debtors	713,749	300,104	312,388	276,364
Tax recoverable	45,512	80,816	45,512	80,816
Prepayments and accrued income	76,468	51,371	73,280	48,162
	<b>835,729</b>	<b>432,291</b>	<b>431,180</b>	<b>405,342</b>

**14. CASH AND CASH EQUIVALENTS**

	Group 2015	Group 2014	Charity 2015	Charity 2014
	£	£	£	£
		(Restated)		(Restated)
Cash in hand				
Held in the UK	1,486,614	1,681,206	1,486,614	1,681,206
Held overseas	275,689	176,817	141,973	127,692
	<b>1,762,303</b>	<b>1,858,023</b>	<b>1,628,587</b>	<b>1,808,898</b>

**15. CREDITORS: Amounts falling due within one year**

	Group 2015	Group 2014	Charity 2015	Charity 2014
	£	£	£	£
		(Restated)		
Bank loans and overdrafts	91,605	-	-	-
Trade creditors	79,861	137,376	74,018	119,578
Other creditors	191,530	45,578	61,922	40,269
Taxation and social security costs	61,326	65,983	40,873	35,325
Accruals	38,200	35,000	38,200	35,000
	<b>462,522</b>	<b>283,937</b>	<b>215,013</b>	<b>230,172</b>

HOPE AND HOMES FOR CHILDREN

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16. FUNDS	Balance at 1 January 2015	Income	Expenditure	Transfers	Balance at 31 December 2015
	£	£	£	£	£
<b>Restricted funds</b>					
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>	<b>4,637,294</b>	<b>4,847,591</b>	<b>(3,831,656)</b>	<b>(508,916)</b>	<b>5,144,313</b>
<b>Unrestricted fund</b>					
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	(4,044,717)	516,367	1,013,291
<i>Sub-total</i>	<b>2,115,340</b>	<b>2,940,239</b>	<b>(4,497,821)</b>	<b>508,916</b>	<b>1,066,674</b>
<b>Total funds</b>	<b>6,752,634</b>	<b>7,787,830</b>	<b>(8,329,477)</b>	<b>-</b>	<b>6,210,987</b>

\* 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.

## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 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. The transfer of £508,916 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 fixed assets acquired with unrestricted funds. The transfer of £43,054 to the general fund represents the release of designation 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. The transfer of £35,603 from the general fund represents a matched funding contribution from unrestricted funds. 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
	2015	2015		2014	2014	
	£	£	£	£	£	£
Tangible fixed assets	53,383	3,701,898	3,755,281	96,437	4,210,814	4,307,251
Current assets	1,475,813	1,442,415	2,918,228	2,302,840	426,480	2,729,320
Current liabilities	(462,522)	-	(462,522)	(283,937)	-	(283,937)
	<b>1,066,674</b>	<b>5,144,313</b>	<b>6,210,987</b>	<b>2,115,340</b>	<b>4,637,294</b>	<b>6,752,634</b>

CHARITY	Unrestricted funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2015	2015		2014	2014	
	£	£	£	£	£	£
Tangible fixed assets	23,655	5,981	29,636	29,830	11,963	41,793
Current assets	827,178	1,232,589	2,059,767	1,812,385	401,855	2,214,240
Current liabilities	(215,013)	-	(215,013)	(230,172)	-	(230,172)
	<b>635,820</b>	<b>1,238,570</b>	<b>1,874,390</b>	<b>1,612,043</b>	<b>413,818</b>	<b>2,025,861</b>

### 18. LEASE COMMITMENTS

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

	2015		2014	
	Buildings	Other	Buildings	Other
	£	£	£	£
Expiry date				
One to five years	80,720	-	80,720	-
After five years	4,036	-	20,180	-



## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 19. FINANCIAL INSTRUMENTS

Financial assets that are debt instruments measured at amortised cost:

	Group 2015	Group 2014	Charity 2015	Charity 2014
	£	£	£	£
Other debtors	713,749	300,104	312,388	276,364
Short term bank deposits and cash resources	1,762,303	1,858,023	1,628,587	1,808,898

Financial liabilities measured at amortised cost:

	Group 2015	Group 2014	Charity 2015	Charity 2014
	£	£	£	£
Bank loan	91,605	-	-	-
Trade creditors	79,861	137,376	74,018	119,578
Other creditors	191,530	45,578	61,922	40,269

#### 20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2015	2014
	£	£ (Restated)
<b>Reconciliation of income/(expenditure) to net cash flow from operating activities</b>		
<b>Net (expenditure)/income</b>	<b>(494,239)</b>	177,082
Depreciation charge	313,334	334,164
Interest receivable	(2,007)	(3,115)
Interest paid	625	-
Exchange loss on overseas properties	285,007	-
Decrease in assets in the course of development	118,810	12,467
(Increase)/decrease in debtors	(403,438)	339,734
Increase/(decrease) in creditors	86,980	(154,509)
<b>Net cash (used in)/provided by operating activities</b>	<b>(94,928)</b>	705,823

## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 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 and South Africa 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:

	2015 £	2014 £ (Restated)
Assets	5,473,883	4,673,007
Liabilities	(899,995)	(53,765)
Funds	4,573,888	4,619,242
Income	2,695,776	2,276,260
Expenditure	(2,795,512)	(2,528,073)
(Deficit)	(99,736)	(251,813)

