

**HOPE AND HOMES FOR CHILDREN**

**TRUSTEES' ANNUAL REPORT**  
**and**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 DECEMBER 2020**

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**Website:** more information about the charity can be found at [www.hopeandhomes.org](http://www.hopeandhomes.org)

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**TRUSTEES' ANNUAL REPORT and STRATEGIC REPORT****VISION, MISSION, AND STRATEGY****What we do and why we do it**

Hope and Homes for Children is one of the leading organisations working to reform the way children are protected and cared for.

Most children in orphanages are not in fact orphans. For example, estimates that there are 132 million orphans across sub-Saharan Africa, Asia, Latin America and the Caribbean, but that more than 90% of them have one parent still alive, and of those children over 95% are older than five, which challenges the widespread notion of orphanhood as being largely about parentless babies. So to call an orphanage an orphanage does not reflect reality. Nevertheless, we have decided to use the term because it enables us to confront the problem face on, openly and directly.

Orphanages inflict harm on children. For every three months that a child under three spends in an orphanage, they lose one month of physical growth. 37% of children confined in orphanages suffer violence and the majority endure levels of neglect that have lifelong consequences. These consequences are transmitted inter-generationally with profound human and economic costs for society. Even in the well-run orphanages, children do not do as well as those who have been supported to reintegrate with their families or who have been placed in other types of suitable family and community-based care.

Orphanages concentrate and lock up resources at a time when funding for social welfare and protection is more critical than ever. They are expensive to run, which alongside the poor outcomes children suffer as a consequence, makes them especially cost-ineffective.

To address this in a way that is sustainable and delivers national reform, our key partners are local and state authorities. We do of course work with many other organisations. Through these partnerships we help government agencies to develop the services that prevent children from being separated from their families in the first place, and to close orphanages by demonstrating how children can either be reintegrated with their families or, when necessary, placed in properly supported alternative family and community-based care.

Children thrive in loving, safe and secure families, however they are arranged. No family is perfect though, and some require support. In fact, with the appropriate support, many families that would otherwise be at risk of separation can provide a safe and loving environment in which children can grow up happily. The importance of this prevention element of our work cannot be overstated. It benefits children, those who care for them, and it is cost effective.

The benefits of family-based care are clear, and the evidence is conclusive. For example, our own evaluations have established that children placed out of orphanages, either to be reunited with their own families or when necessary into suitable family-based alternatives like foster care, rapidly improve across all physical, cognitive and well-being metrics within a six-month period, and largely catch up to where they should have been after 12 months. These findings are borne out by research undertaken by many studies.

Stable, trusting and loving relationships are the defining elements of family-based care. There are a wide range of family and community-based care options, and this is important because each child's needs and circumstances are different. Having a diversity of options means that care can be provided for a child far more suitably and successfully than through the imposition of a one-size-fits-all arrangement.

Permanent placements are the priority and are sought through reintegration with parents, or placement with extended family, or into adoptive families, or in supported independent living arrangements. Permanency means that we are reducing the number of children in care and the amount of time spent in it. This leads to better outcomes for children.

We help local authorities to develop foster care and residential services in small family-like homes as stepping stones toward permanent family and community-based options. Wherever suitable and possible we seek to ensure that these services maintain or develop ongoing contact for the children with their families and wider community. In all cases, the important thing is to make sure that families receive the necessary support so that relationships are stable and caring.

The principle we hold to is that the development of any family and community-based care arrangements should always be undertaken within the local context according to local cultural, social and economic conditions, with the best interests of the individual children as the central concern. We seek to do this through a systems approach so that reform and improvements benefit children nationally.

**Our Vision**

a world in which children no longer suffer institutional care.

**Our Mission**

is to be the catalyst for the global elimination of institutional care of children.

**Our Ten-Year Aim**

is that by 2030, worldwide, orphanages will become an unacceptable way of caring for children, and we will help to achieve this by:

- leading and supporting national reform in the countries we work in – reduced orphanages wherever we work
- making family-based care of children an internationally recognised human imperative – legislation wherever we work
- securing commitments to the level and type of financing needed to achieve long term sustainable change – increased funding wherever we work

**Strategy Review**

Our vision and mission remain unchanged, but we have faced sudden, radical and likely protracted changes in our context, many of them continuing to be dynamic with as yet unknown consequences. As with all organisations, the COVID-19 pandemic has had a significant impact on Hope and Homes for Children's operations.

So to continue progressing the delivery of our mission in an effective and meaningful way, in 2020 we reviewed our strategy with three critical priorities in mind:

- organisational adaptability by strengthening our capability to innovate quickly and effectively
- organisational resilience by building our free liquidity, developing the value, volume and optimum type of pipeline, and both strengthening as well as expanding our case for support
- organisational relevance by demonstrating the value of our work, strengthening the evidence of our impact and the wider dividends it generates, in ways that enable us to build strategic partnerships that drive change globally

As a result of this review we have refined our theory of change and recast our three strategic objectives, for implementation from 2021 onwards.

**Theory of Change**

Our theory of change has the same four fundamental elements to it:

- **Political will** to ensure there is an understanding of why reform is necessary, ensure the commitment to it, and reflect it in the legislation, policies and budgets required to achieve it.

- **Financing** to resource the transition process and sustain as well as progressively improve the new services.
- **Know-how** and technical expertise to undertake the transition and run the new services.
- **Capacity** in terms of the social work force, local, national and international structures to deliver the transition.

## Strategic Objectives

### Strategic Objective 1: National Reform

We will contribute to the delivery and completion of child care and protection reform in those countries we have national programmes, and we will secure and progress the meaningful implementation of commitments toward it in those countries we have strategic pilot projects.

### Strategic Objective 2: The Human Imperative

We will make family-based care, and the reforms required to ensure all children benefit from it, inter-generational, cross-cutting human imperatives that are integrated within key social development programming, strategic research, communications and policy commitments of strategic partners nationally and internationally.

### Strategic Objective 3: Financing Reform

We will work to unlock the financing needed to win government commitments to national reform and progress the meaningful implementation of it, including through the reallocation from existing sources of finance and, where relevant, working with international partners to establish new financing mechanisms.

These objectives are driven by the core asset of our know-how - the practice base, expertise and the evidence associated with both. No other organisation has the breadth and depth of practical expertise that we have in delivering deinstitutionalisation programmes.

Strategic partnerships are required to lever all of these elements into place, as no one organisation can achieve any of this in isolation. The assumption underpinning our theory of change is that the global elimination of orphanages can only be achieved if every country that still has them actively commits to closing them all. This will require us to form, strengthen and leverage strategic partners to:

- Harness the international influence and support needed to encourage as many national governments as possible to make this commitment.
- Offer the seed funding required to cover some of the additional costs that will be incurred during the transition while building early momentum toward actioning reform.
- Provide the breadth and depth of technical know-how and ensure that the necessary demonstration and pilot initiatives are in place to adapt it as well as innovate know expertise that these governments will need to successfully deliver reform.
- Enable these governments to put in place the capacity – including personnel such as social workers, delivery and governance structures, and so on – to actually make the transition to a care and protection system based on locally appropriate family and community arrangements.

In 2021, we will update our performance management systems and develop a relevant set of milestones and metrics with which to monitor and evaluate our progress with this business plan and our strategy. Our aim will be to objectively measure progress while recognising that systems change is neither linear nor always best tracked using simple KPIs. Nonetheless, it is vital that we can evaluate, learn and tell the story of our achievements and challenges to all relevant stakeholders.

During the course of the next three years we want to have strengthened our organisational resilience in a way that will have enabled us to effectively address the opportunities and threats that will confront us, so that we are on track to achieve our Ten-Year Aim by December 2030.

Finally, but most importantly, we will put children and families at the heart of everything we do, from safeguarding to service development. Our country programmes already do some outstanding work

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relating to child participation, and we will expand upon that and seek to bring it meaningfully to all parts of our work.

### **Key activities**

The key activities which will drive the delivery of our ten-year aim are:

#### **Strategic Objective 1: National Reform**

- Building urgency and momentum toward scaling of prevention programmes, alongside the elimination of all orphanages and their replacement with family and community-based care alternatives in each of our national programmes.
- Complete locally targeted projects and use of the evidence and learning from them to secure government commitments to supporting and providing alternative forms of family care and commence reform nationally in our strategic pilot countries.
- Actively contributing to the progressive development of, and consensus on, an internationally recognised practice base and the quality standards it will require to ensure its effective widespread take up and adaptation to national efforts to successfully begin the implementation of reform in countries where we do not have a presence.

