

The Smiles Foundation
Charity



Reg. Charity No. 1087961

Report and Financial Statements

For the year ended

31st December 2020

The Smiles Foundation

For the year ended 31st December 2020

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The Smiles Foundation

Legal and Administrative Information **For the year ending 31 December 2020**

Charity Name	The Smiles Foundation
Charity Number	1087961
Trustees	K. D. Hoy (Chairman) B. McKee M. Wildsmith N. Adams G. Cowan
Registered Office	153 Beeston Road Leeds LS11 6AW
Independent Examiner's	Samantha Sutcliffe F.C.C.A. Torevell Dent Limited Chartered Certified Accountants Centre of Excellence Hope Park Trevor Foster Way Bradford BD5 8HH
Solicitor	Clarion Solicitors Britannia Chambers 4 Oxford Place Leeds LS1 3AX England
Bankers	Lloyds Bank plc 65-68 Briggate Leeds LS1 6LH

The Smiles Foundation

Report of the Trustees **For the year ended 31st December 2020**

The Trustees present their Report and Financial Statements for the year ended 31st December 2020.

Status

The Smiles Foundation was constituted by a Declaration of Trust dated 8th May 2001 and registered as a charity on 10th August 2001 under charity number 1087961.

Objectives

The objectives of the Charity are:-

- a) To promote the Gospel of Jesus Christ through word and deed, as taught in the New Testament of the Holy Bible.
- b) To relief of the implications of war, famine and natural disaster.
- c) To provide food, housing and living assistance to men, women and children.
- d) To instigate projects that provide self-help and employment opportunities for the unemployed, refugees and those with educational deficiencies who find employment difficult.
- e) To support educational and cultural developments through the provision of facilities, staff and materials
- f) To encourage the young and old to Smile and know they are not forgotten, but loved and cared for to ensure them a better life.

The Trustees served in a voluntary capacity receiving no direct remuneration for their efforts, nor have claimed any expenses to which they would not be entitled by way of reimbursement for 'out of pocket' expenses.

Trustees must have a heart for the charity and are recommended and appointed by existing trustees. Training is given within the guidelines of the Charities Commission.

Trustees

The trustees who served during the year were:-

K. D. Hoy (Chairman)
B. McKee
M. Wildsmith
N. Adams
G. Cowan

The Smiles Foundation

Report of the Trustees **For the year ended 31st December 2020 (continued)**

Review of Activities

During the 2020 year, the Charity continued its promotion, to the best of its ability, as an organisation committed to the Objects stated in the Declaration Deed dated May 8th, 2001.

Inevitably, these efforts were seriously hampered by the impact of the Covid Pandemic, which took serious affect in March 2020 and continued most of the year, with only short breaks in lockdown and other restrictions that limited our activities.

The Charity's work continued to be focused exclusively in Romania, and to develop its infrastructural projects to bring long-term relief to the Romanian people, with many still living in poverty.

The impact of the Pandemic Restrictions imposed, saw several projects shut down such as Churches, School, Nursery, After-School projects and in the case of our major activity with Residential Care Homes, they faced lockdown from internal perspective, meaning staff had to maintain 2 week shifts in the building, not allowed to leave and no visitors allowed in. This was an extremely stressful period.

Mission Teams also cancelled one after another as International Travel stopped. Loss of teams throughout the year meant substantial loss of income and several practical projects 'earmarked' for Mission teams were postponed.

Disappointingly, after the investment and official opening of Dezna Outreach Centre in 2019, a full season of Camps planned were all cancelled. Another significant loss to the Charity.

As a result of the Pandemic and subsequent restrictions, some projects closed and did not reopen. The Tileagd Community School, started in 2003 – now operating out of the Tileagd Complex, closed in June at the end of the official academic year, even though school had rarely met since March and the decision was taken not to reopen in September – so 2020 was the final year of Smiles Community School in Tileagd.

The Nursery continued and whilst it also had an intermittent schedule due to restrictions, it was decided to maintain the project and so continues for the foreseeable future with regular assessments each year.

