

The Smiles Foundation
Charity



Reg. Charity No. 1087961

Report and Financial Statements

For the year ended

31st December 2021

The Smiles Foundation

For the year ended 31st December 2021

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The Smiles Foundation

Legal and Administrative Information **For the year ending 31 December 2021**

Charity Name	The Smiles Foundation
Charity Number	1087961
Trustees	K. D. Hoy (Chairman) B. McKee M. Wildsmith N. Adams G. Cowan I. Steenson (appointed 15 th June 2021)
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 2021**

The Trustees present their Report and Financial Statements for the year ended 31st December 2021.

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
I. Steenson

The Smiles Foundation

Report of the Trustees **For the year ended 31st December 2021 (continued)**

Review of Activities

The first half of the 2021 year, continued to face severe impact from the Covid Pandemic. It was July before the easing of restrictions allowed projects to resume, but of course not all. The Board of Trustees was strengthened by Ian Steenson joining which added depth to knowledge and understanding of Construction projects. Ian was appointed June 15th, 2021.

Some projects, such as, the Tileagd Nursery and various After-School programmes, had already started their summer break. Caution amongst the people also prevented Dezna Outreach Centre getting up to speed quickly. It was clearly going to take longer for confidence to return.

Mission Trips were also slow, as considerable planning is generally required for a Mission Trip, and people did not know when restrictions on travel would ease, so no advance bookings were made. The first team came in August, a few more in October and December but overall, a very difficult year for Mission Trips.

The Glasshouse recovered quicker than many projects, having taken the greatest hit a year earlier when shops were first closed in the initial lockdown. With shops closed, orders for plants were put on hold, so an improved situation was experienced in 2021 but it seemed caution was still being expressed by the wholesale buyers.

The main area we felt we could confidently expand now out of Covid restrictions, was the Outreach team, so we started advertising for placements towards the end of the year, hoping we could get the team in place by early 2022.

It is felt that the new Pillar Structure put in place from January 1st, 2021 was very well received by the sponsors and also helped operational procedure in Romania. So, we are very pleased with the progress on this front.

Wherever possible, we continued to consolidate assets through the sale of properties and land, that no longer formed a part of the future strategy. The Sale of the Farmland was concluded as hoped and the first instalment for payment received in December 2021. Further payments are due December 2022 and December 2023. This and other asset sales contributed to the capital fund towards Sunset House which was approved by the Trustees to proceed during the previous year. Contracts were finalised with the Architect and Engineers for Sunset House, with an anticipated Construction Budget of £2.5 million which includes a £200,000 contingency fund, but actual final costs would not be known until tenders were received which arrived in December 2021. These quotations would form the basis of the promotion campaign for the project, to be launched in January 2022.

With reduction in projects and a slower than hoped for recovery from the Pandemic – staff numbers dropped during the year to approximately 100 Romanian nationals. Efforts to recruit in required areas at the residential facilities proved difficult, either due to lack of applications or higher remuneration wanted for the jobs offered. Lack of required staff adds pressure on those trying to fill the gaps, but a solution must be sought for hiring staff needed at a cost the project can justify.

The Smiles Foundation

Report of the Trustees

For the year ended 31st December 2021 (continued)

Review of Activities continued

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.

Management staff were rising to the needs in various projects, such as Carmen Pop at ECO and JFL plus Dani Faur at the Glasshouse. These both proved a great support in day-to-day duties that Simona Tosity is involved with.

International development, in the USA, took a negative hit in March 2020 when the CEOs' tour was cancelled due to Covid Travel Restrictions. In the UK, no travel presentations were possible. 2021 was slowly improving, but it was expected no USA trip would be possible until 2022. Likewise, pandemic restrictions significantly impacted travel options for Luke Wathen but it slightly improved towards the end of the year and would be significantly better in 2022 it is hoped.

Results

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

Total incoming resources were £337,505 (2020: £420,856) total resources expended were £252,282 (2020: £346,425) leaving an increase in resources of £85,223 (2020: £74,431).

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

Future Developments

The Charity's intention is to fully launch the new project, **Sunset House Cihei**, in early 2022 which will include a £2.5million fund raising campaign. This will be the project building a 60-bed Adult Residential Facility at the Romanian HQ site in Cihei. Residential Care will be for Elderly, Disabled and Vulnerable adults with up to a 3-year building plan, opening at the earliest in October 2024. Architect and Engineers are under consultation with Construction Companies tendering for the Contract. 2022 will be a significant year for the proposed Project.

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.