#### **Strategic Objective 2: The Human Imperative**

- Development and delivery of a strategic research programme that builds the evidence for the importance and impact of child protection and care reform across targeted sectors.
- Promotion of strategic communications initiatives to raise awareness and help to position child protection and care reform and child protection systems strengthening as human imperatives with targeted influencers.
- Strengthen and connect relevant bilateral and multilateral commitments to build a global policy infrastructure that compels action on, and places support for families and communities at the centre of, child protection and care reform and child protection systems strengthening.

#### **Strategic Objective 3: Financing Reform**

- National budgets and cost-benefit analyses undertaken in targeted countries to establish the cost-effectiveness of reform and the investment required to deliver it.
- Scoping, pooling and leveraging of existing funding opportunities – including private wealth, institutional, bilateral/multilateral, government, corporate etc.
- Working with strategic partners to design and develop financing mechanisms that work in the best interests of children and those who care for them.

## **STRATEGIC REPORT – WHAT WE ACHIEVED IN 2020**

### **Context**

In spite of the immense crisis that gripped the world and the challenges many of us faced at home and at work, we are very proud of what we achieved together for thousands of vulnerable children and their families last year.

Our unique challenge in 2020 was to keep fighting for a world in which no child has to suffer the torment of institutionalisation, in the face of a global pandemic which threatened to destroy families and drive children into institutions in horrifying numbers. Conversely, we also needed to protect children already in orphanages from the rush of panic closures which saw thousands sent back to their families with no planning, preparation or oversight.

On frontlines all around the world, our dedicated staff adapted at speed, staying alongside children and families who needed them more than ever. We asked 168 children and young people we supported about their experience of the pandemic. Their stories, reflections and ideas in their [lockdown diaries](#) inspired and guided us. We reached 136,382 children through our prevention work alone last year—the highest number in our history, keeping them safe in families and sparing them the trauma of a childhood in an orphanage.

At the UN and in the EU, we kept the safety of children in orphanages and in families at risk of separation firmly on the agenda, and in the UK, we continued to bring locked-down audiences closer to our cause through stories that matter and innovative, imaginative virtual events.

**The goals we set ourselves for 2020 were:**

- Drive regional reform by closing four institutions in strategically important locations; and by setting up essential services to keep families together, to reunite families, and to build new families.
- Catalyse global reform with the Commonwealth and the European Union, and ensure 193 countries follow through on their commitment to the landmark UN Resolution to progressively eliminate orphanages.
- Raise the money and awareness needed to drive reform and see necessary changes made to childcare policy and legislation, by developing new strategic partnerships and launching a global public awareness and fundraising campaign.

**2020 achievements in numbers:**

- 6 orphanages closed\* against a target of 4
- 519 children supported to leave orphanages to live safely in families or community-based care
- 66 older teenagers and young adults supported to begin independent living
- 136,382 children reached through our prevention work, keeping them safe in families
- 7 new alternative care and family support services created to keep children safe from orphanages in Romania, Bosnia and Moldova
- 4,340 childcare professionals trained, and technical assistance provided to 748 practitioners and decision-makers in Europe, Africa and Asia
- Record income in excess of £12 million

\* All institutions empty of children as of 1 January 2021 though final legal closure still pending in some cases.

***Priority 1 - Drive regional reform by closing four institutions in strategically important locations; and by setting up essential services to keep families together, to reunite families, and to build new families.***

Most children who live in orphanages have at least one living parent but poverty, disability and other pressures force families to relinquish their children to damaging institutions. By supporting families to stay together, reuniting families who have been separated by the orphanage system and building new families through fostering and adoption, in 2020, we closed six orphanages Romania and Bulgaria, transforming the lives of 418 children and young people, each a unique individual who now has someone to love them and let them know they belong.

Working with local authorities, national governments and partner NGOs, we made good progress with closure programmes and system reform in Rwanda, Moldova and Transnistria, Bosnia & Herzegovina, Sudan, Ukraine, Uganda, South Africa, Nepal, and India.

We provided training for over 4,300 child protection professionals, supported 519 children to leave orphanages to start a new life in family or community-based care, and worked with thousands of families to prevent over 136,000 children from having to be confined to living in an institution.

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By putting in place services to support families and helping to develop strong national, regional and international policy and legislation, we continued to catalyse the further reform of child protection systems worldwide.

***Priority 2 - Catalyse global reform with the Commonwealth and the European Union, and ensure 193 countries follow through on their commitment to the landmark UN Resolution to progressively eliminate orphanages.***

In the course of 2020, our advocacy team, together with Lumos, secured meetings with the cabinets of nine European Commissioners to press for renewed commitment to childcare reform, inside the EU and beyond. As the world's largest donor of development aid, EU leadership and funding is vital to end the institutionalisation of children worldwide. In partnership with Lumos and others, we secured crucial wording in the EU Action Plan on Human Rights and Democracy, including a specific commitment to promoting and supporting the transition from institutional care to family-based care.

Due to the COVID-19 pandemic, the biennial Commonwealth Heads of Government Meeting—an opportunity to raise care reform up the global agenda – was postponed to 2021. However, we maintained strong relationship with the Rwandan High Commissioner to the UK and with the ministerial teams in Rwanda to ensure the issue remains high on the agenda for the 2021 event.

We worked with more than 25 global NGOs to prepare for the UN Day of General Discussion (DGD), which will be focussed on the topic of children in alternative care. This is now scheduled to take place in September 2021, and we took a leading role in engaging children and young people in the design of the DGD, including by developing an online induction programme and shaping a global consultation.

***Priority 3 - Raise the money and awareness needed to drive reform and see necessary changes made to childcare policy and legislation, by developing new strategic partnerships and launching a global public awareness and fundraising campaign.***

When the COVID-19 pandemic took hold in early 2020, we originally estimated the potential reduction to our 2020 income budget to be between £1m and £1.5m. Examples of the impact are:

- Third party events and organised events cancelled
- Corporates whose own business is significantly impacted by the pandemic

To recover the potential loss, we implemented a plan with focus on four key areas:

- Launching an emergency appeal to all donors to maintain commitment and ask for urgent and additional funds
- Renegotiating existing grant commitments in a way that brought forward instalments within the year or from future years
- Backfilling gaps created by the above by extending current partnerships for an additional time period
- Replacing certain activity/event/third party fundraising with virtual alternatives We asked you, our supporters, to help protect children at risk of losing their childhoods to the neglect and abuse of orphanages due to Coronavirus.

The response to our Coronavirus Emergency Appeal was excellent, raising over £400,000 to keep children safe through the crisis, with people to love them. Major partners also rallied to support our emergency response. Allen & Overy extended its Global Charity Partnership with us until July 2021 and RELX generously extended its partnership until April 2022, to keep children with hearing impairments in Moldova safe at home with their families.

The extraordinary support we received from long-standing supporters and partners enabled us to navigate the immediate impact of Coronavirus. However, the ongoing impact of the pandemic leaves gaps in our future funding. Whilst we continue to adapt, we recognise the year ahead will be one of our toughest yet.

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**PLANS FOR FUTURE PERIODS**

Our progress in 2020 shows that momentum continues to build, despite the challenges of COVID-19. We cannot afford to slow the pace and our priorities for 2021 reflect this:

- We will drive national reform by closing 13 orphanages and actively progressing the closure of 51 more by establishing essential services to keep families together, to reunite families and to build new families.
- We will drive national reform by working to establish the strengthening of child protection systems and child care reform as a turnkey issue within other targeted social development priorities.
- We will work to unlock the financing needed to win government commitments to national reform and progress the meaningful implementation of this. We will work closely with the private sector to tap into its expertise and influence.

In line with our strategy, we aim to deploy our programme resources to drive our impact ahead of our growth. Despite the strong income generation in 2020, we expect a far more difficult outlook in 2021 and the need to improve the financial resilience of our organisation requires us to focus our investment where we can have the greatest impact.

We have therefore concluded that, during 2021, we will close our programme in Sudan. Since 1998 Hope and Homes for Children has played a pivotal role in the reform of the childcare system in the politically and culturally complex context of Sudan and in the development of alternative family care services, with many significant achievements. We are deeply indebted to our team in Sudan.

**FUNDRAISING STRATEGY AND APPROACH**

Hope and Homes for Children raises income from a variety of sources, including corporate organisations and their staff and customer bases; grant-making trusts, foundations and institutional sources, and from individuals giving directly or fundraising on our behalf either as part of a group or community or independently. To date, our approach has relied heavily on face-to-face engagement with our supporters, specifically through events where deeper relationships can be cultivated, new supporters are acquired, and direct income is generated. We are also the beneficiary of a number of fundraising events delivered by others, where money is raised via auctions, raffles, sponsorship or individual pledges. Our core team of fundraisers seek to build long-term relationships with funding partners and supporters based on shared values and objectives. Hope and Homes for Children depends on a relatively small group of supporters and our fundraising approach takes into account their needs and preferences. We have a regular and open dialogue with many supporters.