During the year, with considerably less activity than normal, the opportunity was taken to consider a Strategic Review of Operational procedures for the entire Work in Romania.

The Chief Executive presented the Review after several months of consideration which proposed to stop focusing on Smiles Clubs and establish Smiles Pillars. A streamlining that would see 5 Clubs serving around 20 projects, cut to 4 Pillars covering 13 projects. Some projects merged such as Family Care, Homeless and Gypsy Communities – became Outreach Pillar – Communities, School, Nursery and After-School projects became Missions Pillar – Education. And such like.

The proposal was fully adopted by the Trustees and was launched to the Public and Donors on January 1st, 2021.

The Smiles Foundation

Report of the Trustees **For the year ended 31st December 2020 (continued)**

Review of Activities continued

Part of the consolidation involved Retail, Farm and Glasshouse which officially became Enterprise Pillars serving an expanded production exclusively through the Glasshouse. Whilst lockdown and closure of shops had a negative impact on Sales for 2020, the market was picking up from October onwards and confidence in a positive future is held.

This consolidation enabled us to consider Sale of the Farmland, a contract for which was secured in November 2020, but payment will not be received until a final payment due by 2024. Basically, the sale price will be paid in three steps in December 2021, 2022, and 2023.

Such sale of property and other assets continued, which provided a capital fund in Romania towards the new project that had been under consideration but finally agreed in principle during 2020.

Sunset House, Cihei – will be a state-of-the-art facility built on Cihei land Smiles already own, providing a 60-bed Residential Facility. With a minimum budget anticipated of £1.5million – investigations would begin in assessing the market for both need of the facility and ability to raise the funds. Further significant progress is expected in 2021.

With reduction in projects and continuing slower than hoped for recovery from the Pandemic – staff numbers dropped during the year to approximately 100 Romanian nationals.

The administrative and financial staff in Romania continued to do an excellent job. Maria Hava (Director of Missions), Adi Matis (Director of Outreach) and Simona Tosity (Director of Enterprise) continued under the leadership of Kevin Hoy (CEO), to maintain the management and control of the organisation's projects. The 4-person team is known as the Executive Management in Romania.

International development, with a focus on the USA, took a negative hit as the CEO's 3 week visit to America in March 2020 was cancelled after 36 hours of arrival in America, due to Covid Travel Restrictions. In the UK, no travel presentations were possible.

In the hope 2021 would be a considerably better year, work is planned for the year ahead, continuing our focus through both the established and newer projects.

Results

Full details of the financial transactions are contained in the attached accounts.

Total incoming resources were £420,856 (2019: £474,936) total resources expended were £346,425 (2019: £483,983) leaving an increase in resources of £74,431 (2019 decrease in resources of £9,047).

Further details are shown on page 8 of the financial statements.

The Smiles Foundation

Report of the Trustees **For the year ended 31st December 2020 (continued)**

Future Developments

As a result of the significant and adverse impact of the Covid Pandemic in 2020, some of our hopes for Future Development could not materialise. It is therefore hoped we will see better progress and development within the Pillars of Missions, Outreach, Residential and Enterprise during 2021. This would specifically be for Emergency Housing in Missions, Dezna Camps in Outreach, Sunset House in Residential and Increase Sales for Enterprise. If the world Pandemic impact eases, we have many developments within the Projects to develop.

Reserves Policy

The Trustees, are working towards a policy to whereby the unrestricted funds, not committed or invested in tangible assets ('the free reserves') held by the charity should be between 1 and 3 months of the resources expended, which equates to £50,000 to £150,000 in general funds. At the proposed reserves level, the Trustees recognise the need to continue to attract major funding in order to maintain activities.

Investment Policy

The Trustees have considered the most appropriate policy for investing funds. Short term reserves will be held in the Trustees' interest-bearing bank account. Future long-term reserves will be held in accounts designed for the charity sector, with the requirement to generate income and/or capital growth.