#### 22. CAPITAL COMMITMENTS

	Group 2015 £	Group 2014 £	Charity 2015 £	Charity 2014 £
Homes and services for beneficiaries	385,500	116,000	-	-

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS  
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23. TRANSITION TO FRS 102

	Notes	Group £	Charity £
<b>Reconciliation of reserves:</b>			
<b>Reserves at December 2013 as previously disclosed</b>		<b>4,008,413</b>	<b>1,180,186</b>
<b>Correction of error</b>			
Write back of cumulative depreciation incorrectly charged on the land component of the Overseas Property Fund	1	348,480	-
Full consolidation of Romanian subsidiary	2	598,782	-
		4,955,675	1,180,186
<b>Transition adjustments in applying FRS102:</b>			
Holiday pay accrual	3	(16,000)	(16,000)
Accounting for legacies on an accruals basis	4	65,000	65,000
Romania property revaluation adopted at deemed cost – impact on cost	5	(299,936)	-
Romania property revaluation adopted at deemed cost – impact on accumulated depreciation	5	1,949,987	-
<b>Restated reserves at December 2013</b>		<b>6,654,726</b>	<b>1,229,186</b>
	Notes	Group £	Charity £
<b>Reconciliation of reserves:</b>			
<b>Reserves at December 2014 as previously disclosed</b>		<b>4,130,495</b>	<b>1,916,837</b>
<b>Correction of error</b>			
Write back of cumulative depreciation incorrectly charged on the land component of the Overseas Property Fund	1	348,480	-
Full consolidation of Romanian subsidiary	2	453,480	5,024
		4,932,455	1,921,861
<b>Transition adjustments in applying FRS102:</b>			
Holiday pay accrual	3	(16,000)	(16,000)
Accounting for legacies on an accruals basis	4	120,000	120,000
Romania property revaluation adopted at deemed cost – impact on cost	5	(361,391)	-
Romania property revaluation adopted at deemed cost – impact on accumulated depreciation	5	2,077,570	-
<b>Restated reserves at December 2014</b>		<b>6,752,634</b>	<b>2,025,861</b>
	Notes	Group £	Charity £
<b>Reconciliation of results:</b>			
<b>Surplus for 2014 as previously disclosed</b>		<b>122,082</b>	<b>736,651</b>
Full consolidation of Romanian subsidiary	2	-	5,024
Accounting for legacies on an accruals basis	3	55,000	55,000
<b>Restated surplus for 2014</b>		<b>177,082</b>	<b>796,675</b>

Notes:

- 1 In previously published accounts, depreciation was charged on the cost of property acquisitions. We have now enhanced our procedures to identify land separately from the cost of buildings and so have adjusted the cumulative depreciation figure so that no depreciation is charged on land. £348,480 was written back to the reserves on the transition date of 1 January 2014.



## HOPE AND HOMES FOR CHILDREN

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

- 2 FRS 102 has required us to examine the status of our operational entities and to ensure that subsidiaries and branches are correctly classified and accounted for. In the case of our only operationally active subsidiary, Hope and Homes for Children Romania, we have taken the opportunity of the FRS102 transition provisions to review the consolidation policy and have ensured that our current consolidation policy is fully compliant with FRS102. The adjustment at the date of transition has the following adjustments:

	<b>Group 2013</b>	<b>Group 2014</b>
	<b>£</b>	<b>£</b>
Inclusion of motor vehicles – cost	202,204	188,856
Inclusion of office and computer – cost	31,364	38,990
Increase in motor vehicles – accumulated depreciation	(153,628)	(157,623)
Increase in office and computer – accumulated depreciation	(25,805)	(28,240)
Overall impact on net book value of non-property tangible fixed assets	54,135	41,983
Increase in donated properties under development	451,473	439,006
Increase in debtors and prepayments	490,986	26,949
Decrease in short term bank deposits and cash resources	(50,887)	(693)
Increase in creditors and accruals	(346,925)	(53,765)
Overall impact on the value of non-property assets	598,782	453,480

In addition, the above review work identified that there was an error the classification of cash balances of £5,024 in the statement of the charity's net assets.

- 3 To comply with FRS 102, we have made a transition adjustment at 31 December 2013 of £16,000 which represents the initial liability at the date of transition for holiday entitlement arising in the year but not taken and carried forward into the next year. The accrual was recalculated at 31 December 2014 and was determined to be the same value of £16,000.
- 4 With the transition from UK GAAP to FRS 102, the criteria for accounting for legacies have changed from virtually certain receipt to probable receipt. We have made an adjustment of £65,000 at the date of transition and also adjusted the 2014 results by £55,000 to ensure that we have accounted for legacies in line with FRS 102.
- 5 On transition to FRS 102, we have taken the opportunity to use a valuation of the Romania properties as at 1 January 2014 as the deemed cost of the properties, thereby aligning the local accounting policy, and avoiding the need for future revaluations. The impact of this change in accounting terms is a decrease in the cost of £299,936 at 31 December 2013 and £361,391 at 31 December 2014 and a reduction in the accumulated depreciation of £1,949,987 at 31 December 2013 and £2,077,570 at 31 December 2014.
- 6 On transition to FRS 102, we have taken the opportunity to review the criteria we use to determine which entities are partner organisations. As a result of this review we have increased the amount disclosed as Grants payable in 2014 from £406,132 to £465,848 with the inclusion of a £59,716 to Eurochild, Brussels.