We have a strong track-record of building lasting relationships with supporters over many years which was evidenced in 2020, when we raised our highest level of income in our history, despite many planned fundraising events being severely disrupted or cancelled entirely due to COVID-19. Our deep and trusting relationships with our partners and supporters enabled us to call on their commitment to support us through a very challenging fundraising period.

In 2020 we received donations from 52 businesses and 51 foundations, excluding the Department for International Development (now the Foreign and Commonwealth Development Office).

Our fundraising complies with the fundraising codes as prescribed by the Fundraising Regulator, of which we are a registered member. We also ensure our practices are concurrent with all data protection laws, particularly the General Data Protection Regulation. We make our privacy policy available to all supporters and have the means to manage subject access requests, although we have never received such a request. In our regular communications to supporters we offer easy opt-outs of communications and the option to discuss specific communications requests and / or preferences directly with our team which can be easily managed through our database. We treat our responsibility towards supporters in vulnerable circumstances with the utmost importance and our fundraisers are provided with guidance and support to help them respond appropriately to any individual they consider this might apply to. We follow a relatively light communications schedule with our supporters and do not employ telephone or face-to-face agencies as part of our fundraising.

We carefully select service partners, for example, event delivery partners with excellent experience and professional record, and ensure appropriate service level agreements and contracts are in place which adhere to all necessary regulation.

Where individual or groups of supporters are voluntarily raising funds on our behalf, we support them with the use of regulated platforms, for example Just Giving, for the collection of funds.

Our centrally managed fundraising work is undertaken by our directly employed or contracted fundraising team and we do not use professional fundraisers or commercial participants. We closely monitor the quality of our fundraising work and as part of this, review fundraising complaints from donors and members of the public. During 2020, we received 30 complaints about our fundraising work as compared to 39 in 2019. These reflect requests to not receive future communications through to supporters not receiving communications they expected.

### RISK MANAGEMENT AND INTERNAL CONTROLS

Our strategy sets out our vision, mission, values and ten-year strategic aims. With the eradication of institutional care of children at the heart of our activities and a need for innovative solutions to deliver reform, it is clear that risk is inherent in our work. Through our governance framework, we seek to encourage proactive, well-managed taking of risk to deliver business objectives and embedding risk management in day-to-day operations.

Therefore we have developed a framework to identify, analyse and manage risks at a series of levels within the organisation - strategic, process and project. This framework also addresses residual risk and ensure it is set at acceptable levels for the organisation.

The Board has ultimate responsibility for overseeing risk management for the organisation as a whole but recognises that all staff and volunteers are critical in implementing the risk management process. The Senior Management Team reviews risks 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 at the Board of Trustees, if necessary.

The strategic risks identified through this work, and an outline of the mitigation plans, are:

Key Risk	Outline of Mitigation Plan
Loss of impact and/or progress on reform in key programme locations due to shifting political and social priorities, including those caused by the primary and secondary impacts of COVID-19.	Adapt our advocacy and communications to demonstrate the critical relevance of child protection and care reform to a wide variety of other societal issues (e.g. health, education).  Continue to demonstrate tangible delivery through implementation and impact at the appropriate scale and use this to engage other actors.
Safeguarding or child protection incidents, including those we cannot directly control, as our programmatic work is increasingly delivered through national and regional partners and to increasing numbers of beneficiaries.	Maintain focus on embedding our safeguarding policy and procedures, including training of our own staff and strengthening implementation, planning and monitoring.  Continue to review and evolve our ongoing due diligence and capacity development of partner organisations.
Financial and reputational damage from financial fraud, bribery or theft of personal data.	Continue to embed and review policies, procedures, controls and training in key areas, with appropriate management oversight, independent assurance, and governance from the Finance, Audit and Risk Committee:  <ul style="list-style-type: none"> <li>Financial processes</li> </ul>

Key Risk	Outline of Mitigation Plan
	<ul style="list-style-type: none"> <li>• Deployment and use of IT, including our end user IT policy to mitigate cyber security risks</li> <li>• Data protection</li> </ul> <p>Assess areas where investment in our people, processes and systems should be prioritised to enhance internal capacity and capability and acting on these recommendations.</p>
<p>Inability to secure the level and type of income required for us to deliver the level of programmatic implementation, research and advocacy needed as part of our ten-year aim.</p>	<p>Invest in unlocking significant new pipeline for direct support and funding, expertly targeting, executing and converting the right prospecting, pipeline and partnership opportunities that will deliver a mixed and sustainable support-base and revenue portfolio.</p> <p>Prioritise sustainable, full cost recovery support and revenue generation and the types of activities and relationships that underpin this.</p> <p>Apply test and learn methodologies to deliver well-planned and executed fundraising.</p> <p>Improve the systematic delivery of our relationship management to unlock the value of our existing support base; the execution of products and propositions focussed on committed, multi-year and multi-faceted support and to methodically innovate and execute in support of cross-organisational targets.</p>
<p>Short-term and / or unanticipated income shortfalls creating the need for short-notice expenditure cuts which run counter to our strategy or create co-funding gaps.</p>	<p>Build our free liquidity towards target levels to provide greater short-term resilience.</p> <p>Improve our forecasting processes, improving visibility and reducing bias to provide high quality income signals, allowing prompt and decisive actions to be taken in response.</p>
<p>Gaps in capacity and capability leading to inability to fully execute the business plan.</p>	<p>Continue to evolve our approach to wellbeing, establishing our internal support network and deploying mental health awareness training.</p> <p>Review and where necessary make appropriate resourcing adjustments, including roles, development plans and training in order to be 'fit for purpose' to deliver on our plans.</p> <p>Develop our approach to leadership, performance and individual mandate so that all of our team members can thrive.</p> <p>Succession plans for key roles.</p>

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**Safeguarding**

We have a robust organisational safeguarding structure that has been developed over the years, and we continually review our policy, practice, and safeguarding culture in order to ensure that it is being strengthened and improved. Our approach to safeguarding reflects our mission with the well-being of children at the heart of our work, so as well as a set of robust policies and clear reporting procedures we also place great importance on our participation work with children and young adults across the organisation. This ensures that the voices and opinions of children and young people on their life, and the services and support they receive, are heard and that they can influence the shape of programmes and raise issues affecting them. We have a full-time global safeguarding lead who works with a network of safeguarding focal people from the countries we operate in, and from our partners, overseeing training, incident reporting, inductions and benchmarking. Regular meetings with them ensure that their insights, concerns and recommendations are incorporated into the regular reviews of our safeguarding systems.

**STRUCTURE, GOVERNANCE AND MANAGEMENT****Structure**

Hope and Homes for Children is a charitable company limited by guarantee. The Articles of Association dated May 2017 set 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, diversity, 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, access to staff and, COVID restrictions permitting, visits to the offices in the UK and abroad. During the term of office of trustees, opportunities for on-going training are offered either through specifically arranged sessions or recommended reading lists, training courses and webinars.

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 four sub-committees:

- Finance, Audit and Risk Committee (FARC) - which oversees the organisation's financial position and performance, forecasting, reporting and the external audit process. FARC also acts to ensure that the organisation proactively identifies and manages risk and operates in accordance with relevant regulatory and legal requirements and in line with best practice regarding the governance of the charity.
- Nominations and Remuneration Committee (NRC) – which oversees the Board structure and composition (including sub-committees), leads Board and CEO recruitment and oversees remuneration policy and key contractual terms for the Senior Management Team. The NRC also oversees our diversity and inclusion policy to drive a diverse and inclusive culture across the organisation.
- Programmes Advisory Committee (PAC) – which oversees our safeguarding policy, procedures and reporting and assesses progress against our programmes strategy, discussing issues impacting the delivery of the strategy and providing advice and recommendations to the Senior Management Team and the Board.
- Marketing, Communications and Fundraising Committee (MCFC) – which provides oversight for the sustainable resourcing of the Charity's mission through income and oversees how we externally promote and communicate our work.

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

### **The Charity Governance Code**

Hope and Homes for Children takes its governance responsibilities seriously and aims to have a governance framework that is fit for purpose, compliant, and efficient. In 2017 the Charity Governance Code was launched, and we continue to use the Code as a tool to support a review of our governance structures and consider the ways in which the organisation and its Trustees currently apply the Charity Governance Code's seven principles and recommended practice.