Risk Review

The Trustees have conducted their own review of the major risks to which the charity is exposed, and systems have been established to mitigate those risks. Significant external risks to funding have led to the development of a strategic plan which will allow for the diversification of funding and activities. Internal risks are minimised using professional consultants, and the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the charitable company. The procedures are periodically reviewed to ensure they still meet the needs of the charity.

The Smiles Foundation

Report of the Trustees

For the year ended 31 December 20 (continued)

Responsibilities of the Trustees

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the Trustees should follow best practice and:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent; and
- State whether applicable accounting standards and statements of Recommended Practice have been followed, subject to any departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charity will continue on that basis.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Approved by the Trustees on the 23rd September 2021 and signed on their behalf by:



.....
K. D. Hoy
Chair of Trustees

The Smiles Foundation

Statement of Financial Activities
For the year ended 31st December 2020

	Notes	Unrestricted Funds 2020 £	Restricted Funds 2020 £	Total Funds 2020 £	Total Funds 2019 £
Income and Endowments from					
Donations and legacies		269,139	-	269,139	232,170
Activities for generating funds		755	-	755	1,278
Charitable activities		150,962	-	150,962	241,488
		-----	-----	-----	-----
Total income		420,856	-	420,856	474,936
		=====	=====	=====	=====
Expenditure on					
Raising funds		2,376	-	2,376	4,222
Charitable activities	2	342,174	-	342,174	477,886
Other		1,875	-	1,875	1,875
		-----	-----	-----	-----
Total expenditure		346,425	-	346,425	483,983
		=====	=====	=====	=====
Net movement of funds		74,431	-	74,431	(9,047)
Total funds brought forward		(11,835)	-	(11,835)	(2,788)
		-----	-----	-----	-----
Total funds carried forward		62,596	-	62,596	(11,835)
		=====	=====	=====	=====

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

The notes on page 11 to 13 form part of these financial statements.

The Smiles Foundation

Balance Sheet
at 31 December 2020

	Notes	2020	2019
		£	£
Fixed Assets	3	500,000	500,000
		-----	-----
Current Assets			
Debtors	5	13,268	18,959
Bank		16,964	-
		-----	-----
		30,232	18,959
 Creditors: amount falling due within one year			
	6	(12,309)	(20,920)
		-----	- ----
Net Current Assets/(Liabilities)		17,923	(1,961)
		-----	-----
 Creditors: amounts falling due over more than one year			
	7	(455,300)	(509,874)
		-- ----	- ----
Total Net Liabilities			
Unrestricted – General fund		62,596	(11,835)
		=====	=====
 Funds of the Charity			
Unrestricted – General fund		62,596	(11,835)
Restricted – Income funds		-	-
		-----	-----
Total Charity Funds		62,596	(11,835)
		=====	=====

The financial statements were approved by the Trustees on the 23rd September 2021 and signed on their behalf by:-



.....
K. D. Hoy
Chair of Trustees

The notes on page 11 to 13 form part of these financial statements.

The Smiles Foundation

Statement of Cash flows

For the year ended 31st December 2020

	2020 £	2018 £
Cash flows from operating activities:		
<i>Net cash provided by (used in) operating activities as below</i>	80,122 =====	(12,378) =====
Cash flows from investing activities:		
Purchase of property, plant & equipment	-	-
Proceeds from sale of property, plant & equipment	-	-
	-----	-----
<i>Net cash provided by (used in) investing activities</i>	- =====	- =====
Cash flows from financing activities:		
Repayments of borrowing	(82,583)	(80,027)
Cash inflows from new borrowing	28,830	54,000
	-----	-----
<i>Net cash provided by (used in) financing activities</i>	(53,753) =====	(26,027) =====
<i>Change in cash and cash equivalents in the reporting period</i>	26,369	(38,405)
Cash and cash equivalents at the beginning of the reporting period	(9,405)	29,000
	-----	-----
Cash and cash equivalents at the end of the reporting period	16,964 =====	(9,405) =====
Reconciliation of net income/(expenditure) to net cash flow from operating activities:		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	74,431	(9,047)
Adjustments for:		
Depreciation charges	-	-
Loss on sale of fixed assets	-	-
(Increase)/decrease in debtors	5,691	(3,331)
Increase in creditors	-	-
	-----	-----
	80,122 =====	(12,378) =====