The Smiles Foundation

Report of the Trustees **For the year ended 31st December 2021 (continued)**

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 31st December 2021 (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 4th October 2022 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 2021

	Notes	Unrestricted Funds 2021 £	Restricted Funds 2021 £	Total Funds 2021 £	Total Funds 2020 £
Income and Endowments from					
Donations and legacies		259,674	-	259,674	269,139
Activities for generating funds		1,764	-	1,764	755
Charitable activities		76,067	-	76,067	150,962
		-----	-----	-----	-----
Total income		337,505	-	337,505	420,856
		=====	=====	=====	=====
Expenditure on					
Raising funds		1,622	-	1,622	2,376
Charitable activities	2	248,785	-	248,785	342,174
Other		1,875	-	1,875	1,875
		-----	-----	-----	-----
Total expenditure		252,282	-	252,282	346,425
		=====	=====	=====	=====
Net movement of funds		85,223	-	85,223	74,431
Total funds brought forward		62,596	-	62,596	(11,835)
		-----	-----	-----	-----
Total funds carried forward		147,819	-	147,819	62,596
		=====	=====	=====	=====

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

As at 31st December 2021

	Notes	2021	2020
		£	£
Fixed Assets	3	500,000	500,000
		-----	-----
Current Assets			
Debtors	5	11,040	13,268
Bank		33,297	16,964
		-----	-----
		44,337	30,232
Creditors: amount falling due within one year			
	6	(5,187)	(12,309)
		-----	-----
Net Current Assets/(Liabilities)		39,150	17,923
		-----	-----
Creditors: amounts falling due over more than one year			
	7	(391,331)	(455,327)
		-----	-----
Total Net Liabilities			
Unrestricted – General fund		147,819	62,596
		=====	=====
Funds of the Charity			
Unrestricted – General fund		147,819	62,596
Restricted – Income funds		-	-
		-----	-----
Total Charity Funds		147,819	62,596
		=====	=====

The financial statements were approved by the Trustees on the 4th October 2022 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 2021**

	2021 £	2020 £
Cash flows from operating activities:		
<i>Net cash provided by (used in) operating activities as below</i>	87,451 =====	80,122 =====
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	(72,118)	(82,583)
Cash inflows from new borrowing	1,000	28,830
	-----	-----
<i>Net cash provided by (used in) financing activities</i>	(71,118) =====	(53,753) =====
<i>Change in cash and cash equivalents in the reporting period</i>	16,333	26,369
Cash and cash equivalents at the beginning of the reporting period	16,964	(9,405)
	-----	-----
Cash and cash equivalents at the end of the reporting period	33,297 =====	16,964 =====
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)	85,223	74,431
Adjustments for:		
Depreciation charges	-	-
Loss on sale of fixed assets	-	-
(Increase)/decrease in debtors	2,228	5,691
Increase in creditors	-	-
	-----	-----
	87,451 =====	80,122 =====

The Smiles Foundation

Notes of the Financial Statements **For the year ended 31st December 2021**

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

	2021	2020
	£	£
Project support costs	209,789	303,027
Travelling expenses	-	1,619
Office administration	37,537	34,139
Bank charges and interest	1,459	3,389
	-----	-----
	248,785	342,174
	=====	=====

The Smiles Foundation

Notes to the Financial Statements
For the year ended 31st December 2021

	2021	2020
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.

	2021	2020
4. Net incoming resources for the year this is stated after charging:-	£	£
Independent examiner's fees	1,875 =====	1,875 =====

	2021	2020
5. Debtors	£	£
Gift Aid	11,040 =====	13,268 =====

	2021	2020
6. Creditors: amounts falling due with one year	£	£
Accruals	1,875	1,875
Bank overdraft and loan	3,312	10,434
	-----	-----
	5,187 =====	12,309 =====

The Smiles Foundation

Notes to the Financial Statements For the year ended 31st December 2021

	2021 £	2020 £
7. Creditors: amounts falling due over more than one year		
Loans	391,331	451,561
Bank Loan	-	3,766
	-----	-----
	391,331	455,327
	=====	=====

8. Security

The bank loan is guaranteed personally by K.D. Hoy. Loans are not secured. As at 31st December 2021 interest free loans totalling £46,137 were outstanding to K. D. Hoy (2020: £74,137)

The Smiles Foundation

Independent Examiner's Report to the Trustees of the Smiles Foundation **For the year ended 31st December 2021**

I report to the Trustees on my examination of the accounts of The Smiles Foundation for the year ended 31st December 2021 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.

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

4th October 2022