During 2019 we commissioned an independent review of our governance arrangements covering the seven areas of the Code. The key area for improvement highlighted was in the diversity of our board, and we have actively addressed this through recruitment activity in 2020. Other work in 2020 included refreshing the sub-committee terms of reference and enhancing key Board processes and information flows.

The Charity Governance Code was refreshed in 2020, with key changes to the principles of Integrity and Equality, Diversity and Inclusion (previous Diversity). In response to this, in 2021 we are developing and implementing a Diversity, Equity and Inclusion action plan, with appropriate monitoring and measurement; and we will be refreshing and recommunicating our whistleblowing policy throughout our organisation.

### **Management**

The Board has delegated the day-to-day management of the organisation to the Senior Management Team which comprises the Chief Executive, Director of Programmes, Director of Marketing, Communications and Fundraising, and the Chief Operating Officer. 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 in the sections on Vision, Mission and Strategy, the Strategic Report and our Plans for Future Periods. 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 this organisation has been dormant since then.

One Child One Family HHCSA was set up as a non-profit company and public benefit organisation with tax exempt status in November 2017. Its registration number is 2017/489514/08. Its Board of Directors comprises senior managers of the UK charity and therefore its financial results are consolidated.

Related party transactions are disclosed in note 9 to 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, 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, its overseas controlled subsidiaries and branches.

After significant disruption and deficits in 2018 and 2019, in 2020 we successfully increased income and reduced expenditure to deliver an operational surplus of £1.9m.

**Key Financial Summary**

£m	2020	2019
Income	12.1	11.2
Expenditure	10.3	11.8
<b>Net income / (expenditure)</b>	<b>1.9</b>	<b>(0.7)</b>
Non-cash items and working capital movements	1.5	0.4
<b>Net cash supplied by / (used in) operating activities</b>	<b>3.4</b>	<b>(0.3)</b>
Cash flows from investing & financing activities	(2.0)	(0.4)
<b>Change in cash and cash equivalents in the year</b>	<b>1.4</b>	<b>(0.7)</b>
Cash and cash equivalents at the start of the year	1.3	2.1
<b>Cash and cash equivalents at the end of the year</b>	<b>2.7</b>	<b>1.3</b>

**Income**

Total income in 2020 was £12.1 million, an increase of £0.9m versus 2019. Income from individuals increased 34% to £1.9m and income from community groups increased by 52%, both of which demonstrate the fantastic response to our emergency appeal. On the other hand, income from fundraising events dropped by £1.2m (79%) after the highly successful 2019 Boodles Boxing Ball, and we also saw the impact of COVID-19 lead to the cancellation of numerous face-to-face events. Legacy income dropped by 90% as we experienced delays in receipt linked to the COVID-19 pandemic.

Income from trusts and foundations jumped by 73% to £4.3m with a broad base of excellent support, the response to our emergency appeal and the realisation of a strong pipeline of grants. Income from corporate donors held steady at £3.5m after a big increase in 2019. This was boosted by the second year of our partnership with Allen & Overy and numerous successful local partnerships in Romania.

Income from charitable activities increased again to £1.7m. The majority of this funding is represented by a grant from the Foreign and Commonwealth Development Office and a European Union grant which directly supports our work in Romania. The former funding is applied to a project entitled No Child Left Behind. It is working to transform children's lives by creating a pathway for family and community living for children in institutional care in Rwanda and Uganda. The latter funding is for education-related initiatives for children and young people from orphanages in Romania.

**Expenditure**

Expenditure was reduced from £11.8 million in 2019 to £10.3m in 2020. The majority of this expenditure reduction was in fundraising activities, with lower staffing levels and a much lower number of face-to-face fundraising events. There was no further spend on our PRI (programme related investment) loan from the UBS Optimus Foundation.

Our expenditure on charitable activities fell from £8.6 million to £8.1m. Expenditure increased in Rwanda and Uganda as we entered the final stages of the FCDO-funded activities in those countries, and we increased investment in Bulgaria. Expenditure was lower in South Africa and we completed our planned exit from Latin America. Expenditure was also lower by £0.6m in Romania, although from a total investment perspective this was offset by higher levels of capital expenditure on family-type homes.

**Operational Surplus**

The resulting operational surplus of £1.9m led, including exchange rate impacts, to an increase of £1.0m in each of unrestricted and restricted funds.

**Cash**

Operational expenditure included £0.9m of non-cash items (principally depreciation and donations of properties to local authorities). We also reduced our working capital by £0.9m during 2020 through accelerated grant receipts and the receipt of legacies. Our in-year cashflow from operating activities was therefore £3.4m.

Of this cashflow, £1.3m was invested in capital expenditure, mainly the construction of new family-type homes in Romania. We also repaid our £0.7m short-term debt facility and restructured our remaining £1.4m debt so that it is repayable over 10 years.

Net cash flow in 2020 was therefore £1.4m, leading to a closing cash position of £2.7m.

**Impact of the COVID-19 Pandemic on Hope and Homes for Children**

The global impact of the coronavirus (COVID-19) pandemic means that we, as all organisations, have operated in extremely challenging and unprecedented conditions. The circumstances continue to be fast-changing especially when considered in the worldwide context of our operations.

In 2020, we quickly established a COVID-19 Management Team, formed to ensure we were joined up at an organisational level and comprising the Senior Management Team with specialist input on safeguarding and human resources. The purpose of the team was to pre-empt and assess the impact of COVID-19 on the organisation and our beneficiaries, determine our response, identify opportunities, and prepare for and coordinate recovery. This was done through the lens of:

- Children and the critical elements of our programmes, our staff, and our policy work.
- Our income, cashflow, contractual commitments, internal communications, and leadership.
- The wider picture - changing context, scenarios and risk, organisational positioning, and reputation, innovating new ways of operating and organisational structure.

Regarding the financial impact, HHC's income, like most organisations, is and will continue to be impacted directly because of COVID-19. Given a reasonable portion of our income is from event and "face-to-face"-based fundraising HHC is vulnerable to this kind of external challenge. In addition, potential delays to our programme work could limit available fundable work for future proposals and potentially impact our ability to draw down existing committed income. Throughout our response we continue to review the situation regularly. In anticipation of protracted secondary impacts, we increased the intensity of our forecasting and established active innovation groups in order to solve problems, seize opportunities, and make the adaptations necessary to position our organisation more strongly.

Our approach to mitigating the risk to income, and the results from this work in 2020, have been set out above. In addition, we placed tighter controls on expenditure and have ringfenced savings that have arisen due to circumstances such as curtailment of travel. There has been limited use of the Government's Coronavirus Job Retention Scheme.

**Reserves Policy**

Our commitment to our national programmes is long-term, to drive the sustainable change and impact which is at the heart of our mission. As an organisation relying almost entirely on annual fundraised income, we need to hold adequate funds to enable us to react to any unexpected adverse impact on our finances and ensure we can cover future liabilities as they arise, whilst any short or long-term adjustments are made to our strategy. Therefore the financial principles underpinning our strategy are:

- Financial resilience through sufficient free reserves to provide stability of expenditure in our fundraising, operational activities, advocacy and core programmes work despite fluctuations in our income.

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- Financial sustainability through fundable programmes which yield multi-year funding commitments from all sources, including grants, corporate partnerships and other major donors.
  - Sufficient unrestricted funding and core cost coverage to enable appropriate investment in our people, capabilities, systems and process to sustain and enhance our income and impact.

The trustees reviewed the reserves policy in November 2020 and updated it to be set in terms of the level of free liquidity (i.e. unrestricted cash and marketable securities, less short-term financial debt). The target range for free liquidity was set based on the need for working capital (given income seasonality) and sufficient unrestricted funding to allow for variability in future income versus expenditure commitments. Consideration of these needs and underlying income variability, we have set a target range for free liquidity of between £1.6m and £2.0m. This range equates approximately to between 2 and 2.5 months of total expenditure or between 4.5 and 6 months of unrestricted expenditure.

At the end of 2020, our free liquidity stood at £728k, equivalent to between 2 and 2.5 months of unrestricted expenditure. Our future plans balance the need to build our free liquidity while continuing to invest in our mission, and we are targeting the delivery of a modest unrestricted operational surplus in each of the next 4 years to reach our target range.

### Going Concern

Hope and Homes for Children's income is secured largely from voluntary income sources together with ongoing support from a number of international donors. Following the disruption to our growth plans in 2018, we have been successfully executing our plan to reduce our annual deficit while maintaining the capacity to deliver our operational objectives. The improvement in our financial resilience is demonstrated in our annual accounts, with a significant operational surplus in 2020, strong positive cashflow and debt reduction and restructuring.