The Smiles Foundation

Notes of the Financial Statements **For the year ended 31st December 2020**

1. Accounting policies

a) Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice. Accounting and Reporting by Charities 2005. The accounts are prepared under the historical cost convention and are in accordance with Charities SORP (FRS 102).

b) Going concern

As stated on page 7, the accounts have been prepared on a going concern basis. This is dependent on the continued support of the loan creditors shown in Note 7 to the accounts.

c) Fund accounting

Unrestricted funds are corporate funds, which as such are available for use or retention at the discretion of the trustees in accordance with the Trust's objects.

Restricted funds are trust funds subject to specific restrictive conditions imposed by the donor or by the declared purpose in appeals literature.

d) Incoming Resources

All income is accounted for on a receivable basis. Any general purpose grants whose use is restricted by the grant or to some future accounting period are accounted for as deferred income until the restriction has been satisfied.

e) Resources expended

All expenditure is accounted for on an accrual's basis and, where incurred directly to further the Trust's charitable objects, is shown as project direct costs under the heading of charitable expenditure.

f) Taxation

The charity is registered with the Charities Commission and is not subject to taxation on its normal activities.

2. Resources expended on charitable activities

	2020	2019
	£	£
Project support costs	303,027	440,995
Travelling expenses	1,619	1,106
Office administration	34,139	33,030
Bank charges and interest	3,389	2,755
	-----	-----
	342,174	477,886
	=====	=====

The Smiles Foundation

Notes to the Financial Statements
For the year ended 31st December 2020

	2020	2019
3. Investments	£	£
Loans to Sminro SRL	500,000 =====	500,000 =====

Sminro SRL is a wholly owned subsidiary of (Asociatia Smiles) a Charity registered in Romania.

	2020	2019
4. Net incoming resources for the year this is stated after charging:-	£	£
Independent examiner's fees	1,875 =====	1,875 =====

	2020	2019
5. Debtors	£	£
Gift Aid	13,268 =====	18,959 =====

	2020	2019
6. Creditors: amounts falling due with one year	£	£
Accruals	1,875	1,875
Bank overdraft and loan	10,434	19,045
	-----	-----
	12,309 =====	20,920 =====

The Smiles Foundation

Notes to the Financial Statements **For the year ended 31st December 2020**

	2020	2019
7. Creditors: amounts falling due over more than one year	£	£
Loans	451,561	494,881
Bank Loan	3,766	14,993
	-----	-----
	455,327	509,874
	=====	=====

8. Security

The bank overdraft and bank loan are guaranteed personally by K.D. Hoy. Loans are not secured. As at 31st December 2020 interest free loans totalling £74,137 were outstanding to K. D. Hoy (2019: £101,337)

The Smiles Foundation

Independent Examiner's Report to the Trustees of the Smiles Foundation **For the year ended 31st December 2020**

I report to the Trustees on my examination of the accounts of The Smiles Foundation for the year ended 31st December 2020 which are set out on pages 8 to 13.

Responsibilities and basis of report

The Charity's Trustees are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act')

I report in respect of my examination of the accounts carried out under section 145 of the 2011 Act and in carrying out my examination I have followed all the applicable directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent Examiner's Statement

I confirm that I am qualified to undertake the examination because I am a member of The Association of Chartered Certified Accountants, which is one of the listed bodies.

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

In connection with my examination, no matter has come to my attention:

1. Accounting records were not kept in respect of the Charity as required by section 130 of the Act; or
2. The accounts do not accord with those records; or
3. The accounts do not comply with the applicable requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view which is not a matter considered as part of an independent examination'

I have no other concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

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Samantha J Sutcliffe F.C.C.A.
Torevell Dent Limited
Chartered Certified Accountant
Centre of Excellence
Hope Park
Trevor Foster Way
Bradford
BD5 8HH
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