The Trustees have considered several factors in concluding that it remains appropriate to adopt the going concern basis in the preparation of these financial statements. These have included:

- By the end of 2020, we had significantly strengthened our balance sheet, reducing our external loans to £1.4m and restructured this amount so that it is repayable between 2021 and 2030.
- We continue to operate timely cash management and working capital controls to manage the potential risks around the timing and value of income and ensure restricted and unrestricted assets and reserves are appropriately managed.
- Prudently, we have considered forecasts for 2021 and 2022 in which annual income is one-third below 2020 levels as the medium-term economic impacts of COVID-19 and the cuts to international aid take effect.
- We have concrete plans to adapt to this situation by following a more focused programmatic strategy based on where we can have most impact through application of our theory of change and on-the-ground implementation.
- We have several contingency plans relating to both expenditure and income which could be actioned if income projections fall below our planned levels for 2022.

Considering all of the above, the Trustees believe that Hope and Homes has adequate resources to continue operating successfully for the foreseeable future and so should continue to adopt the going concern basis in preparing the annual report and the financial statements.

### 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.

**Auditor**

We will put a resolution to the Annual General Meeting proposing that Crowe U.K. 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 judgements 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.

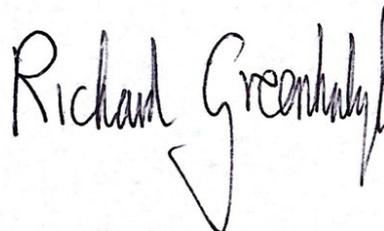
**Disclosure of Information to Auditor**

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 27<sup>th</sup> May 2021 and signed on their behalf by:



**MARK GRINONNEAU**  
Trustee and Treasurer



**RICHARD GREENHALGH**  
Trustee and Chair

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

We have audited the financial statements of Hope and Homes for Children ('the charitable company') and its subsidiaries ('the group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Financial Activities, the Group and Company Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. 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).

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 2020 and of the group's 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

**Other information**

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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**Opinions on other matters 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' report, which includes the Trustees' Annual Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the directors' report included within the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the directors' report included within the Trustees' Annual Report.

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

- adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

**Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 19, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

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We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were employment legislation, taxation legislation and General Data Protection Regulations. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, grants payable, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Finance, Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence including that with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### **Use of our report**

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.



Nicola May  
Senior Statutory Auditor  
For and on behalf of  
Crowe U.K. LLP  
Statutory Auditor

London

Date: 2<sup>nd</sup> June 2021

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**(incorporating an income and expenditure account)**  
**for the year ended 31 December 2020**

	Notes	Unrestricted	Restricted	2020 Total	Unrestricted	Restricted	2019 Total
		£	£	£	£	£	£
<b>Income from:</b>							
Donations and legacies	2	3,523,674	6,826,841	10,350,515	4,184,570	5,489,121	9,673,691
Charitable activities	4	-	1,679,549	1,679,549	-	1,463,648	1,463,648
Trading activities		13,182	-	13,182	10,653	-	10,653
Investment income		1,226	235	1,461	2,810	-	2,810
Other income		24,835	77,257	102,092	-	14,837	14,837
<b>Total income</b>		<b>3,562,917</b>	<b>8,583,882</b>	<b>12,146,799</b>	<b>4,198,033</b>	<b>6,967,606</b>	<b>11,165,639</b>
<b>Expenditure on:</b>							
Raising funds	5	1,320,504	811,850	2,132,354	2,359,546	825,970	3,185,516
Charitable activities							
Work globally to eradicate the institutional care of children	5	2,552,745	5,592,222	8,144,967	2,499,265	6,143,661	8,642,926
<b>Total expenditure</b>		<b>3,873,249</b>	<b>6,404,072</b>	<b>10,277,321</b>	<b>4,858,811</b>	<b>6,969,631</b>	<b>11,828,442</b>
<b>Net income/ (expenditure)</b>		<b>(310,332)</b>	<b>2,179,810</b>	<b>1,869,478</b>	<b>(660,778)</b>	<b>(2,025)</b>	<b>(662,803)</b>
Transfers		1,229,132	(1,229,132)	-	126,799	(126,799)	-
Other recognised gains/(losses)		62,059	87,077	149,136	-	(387,447)	(387,447)
<b>Net movement in funds</b>		<b>980,859</b>	<b>1,037,755</b>	<b>2,018,614</b>	<b>(533,979)</b>	<b>(516,271)</b>	<b>(1,050,250)</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward	16	883,392	3,691,581	4,574,974	1,417,372	4,207,852	5,625,224
<b>Total funds carried forward</b>	<b>16</b>	<b>1,864,251</b>	<b>4,729,336</b>	<b>6,593,587</b>	<b>883,393</b>	<b>3,691,581</b>	<b>4,574,974</b>

The notes on pages 27 to 41 form part of these financial statements.

**BALANCE SHEETS**  
as at 31 December 2020

Registered Company Number: 4193179

	Notes	Group		Charity	
		2020	2019	2020	2019
		£	£	£	£
<b>Fixed assets:</b>					
Tangible fixed assets	12	<b>2,705,521</b>	2,980,821	26,356	32,741
<b>Current assets:</b>					
Donated properties under development		<b>2,478,752</b>	1,590,469	-	-
Stocks		<b>28,923</b>	645	-	-
Debtors and prepayments	13	<b>577,225</b>	1,548,550	<b>430,048</b>	1,258,887
Short-term bank deposits and cash resources	14	<b>2,718,886</b>	1,321,613	<b>2,408,644</b>	1,001,770
		<b>5,803,786</b>	4,461,277	<b>2,838,692</b>	2,260,657
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	15a	<b>544,803</b>	1,424,053	<b>451,641</b>	1,157,682
<b>Net current assets</b>		<b>5,258,983</b>	3,037,224	<b>2,387,051</b>	1,102,975
Creditors: amounts falling due after more than one year	15b	<b>1,370,917</b>	1,443,071	<b>1,370,917</b>	1,443,071
<b>Net assets</b>		<b>6,593,587</b>	4,574,974	<b>1,042,490</b>	(307,355)
<b>Funds:</b>					
Restricted funds	16/17	<b>4,729,336</b>	3,691,581	<b>1,605,091</b>	733,380
Unrestricted funds	16/17	<b>1,864,251</b>	883,393	<b>(562,601)</b>	(1,040,735)
<b>Total funds</b>		<b>6,593,587</b>	4,574,974	<b>1,042,490</b>	(307,355)

The notes on pages 27 to 41 form part of these financial statements.

The parent charity made a surplus in the year of £1,349,845 (2019: deficit of £1,033,411)

**The financial statements on pages 24 to 41 were approved and authorised for issue by the Board of Trustees on 27<sup>th</sup> May 2021.****Signed on behalf of the Board of Trustees by:**
**MARK GRINONNEAU**  
Trustee and Treasurer

**RICHARD GREENHALGH**  
Trustee and Chair

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2020**

	Notes	2020 £	2019 £
<b>Cash flows from operating activities:</b>			
Net cash provided by/(used in) operating activities	20	<b>3,446,400</b>	(271,610)
<b>Cash flows from investing activities:</b>			
Interest received		<b>1,461</b>	2,810
Purchase of property		<b>(502)</b>	(3,064)
Purchase of other fixed assets		<b>(52,928)</b>	(22,507)
Purchase of assets under development		<b>(1,248,965)</b>	(1,118,540)
Net cash (used in) investing activity		<b>(1,300,934)</b>	(1,141,301)
<b>Cash flows from financing activities:</b>			
Cash (outflows)/inflows from loans		<b>(700,000)</b>	702,381
Interest paid		<b>(28,861)</b>	(28,861)
Net cash (used in)/provided by financing activity		<b>(728,861)</b>	673,520
<b>Change in cash and cash equivalents in the year</b>		<b>1,416,605</b>	(739,391)
Cash and cash equivalents at the start of the year		<b>1,321,613</b>	2,074,988
Change in cash and cash equivalents due to exchange rate movements		<b>(19,332)</b>	(13,984)
<b>Cash and cash equivalents at the end of the year</b>		<b>2,718,886</b>	1,321,613

The notes on pages 27 to 41 form part of these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020****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: 04193179). 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 13 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 2019) (Charities SORP 2019) 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 undertakings (Hope and Homes for Children – Romania; and One Child One Family HHC – South Africa) 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). One Child One Family HHC South Africa is registered a non-profit company (NPC) with the Companies and Intellectual Property Commission in South Africa (registered 1 November 2017). The Boards of the subsidiaries include senior managers of the charity and the organisations are managed on a unified basis.

The other subsidiary undertaking, Hope and Homes for Children (South Africa), was dormant during the year and therefore are not consolidated on the grounds of materiality. Senior managers of the charity form a majority on the Board.

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 2019, their results are included within those of the charity on a line-by-line basis.

The charity has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Financial Activities in these financial statements. The parent charity has also taken advantage of the exemptions in FRS102 from the requirement to present a charity only Cash Flow Statement.

**Going Concern**

Hope and Homes for Children's income is secured largely from voluntary income sources together with ongoing support from a number of international donors. Following the disruption to our growth plans in 2018, we have been successfully executing our plan to reduce our annual deficit while maintaining the capacity to deliver our operational objectives. The improvement in our financial resilience is demonstrated

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in our annual accounts, with a significant operational surplus in 2020, strong positive cashflow and debt reduction and restructuring.

The Trustees have considered several factors in concluding that it remains appropriate to adopt the going concern basis in the preparation of these financial statements. These have included:

- By the end of 2020, we had significantly strengthened our balance sheet, reducing our external loans to £1.4m and restructured this amount so that it is repayable between 2021 and 2030.
- We continue to operate timely cash management and working capital controls to manage the potential risks around the timing and value of income and ensure restricted and unrestricted assets and reserves are appropriately managed.
- Prudently, we have considered forecasts for 2021 and 2022 in which annual income is one-third below 2020 levels as the medium-term economic impacts of COVID-19 and the cuts to international aid take effect.
- We have concrete plans to adapt to this situation by following a more focused programmatic strategy based on where we can have most impact through application of our theory of change and on-the-ground implementation.
- We have several contingency plans relating to both expenditure and income which could be actioned if income projections fall below our planned levels for 2022.

Considering all of the above, the Trustees believe that Hope and Homes has adequate resources to continue operating successfully for the foreseeable future and so should continue to adopt the going concern basis in preparing the annual report and the financial statements.

### **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 measurable. 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. At the balance sheet date, cash and bank balances, amounts receivable and payable and fixed assets 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 subsidiaries is considered to be 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.

**Tangible fixed assets and depreciation**

Tangible fixed assets above an appropriate local minimum threshold are capitalised 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	3 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.

**Stock**

Stock is stated at the lower of cost and net realisable value.

**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.

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**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 are 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.

**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 ongoing 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 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.

**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 2019, the value of services provided by volunteers is not incorporated in these financial statements.

**2. DONATIONS AND LEGACIES**

	Unrestricted	Restricted	2020 Total	Unrestricted	Restricted	2019 Total
	£	£	£	£	£	£
Individuals	1,638,409	223,576	1,861,985	859,741	504,430	1,364,171
Corporate donors	1,053,695	2,486,468	3,540,163	718,559	2,771,061	3,489,620
Charitable trusts and foundations	365,205	3,949,141	4,314,346	364,350	2,143,004	2,507,354
Community groups	70,363	143,074	213,437	82,664	58,040	140,704
Fundraising activities and events	306,314	24,582	330,896	1,555,279	12,586	1,567,865
Legacies	89,688	-	89,688	603,977	-	603,977
<b>Total</b>	<b>3,523,674</b>	<b>6,826,841</b>	<b>10,350,515</b>	<b>4,184,570</b>	<b>5,489,121</b>	<b>9,673,691</b>

**3. LEGACY PIPELINE**

Legacy notifications worth £104,795 to the charity did not meet the recognition criteria and hence have not been accounted for within these financial statements (2019: £nil).

**4. CHARITABLE ACTIVITIES**

	Unrestricted	Restricted	2020 Total	Unrestricted	Restricted	2019 Total
	£	£	£	£	£	£
FCDO UK Aid Match	-	1,189,370	1,189,370	-	779,213	779,213
Federal Ministry of Labour and Social Policy, Bosnia and Herzegovina	-	2,319	2,319	-	13,114	13,114
Forum MNE, Montenegro	-	-	-	-	18,593	18,593
Netherlands Fund for Regional Partnerships (MATRA)	-	(1,241)	(1,241)	-	154	154
EU POCU Romania	-	293,749	293,749	-	561,948	561,948
EIDHR Sudan	-	67,582	67,582	-	-	-
UNICEF Ukraine	-	62,724	62,724	-	57,270	57,270
USAID Ukraine	-	65,046	65,046	-	33,356	33,356
<b>Total</b>	<b>-</b>	<b>1,679,549</b>	<b>1,679,549</b>	<b>-</b>	<b>1,463,648</b>	<b>1,463,648</b>

## 5. ANALYSIS OF EXPENDITURE

	Staff Costs	Other direct costs	Grants payable	Allocated support Costs	2020	2019
	£	£	£	£	£	£
<b>Costs of raising funds</b>	<b>1,491,681</b>	<b>477,186</b>	-	<b>163,487</b>	<b>2,132,354</b>	3,185,516
<b>Charitable expenditure</b>						
Global advocacy initiatives	138,638	163,239	-	25,067	326,944	414,459
East and Southern Africa						
<i>Rwanda and regional activities</i>	522,078	730,030	-	103,970	1,356,078	1,129,856
<i>South Africa</i>	223,692	167,442	-	32,478	423,612	639,419
<i>Sudan</i>	178,724	113,732	-	24,284	316,740	181,981
<i>Uganda</i>	24,713	4,635	388,550	34,701	452,599	340,432
Central and Southern Europe						
<i>Bosnia and Herzegovina</i>	121,033	89,645	-	17,494	228,172	276,933
<i>Bulgaria</i>	269,031	155,317	-	35,236	459,584	343,010
<i>Moldova and Transnistria</i>	24,447	4,698	384,382	34,338	447,865	528,488
<i>Romania and regional activities</i>	940,701	1,977,321	-	242,301	3,160,322	3,789,355
Eastern Europe and Central Asia						
<i>Ukraine and regional activities</i>	168,458	177,811	-	28,753	375,022	306,272
Latin America and the Caribbean	91	20,312	1,435	1,813	23,651	113,513
South and South East Asia						
<i>India</i>	83,121	6,781	143,432	19,375	252,709	322,508
<i>Nepal</i>	67,767	2,801	226,441	24,662	321,671	256,699
<b>Total charitable expenditure</b>	<b>2,762,528</b>	<b>3,613,727</b>	<b>1,144,241</b>	<b>624,472</b>	<b>8,144,967</b>	<b>8,642,926</b>
<b>Total</b>	<b>4,254,209</b>	<b>4,090,913</b>	<b>1,144,241</b>	<b>787,959</b>	<b>10,277,321</b>	<b>11,828,442</b>

Staff costs totalling £486,974 (2020: £449,850) are included in allocated support costs.

## 6. ANALYSIS OF SUPPORT COSTS

	2020	2019
	£	£
Directorate	152,629	163,317
Governance	59,582	77,331
Facilities management	108,493	134,479
Financial management	247,713	200,449
Information technology	115,956	119,502
Human resources	103,586	95,553
<b>Total</b>	<b>787,959</b>	<b>790,631</b>

**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:

	2020	2019
	£	£
Eurochild, Brussels	-	17,108
Child's i Foundation, Uganda	388,550	255,128
Copil Comunitate, Familie, Moldova	306,664	371,862
DONCEL	1,435	-
Hope for Children, Transnistria	77,718	72,511
Red Latinoamericana de Acogimiento Familiar, Uruguay	-	48,093
Rosie May Foundation, Sri Lanka	3,000	-
Child In Need Institute, India	143,432	164,139
Forget Me Not, Australia	223,441	151,120
<b>Total</b>	<b>1,144,240</b>	<b>1,079,961</b>

**8. NET INCOME**

Net income is stated after charging:

	2020	2019
	£	£
Depreciation of fixed assets	347,492	361,286
Donation of Small Group Homes to local authorities	422,979	342,989
Movement on exchange rate	9,919	18,554
Interest payable	28,861	28,861
Property rental	93,531	97,490
Auditor's remuneration – statutory audit	28,800	28,200
Auditor's remuneration – other services	2,400	-

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

The trustees were not remunerated during the current or preceding financial years. Reimbursement of £412 was made to one trustee for directly incurred travel expenses (2019: £548 to one trustee). Aggregate donations received from trustees during the year were £883 (2019: £6,480). No other benefits were awarded to Trustees during the financial year.

There were no related party transactions.

Aggregate transactions with the subsidiary undertakings were:

	2020	2019
	£	£
Funds remitted to:		
Hope and Homes for Children Romania	1,152,119	1,374,638
One Child One Family, HHCSA	305,937	461,007

**10. STAFF COSTS AND NUMBERS**

	2020	2019
	£	£
The costs of employing the UK contracted staff were:		
Salaries	1,793,028	2,104,591
National insurance	176,906	219,315
Pension scheme	91,556	105,458
	<b>2,061,490</b>	2,429,364
The costs of employing overseas staff on local contracts were:		
Salaries and local taxes	2,679,657	3,182,399
	<b>4,741,147</b>	5,611,763
The average number of contracted staff during the year was:		
	2020	2019
	No.	No.
In the UK	51	57
Overseas	160	186
	<b>211</b>	243

The total employee remuneration of the Senior Management Team (Key Management Personnel) was £456,704 (2019: £445,599).

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

	2020	2019
	No	No
£60,000-£69,999	1	1
£70,000-£79,999	2	-
£80,000-£89,999	1	3
£90,000-£99,999	1	-
£100,000-£109,999	1	2
£110,000-£119,999	-	-
£120,000-£129,999	1	-

Hope and Homes for Children paid pension contributions for higher paid employees amounting to £17,166 (2019: £26,397).

Termination payments were made or accrued as compensation for loss of employment totalling £83,467 (2019: £6,500) in accordance with organisational policy and the legal requirements of the countries in which the individuals work. These costs mainly relate to the closure of our programme in Sudan.

**11. PENSION SCHEME**

For employees based in the UK, the charity contributes up to 6% of members' salaries towards a defined contribution pension scheme, which is administered on its behalf by Aviva. At the year-end there were outstanding contributions of £nil (2019: £13,308).

For employees based in Belgium, the charity contributes 4% of members' salaries towards a defined contribution pension scheme, which is administered on its behalf by Allianz. At the year-end there were outstanding contributions of £890 (2019: £nil).

## 12. TANGIBLE FIXED ASSETS

GROUP	Land and Buildings	Improvements to leasehold Property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£
Cost at 1 January 2020	4,625,347	214,726	174,355	262,565	5,276,993
Additions	502	-	857	52,071	53,430
Disposals	(132,420)	-	-	(6,909)	(139,329)
Foreign exchange movement	169,184	-	6,643	(82)	175,745
<b>Cost at 31 December 2020</b>	<b>4,662,613</b>	<b>214,726</b>	<b>181,855</b>	<b>307,645</b>	<b>5,366,839</b>
Depreciation at 1 January 2020	1,723,521	214,726	154,749	203,175	2,296,171
Charge for the year	290,601	-	14,075	42,817	347,493
Disposals	(52,055)	-	-	135	(51,920)
Foreign exchange movement	62,777	-	5,968	829	69,574
<b>Depreciation at 31 December 2020</b>	<b>2,024,844</b>	<b>214,726</b>	<b>174,792</b>	<b>246,956</b>	<b>2,661,318</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>2,637,769</b>	<b>-</b>	<b>7,063</b>	<b>60,689</b>	<b>2,705,521</b>
At 31 December 2019	2,901,825	-	19,606	59,390	2,980,821
<b>CHARITY</b>					
	£	£	£	£	£
Cost at 1 January 2020	59,813	214,726	-	187,499	462,037
Additions	-	-	-	15,407	15,407
Disposals	-	-	-	(5,004)	(5,004)
<b>Cost at 31 December 2020</b>	<b>59,813</b>	<b>214,726</b>	<b>-</b>	<b>197,902</b>	<b>472,441</b>
Depreciation at 1 January 2020	59,813	214,726	-	154,758	429,296
Charge for the year	-	-	-	21,792	21,792
Disposals	-	-	-	(5,004)	(5,004)
<b>Depreciation at 31 December 2020</b>	<b>59,813</b>	<b>214,726</b>	<b>-</b>	<b>171,546</b>	<b>446,085</b>
<b>Net book value</b>					
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,356</b>	<b>26,356</b>
At 31 December 2019	-	-	-	32,741	32,741

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 52 properties (2019: 54 properties) which are used as small group homes, day centres, emergency reception centres and as a training centre.

**13. DEBTORS AND PREPAYMENTS**

	<b>Group 2020</b>	Group 2019	<b>Charity 2020</b>	Charity 2019
	£	£	£	£
Other debtors and accrued income	<b>512,585</b>	1,396,906	<b>368,195</b>	1,117,553
Tax recoverable	<b>31,422</b>	48,574	<b>31,422</b>	48,574
Prepayments	<b>33,218</b>	103,070	<b>30,431</b>	92,760
	<b>577,225</b>	1,548,550	<b>430,048</b>	1,258,887

**14. CASH AND CASH EQUIVALENTS**

	<b>Group 2020</b>	Group 2019	<b>Charity 2020</b>	Charity 2019
	£	£	£	£
Cash in hand:				
Held in the UK	<b>2,220,546</b>	862,446	<b>2,220,546</b>	862,446
Held overseas	<b>498,340</b>	459,167	<b>188,098</b>	139,324
	<b>2,718,886</b>	1,321,613	<b>2,408,644</b>	1,001,770

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

	<b>Group 2020</b>	Group 2019	<b>Charity 2020</b>	Charity 2019
	£	£	£	£
Trade creditors	<b>86,627</b>	250,734	<b>57,795</b>	125,286
Other creditors	<b>95,121</b>	118,081	<b>73,780</b>	19,933
Grants payable	<b>61,042</b>	137,979	<b>61,042</b>	137,979
Interest payable	<b>12,098</b>	12,098	<b>12,098</b>	12,098
Taxation and social security costs	<b>82,450</b>	147,911	<b>65,341</b>	105,136
Deferred income	<b>30,933</b>	-	<b>5,053</b>	-
Accruals	<b>63,635</b>	57,250	<b>63,635</b>	57,250
Provisions	<b>40,743</b>	-	<b>40,743</b>	-
Loan	<b>72,154</b>	700,000	<b>72,154</b>	700,000
	<b>544,803</b>	1,424,053	<b>451,641</b>	1,157,682

Deferred income relates to portions of grants made for charitable activities which will be recognised in future periods when the cost is incurred for the charitable activities for which these grants were made.

**15. b) CREDITORS: Amounts falling due after more than one year**

	<b>Group 2020</b>	Group 2019	<b>Charity 2020</b>	Charity 2019
	£	£	£	£
Loan	<b>1,370,917</b>	1,443,071	<b>1,370,917</b>	1,443,071

Of this loan balance, there are loan repayments of £505,075 payable in 1-5 years, with the remaining balance due in 6-10 years.

## 16. GROUP FUNDS

a) Current year	Balance at 1 January 2020	Income	Expenditure	Transfers	Other recognised gains/losses	Balance at 31 December 2020
	£	£	£	£	£	£
<b>Restricted funds</b>						
Overseas property fund	2,901,826	-	(370,965)	502	106,409	<b>2,637,772</b>
Rwanda	121,875	883,677	(766,472)	-	-	<b>239,080</b>
Rwanda: funded by FCDO*	-	1,189,370	(1,189,370)	-	-	-
South Africa	-	363,766	(333,766)	9,943	(9,943)	<b>30,000</b>
Sudan	-	68,994	(68,994)	-	-	-
Bosnia and Herzegovina	350,365	166,987	(274,924)	-	-	<b>242,428</b>
Bulgaria	78,590	441,330	(469,906)	-	-	<b>50,014</b>
Moldova and Transnistria	127,585	425,145	(308,642)	-	-	<b>244,088</b>
Romania	56,375	3,755,032	(1,638,963)	(1,239,577)	(9,389)	<b>923,478</b>
Latin America	-	128,436	(128,436)	-	-	-
India	54,965	346,687	(262,858)	-	-	<b>138,794</b>
Nepal	-	565,808	(342,126)	-	-	<b>223,682</b>
Global Advocacy	-	248,650	(248,650)	-	-	-
<i>Sub-total</i>	<b>3,691,581</b>	<b>8,583,882</b>	<b>(6,404,072)</b>	<b>(1,229,132)</b>	<b>87,077</b>	<b>4,729,336</b>
<b>Unrestricted fund</b>						
Designated funds						
<i>Fixed assets fund</i>	78,996	-	-	(11,008)	(237)	<b>67,751</b>
General fund	804,397	3,562,917	(3,873,249)	1,240,140	62,296	<b>1,796,500</b>
<i>Sub-total</i>	<b>883,393</b>	<b>3,562,917</b>	<b>(3,873,249)</b>	<b>1,229,132</b>	<b>62,059</b>	<b>1,864,251</b>
<b>Total funds</b>	<b>4,574,974</b>	<b>12,146,799</b>	<b>(10,277,321)</b>	<b>-</b>	<b>149,136</b>	<b>6,593,587</b>
b) Previous Year	Balance at 1 January 2019	Income	Expenditure	Transfers	Other recognised gains/losses	Balance at 31 December 2019
	£	£	£	£	£	£
<b>Restricted funds</b>						
Overseas property fund	3,416,072	-	-	(261,160)	(253,086)	<b>2,901,826</b>
Rwanda	-	477,056	(355,181)	-	-	<b>121,875</b>
Rwanda: funded by FCDO	-	779,214	(779,214)	-	-	-
South Africa	-	273,105	(273,105)	10,820	(10,820)	-
Sudan	-	75,368	(75,368)	-	-	-
Bosnia and Herzegovina	460,540	381,825	(492,000)	-	-	<b>350,365</b>
Bulgaria	173,570	306,852	(401,832)	-	-	<b>78,590</b>
Moldova and Transnistria	-	438,256	(310,671)	-	-	<b>127,585</b>
Romania	102,705	3,235,708	(3,282,038)	123,541	(123,541)	<b>56,375</b>
Ukraine	-	91,434	(91,434)	-	-	-
India	54,965	242,011	(242,011)	-	-	<b>54,965</b>
Nepal	-	361,695	(361,695)	-	-	-
Global Advocacy	-	305,082	(305,082)	-	-	-
<i>Sub-total</i>	<b>4,207,852</b>	<b>6,967,606</b>	<b>(6,969,631)</b>	<b>(126,799)</b>	<b>(387,447)</b>	<b>3,691,581</b>
<b>Unrestricted fund</b>						
Designated funds						
<i>Fixed assets fund</i>	112,509	-	-	(33,513)	-	<b>78,996</b>
General fund	1,304,863	4,198,033	(4,858,811)	160,312	-	<b>804,397</b>
<i>Sub-total</i>	<b>1,417,372</b>	<b>4,198,033</b>	<b>(4,858,811)</b>	<b>126,799</b>	<b>-</b>	<b>883,393</b>
<b>Total funds</b>	<b>5,625,224</b>	<b>11,165,639</b>	<b>(11,828,442)</b>	<b>-</b>	<b>(387,447)</b>	<b>4,574,974</b>

\*This project is funded by the Foreign and Commonwealth Development Office under the UK Aid Match programme. The award was made for work transforming children's lives by creating a pathway for family and community living for children in institutional care in Rwanda and Uganda. 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 £502 from the general fund represents the release or increase in those restricted funds through acquisition of assets. Other recognised gains of £106,409 in this fund represent the impact of exchange rate movements.

### **Designated funds**

The fixed asset fund represents the net book value of unrestricted fixed assets. The transfer of £11,008 to the general fund represents the net impact of the acquisition of unrestricted fixed assets and depreciation charges. Other recognised losses of £237 in this fund represent the impact of exchange rate movements.

### **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. Expenditure on assets under development has been transferred to the general fund from the Romania restricted fund, together with the impact of exchange rate movements on the carrying value of these assets.

## **17. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

GROUP	Unrestricted funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2020	2020		2019	2019	
	£	£	£	£	£	£
Tangible fixed assets	67,749	2,637,772	2,705,521	78,996	2,901,825	2,980,821
Current assets	3,552,966	2,250,820	5,803,786	3,671,521	789,756	4,461,277
Current liabilities	(385,547)	(159,256)	(544,803)	(1,424,053)	-	(1,424,053)
Long term liabilities	(1,370,917)	-	(1,370,917)	(1,443,071)	-	(1,443,071)
	<b>1,864,251</b>	<b>4,729,336</b>	<b>6,593,587</b>	<b>883,393</b>	<b>3,691,581</b>	<b>4,574,974</b>

CHARITY	Unrestricted funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2020	2020		2019	2019	
	£	£	£	£	£	£
Tangible fixed assets	26,356	-	26,356	32,741	-	32,741
Current assets	1,167,507	1,671,185	2,838,692	1,527,277	733,380	2,260,657
Current liabilities	(385,547)	(66,094)	(451,641)	(1,157,682)	-	(1,157,682)
Long term liabilities	(1,370,917)	-	(1,370,917)	(1,443,071)	-	(1,443,071)
	<b>(562,601)</b>	<b>1,605,091</b>	<b>1,042,490</b>	<b>(1,040,735)</b>	<b>733,380</b>	<b>(307,355)</b>

**18. LEASE COMMITMENTS**

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

	Group 2020	Group 2019	Charity 2020	Charity 2019
	£	£	£	£
Expiry date:				
Within one year	13,788	30,124	4,335	17,340
One to five years	7,507	4,335	-	4,335
After five years	-	-	-	-

**19. FINANCIAL INSTRUMENTS**

Financial assets that are debt instruments measured at amortised cost:

	Group 2020	Group 2019	Charity 2020	Charity 2019
	£	£	£	£
Other debtors	512,585	1,396,906	368,194	1,117,553
Short term bank deposits and cash resources	2,718,886	1,321,613	2,408,644	1,001,770

Financial liabilities measured at amortised cost:

	Group 2020	Group 2019	Charity 2020	Charity 2019
	£	£	£	£
Trade creditors	86,627	250,734	57,795	125,286
Other creditors	95,121	118,081	73,780	19,933
Grants payable	61,042	137,979	61,042	137,979
Interest payable	12,098	12,098	12,098	12,098
Accruals	63,635	57,250	63,635	57,250
Loans	1,443,071	2,143,071	1,443,071	2,143,071

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

	2020	2019
	£	£
<b>Reconciliation of net income to net cash flow from operating activities</b>		
<b>Net income/(expenditure)</b>	<b>1,869,478</b>	<b>(662,804)</b>
Depreciation charge	347,493	361,286
Loss on disposal of fixed assets	7,044	-
Donation of Family-Type Homes to Local Authorities	422,977	342,989
Loss on disposal of overseas properties	80,364	58,627
Interest receivable	(1,461)	(2,810)
Interest payable	28,861	28,861
(Increase)/decrease in stock	(28,278)	42,884
Decrease/(Increase) in debtors	971,325	(599,605)
(Decrease)/Increase in creditors	(251,403)	158,962
<b>Net cash supplied by/(used in) operating activities</b>	<b>3,446,400</b>	<b>(271,610)</b>

**21. ANALYSIS OF CHANGES IN NET DEBT**

	At 1 January 2020 £	Cash Flows £	Change in loan value due in one year £	Foreign Exchange Movement £	At 31 December 2020 £
Cash	1,321,613	1,416,582	-	(19,309)	2,718,886
Loans falling due within one year	(700,000)	700,000	(72,154)	-	(72,154)
Loans falling due after more than one year	(1,443,071)	-	72,154	-	(1,370,917)
<b>Total Net Debt</b>	<b>(821,458)</b>	<b>2,116,582</b>	<b>-</b>	<b>(19,309)</b>	<b>1,275,815</b>

**22. SUBSIDIARY UNDERTAKINGS**

Hope and Homes for Children – Romania, Hope and Homes for Children – South Africa and One Child One Family HHCSA 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 2017/489514/08) 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.

Hope and Homes for Children – South Africa is dormant and therefore exempt from consolidation under section 394a of the Companies Act 2006.

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

	2020 £	2019 £
Assets	<b>5,570,494</b>	5,037,039
Liabilities	<b>(93,162)</b>	(185,403)
Funds	<b>5,477,332</b>	4,851,636
Income	<b>3,596,893</b>	4,037,551
Expenditure	<b>(2,971,197)</b>	(4,048,247)
Surplus/(Deficit)	<b>625,696</b>	(10,696)

Summary of the results of One Child One Family HHCSA:

	2020 £	2019 £
Assets	<b>73,766</b>	58,133
Liabilities	-	-
Funds	<b>73,766</b>	58,133
Income	<b>376,838</b>	533,333
Expenditure	<b>(361,205)</b>	(512,274)
Surplus/(Deficit)	<b>15,633</b>	21,059

**22. CAPITAL COMMITMENTS**

	<b>Group 2020</b>	Group 2019	<b>Charity 2020</b>	Charity 2019
	£	£	£	£
Homes and services for beneficiaries	<b>460,033</b>	428,854	-	-

**23. POST BALANCE SHEET EVENTS**

The Trustees and management team continue to actively manage the impact of COVID-19 as detailed in the Trustees' Report and the Going Concern statement in Note 1. There have been no material changes in activity since the balance sheet date.